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bird talk

Economic and Political Briefing

IBON

Duterte's Midterm: Change for the Worse

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The administration of Pres. Rodrigo Duterte is at its three-year midpoint. The cultivated image of the president being overwhelmingly popular is endlessly repeated – as if this makes the strengthening of elitist rule, violating human rights, and losing sovereignty to foreign powers irrelevant. Yet the country's social, economic and political problems are as intractable as ever. They will become even more entrenched if the regressive economic agenda and authoritarian governance of the administration prevails unopposed.

Economic growth slowing since start of Duterte administration

Growth, as measured by gross domestic product, (GDP) has been falling virtually throughout the Duterte administration, and is falling further below the 7-8% target in the medium term of its Philippine Development Plan (PDP) 2017-2022.

Philippine Statistics Authority (PSA) data show GDP growth slowing virtually throughout the first 11 quarters of the administration – from 7.1% in the third quarter of 2016 to 5.6% in the first quarter of 2019. (**See Chart 1**) There was a momentary increase to 7.2% in the third quarter of 2017, but growth fell rapidly after this. Notably, economic growth was slowing long before the national government 2019 budget impasse and ban on infrastructure spending in the run-up to the midterm elections. It is also despite record levels of foreign investment – US$10.3 billion in 2017 and dropping slightly to US$9.8 billion in 2018. **(See Chart 2)**

The main reason for slowing growth has been the gradual fading out of the economy's gains in the last decade, which were from unsustainable short-term sources. The economy has yet to develop sustainable long-term drivers of growth. This means more vibrant agriculture, dynamic Filipino industry, and equitable distribution of economic gains. Also, the recent episode of rapid growth since 2009 has been mainly due to external factors that are now fading. Somewhat ominously, the last time the economy had sustained above-trend growth rates were in the late 1970s, which were followed by the economic collapse of the early 1980s and prolonged stagnation afterwards.

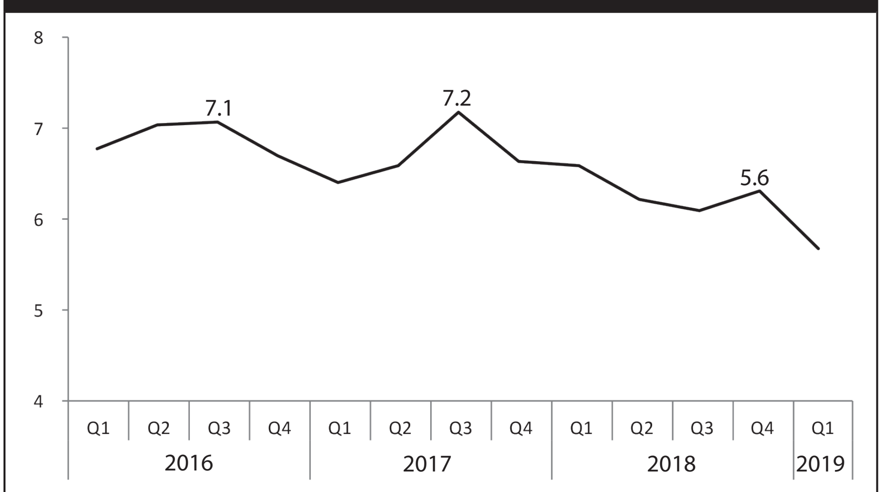
In the last decade, these external factors have been the low interest rate environment combining with overseas remittances and business process outsourcing (BPO) investments to drive a real estate and construction boom. The boom was magnified by consumption-driven multiplier effects in trade and transport for a virtuous, albeit transitory, cycle of growth.

Global and domestic interest rates fell to decades-lows in the aftermath of the 2008-2009 global financial and economic crisis. The world's central banks meanwhile adopted easy monetary policies to spur debt-driven investments. They however started to reverse this in 2016 with rate hikes picking up especially since 2017, which made debt-financing of investments more expensive. This is reflected in domestic interest rates, which were falling after 2008 but then rose steeply from 2017. (**See Chart 3**)

Ever cheaper credit provided the means to invest, but the compulsion to do so was in response to demand driven by growing overseas remittances and BPO investments. Overseas remittances were growing rapidly in the period 2002-2008 (averaging 15.5% annually), slowed after the 2008-2009 crisis in the period 2010-2016 (averaging 6.4% annually), and then slowed further in the period 2017-2018

Chart 1

GDP quarterly growth rate, 2016-2019 Q1 (in %)

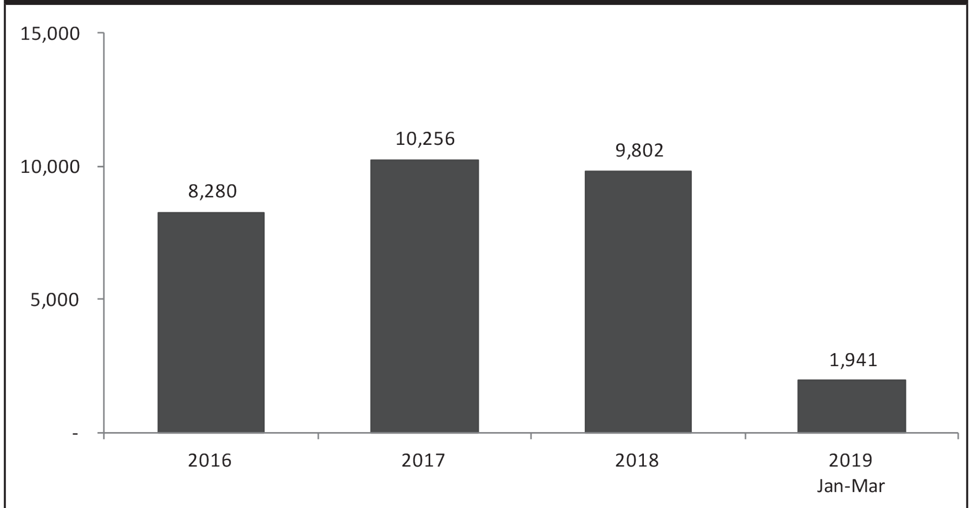


Source: Philippine Statistics Authority National Accounts of the Philippines (averaging 3.7% annually). (**See Chart 4**)

Measured by revenues, the BPO sector was also growing rapidly in the period 2005-2009 (averaging 43.0% annually), likewise slowed after the 2008 crisis in the period 2010-2016 (averaging a still high 15.0% annually), and then slowed further in the period 2017-2018 (averaging just 2.7% annually).

Chart 2

Foreign direct investments, 2016-2018 and January-March 2019 (in US$ million)

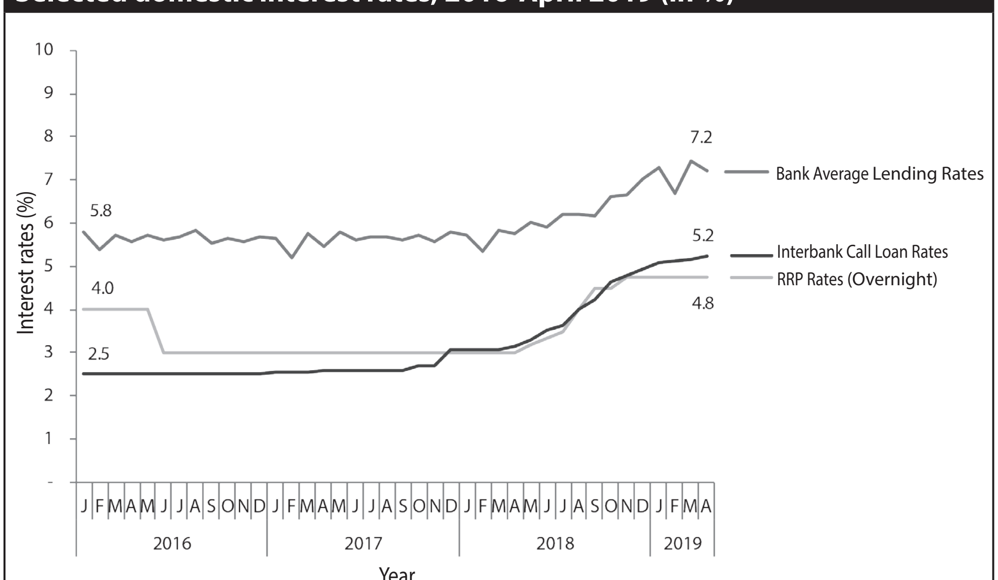


Source: Bangko Sentral ng Pilipinas

The combination of rising interest rates and further slowdowns in overseas remittances and BPO activity coincided with the Duterte administration's rise to power in 2016. By industry in the national accounts, their impact was felt in downturns in real estate, renting & business activities (including BPOs), construction, and trade in 2017. (**See Table 1**) By expenditure, there were big downturns in household consumption, exports of services (including BPOs), capital formation (including construction), and government spending. (**See Table 2**)

Chart 3

Selected domestic interest rates, 2016-April 2019 (in %)



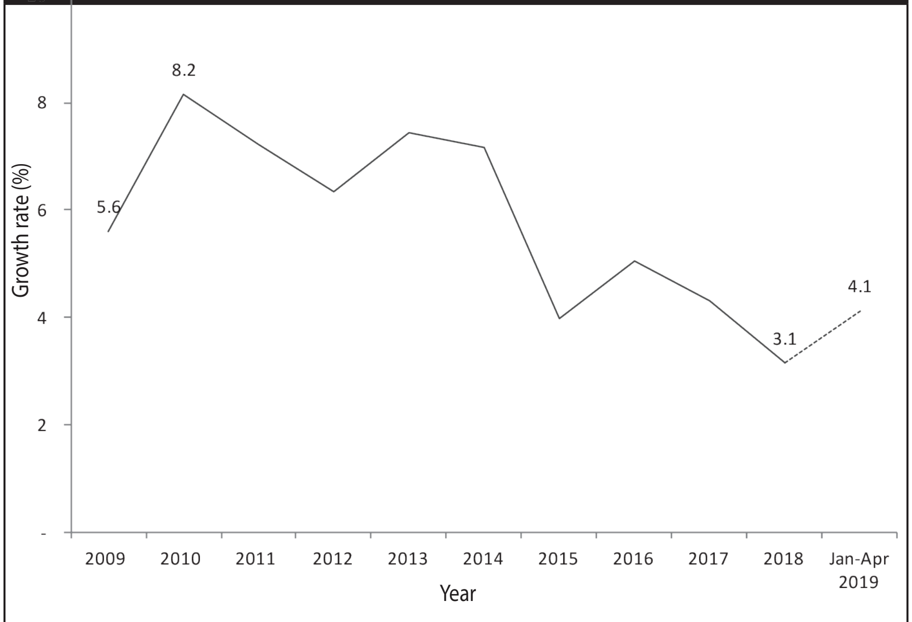
RRP - reverse repurchase rate
Source: Bangko Sentral ng Pilipinas

Rising interest rates are likely also a factor in the slowing growth of total bank loans from 17.3% growth in 2017 to 14.6% in 2018. (**See Table 3**) Bank loans were previously growing at an annual average of some 15.7% in the period 2011-2016.

The winding down of the economy's episode of relatively high growth due to over-reliance on external

Chart 4

Annual overseas remittance growth, 2009-2018 and January-April 2019 (in %)



Source: Bangko Sentral ng Pilipinas

factors points to the need for more substantial domestic demand-driven growth. This should be on the back of developed agriculture and Filipino industry. The Duterte administration's economic reforms however do not go in this direction. Instead, its 'catch-up plan' relies mainly on the short-term stimulus from a massive infrastructure offensive and increased spending on social programs. Over the medium-term, it is also relying on increased liberalization of investments.

Massive infrastructure investments not enough to avert economic slowdown

The government has been increasing spending on public infrastructure since the early part of the previous Aquino administration. But the Duterte administration's Build, Build, Build infrastructure offensive brings this to a more ambitious scale. The Public Investment Program (PIP) 2017-2022 spans 8,062 projects worth Php8.2 trillion (US$160 billion, at current exchange rates) including 75 flagship projects worth Php2.2 trillion (US$40.7 billion).

Public infrastructure outlays have greatly increased – from an annual average of Php291.7 billion over the period 2011-2016 (accounting for 14.6% of total disbursements) to Php686.2 billion over the period 2017-2018 (22.0% of total disbursements). (**See Table 4**) This includes Php803.6 billion accounting for 23.6% of disbursements in 2018. Infrastructure spending as a percent of GDP has correspondingly increased from 2.6% of GDP in the period 2011-2016 to 4.8% in 2017-2018, including a decades-high 5.1% of GDP in 2018. This was a major factor driving construction in the national accounts from 5.3% growth in 2017 to triple at 15.9% in 2018.

In 2017-2018, the bulk of infrastructure outlays were for road networks (52.7% of total), flood control (16.9%), school buildings (7.6%), and other buildings (6.9%) where these four items accounted for 84.1% of total infrastructure outlays. (**See Table 5**) Progress in the flagship 75 projects is slow though with just two completed and only nine ongoing.

National accounts data give an idea of the distribution of the infrastructure projects. Over the 2016-2017 period, the biggest concentration of gross value in public construction was in Pres. Duterte's home region of Davao (Region XI) accounting for 14.1% of the total, followed by Northern Mindanao (Region X, 9.0%) and Zamboanga Peninsula (Region IX, 8.6%). (**See Table 6**) Mindanao overall accounted for 41.4%, Luzon 38.7%, and the Visayas 19.9% of the total.

The increase in Davao is notable in almost doubling from 7.9% over the period 2010-2015 to 14.1% in 2016-2017. The increase in Davao's share was mostly at the expense of the National Capital Region (NCR), which saw its share falling from 12.4% to 4.4 percent. The shares of Cordillera Administrative Region (CAR), the southern Luzon regions, and the whole of the Visayas also fell although by much less. Close Duterte allies have reportedly been among the beneficiaries of the surge in Davao construction projects.

The increased infrastructure spending has apparently not been enough to offset growth dampeners – economic growth continued to slow in 2017 and further in 2018. The programmed increases until 2022 is even more substantial, but whether these will be enough to return even just momentarily to the high growth path of previous years remains to be seen.

An additional growth dampener is meanwhile looming with the International Monetary Fund (IMF) again downgrading its forecast for global economic growth. It reports a "significantly weakened global expansion" with some 70% of the global economy as measured by GDP experiencing a synchronized slowdown this 2019. This will be the most extensive synchronized slowdown since 2011.

In any case, infrastructure gains are only short-term and will not on their own substantially contribute to long-term growth and development. Much greater attention is needed on strengthening agriculture and domestic industry for the infrastructure to have longer-lasting impact.

The Metro Manila water service interruptions since the start of the year actually bring to mind the issue of how infrastructure decisions are made – specifically infrastructure for public utility services. The water supply of millions of consumers has been interrupted largely because of inadequate investments in the infrastructure needed to tap existing water sources. The government supposedly has a comprehensive multi-year infrastructure offensive. However the privatization framework of water services has stymied the necessary investment in water infrastructure with the decision to invest, or not to invest, being overly determined by calculations of the commercial profitability of these investments.

Table 1

National Accounts of the Philippines by industry group, 2016-2018 and 1st quarter 2019 (growth rates; at constant 2000 prices; in %)

Industry group	2016	2017	2018	1st quarter 2018-2019
1. Agriculture, Hunting, Forestry and Fishing	(1.2)	4.0	0.9	0.8
a. Agriculture, Hunting, Forestry	(0.6)	5.0	1.1	0.7
b. Fishing	(4.0)	(0.9)	(0.2)	1.5
2. Industry Sector	8.1	7.1	6.7	4.4
a. Mining and Quarrying	3.9	1.4	1.3	5.3
b. Manufacturing	7.1	8.4	4.9	4.6
c. Construction	12.1	5.1	14.9	3.9
d. Electricity, Gas and Water Supply	9.0	3.4	5.5	3.1
3. Service Sector	7.5	6.8	6.8	7.0
a. Transportation, Storage, and Communication	5.3	4.0	5.4	8.1
b. Trade and Repair of Motor Vehicles, Motorcycles, Personal and Household Goods	7.6	7.3	6.0	7.4
c. Financial Intermediation	7.9	7.6	7.2	9.8
d. Real Estate, Renting and Business Activities	8.9	7.4	4.7	4.1
e. Public Administration and Defense: Compulsory Social Security	7.1	8.7	15.2	9.7
f. Other Services	7.5	6.4	7.7	5.7
Gross Domestic Product	**6.9**	**6.7**	**6.2**	**5.6**
Gross National Income	**6.7**	**6.5**	**5.9**	**4.9**

Source: Philippine Statistics Authority National Accounts of the Philippines

Job creation at its lowest among post-Marcos administrations

The Duterte administration recently claimed that unemployment is at its lowest in 40 years, citing the reported 5.1% unemployment rate in the April 2019 round of the Labor Force Survey (LFS). (**See Table 7**) This is unfortunately incorrect. For one thing, the official definition of unemployment was changed in April 2005, which makes the April

Table 2

National Accounts of the Philippines by expenditure share, 2016-2018 and 1st quarter 2019 (growth rates; at constant 2000 prices; in %)

Expenditure share	2016	2017	2018	1st quarter 2018-2019
1. Household Final Consumption Expenditure	7.1	5.9	5.6	6.3
2. Government Final Consumption Expenditure	9.0	6.2	13.0	7.4
3. Capital Formation	24.5	9.4	13.2	6.8
a. Fixed Capital	26.1	9.4	12.9	5.7
i. Construction	13.1	5.8	13.6	5.0
ii. Durable Equipment	37.7	10.7	12.4	5.7
iii. Breeding Stock and Orchard Development	3.6	3.3	4.7	3.8
iv. Intellectual Property Products	33.9	32.4	21.9	13.8
4. Exports of Goods and Services	11.6	19.7	13.4	5.8
a. Export of Goods	10.7	20.9	14.6	6.1
b. Export of Services	15.3	15.1	8.9	4.9
5. Less: Imports of Goods and Non-Factor Services	20.2	18.1	16.0	8.3
a. Import of Goods	23.7	19.6	17.4	8.6
b. Import of Services	7.2	11.8	9.6	6.8
Gross Domestic Product	**6.9**	**6.7**	**6.2**	**5.6**
Gross National Income	**6.7**	**6.5**	**5.9**	**4.9**

Source: Philippine Statistics Authority National Accounts of the Philippines

Table 3

Philippine bank loans and NG outstanding debt, 2016-2018 (amount in Php million; as percentage of GDP in %)

Year	Total bank loans		NG outstanding debt	
	Amount (in Php million)	As % of GDP	Amount (in Php million)	As % of GDP
2016	6,706,311	46.3	6,090,262	42.1
2017	7,867,078	49.8	6,652,430	42.1
2018	9,017,780	51.7	7,292,500	41.8

GDP - gross domestic product
NG - national government
Sources: Bangko Sentral ng Pilipinas, Bureau of the Treasury, and Philippine Statistics Authority National Accounts of the Philippines

2019 figure incomparable with the 25 years of data before 2005.

More importantly, the change in definition drastically reduced the official unemployment rate and number of unemployed. This is because the change in definition meant that jobless Filipinos who have become discouraged from seeking work by tight labor market conditions or who happened to be unavailable to immediately take up work are no longer counted as unemployed. Rather, they are considered 'not in the labor force'. Such Filipinos were previously counted as unemployed and have to be counted because real trends using comparable figures are essential for policymaking.

In effect, the number of unemployed has not been reduced factually through an economy that is increasing employment substantially, but merely reduced statistically where millions of unemployed Filipinos are simply not counted as unemployed even if they have no work.

IBON's computations according to the original definition of unemployment for such comparability show that the real unemployment rate in 2018 is 10.1% and the real number of unemployed is a historically high 4.6 million. These are much worse than the already high 9.0% unemployment and 4.0 million unemployed in 2016, again computed according to the original definition. The number of unemployed Filipinos has increased by 615,000 since the start of the Duterte administration.

In contrast, officially released figures for 2018 significantly underreported an unemployment rate of only 5.3% and just 2.3 million unemployed. By the revised definition, unemployment fell by 62,000 between 2016 and 2018.

Table 4

Actual NG disbursements, total 2010-2015 and annual 2016-2018 (in Php billion)

Particulars	2010-2015	2016*	2017	2018
Current Operating Expenditures	**8,467.7**	**1,909.3**	**2,113.9**	**2,440.5**
Personnel Services	3,362.1	723.2	808.4	987.2
Maintenance and Other Operating Expenses	1,251.9	419.8	465.4	525.6
Subsidy	333.6	103.2	131.1	136.7
Allotment to LGUs	1,491.2	342.9	390.2	420.2
Interest Payments	1,840.0	304.5	310.5	349.2
Tax Expenditure	188.9	15.7	8.3	21.6
Capital Outlays	**1,898.7**	**624.7**	**714.1**	**963.1**
Infrastructure/Other Capital Outlays	1,480.4	493.0	568.8	803.6
Equity	50.3	11.7	5.4	4.0
Capital Transfers to LGUs	368.0	120.0	140.0	155.5
Net Lending	**94.5**	**15.3**	**(4.2)**	**4.9**
Total	**10,460.9**	**2,549.3**	**2,823.8**	**3,408.4**

* - The Local Government Support Fund was reclassified under the Allotment to LGUs and Capital Transfers to LGUs. This was previously treated as part of the NG MOOE.
LGU - local government unit
MOOE - Maintenance and Other Operating Expenses
NG - national government
Source: Department of Budget and Management NG Disbursement Performance Reports

The record real unemployment last year is a direct result of how only an annual average of 81,000 new jobs have been created since the start of the Duterte administration, from 41.0 million employed in 2016 increasing by 162,000 to 41.2 million in 2018. To put this into context and even granting that the administration is just at its midpoint, this is so far the worst employment generation among post-Marcos administrations. (**See Chart 5**)

The 162,000 increase in the number of employed is problematic. The most significant trend is the huge 1.1 million drop in agricultural employment – indicating serious agricultural backwardness. The largest increase in employment was in construction, although this was just by 487,000 despite the hyped infrastructure offensive. The next biggest increase was the 364,000 in public administration, followed by manufacturing with just 221,000 despite a so-called manufacturing resurgence.

The employment situation is seemingly much improved as of the latest April 2019 LFS round. Employment reportedly rose by 1.3 million to 42.2 million in April 2019 from the same period last year. More jobs and livelihoods are always welcome, but the apparent improvement needs to be unpacked to avert complacency.

There are unfortunately signs that a large portion of the increased employment is in informal sector work that is low-paying and volatile rather than in more permanent regular work. The 1.3 million net employment created is the result of 2.2 million new jobs less 829,000 lost (for brevity, taking employment and jobs to mean the same thing). (**See Table 8**)

By sector, most new jobs were created in trade (648,000) and transportation (380,000), which are sectors notorious for widespread informal work, followed by a large increase in public administration (295,000). There was meanwhile a huge drop in agriculture (507,000), manufacturing (101,000), and other service activities (149,000). The fall in manufacturing employment should be cause for alarm.

By class of worker, the most jobs created were in the categories self-employed without any paid employee (525,000) and unpaid family workers (523,000) – accounting for almost half of total new jobs created (48%). (**See Table 9**) These are mainly informal work and their intrinsic volatility is evident in how these categories swing from creating to losing hundreds of thousands of jobs on an almost year-to-year basis. In April 2018, for instance, they had instead lost 233,000 and 531,000 jobs respectively.

Table 5

Selected Infrastructure outlay items, total 2017-2018 and annual 2019 (in Php thousand)		
Particulars	**2017-2018**	**2019***
Land and Buildings Outlay	**119,564**	-
Investment Property-Buildings	119,564	-
Land Improvements Outlay	**14,886,599**	**5,510,001**
Aquaculture Structures	34,381	12,000
Reforestation Projects	13,049,767	4,174,785
Other Land Improvements	1,802,451	1,323,216
Infrastructure Outlay	**1,167,623,291**	**501,513,524**
Road Networks	774,323,236	342,126,033
Flood Control Systems	248,244,904	133,585,726
Sewer Systems	74,208	7,123
Water Supply Systems	17,019,543	5,404,411
Power Supply Systems	346,075	3,416,615
Communication Networks	368,525	103,581
Seaport Systems	8,509,167	1,309,210
Airport Systems	20,928,647	2,162,100
Parks, Plazas and Monuments	210,088	48,549
Other Infrastructure Assets	97,598,898	13,350,176
Buildings and Other Structures	**286,320,567**	**84,603,501**
Buildings	101,619,006	38,285,662
School Buildings	111,507,228	37,603,853
Hospitals and Health Centers	41,851,998	77,932
Hostels and Dormitories	1,473,191	493,230
Ground Water Monitoring Stations	29,304	15,600
Other Structures	29,839,840	8,127,224
Total	**1,468,950,021**	**591,627,026**

* - Figures are according to the cash-based budgeting of the General Appropriations Act.

Source: Department of Budget and Management Budget of Expenditures and Sources of Financing

These were followed by those who worked in private establishments (422,000) which also include much informal sector work. Those who worked for government or government corporations conspicuously grew by 399,000. The number of employers in own family-operated farms or business meanwhile fell by 372,000, likely reflecting mainly the drop in agriculture.

The domestic economy is not creating enough jobs for the growing population and labor force. Between 2016 and 2018, the population ages 15 years and above grew by 3.0 million. IBON estimates that the labor force increased by 936,000 in this period to 46.8 million; official government figures report an increase of just 100,000 to 44.5 million.

High real unemployment creates the objective conditions for undermining labor rights to decent work especially amid attacks on unionism. Employers are in effect combining surplus labor conditions with their influence over the institutional mechanisms of wage-setting to press low wages and flexibilization.

Real incomes are low and insufficient for decent living. The most recent figures on the average daily basic pay (ADBP) of wage and salary workers nationwide show this as virtually stagnant over the past 17 years. Adjusted for inflation, the reported ADBP of Php364 in January 2018 is a negligible 1.7% increase since 2001. (**See Chart 6**)

The Duterte administration is so far making the least frequent minimum wage hikes and lowest increases of all post-Marcos administrations. In the NCR, for instance, it has only given an average of one wage hike every 18 months. The frequency of previous administrations ranged from one every 16 months under Arroyo to one every 10 months under Ramos. Over its two wage hikes, it only increased the nominal value of the wage by 9.4% - compared to a range of 11.5% by Benigno Aquino III to 45.9% by Corazon Aquino over their respective first two wage hikes.

Inflation has increased the family living wage (FLW) needed for meeting basic needs to Php1,008 for a family of five and Php1,210 for a family of six in the NCR. (**See Table 10**) The NCR nominal minimum wage is just Php537, which means wage gaps of Php471 (47% shortfall for a family of five) and Php673 (56% for a family of six). The wage increases have neither kept up with the rising cost of living nor with the growing labor productivity.

Table 6

Gross value in public construction by region, total 2010-2015 and annual 2016-2017 (at constant 2000 prices, in Php million)

Region	2010-2015	2016	2017
Philippines	**729,794,375**	**190,044,389**	**214,216,645**
National Capital Region (NCR)	88,536,325	8,939,269	8,925,255
Cordillera Administrative Region (CAR)	33,567,312	4,629,396	6,302,995
Region I (Ilocos Region)	31,981,347	10,037,629	11,112,627
Region II (Cagayan Valley)	27,968,488	9,346,153	9,349,544
Region III (Central Luzon)	50,298,077	14,371,424	17,970,098
Region IV-A (CALABARZON)	37,765,492	6,353,093	6,817,874
Region IV-B (MIMAROPA)	35,558,782	6,863,598	8,973,589
Region V (Bicol Region)	49,295,866	12,436,229	13,918,120
Region VI (Western Visayas)	57,602,253	14,345,785	16,067,407
Region VII (Central Visayas)	61,539,090	15,876,550	14,405,754
Region VIII (Eastern Visayas)	39,905,625	9,203,721	10,368,672
Region IX (Zamboanga Peninsula)	43,533,299	20,307,393	13,935,561
Region X (Northern Mindanao)	52,152,668	18,203,062	18,130,141
Region XI (Davao Region)	58,574,520	20,301,794	37,670,330
Region XII (SOCCSKSARGEN)	42,296,289	12,366,804	12,695,992
Region XIII (Caraga)	18,915,032	6,374,420	7,445,629
Autonomous Region in Muslim Mindanao (ARMM)	303,910	88,068	127,056

Source: Philippine Statistics Authority National Accounts of the Philippines

Poor domestic employment prospects and low wages are the main drivers of overseas work, which has consistently been a political safety valve for economic discontent. For many years now, more Filipinos go abroad for work than new jobs are created locally. The latest data from the Philippine Overseas Employment Administration (POEA) reported an average of 5,773 Filipinos deployed abroad daily in the first semester of 2018. The figure is over two-and-a-half times more than the 2,250 new jobs created on average per day for the year.

Poverty underreported and inequality worsening

The administration is looking forward to possibly becoming an "upper-middle income" country by 2020. If this comes to pass, it will likely be hyped as yet another sign of economic progress. The GDP per capita basis according to the World Bank's definition is however an aggregate figure that obscures extreme income and wealth inequality in the country. Tens of millions of Filipinos will remain poor despite the "upper-middle income" tag.

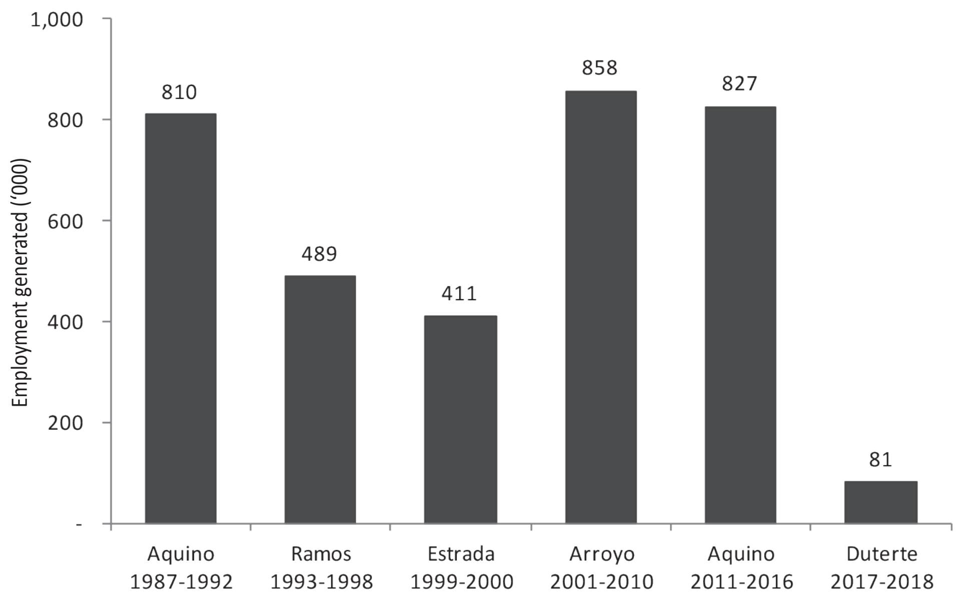
The latest PSA preliminary poverty statistics for the first semester of 2018 show a marked reduction from the same period in 2015**. (See Table 11)** The poverty incidence among families fell from 22.2% to 16.1%, and among individuals from 27.6% to 21.0 percent. The preliminary results do not yet give magnitudes, but assuming a 106.6 million population in 2018 implies some 22.4 million poor Filipinos, which is still significant.

Unfortunately, the supposed improvement is based on a daily per capita poverty threshold averaging just some Php69.50 nationwide and a daily per capita subsistence or food threshold of only some Php48.60 in the first semester of 2018. These are grossly underestimated thresholds that are not enough for meeting decent minimum standards for food, shelter, transportation, utilities, health care and education.

The government needs to upgrade its poverty and subsistence thresholds closer to decent standards to give a more accurate picture of the extent of poverty in the

Chart 5

Employment generation by administration, annual averages (in thousand)



Source: Philippine Statistics Authority Labor Force Survey

Table 7

Selected labor force statistics, 2016-2018 and April 2019 (population in thousands; rate in %)

Indicator	Official				IBON estimates			
	2016	2017	2018	Apr 2019 p	2016	2017	2018	Apr 2019 p
Total 15 years old and over	**68,311**	**69,896**	**71,340**	**72,538**	**68,311**	**69,896**	**71,339**	**72,538**
Labor Force	**43,361**	**42,776**	**43,461**	**44,529**	**44,863**	**44,975**	**45,799**	**46,754**
Employed	40,998	40,335	41,156	42,242	40,998	40,335	41,156	42,242
Underemployed	7,513	6,506	6,735	5,709	7,513	6,506	6,735	5,709
Unemployed	2,363	2,441	2,301	2,286	4,025	4,638	4,639	4,530
Not in the Labor Force	**24,950**	**27,120**	**27,878**	**28,010**	**23,448**	**24,921**	**25,540**	**28,010**
Participation Rate	63.5	61.2	60.9	61.4	65.7	64.3	64.2	64.5
Employment Rate	94.6	94.3	94.7	94.9	91.4	89.7	89.9	89.9
Underemployment Rate	18.3	16.1	16.4	13.5	18.3	16.1	16.4	16.4
Unemployment Rate	5.4	5.7	5.3	5.1	9.0	10.3	10.1	9.7

p - preliminary

Note: The official methodology for estimating unemployment rate was changed in 2005. Additional criteria to count as unemployed were added, which reduced the officially reported number of unemployed and the unemployment rate. IBON generates annual unemployment data from the Philippine Statistics Authority's regional level microdata on the Labor Force Survey using the original pre-2005 definition to make comparisons with previous periods possible.

Source: Philippine Statistics Authority Labor Force Survey

Table 8

Number of employed persons by industry, 2016 and 2018, and April 2018-2019 (in thousands)

Industry	2016	2018 ^{p}	Apr 2018	Apr 2019 ^{p}
Total Employed	**40,998**	**41,160**	**40,896**	**42,242**
Agriculture	**11,064**	**10,001**	**9,791**	**9,415**
Agriculture, hunting and forestry	9,801	8,875	8,688	8,181
Fishing	1,263	1,127	1,103	1,234
Industry	**7,159**	**7,845**	**8,039**	**8,109**
Mining and Quarrying	219	206	215	168
Manufacturing	3,404	3,625	3,645	3,544
Electricity, Gas, Steam and Air Conditioning Supply	91	88	101	109
Water Supply; Sewerage, Waste Management and Remediation Activities	68	61	64	67
Construction	3,378	3,865	4,014	4,221
Service	**22,775**	**23,314**	**23,066**	**24,717**
Wholesale and Retail Trade	8,039	7,994	7,905	8,553
Transport and Storage	3,038	3,219	3,177	3,557
Accommodation and Food Service Activities	1,777	1,728	1,645	1,892
Information and Communication	366	404	433	451
Financial and Insurance Activities	514	541	562	546
Real Estate	193	204	185	187
Professional, Scientific and Technical Activities	213	274	300	290
Administrative and Support Service Activities	1,371	1,586	1,585	1,711
Public Administration and Defense, Compulsory Social Security	2,196	2,560	2,512	2,807
Education	1,304	1,195	1,103	1,159
Human Health and Social Work Activities	502	517	543	564
Arts, Entertainment and Recreation	361	363	396	432
Other Service Activities	2,898	2,725	2,716	2,568
Activities of Extraterritorial Organizations and Bodies	3	3	4	*

^{p} - preliminary
* - less than 500,000
Source: Philippine Statistics Authority Labor Force Survey

country. The PSA estimates the poverty threshold by first computing a subsistence or food threshold and then mechanically multiplying this by a factor of around 1.43 – supposedly to account for non-food needs – to get the poverty threshold. There are problems with each step resulting in grossly underreported poverty.

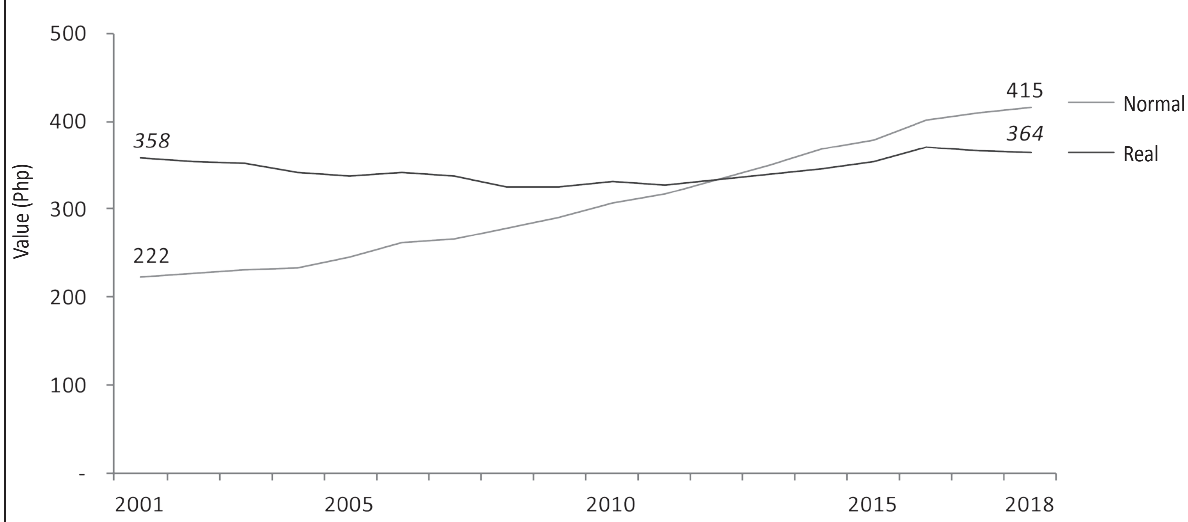
The subsistence food basket is estimated using 'least cost' and 'revealed preference' approaches. These result in extremely cheap regional food menus that, while technically meeting bare nutritional requirements, lack variety and more significantly are only hypothetically available to families.

The crude multiplier method used to calculate non-food items is also contentious. Estimating a budget for meeting families' numerous needs for shelter, transportation, utilities, health care and education is certainly difficult. The workaround adopted, however, overly simplifies the matter and is unable to account for rising costs of housing, public transport, water, electricity, medical treatment and medicines, and schooling.

IBON estimates based on Family Income and Expenditure Survey (FIES) data in 2015, for instance, found that the poorest 50% or 11.4 million families had monthly incomes of just Php15,000 or less, and the poorest 60% or 13.6 million families just some Php18,000 or less. Estimates of the proportion and magnitude of families at around those income levels in 2018 would give

Chart 6

Nominal and real average daily basic pay of wage and salary workers, 2001-2018* (real value in 2012=100; in Php)



*-as of January only

Source: Philippine Statistics Authority

Table 9

Employed persons by class of worker, 2016-2018 and April 2019 (in thousands)

Indicator	2016	2017	2018 p	Apr 2019 p
Total employed	**40,998**	**40,335**	**41,160**	**42,242**
Wage and salary workers	25,240	25,209	26,259	26,749
Worked for private household	2,096	1,925	1,947	1,812
Worked for private establishment	19,694	19,776	20,606	20,981
Worked with pay in own family-operated farm or business	132	119	130	106
Worked for government/ government corporation	3,317	3,388	3,575	3,851
Own account workers	**12,473**	**12,689**	**12,581**	**12,810**
Self-employed without any paid employee	11,097	11,198	11,090	11,665
Employer in own family-operated farm or business	1,376	1,491	1,491	1,145
Unpaid family workers (Without pay in own family-operated farm or business)	**3,285**	**2,437**	**2,320**	**2,683**

p - preliminary

Source: Philippine Statistics Authority Labor Force Survey

a better picture of the real state of deprivation of tens of millions of Filipinos than current official poverty statistics.

The 2018 second semester poverty results are still forthcoming and are needed before the final figures for poverty in 2018 can be made. Second semester poverty rates tend to be lower than the first semester figures, thus the full year figures will likely show a marked reduction in poverty between 2015 and 2018. But this will be based on an unreasonably low standard to be considered non-poor, which will disguise how tens of millions of Filipinos are not actually meeting minimum standards of well-being. On the other hand, setting a higher official poverty line would show both the government's greater sensitivity to the plight of the poorest Filipinos and its high level of ambition and commitment for poverty eradication.

Table 10

Daily wage indicators for the National Capital Region								
Period	Daily minimum wage (Php)	Real minimum wage (2012=100; in Php)	For a family of six members			For a family of five members		
			Estimated family living wage (Php)	Wage gap (Php)	Wage gap (%)	Estimated family living wage (Php)	Wage gap (Php)	Wage gap (%)
Jun 2016	491	468	1,077	586	54	897	406	45
Jun 2017	491	454	1,111	620	56	925	434	47
Jun 2018	512	447	1,175	663	56	979	467	48
Jun 2019	537	455	1,210	673	56	1,008	471	47

Sources: National Wages and Productivity Commission and Philippine Statistics Authority

In contrast to scant progress among the poorest tens of millions of Filipinos, the Duterte administration's economic policies have made a few oligarchs extremely wealthy. The net worth of the country's richest Filipinos and profits of the largest corporations continue to grow, in some cases even outpacing economic growth. **(See Table 12)** This concentration of income and wealth constitutes economic power that also translates into immense political influence and lobbying.

There are a few particular standouts illustrating the tight interaction of politics with big business in the Philippines as much as how undemocratic trends and regressing political institutions are irrelevant to corporate profits. The Duterte administration's Build, Build, Build infrastructure program is a key point of intersection. **(See Table 13)**

There is tycoon and former Senate president

Table 11

Poverty incidence among population and families, 2009, 2012, 2015 and 2018 (in %)

Indicator	2009	2012	2015	2018
Family				
Full year estimates	20.5	19.7	16.5	
First semester estimates			22.2	16.1
Population				
Full year estimates	26.3	25.2	21.6	
First semester estimates			27.6	21.0

Note: Full year estimates were computed using consumer price index (CPI) base year 2006, while first semester estimates CPI base year 2012.

Source: Philippine Statistics Authority Official Poverty Statistics

Table 12

Key indicators of individual and corporate wealth, 2016-2018

Indicator	2016	2017	2018
Net worth of richest Filipinos			
10 richest (in Php billion)	2,517	2,580	2,709
40 richest (in Php billion)	3,694	3,654	3,818
40 richest as % of GDP (in %)	25.5	23.1	21.9
Net income of corporations			
Top 100 corporations (in Php billion)	608.0	597.0	*nda*
Top 1,000 corporations (in Php billion)	1,239	1,331	*nda*
PSE-listed firms (in Php billion)	683	719	769
Gross revenue of conglomerates			
Top 50 conglomerates (in Php billion)	7,052	8,112	*nda*
Top 50 conglomerates as % of GDP (in %)	48.7	51.3	*nda*

nda - no data available

Sources: Forbes Philippines' 50 Richest, BusinessWorld Top 1000 Corporations in the Philippines Vols. 31-32, The Philippine Stock Exchange, Inc., and Philippine Statistics Authority National Accounts of the Philippines

Table 13

Solicited projects under implementation & unsolicited projects in pipeline as of February 2019

Proponent, Type of proposal, and Project name	Cost (Php billion)	Private proponent	Status
Eduardo Cojuangco and Ramon Ang	**2,219.1**		
Solicited Proposal	42.3		
NAIA Expressway Project	17.9	Vertex Tollways Development Inc. (VTDI)	Operational
Bulacan Bulk Water Supply Project	24.4	SMC-K Water Consortium	Under construction
Unsolicited Proposal	2,176.8		
Bulacan International Airport Project (New Manila International Airport)	735.6	San Miguel Holdings Corporation	Procurement
Manila Bay Integrated Flood Control, Coastal Defense and Expressway Project*	536.0	Coastal Development Consortium (San Miguel Holdings Corporation and New San Jose Bu ilders, Inc.)	For approval
Preservation and Development of Laguna de Bay Project*	905.1	San Miguel Holdings Corp (SMHC) and Muhibbah Engineering Philippines Corp (MEPC)	For approval
Aboitiz, Ayala, Gokongwei, and Pangilinan	**350.0**		
Unsolicited Proposal	350.0		
Ninoy Aquino International Airport Project	350.0	NAIA Consortium (Aboitiz Infra Capital, AC Infrastructure Holdings Corporation, Alliance Global Group, Asia's Emerging Dragon Corporation, Filinvest Development Corporation, JG Summit Holdings, Metro Pacific Investment Corporation)	Under evaluation
Manuel Villar	**213.3**		
Unsolicited Proposal	213.3		
LRT 6 Cavite Line A *	56.3	Prime Asset Ventures Inc. (PAVI)	For approval
Cavite LRT Line 6c and Sucat Line 6b Projects	157.0	Prime Asset Ventures Inc. (PAVI)	Under evaluation
Edgar Saavedra	**206.9**		
Solicited Proposal	206.9		
PPP for School Infrastructure Project (PSIP) Phase I	9.9	Bright Future Educational Facilities Inc. (Region I) and Citicore - Megawide Consortium Inc. (Region III and IV-A)	Operational
Mactan-Cebu International Airport (MCIA) Passenger Terminal Building Project	17.5	Grandhi Mallikarjuna Rao (GMR) Infrastructure and Megawide Consortium	Under construction
Clark International Airport Expansion Project – Engineering, Procurement and Construction (EPC)	12.6	Megawide-GMR Joint Venture Incorporated (MGCJVI)	Under construction
PPP for School Infrastructure Project (PSIP) Phase II	3.9	Pacakage A - Megawide Construction Corp. Pacakage E - Consortium of BSP Co. Inc. and Vicente Lao Construction	Under construction
Paranaque Integrated Terminal Exchange (Southwest Integrated Transport System Project)	2.5	MWM Terminals, Inc., a consortium of Megawide Construction Corp. and WM Property Management Inc.	Under construction
50 year Integrated Development Plan for Mactan Cebu International Airport (MCIA) Project *	160.6	GMR Infrastructure and Megawide Consortium	For approval
Dennis Uy	**97.5**		
Unsolicited Proposal	97.5		
Davao International Airport Development, Operation, and Management *	48.8	Chelsea Logistics Holdings Corp.	For approval
Davao People Mover *	30.0	Udenna Corporation	For approval
Davao Sasa Port Modernization Project	18.7	Chelsea Logistics Holdings Corp.	Under evaluation
Manuel Pangilinan	**95.8**		
Solicited Proposal	35.4		
Cavite-Laguna Expressway (CALAX) Project	35.4	MPCALA Holdings , Incorporated	Under construction
Unsolicited Proposal	60.4		
Quezon City Integrated Solid Waste Management Facility	22.0	Consortium composed of Metro Pacific Investments Corporation, Covanta Energy LLC, and Macquarie Capital Limited	Procurement
Cavite-Tagaytay-Batangas Expressway Project	22.6	MPCALA Holdings Incorporated and Metro Pacific Tollways Corporation (MPTC)	For approval
Pampanga Bulk Water Supply Project (District 1, 3 & 4)	15.8	MetroPac Waters Investment Corp.	For approval
George Uy	**80.2**		
Unsolicited Proposal	80.2		
C5 MRT-10 Project *	80.2	C5 Mass Transit Corporation Limited	For approval

(continnued)

Table 13 (continuation)

Proponent, Type of proposal, and Project name	Cost (Php billion)	Private proponent	Status
Ayala and Pangilinan	**66.6**		
Solicited Proposal	66.6		
Automatic Fare Collection System (AFCS) Project	1.7	AF Payments, Inc. (consortium of Ayala and Metro Pacific Groups)	Operational
LRT Line 1 Cavite Extension and Operation & Maintenance	64.9	Light Rail Manila Corporation (consortium of Ayala Corporation, Metro Pacific Light Rail Corporation and Macquarie Infrastructure Holdings)	Under pre-construction
Robert Jose Castillo	**37.4**		
Solicited Proposal	37.4		
Metro Manila Skyway (MMS) Stage 3 Project	37.4	Citra Central Expressway Corporation (CCEC)	Under construction
Erramon Aboitiz	**25.5**		
Unsolicited Proposal	25.5		
Upgrade, Expansion,Operations and Maintenance of the New Bohol International Airport (Panglao) *	25.5	Aboitiz InfraCapital, Inc.	For approval
Ayala	**13.9**		
Solicited Proposal	7.4		
Daang Hari-SLEX Link Road (Muntinlupa- Cavite Expressway) Project	2.2	Ayala Corporation	Operational
South Integrated Transport System (ITS) Project (Taguig Integrated Terminal Exchange)	5.2	ARCA South Integrated Terminal Incorporated (ASITI)	Under pre-construction
Unsolicited Proposal	6.5		
Pampanga Bulk Water Supply (District 2)	6.5	Manila Water Philippine Ventures	For approval
Andrew Gotianun	**5.6**		
Solicited Proposal	5.6		
Clark International Airport Operations and Maintenance Project	5.6	Luzon International Premiere Airport Development Corporation (LIPAD)	Under pre-construction
Andrew Tan	**3.5**		
Unsolicited Proposal	3.5		
Fort Bonifacio-Makati Skytrain Project *	3.5	INFRACORP	For approval
Wilbert Lee	**0.4**		
Unsolicited Proposal	0.4		
Redevelopment of the Panabo Town Center	0.4	Philippine Primark Properties, Inc.	For approval
Others	136.1		
Solicited Proposal	1.6		
Civil Registry System Information Technology Project (Phase II)	1.6	Unisys Managed Services Corporation	Under construction
Unsolicited Proposal	134.5		
MRT-11 Project *	71.1	Aerorail Integrated Transport Services, Inc.	For approval
East-West Rail Project	55.5	East West Rail Corporation and Alloy MTD	For approval
O & M and Facility Upgrade of Kalibo International Airport *	3.8	Mega 7 Construction	For approval
Kalibo Meat Plant Project (formerly Kalibo Slaughterhouse Project)	0.1	Philippine Slaughterhouse Management and Operations, Inc.	For approval
IT Project for the City of Naga, Cebu-UNLAD BAYAN Local Government Information System Project	0.1	Cylis Technologies	For approval
PEZA Electronic Payment Solution	0.0	I-Pay MYEG Philippines, Inc. (IPMPI)	Procurement
Development, Operations and Maintenance of General Santos Port Project	4.0	Kudos Trucking Corp	Under evaluation

* - Projects submitted directly to the Investment Coordination Committee, without PPP Center assistance prior to granting Original Proponent Status
LRT - Light Rail Transit PEZA - Philippine Economic Zone Authority NAIA - Ninoy Aquino International Airport
SLEX - South Luzon Expressway O & M - Operation and Maintenance
Source: Public-Private Partnership Center

Manny Villar whose estimated net worth increased almost four-fold from US$1.5 billion in 2016 to US$5.5 billion, making him the richest man in the Philippines early this year. Owning among others the country's biggest homebuilder, Vista Land, and mall developer Starmalls, he was among the biggest beneficiaries of the country's real estate and consumer spending boom.

Villar and his Nacionalista Party supported the candidacy of Pres. Duterte in 2016, cementing close ties carrying on until today. Villar's son Mark was appointed secretary of the Department of Public Works and Highways (DPWH) of the new administration, giving a physical connection between the family's real estate interests and public transport infrastructure. Mark's wife, Emmeline, is an undersecretary at the Department of Justice (DOJ). In the mid-term elections, Pres. Duterte endorsed Villar's daughter Camille's winning bid to be Las Pinas representative as well as his wife Cynthia's similarly winning, and front-running, bid for the Senate.

Villar is now seeking Php213.3 billion worth of public infrastructure projects through Prime Asset Ventures, Inc (PAVI) – Light Rail Transit (LRT) Line 6 railway projects in Cavite province, where he also has resort and casino developments. PAVI is also looking at airport projects in Puerto Princesa and Iloilo. His Prime Water Infrastructure Corporation is looking at water distilation and treatment services in the government's New Clark City project, and his StreamTech Systems Technologies, Inc. already has a 25-year telecommunications franchise.

There is also Ramon Ang whose net worth doubled from US$1.4 billion in 2017 to US$2.9 billion in 2019. Ang's businesses include holding company Top Frontier Investment Holdings (THFI) – with interests in real estate, food and beverage, and mining – and diversified conglomerate San Miguel Corporation. Ang also provided financial and other support to Duterte's candidacy in 2016 and has been a visible and vocal supporter of the president including, controversially, of his drug war. Ang, with Eduardo Cojuangco, Jr., leads the Nationalist People's Coalition (NPC).

Ang and Cojuangco are the biggest corporate stakeholders in the government's infrastructure program and are involved in Php2.2 trillion worth of projects. The Ninoy Aquino International Airport (NAIA) Expressway Project is operational and the Bulacan Bulk Water Supply Project is under construction. Major projects lined up include the Bulacan International Airport Project (New Manila International Airport), Manila Bay Integrated Flood Control, Coastal Defense and Expressway Project, and Preservation and Development of Laguna de Bay Project.

And there is Davao-based businessman Dennis Uy, a close friend and also a supporter of Pres. Duterte's candidacy. The Uy-led Mislatel consortium recently received its license to operate as the country's third telco player and will reportedly be spending some Php257 billion to set up its infrastructure and provide services. Uy was the subject of a Senate probe early this year on his close ties with the president and some of his Cabinet members including, through a relative, the finance secretary, sitting in the oversight committee selecting the third telco. He owns Phoenix Petroleum and Chelsea Logistics Holdings Corp. Uy's Udenna holding company took over responsibility for the development of mixed-use development Clark Global City in 2017. Uy is looking to get involved in Php97.5 billion worth of Davao-based public infrastructure projects.

Other billionaires looking to profit from at least Php848 billion in projects under the Build, Build, Build infrastructure program are: Manuel Pangilinan, George Uy, Ayala, Edgar Saavedra, Erramon Aboitiz, Andrew Gotianun, Andrew Tan, Gokongwei, and others.

Fundamental economic policies hindering long-term development are unchanged

The main reason growth cannot be sustained and is failing to deliver sufficient development for the majority is because the underlying economic structure is inadequate, and upon decades of unrelenting globalization is changing for the worse.

Domestic agriculture and Filipino industry are the most important foundations for the economy. But these have been declining for some four decades now including through the current Duterte administration. The underdevelopment and lack of dynamism of these sectors is a chronic drag on the national economy. Against this backdrop, the stimulus from overseas remittance- and BPO-driven spending might seem almost magical. Likewise with a public infrastructure boom.

The service sector meanwhile is not the advanced service sector seen in advanced capitalist economies – providing high-value services and often linked to robust industrial sectors – but rather a bloated informal economy of patchy low-value labor-intensive services. Moreover, grossly inequitable power relations in the economy mean that the gains from any economic growth disproportionately go to a few.

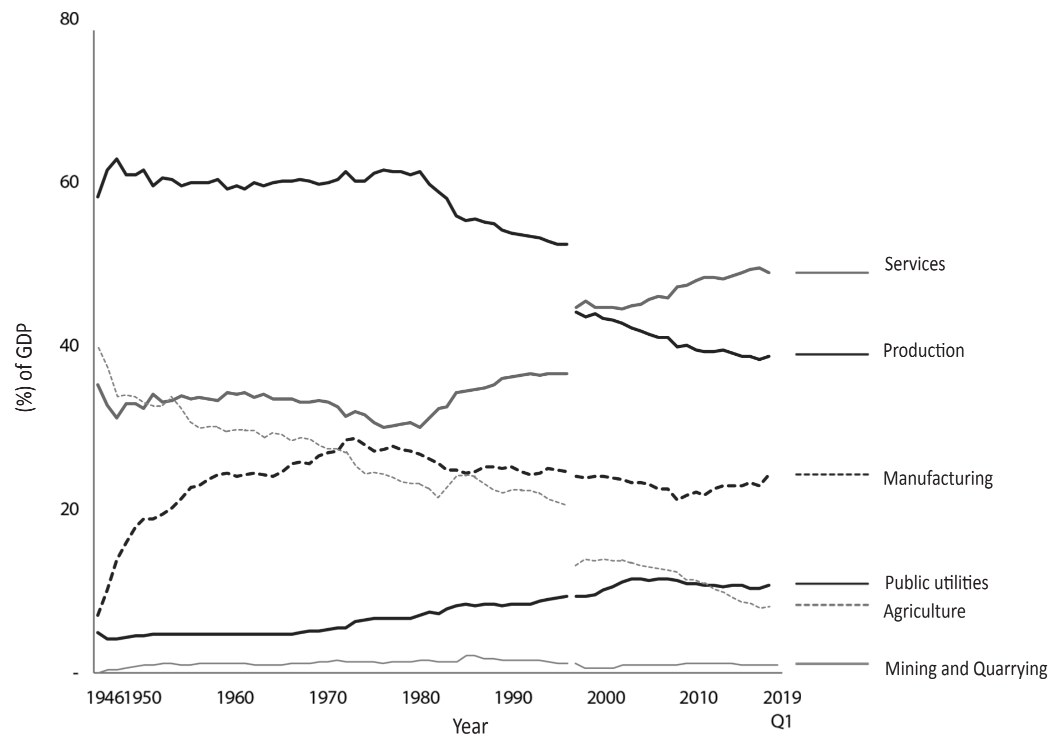
The composition of GDP and the labor force does not indicate that sustained structural change is taking place. The major production sectors of agriculture and manufacturing are still much smaller than the services sector, notwithstanding a seeming uptrend in manufacturing since 2010. (**See Chart 7**) Agriculture is still too backward and domestic manufacturing too underdeveloped to serve as continuous and reliable drivers of growth. These are becoming even weaker under the Duterte administration. The national economy is still overwhelmingly a service economy.

Despite accounting for the single biggest share of employment, agriculture has been left to perform chronically poorly. The sector grew by just 0.8% last year and in the first quarter of 2019. (**See Table 1**) This is just around half the growth pace of 1.5% in the 2010s and not even a third of the 2.9% clip in the 2000s. This has driven the sector to its smallest ever share of the economy.

Yet the government is neither attending to the material conditions for developing agriculture nor giving it sufficient support. The productivity gains from land reform coupled with

Chart 7

Gross Domestic Product by production, 1946-1st quarter 2019* (in %)



* - Data for 1946 to 1997 were computed using GDP at constant 1985 prices, while for 1998 to first quarter 2019 at constant 2000 prices.

Source: Philippine Statistics Authority National Accounts of the Philippines agricultural support are well-established, but the sector is clearly a low priority for the Duterte administration.

Belying its image of decisiveness, it is the poorest distributor of land under the Comprehensive Agrarian Reform Program (CARP). Department of Agrarian Reform (DAR) land distribution accomplishment in the period 2016-June 2019 is just at an average of 2,920 hectares monthly, which is much less than under Benigno Aquino III (8,254 hectares, July 2010-2015), Arroyo (9,047 hectares, January 2001-June 2010), Estrada (11,113 hectares, July 1998-2000), Ramos (26,389 hectares, July 1992-June 1998), and Corazon Aquino (14,142 hectares, July 1987-June 1992).

The budget of the Department of Agriculture (DA) was also reduced by Php3.4 billion from an already low Php50.7 billion in 2018 to just Php47.3 billion in 2019. These figures use comparable cash - based 2019 and 2018 equivalents. Even the budget for irrigation appears to have been reduced from Php41.7 billion in 2018 (obligation-based) to just Php36.1 billion in 2019 (cash-based). This cuts into the potential gains of the Free Irrigation Law (Republic Act 10969) inasmuch as only 1.9 million hectares or 61% of irrigable land is irrigated, leaving some 1.2 million hectares still unirrigated.

The administration has even taken steps to further undermine domestic agriculture. The Rice Tariffication Law (RA 11203) liberalizes rice trading ostensibly to lower the price of rice for consumers. It will however more likely have the effect of displacing hundreds of thousands of rice farmers unable to compete with cheap imports, especially with the law's diminutive Php10 billion annual rice production support being given already in a liberalized trading context. This compromises domestic rice production and undermines the country's long-term food security. Even the promised cheaper rice for consumers may not materialize over the long-run given, among others, the tight supply of rice on world markets.

The long-standing neglect of the sector appears to be coming to a head. Employment in agriculture has fallen by 1.1 million between 2016 and 2018, with an initial further 376,000 losses reported in April 2019 from the same period last year. (**See Table 8**) Agriculture remains in long-term decline from being kept unnecessarily backward, underdeveloped and vulnerable to the weather. Yet more vibrant and productive agriculture would do much to help sustain rapid economic growth as well as resolve widespread rural poverty.

The collapse of agriculture is not compensated by an expansion of manufacturing especially in terms of livelihood opportunities. Manufacturing has seen average annual growth of a robust 7.3% over the period 2010-2018 prompting analysis of some kind of manufacturing resurgence. This is more than double the 3.2% pace in the decade 2000-2009. The share of manufacturing in GDP has been growing from 21.5% of GDP in 2009 to 23.3% in 2018.

The resurgence however already appears to be stalling with growth of just 4.9% in 2018 – the slowest since 2012 – and slowing further to 4.6% in the first quarter of 2019. (**See Table 1**) This is due to weaker domestic consumption demand as well as much weaker exports amid the protracted global crisis. The demand boost from the infrastructure boom is also not maximized for lack of a sufficient industrial base able to provide for its construction needs.

Manufacturing in any case remains shallow and largely disconnected from the domestic economy for being foreign-dominated and capital-intensive in export enclaves. Employment generation has consequently been relatively weak. Manufacturing employment increased by just 221,000 or 6.5% between 2016 and 2018, with even a contraction of 101,000 reported in April 2019. **(See Table 8)** The share of manufacturing in total employment of just 8.8% in 2018 is actually even much lower than its 10.1% share in 1990 and 10% in 2000. These are despite the sector growing by 13.8% between 2016 and 2018, according to national accounts data.

The main problem is the absence of industrial policy explicitly geared to boosting domestic industrial capabilities. Industrial development remains conflated with foreign manufacturers merely locating in the country to take advantage of cheap labor and a favorable location, while being more linked to closed global value chains than the domestic economy. Yet manufacturing will only be able to serve as a driver of broad-based national development if it is grounded on Filipino capital and technology, and more linked with the rest of the domestic economy than with overseas production lines.

Industrial backwardness is the biggest reason for the country's massive trade deficit n 2018 – reaching US$43.5 billion and equivalent to a record 13.1% of GDP. (**See Chart 8**) The economic managers attribute the deficit to the import requirements of the Build, Build, Build infrastructure program. Iron and steel imports among many other construction-related imports have certainly soared.

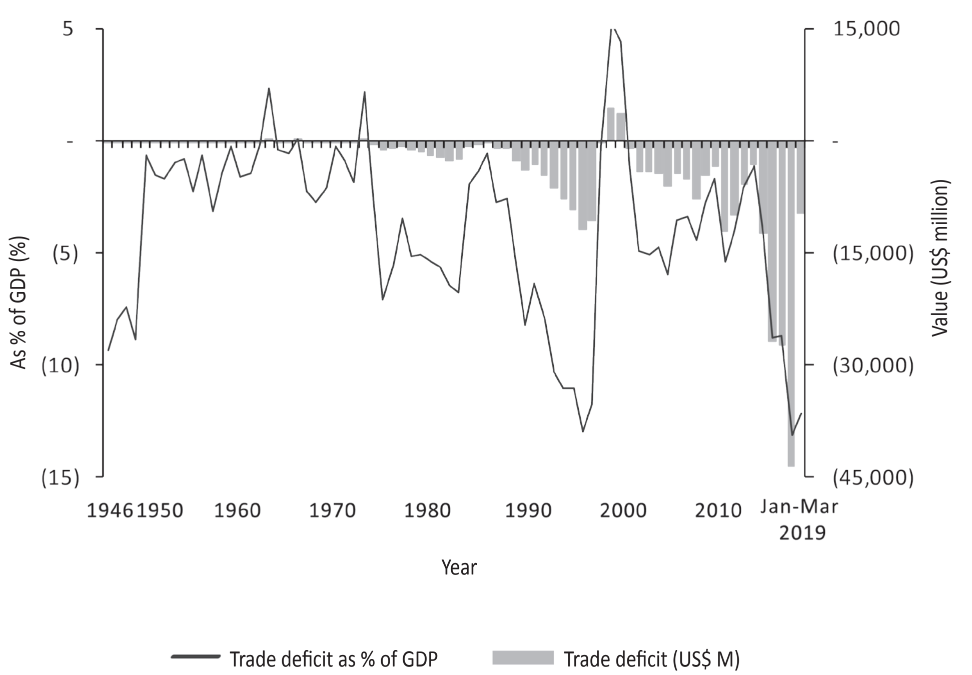
However, a much larger portion of the deficit is more likely due to the import requirements of foreign investors in import-dependent manufacturing. The country's import profile includes a wide range of raw materials, intermediate goods and capital goods used by low value-added export-oriented manufacturing firms in enclave economic zones. Foreign investment in manufacturing has notably increased from an annual average of US$618 million in the period 2011-2015 to US$866 million in 2016-2018. (**See Table 14**) This mirrors how the trade deficit ballooned from the equivalent of 3.4% of GDP in the period 2011-2015 to 10.2% in 2016-2018.

The increase in foreign investments in arts, entertainment and recreation is also notable and possibly reflects the increase in Philippine Offshore Gaming Operator (POGO) operators from China. This grew over seven-fold from an annual average of US$35.9 million in the period 2011-2015 to US$264 million in 2016-2018. The online gambling operations presumably require considerable imports of equipment and other facilities.

These immediate factors come on top of the long-term problem of how the country has become increasingly dependent on imports not just for raw materials but also for the consumption needs of the population. This includes imports for basic products that conceivably could be produced locally. Exports are also sluggish amid the unresolved global crisis. Imports are growing across an unnecessarily wide range of products, because domestic production capacity is still far below what the economy's needs.

Chart 8

Trade deficit value and as percentage of GDP, 1946-2018 and January-March 2019 (value in US$ million)



GDP - gross domestic product
Source: Philippine Statistics Authority

Table 14

Foreign direct investments by top ten sectors and share of total equity, average 2011-2015, annual 2016-2018, and January-March 2019 (values in US$ million; % shares in %)

Industry / Sector	Average, 2011-2015	2016	2017	2018 p	Jan-Mar 2019 p
Levels (in million US$)					
Manufacturing	617.6	334.3	1,181.8	1,081.8	82.2
Financial and insurance activities	211.5	1,126.1	141.5	330.0	120.8
Real estate activities	132.3	121.9	247.8	296.3	65.3
Electricity, gas, steam and airconditioning supply	(22.5)	(83.1)	1,388.0	192.8	27.1
Arts, entertainment and recreation	35.9	575.0	27.8	188.4	7.2
Wholesale and retail trade; Repair of motor vehicles and motorcycles	94.2	208.2	83.1	73.3	(206.3)
Construction	29.5	8.8	162.4	35.8	11.3
Administrative and support service activities	20.1	22.5	(5.6)	19.9	49.8
Information and communication	63.7	(2.6)	38.3	14.0	13.5
Professional, scientific and technical activities	(3.2)	17.5	66.0	11.8	13.8
Others	149.5	263.6	66.8	22.8	110.8
Equity other than reinvestment of earnings, Net	**1,328.6**	**2,592.1**	**3,397.9**	**2,267.0**	**295.4**
Debt instruments	1,972.1	4,977.3	5,995.9	6,676.4	1,411.3
Total	**4,067.7**	**8,279.5**	**10,256.4**	**9,802.4**	**1,941.1**
Percent share to total equity (in %)					
Manufacturing	46.5	12.9	34.8	47.7	27.8
Financial and insurance activities	15.9	43.4	4.2	14.6	40.9
Real estate activities	10.0	4.7	7.3	13.1	22.1
Electricity, gas, steam and airconditioning supply	(1.7)	(3.2)	40.8	8.5	9.2
Arts, entertainment and recreation	2.7	22.2	0.8	8.3	2.4
Wholesale and retail trade; Repair of motor vehicles and motorcycles	7.1	8.0	2.4	3.2	(69.9)
Construction	2.2	0.3	4.8	1.6	3.8
Administrative and support service activities	1.5	0.9	(0.2)	0.9	16.9
Information and communication	4.8	(0.1)	1.1	0.6	4.6
Professional, scientific and technical activities	(0.2)	0.7	1.9	0.5	4.7
Others	11.3	10.2	2.0	1.0	37.5
Equity other than reinvestment of earnings, Net	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Bangko Sentral ng Pilipinas

Meaningful development requires radical reforms and holistic shifts in the economic structure and power relations, and indeed in undemocratic governance arrangements. As with previous administrations, the Duterte administration has elevated attracting foreign investment into a development end in itself. It is creating an investment environment that is too liberal and too open. This is putting the country in a harmful race-to-the-bottom with other countries to attract foreign investors.

The administration already came up with its 11th Foreign Investment Negative List (FINL). This opened up construction for public works, internet businesses, power generation and supply, radio communications networks, insurance firms and wellness centers to foreign capital.

But government is also pushing to amend the Public Services Act (PSA) to narrow the definition of public utilities to only cover the distribution of electricity, transmission of electricity, and water distribution and sewerage pipeline systems, unless otherwise provided by law. This is a stratagem to bypass Constitutional limits on foreign ownership of public utilities. The relaxation of nationality restrictions will however mean excessive foreign control of critical telecommunications, power and transport utilities. There are also significant risks to national security and civil defense including digital surveillance and misinformation, denial and sabotage of vital services, and others.

If the administration is able to, it is also seeking to remove or loosen Constitutional restrictions on foreign investment over land ownership, exploitation of natural resources, education, mass media and advertising, public utilities, and strategic enterprises. This removes potentially important measures that the government can use to ensure that foreign investors contribute to national economic development, and at the same time, open up strategic sectors to foreign capital.

Foreign investment can play an important role in domestic development. But this will not happen spontaneously and needs government regulation. Policy tools historically proven to create meaningful linkages and benefits for the domestic economy need to be applied. These include: regulating their entry; establishment and right to operate through equity and ownership restrictions; joint ventures; requiring local content and domestic reinvestment; requiring technology transfer; and other performance requirements as deemed necessary.

Anti-poverty framework and social measures lacking

The Duterte administration has increased spending on social programs, further boosting its populist credentials. Social programs by their nature give immediate welfare improvements or relief to their recipients. If only on such narrow grounds, they are generally desirable especially in the Philippine context of long-standing gaps in a wide range of social services and social protection. Concerns about implementation, efficiency, and the effectiveness of interventions, can also be raised.

The larger policy question however is their place as part of a broad anti-poverty framework. Will government's programs in general, including but above and beyond social programs, really eradicate poverty or simply moderate aspects of poverty? The Magna Carta for the Poor (RA 11291) signed into law in May just after the elections presumably articulates the government's approach to addressing poverty and the plight of the poor. The law institutionalizing the Pantawid Pamilyang Pilipino Program (4Ps, RA 11310) in April is a close companion measure.

The resulting anti-poverty framework established by these measures is unfortunately lacking when measured against the poverty challenges facing the country. They will alleviate some of the more acute symptoms of poverty, but do this only partially and in a way that will leave beneficiaries still suffering other deprivations. The Magna Carta in particular is illustrative.

The law states that: "The government shall establish a system of progressive realization or implementation to provide the requirements, conditions and opportunities for the full enjoyment or realization of the following rights of the poor, which are essential requirements towards poverty alleviation."

A glaring limitation of the law is explicitly stating that it is only meant to cover the 'poor' as defined by government statistical agencies. This greatly restricts the scope of its beneficiaries.

The actual scope of the rights mentioned is also conspicuously narrow. The law covers rights to adequate food, decent work, relevant and quality education, adequate housing, and highest attainable standard of health. It does not however include other important rights such as to unionize, social security and social insurance, and self-determination. Moreover, the law avoids language that makes economic rights explicitly demandable against the State. Such language would have been much more powerful and in keeping with the spirit of a 'Magna Carta' codifying a basic guarantee of rights and privileges.

The omissions have considerable implications. The law is unable to support making progress in addressing particularly intense violations of the people's right to development. In the specific conditions of the country, these include: inequity in wage-setting; growing flexibilization of work and contractualization; attacks on unions and other organized workers; inequitable distribution of productive assets such as land; increasingly regressive taxation; weakening of public social services that are increasingly profit-driven; incursions into ancestral domains of indigenous peoples; weakening domestic food production undermining the right to food; and an economic structure unable to create enough decent work and employment for the population. Many significant determinants of well-being are not addressed.

Because of its narrow scope, the law could even be considered counterproductive if it is taken to represent the extent of the rights of the country's poor. It does little to enhance the status of economic rights and gives more attention to summarizing the limited existing government anti-poverty programs and so reproduces their weaknesses.

The law mentions free public education at kindergarten, elementary and high school levels but without programmatic content ensuring that considerable backlogs in schools, classrooms, facilities, desks, teaching materials and teachers pay – all key elements of education – are addressed. However, the law conspicuously avoids mentioning free public education at the tertiary level. There is mention of free or socialized college education. This will however have the same limitation as the newly enacted free tuition law, which will occur in the context of an overly profit-driven private school tertiary system. Budget cuts in state universities and colleges further diminish the opportunities for free tertiary education. Education will still tend to become more and more expensive.

The law reaffirms a health financing approach to health care. This reproduces the problem with the government's universal health care scheme – it encourages an overly profit-driven private hospital and health care system over developing an affordable and quality public health system. More urgent attention should have been given to addressing the inadequacies of the decrepit public health system instead of endorsing in effect health privatization and State subsidies for private health providers. Health care will still tend to become more and more expensive.

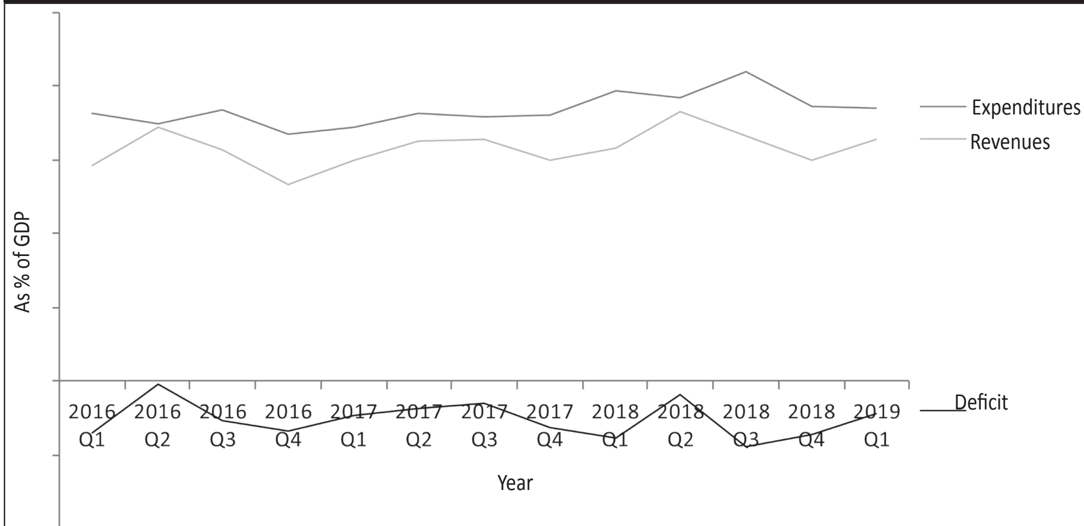
There is only token mention of social protection with no programmatic content. Overall, the Magna Carta does not mark any progress to addressing the deep structural roots of poverty in the country.

Fiscal position showing vulnerabilities

The administration has been on a Keynesian spending spree with greatly increased infrastructure spending, higher pay for military and police, and deceptively increased social spending. This has partially arrested the decline from the petering out of the past decade's external sources of growth but is also creating a growing fiscal vulnerability. This can only

Chart 9

Selected fiscal indicators as percentage of GDP, quarterly 2016-2019* (in %)



* - 2019 as of January-March only
GDP - gross domestic product
Sources: Bureau of the Treasury and Philippine Statistics Authority National Accounts of the Philippines

become worse as the debt-driven infrastructure offensive, which the government is banking on as a Keynesian spur to the economy, gains momentum.

Government spending is on a major upturn – increasing from an annual average of 16.5% of GDP over the period 2011-2016 to 18.7% in the period 2017-2018. (**See Chart 9**) The Php3.4 trillion spent in 2018 translated into an expenditure effort of 19.6% which is already the highest in some three decades.

The administration has been quite focused on increasing government tax revenues by raising taxes and improving collection. The cornerstone for this is its regressive Tax Reform for Acceleration and Inclusion (TRAIN) program whose Package One was passed into law in 2017 and took effect in 2018. This helped push the tax effort to 14.7%, with subsequent packages hoping to boost this further. TRAIN however is designed not just to raise tax revenues in general, but to reduce the tax burden on wealthy families and large corporations in particular – direct taxes on income and wealth are reduced. The resulting revenue losses are offset by increasing the tax burden on lower income groups especially through indirect consumption taxes.

The Duterte administration has tried to divert from the regressive nature of its tax reforms by repeatedly claiming that it benefits “99% of taxpayers” and giving the impression that 99% of Filipinos gain from TRAIN Package One. The reality however is that only 5.5 million personal income taxpayers coming largely from the highest income groups will gain from TRAIN’s personal income tax cuts. An additional two million taxpayers are minimum wage earners and so previously already exempt. On the other hand, the poorest 17.2 million or eight out of 10 (76%) Filipino families will pay TRAIN’s higher taxes on consumption goods including petroleum products and sugar-sweetened beverages but without any personal income tax gains to offset these.

Incremental TRAIN revenues are however relatively small and not in themselves enough to fund the ambitious infrastructure program. The tax reform has also been important to raise the government’s credit-worthiness. In April,

Table 15

National government outstanding debt by administration, 2001-May 2019				
Administration	**Total increase over term(Php million)**	**Total debt at end of term (Php million)**	**Debt per capita at end of term (Php thousand)**	**Average monthly increase (Php million)**
Arroyo (2001-Jun 2010)	2,415,715	4,582,425	49,485	21,190
Aquino (Jul 2010-Jun 2016)	1,365,574	5,947,999	57,612	18,966
Duterte (Jul 2016-May 2019)	1,967,529	7,915,528	73,672	56,215
Sources: Bureau of the Treasury and Philippine Statistics Authority				

ratings agency Standard & Poors already raised the country's sovereign risk rating from BBB to BBB Plus which will facilitate greater government borrowing.

The government is however already borrowing heavily. Total outstanding debt of the national government stood at Php7.9 trillion as of May 2019 implying a total increase of Php2 trillion since the start of the Duterte administration. (**See Table 15**) In nominal terms, this is equivalent to an average monthly increase in debt of Php56.2 billion, which is over two-and-a-half times that of the Arroyo administration (Php21.2 billion) and nearly three times that of the previous Aquino administration (Php19 billion).

The economic managers are not worried about the debt burden, citing how the national government debt-to-GDP ratio of 41.9% in 2018 was at its lowest in 15 years, much less than the 74.4% ratio in 2004 at the height of the last fiscal crisis during the Arroyo administration. This is even projected to go down to 38.6% by 2022. The fiscal deficit is meanwhile targeted at 3.2% in 2019 falling to 3.0% in 2020-2022.

These targets are however overly optimistic particularly in appearing to assume that GDP growth is at the 7-8% range from this year until 2022. The economy is unlikely to be able to reach these over-optimistic targets and it is much more likely that the debt burden will be increasing steadily from this year until 2022. As it is, the 5.6% GDP growth in the first quarter of 2019 means that the economy has to grow at an impossible average of some 7.5% in the remaining three quarters of the year to reach the lower end of the 7-8% range. Even the hyped infrastructure offensive is unlikely to be enough to bring the economy into the 7-8% GDP growth range until 2022.

Slowing or worse, slower growth will mean less tax revenues and growing budget deficits. Any sudden external shock such as a sharp global economic downturn or from domestic political convulsions would only see the situation deteriorate even more sharply.

The infrastructure spending, higher pay for military police, and social programs that the administration has used to bolster its political position will begin to weigh heavily. These cumulatively cost hundreds of billions of pesos annually with, for instance, at least: Php258 billion for universal health care; Php89 billion for conditional cash transfers; and Php49.1 billion for universal access to quality tertiary education (free college tuition). Social spending is historically on sectors that suffer cuts under austerity programs – when these happen again, it will be politically costly for the government implementing these cuts.

The country's debt burden is not necessarily eased by tapping increasing amounts of official development assistance (ODA). Although by

Table 16

75 Flagship Projects funding source, as of April 2019 (in Php million)

Funding type	Number	Cost (Php million)
General Appropriations Act (GAA)	**10**	**93,947**
Official Development Assistance (ODA)	**56**	**1,983,513**
Japan	5	996,276
China	12	300,765
Asian Development Bank	6	51,472
Korea	2	16,570
World Bank	1	4,789
No country	25	613,641
No value yet	5	-
Public-Private Partnership (PPP)	**9**	**98,739**
PPP	8	98,739
No value yet	1	-
Total	**75**	**2,176,199**

Source: National Economic and Development Authority

definition concessional in terms of financing, these carry many hidden costs that may on balance be enough to offset their concessionality. The country's status as a recipient of ODA will also likely be affected if it becomes categorized as an "upper-middle income" country.

The Php2.2 trillion worth of 75 flagship infrastructure projects are particularly ODA-dependent. An overwhelming 91.1% is apparently sought to be financed from ODA with just 4.3% from the national budget and the balance of 4.5% through public-private partnerships (PPP). (**See Table 16**) Japan remains the single largest source accounting for Php996.3 billion or almost half (45.8%), distantly followed by China at some Php300.8 billion or 13.8% of ODA.

The problems with the standard donor practice of tied aid where loans are spent on the goods and services of the donor country are well-known. These include using donor country contractors that may not be the most appropriate, overpricing, being tied to long-term maintenance and service contracts, and others.

The controversy early this year around the China-funded Chico River Irrigation and Kaliwa Dam projects however also raised other concerns. The public was initially stirred by possible obligations to hire foreign workers even for work that Filipinos can do. Less immediate but strategically more worrying is the possible implicit collaterization of the country's natural and strategic resources and the threat of these being given up because of strict loan conditions and arbitration arrangements biased for China.

Outside of specific loans and projects, concerns have also been raised about the Duterte administration's desire for Chinese financing, causing it to be overly accommodating to Chinese efforts to claim disputed mineral- and marine- rich areas in the West Philippine Sea. IBON estimates that the Duterte administration is seeking as much as Php673.2 billion from China for its 75 flagship projects aside from Php204.7 billion more for infrastructure and other projects – for a total of Php877.9 billion.

Also, ODA is a key instrument of donors' economic foreign policy, so it is not inconceivable that this is used as a leverage to further these donor countries' other economic interests in the Philippines. Japan for instance is the Philippines' biggest donor as well as among the biggest foreign investors aside from the US. Japanese firms are also the biggest manufacturing investors in the country, and it is likely that preserving the Japanese ODA portfolio is among the factors behind the low wages and subsidies they enjoy in Philippine special economic zones. The Japanese External Trade Organization (JETRO) for instance noted that manufacturing wages for workers and engineers in 2018 are lower in the Philippines than in Vietnam, India, Indonesia, Thailand and Malaysia.

Pres. Duterte strengthening political control in 2019

The country is facing the specter of concentrated political power unseen since the Marcos dictatorship. There have already been three years of calculated autocracy. Pres. Duterte has also used now the May 2019 elections to gain stronger political support among Congress, including in the traditionally combative Senate. Also likely, he will have more influence in the Supreme Court (SC) in the coming months. The Duterte clique will be using these to consolidate their breakthrough into national politics, battle other political factions, and to entrench themselves beyond 2022.

Like those before it, the Duterte administration mobilized the government to ensure the victory of its closest allies as well as candidates in the Duterte-dominated coalition. Public resources and government personnel were used as campaign machinery, electoral war chests, logistics, security, and arguably even to manipulate the automated elections. There was also the innovation of threatening to put local opposition politicians on drug watch-lists. The Duterte administration also blatantly involved the armed forces and the police to frustrate the victory of progressive candidates and partylists.

Never before seen post-Marcos era in such a blatant manner how the Duterte government made sure that its candidates would win the midterm elections. It declared close to 60% of the towns in the country, and unprecedentedly the whole island of Mindanao, as election hotspots. It intimidated local government units, continued military operations in the countryside even during the campaign period, and programmed the military, police and rabid supporters in the civilian bureaucracy to actively vilify and red-tag the progressive candidates and partylists, and harass, intimidate, threaten, and physically harm their mass base. Activists' arrests based on trumped-up charges as well as killings also intensified during the election period and thereafter.

Administration allies took nine of the 12 Senate seats up for grabs in the midterm elections. This included two of the president's staunchest supporters – long-time erstwhile low-profile close aide Christopher "Bong" Go and former police chief and drug war implementer Ronald "Bato" dela Rosa. The Liberal Party-dominated opposition failed to take any of the eight seats it gunned for.

The Senate has traditionally been a center of relative independence among the branches of government. The first three years of this administration, for instance, saw high-profile investigations into the president, his family, and even business allies. But this appears to be unlikely now. The administration orchestrated attacks on critical senators including putting Sen. Leila de Lima in jail and threats of the same against Sen. Antonio Trillanes. On the other hand, there are presumably more chances now for a shift to federalism, although this is still not certain.

In any case, the president and his allies are now more firmly in control of both chambers of Congress – 20 of 24 Senate seats, and more than 200 (not counting the numerous administration-sponsored partylists) of 250 House seats. This has raised justifiable concerns of the legislature being reduced to a rubber stamp on all but the most contentious legislation and issues.

Pres. Duterte's influence over the Constitutionally independent but traditionally submissive House of Representatives (HOR) was recently in full play in the multi-cornered battle for the speakership. Confronting the spectacle of intra-coalition squabbling, the president himself imperiously declared that there would be term-sharing between Representatives Alan Peter Cayetano (Taguig-Pateros, Nacionalista Party) and Lord Allan Velasco (Marinduque, PDP-Laban) and that the majority floor leader would be Rep. Martin Romualdez (Leyte, Lakas-CMD).

Still, Rep. Isidro Ungab was conspicuously left out despite the backing of Sara Duterte's Hugpong ng Pagbabago, and despite supposedly being even a prominent big business ally. Difficult political calculations and balancing apparently took place. The 18th Congress may not necessarily be unstable, but strong undercurrent of political rivalries is evident. This indicates that Pres. Duterte's intervention, despite being viewed to be rather dictatorial, may be less of a command.

The continued presence of the Makabayan bloc with six seats in the HOR despite the systematic administration-backed campaign against them is significant. The standard bearers of progressive politics overcame vilification, intimidation, raids, arrests on trumped-up charges, and even violent attacks to prove that they are still a significant political force to reckon with. Their once again proven constituency will be vital as they resist continued attacks into and through the 18th Congress.

The SC is conventionally seen as the last check on abuses of executive and legislative power. But even this is being shaped by the administration to its advantage. This started with the calculated removal of Chief Justice Maria Lourdes Sereno last year and Pres. Duterte appointing seven SC justices. It will conclude with five more Duterte appointees filling in vacancies from justices retiring – resulting in 12 of the 15-member SC being Duterte appointees by the end of 2019.

The midterm elections and the aftermath possibly showed some key parameters for the period to come. First, while the president has amassed considerable power, his command is not necessarily complete or absolute. Some Duterte-backed candidates failed to take local posts, including in the president's Davao bailiwick. Second, the Duterte clique does not have a clear and overpowering majority even within its coalition. Members fought among themselves in the four- or five-way speakership battle. Third, the president is keen on his family remaining in power and not just having a politically-reliable successor. Presidential daughter and reelected Davao mayor Sara was not just conspicuously visible in national campaigning but also active in national political affairs.

The common thread in these parameters is that the president still has to navigate the country's chronically fractious elite that is divided into factions – each with its own permanent self-serving political interests.

Pres. Duterte's political capital is heavily dependent on being perceived to have overwhelming popularity. The administration takes pains to dwell not just on supposed good performance – which all presidents do – but on Pres. Duterte's folksy authenticity, strongman character, and anti-crime and -corruption image. These all play well with the public, given the existing political culture.

Notwithstanding the incredible elections results that have somehow invalidated the Duterte administration on its midterm, the 18th Congress will open on the heels of reportedly high survey ratings. These figure highly in the government's propaganda as supposed affirmation of the president, his policies, and his style of governance. Still, it may be recalled that former president Benigno Aquino's survey ratings at his midterm were virtually as high as Pres. Duterte's now. These dropped precipitously in his last three years as his administration was called out for unmet promises, and as various controversies erupted.

The administration team is conscious of this probability and has innovated ways to manipulate public sentiment through social media, systematic twisting of facts, and powerful propaganda devices exploiting the president's character. Yet, the unresolved poverty is a latent political vulnerability. A marked deterioration in the economic situation would quickly undermine the administration's base of support not just among the majority poor Filipinos but also among higher income classes and the business sector.

Popular or not, Pres. Duterte is most of all looking to extend his hold on power, whether through the presidency or in a possible subsequent federal system. The coming months until end-2019 should give a better indication of how the Duterte clique will do this.

It may still be through Charter change (Cha-cha), self-serving transitory provisions, and an eventual federal system advantageous to political dynasties such as the Duterte family. Despite the Duterte clique's efforts, federalism does not seem to have gained enough traction either with the public or even with many politicians uncertain about a new system. Duterte and some Cabinet members have in any case already publicly vacillated.

Or it could be through the 2022 presidential elections. The results of midterm elections have favorably positioned the Duterte clique to fight more conventional political battles under the current set-up. There are signs that many factions are already gearing up for this. The prospect of Sara Duterte running in dynastic fashion has also already been floated.

Or, lastly, the president can take the extreme measure of overt authoritarian rule. Three years into his term, he still publicly talks about or alludes to nationwide martial law or a revolutionary government. This could just be diversion but may also be a trial balloon or conditioning. Duterte has shown himself capable of brash or impulsive unconventional moves. The administration however would have to be confident to be able to control the certain backlash from the public, among elites, and perhaps even foreign powers.

To be sure, it could be argued that the administration is well into the groundwork for this. The president issued Executive Order (EO) No. 70 at the end of last year "institutionalizing the whole-of-nation approach… to end local Communist armed conflict" that, among others, increases militarization of government functions by making civilian line agencies and local government units coordinate with the Armed Forces of the Philippines (AFP).

The civilian government has more military and police officials than at any time since the Marcos dictatorship nearly 50 years ago. To date, 73 military and police officials have been appointed to civilian positions in at least 46 agencies. They were made heads in 38 of these as Cabinet secretaries, director generals, chairpersons, executive directors, administrators, or presidents.

One-fifth of the Cabinet members are former military and police officials – accounting for 11 of 50 cabinet and cabinet-level officials. The five out of 21 Cabinet members are: Department of Environment and Natural Resources (DENR) Sec. Roy Cimatu, Department of Information and Communications Technology (DICT) Sec. Gregorio Honasan, Department of Interior and Local Government (DILG) Sec. Eduardo Año, Department of National Defense (DND) Sec. Delfin Lorenzana, and Department of Social Welfare and Development (DSWD) Sec. Rolando Bautista. Department of Agrarian Reform (DAR) Sec. John Castriciones is a Philippine Military Academy (PMA) graduate but has not served in the military. The six out of 29 with Cabinet-level rank are: Housing and Urban and Development Coordinating Council (HUDCC) Chair Eduardo del Rosario, National Security Adviser Hermogenez Esperon, Metro Manila Development Authority (MMDA) Chair Danilo Lim, Office of the Presidential Adviser on the Peace Process (OPPAP) Sec. Carlito Galvez, Technical Education and Skills Development Authority (TESDA) Dir. Gen. Isidro Lapeña, and Dangerous Drugs Board (DDB) Chair Catalino Cuy.

To further its control, the Duterte administration has passed the law on the invasive National Identification System and is pushing amendments to make the Human Security Act (HSA) harsher, reinstating the death penalty and the mandatory Reserve Officers' Training Corps (ROTC), and lowering the minimum age for criminal responsibility (MACR).

Taking the long view, the anti-democratic regressions of Pres. Duterte have already jolted the country's politics from its familiar trajectory of elite democracy. These include not just the wholesale abuse and weaponization of institutions, but also steadily building the legal infrastructure for even greater authoritarianism and undemocracy. These are potentially intimidating opposition particularly those unaccustomed to being at the receiving end of State repression. Meanwhile, post-Duterte elites will benefit from these regressions and are unlikely to roll them back.

Opposition to undemocratic rule strongest from civil society and organized groups

The Duterte government has embarked on greatly heightened and more systematic attacks against the organized Left, mass movement, critical civil society, and the media, in cities and in the countryside. To understand the anatomy of this crackdown, we need to appreciate the role of the progressive and democratic organizations in the country's politics not only as the formidable opposition to the Duterte government's authoritarian agenda but also as the consistent and reliable opposition to the anti-people neoliberal policies.

Progressive groups are the most potent political force disrupting the inequitable economic and political status quo. The mainstream Left in particular is at the forefront of struggles nationwide by communities and basic sectors to improve their economic situation. Its expansive agenda for change also includes political reforms plus an active cooperation with progressive local government leaders and other civic organizations.

At the minimum, the Left is a major political force pressing reforms in governance and opposing all forms of undemocratic backsliding. It is a key radical flank that keeps the administration off-balance as it pursues its self-serving agenda. But undeniably the Left will also be a major political backbone of any extra-legal efforts to unseat Pres. Duterte, which may be the only option if the Duterte clique digs in its heels.

Organized groups have continuously waged struggles for economic and political rights. They have heightened these struggles in the three years of the Duterte administration as the country's economic and political crisis itself reaches new heights.

Farmers' struggles are expanding in the face of the growing crisis in agriculture that has only been worsened by the Duterte government's policies: land use conversions, infrastructure projects that run over prime agricultural lands, regressive taxation that hits farmers' inputs and consumption, and rice and food importation that sounds the knell for farmers' livelihood.

Throughout the country, tens of thousands of peasants have mobilized and held mass actions to address issues, foremost is the failure of agrarian reform. Aside from the anti-peasant policies mentioned, the organized groups of farmers and fisherfolk have also increased public awareness and mobilization on issues such as land grabbing, loss of fishing grounds, decline of budget for agriculture, government neglect of the sector, and inaction in times of droughts and other calamities, undistributed coco levy funds, and State-perpetrated farmers' killings, among numerous others.

These actions take the form of caravans, dialogues and pickets, as well as mass assemblies, organized evacuations, strikes to increase farm workers' wages, and land occupation and cultivation. But farmers have only faced State retaliation for their continued actions and mobilizations.

Indigenous peoples also continue to defend their ancestral domain, while resisting harassment and militarization of their communities. The Lumad communities and the schools they established in particular have been resisting intimidating military presence, forced evacuation, bombings, killings, and other attacks by military and paramilitary elements, including the attack on their schools by none other than the Department of Education. The Lumad continue to fight for their right to education while fending off efforts to displace them from their mineral-rich ancestral lands to make way for mining operations.

Workers' struggles are expanding across the country as poor quality and contractual work becomes more prominent and wages rapidly erode under the Duterte presidency. Organized workers are protesting against the continued rampant practice of contractualization and are calling for the legislation of a national minimum wage. Notices of strike have increased from 187 in 2017 to 233 in 2018, and around 8,102 workers have staged actual strikes, based on Department of Labor and Employment (DOLE) data, not counting strikes and pickets that workers have militantly staged with or without securing the DOLE bureaucratic permits. Many of these have taken place at big local and foreign corporations. Violent dispersals by company goons and the local police have markedly become more common under the Duterte administration.

Organized urban poor communities also continue to resist government attacks while pushing for housing and social services. Urban poor groups in Pandi, Bulacan and Montalban, Rizal for instance continue to defend the gains of their occupation of idle housing units. They also demand long-awaited approval of the unit titles by the National Housing Authority (NHA) as well as a direct supply of water and electricity. San Roque residents in Quezon City have long been fighting for their right to affordable housing, in-city development, and against demolitions amid plans to build the Quezon City Central Business District. At the same time, urban poor organizations must also defend themselves against various attacks, ranging from raids on members' houses, illegal arrests, violent eviction, to heaping fake charges on their leaders.

Also notable is the teachers' fight for salary increases and long-delayed benefits and the ongoing shortages and poor state of public school resources and facilities. Teachers have also been raising the concern that these difficulties are amid the pointless pressure on them to implement the neoliberal K to 12 curriculum to serve foreign and big local business. Teachers' groups have launched a series of protests against being overworked, underpaid, and suffering inhumane working conditions. Cases of public school toilets being converted into faculty rooms due to classroom shortages have recently drawn nationwide attention. And like the rest of the progressive groups, teachers have also been subjected to State harassment and violence. Their members are being profiled by police intelligence and their leaders are receiving death threats.

Youth and students have continued the fight for free public education, improving the education system, and against neoliberalism, authoritarianism and human rights violations. Progressive student and youth groups have launched nationwide and local actions on issues and education policies, including the removal of Filipino, Panitikan and Constitution from the tertiary education curriculum, the revival of the mandatory ROTC, and the privatization of state tertiary facilities. Members and leaders of the youth groups have also been harassed, surveilled and attacked in their schools and communities.

But what is probably the most notable development in the progressive groups and civil society under the Duterte government is the sustained protest against the administration's human rights violations and the burgeoning of more organizations and actions to deal with the country's grim human rights situation. There are about 6,600 people (based on data by the Philippine National Police or PNP) to over 20,000 people (based on human rights and media groups' data) who have been killed under the Duterte government's drug war. There have been 266 killings of activists and the people they serve and 288 additional political prisoners to the previous number of 257. Yet, democratic organizations have formed new groups to heighten their opposition, to include: different sectors and civil society organizations to fight tyranny; ecumenical groups against attacks on marginalized and poor communities; civic organizations and concerned individuals seeking nationwide support to stop the killings, political persecution and human rights violations in their respective provinces; relatives and families of the victims of the drug war; relatives of political prisoners; artists against farmers' killings and other human rights violations; compatriots abroad and their foreign friends against killings and dictatorship; among numerous others.

The increased civil society and mass movement has also brought the country's human rights situation to the attention of the international community. This has undoubtedly contributed to the mounting international pressure on the Duterte government, both official such as the UN Human Rights Council (UNHRC) and civil society such as the Amnesty International (AI), to be investigated on drug-war-related killings and commission of crimes under international law. The International Criminal Court (ICC) is also continuing its preliminary investigation on the charges that Filipino organizations have filed against Pres. Duterte on crimes against humanity.

Crackdown on critical opposition worsening

The Duterte administration has peddled the narrative that the general population is afraid of the Left, buttressing this with a phantom of a plot to destabilize the government and a so-called matrix of those involved. It appears however that the Duterte administration itself is the one that is mostly threatened by growing critical opposition. Its attacks on mainstream Left and civil society have been quite surgical, laying down the machinery and legal basis for such crackdown and complementing this with fake propaganda.

The Duterte government first established its authoritarian credentials with its bloody war on drugs, then proceeded with the declaration and prolonging of martial law in Mindanao. This has served as the justification for the Duterte government to extend increased military operations in other regions. On 22 November 2018, Pres. Duterte signed Memorandum Order (MO) 32 to increase deployments in Samar, Negros island and Bicol, purportedly to "suppress lawless violence and acts of terror."

To justify MO 32, the Duterte government rehashed Proclamation No. 55 (s.2016) declaring a "state of national emergency" in Mindanao after the 2016 Davao City bombing as well as MO 3 (s. 2016) which reinforced and reiterated Proclamation No. 55. It then cited the same context to be present in Samar, Negros and Bicol. Thereafter, additional troops have been deployed in these areas. For instance, a total of 220 additional troops of the Philippine Army from Panay island have been dispersed to several battalions in Negros island. Two additional battalions had been sent immediately to Samar after MO 32. A total of 132 members of the PNP elite force have been assigned to augment the existing forces in the MO 32 areas.

On 4 December 2018, Pres. Duterte signed Executive Order (EO) 70, which institutionalizes the "whole-of-nation approach". This simply means that the delivery of basic services and social development packages will have to be harmonized with the government's "peace framework" thus prioritized in conflict areas. EO 70 is an innovative counter-insurgency approach, which has also created the National Task Force to End Local Communist Armed Conflict (NTF ELCAC) and mobilizes all government line agencies for counter-insurgency.

On 10 January 2019, the Duterte administration presented to the public the AFP-PNP Joint Campaign Plan Kapanatagan 2018-2022, which remains guided by the national security strategy and policy as well as government's counter-insurgency thrusts. Kapanatagan is described as a national campaign "that will defeat all threat groups and criminal elements" and "ensure and maintain public safety to contribute to socio-economic development".

Under Kapanatagan, the PNP will support the AFP in combat operations against "insurgents and other threats to national security," while the AFP will support PNP operations against "criminal syndicates and private armed groups". Kapanatagan also aims to have tighter coordination between the military and the police, in particular allowing police operations in rural areas and military operations in urban areas. The Duterte government has also liberally attached the word "terrorist" to "communist groups" to lump these together with "criminal and insurgent elements", thereby not only effectively allowing military operations in urban areas but also targeting civilians.

As a concrete manifestation of Kapanatagan, the Joint Task Force-NCR of the AFP (JTF-NCR) and the NCR Police Office (NCRPO) signed a joint agreement for Implementation Plan (Implan) Kalasag NCR 2019-2022 "to develop strategies and plans that can defeat all threat groups and criminal elements." The NCRPO cites Implan Kalasag as the NCR-focused response to EO 70 and explicitly mentions that the joint troops will be generating support from various government agencies.

What is remarkably peculiar with Kalasag is the additional mandate of the NCRPO to "arrest and file cases against target personalities and organizations" and to monitor "peace-inclined armed groups" and implement a peace agreement. Kalasag does not only hope to have rebel surrenderees and local peace talks in the NCR, but in the unlikelihood of these, also creates additional condition for the declaration of martial law in the country's capital region.

The surgical authoritarianism has resulted in all-fronted attacks on critical opposition through intensified military operations, heightening of the 'communist-terrorist' and 'activist-terrorist' propaganda, and blurring of attacks on the organized Left and critical civil society with intensified counter-insurgency operations against the Communist Party of the Philippines (CPP) and New People's Army (NPA).

To illustrate the intensification of military operations and whole-of-nation approach, Negros by virtue of MO 32 is indeed a pilot area. All over the Philippines, 216 farmers have already been killed since the start of the Duterte administration – 50 of the killings occurred in Negros. Three of the 15 peasant massacres nationwide happened in the island, claiming 29 out of total 81 precious farmers' lives. Of the total number of victims of extra-judicial killings nationwide, 69 were from Negros, including the lawyer of the victims of the Sagay massacre of farmers, Atty. Ben Ramos.

The AFP and PNP implemented the Synchronized Enhanced Managing of Police Operations (SEMPO) also known as Oplan Sauron in Negros, purportedly as part of the government's campaign against illegal drugs and loose firearms. Oplan Sauron utilized Tokhang-style killing but targeted suspected NPA members, which resulted in farmers' massacres in the island. Most of those killed and arrested in various municipalities were members of peasant organizations affiliated with the Kilusang Magbubukid ng Pilipinas (KMP).

The NTF ELCAC has methodically engaged in vilification, red-tagging and terrorist-labeling of people's organizations and civil society to discredit their legitimate issues. Such propaganda runs across mass media, social media, schools, local government units, provincial urban centers, and rural communities. The NTF ECLAC has vilified and alleged as "communist front organizations" human rights, lawyers and cause-oriented groups such as Karapatan, Gabriela, Rural Missionaries of the Philippines (RMP), Alternative Learning Center for Agricultural and Livelihood Development (ALCADEV), Mindanao Interfaith Service Foundation (MISFI), National Union of People's Lawyers (NUPL), and even IBON Foundation. The religious are also not spared from red-tagging, harassment and intimidation, especially church leaders who are vocal about human rights violations and the rising tyranny of the Duterte government.

Civilian authorities appear to be drawn to the vilification campaign. The Court of Appeals (CA) dismissed the petitions for protection writs of amparo and habeas data filed by Karapatan, RMP and Gabriela despite evidence of systematic attacks against them. The CA disallowed the presentation of witnesses. On cue, National Security Adviser Esperon ironically filed perjury charges against Karapatan.

Extra-judicial killings from July 2016 to June 2019 have claimed the lives of mostly basic sectors – 216 peasants, 54 indigenous people, 41 workers and government employees, and 31 Moro basic masses. **(See Table 17)** Mounting human rights violations since Duterte assumed office have also been recorded by Karapatan. **(See Table 18)**

Table 17

Number of victims of extrajudicial killings by sector, July 2016-June 2019

Sector	Number of victims
Total	**266**
Of which --	
Peasant	216
Indigenous people	54
Moro	31
Government employee	16
Human rights worker	15
Youth and student	15
Environmentalist	13
Worker	13
Minor	10
Transport	8
Church	6
Entrepeneur	4
Fisherfolk	3
Teacher	1
Lawyer	1
Cultural worker	1

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

Administration pressing elite-biased policy agenda and accommodations to China

The administration's authoritarian agenda is not in itself unsettling for foreign and domestic business elites. As previously illustrated, the Duterte government's economic policies have favored the increase in the profits and net worth of local oligarchs by enormous proportions. Likewise, concentrated political power, its links with big business, and the greater opaqueness of government-private sector transactions could mean greater opportunities for graft and corruption.

The *Build, Build, Build* infrastructure program is pivotal in realizing elite benefits and enriching oligarch and business interests. The Duterte administration on the other hand, using State power, has made this possible through regulatory bias and capture, including taxation, incentives, contracts, and the like. These have worked to favor huge increases in the wealth of those who do not question the authoritarian streak of government, or to undermine those sections of the elite that do not cooperate.

The Duterte government has also used State power, but in a less formalistic policymaking and manner of forging deals, to give accommodations to China. Its greater openness to China however is neither absolute nor a strategic shift from the government's US-dominated and dictated foreign policy. The Duterte administration is keen on China for capital to serve as stimulus for the slowing economy. But more importantly for the Duterte clique, now the most traveled to China among all administrations, is to gain kickbacks, business favors and other possible illicit capital

Table 18

Number of victims of violation of civil and political rights, July 2016-June 2019

Violations	Number of victims
Extrajudicial killing	266
Enforced disappearance	10
Torture	134
Frustrated extrajudicial killing	404
Illegal arrest without detention	1,850
Illegal arrest and detention	593
Illegal search and seizure	443
Physical assault and injury	304
Demolition	6,264
Violation of domicile	811
Destruction of property	6,283
Divestment of property	867
Forced evacuation	451,323
Threat / Harassment / Intimidation	89,534
Indiscriminate firing	8,480
Bombing	369,856
Forced / Fake surrender	2,924
Forced labor / Involuntary servitude	35
Use of civilians in police and/or military operations as guides and/or shield	135
Use of schools, medical, religious and other public places for military purpose	43,128
Restriction or violent dispersal of mass actions, public assemblies and gatherings	3,512

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

flows. It also seems, after the allegations of presidential son Rep. Paolo Duterte's links to transnational Chinese illegal drug trade and smuggling, that the inclination towards China may simply be about personal gain. In any case, the greater openness is facing growing backlash.

China as a rising imperialist country is definitely exploiting the Duterte administration's openness to break through or possibly erode the country's long-standing alignment with US imperialism. It is seeking to maintain its regional and even global momentum through increasing economic aggression overseas through its infrastructure and trade-drive Belt and Road Initiative (BRI), and diplomatic as well as proto-military offensive, for instance in its asserted presence in the West Philippine Sea and other disputed territories in the region. China is not particularly interested in the Philippines being a full-blown part of BRI. It just so happens that the BRI will have to pass through the contested waters where the Philippines lies right there in the center.

China's economic presence and influence in the Philippines remains small compared to the country's long-time trading and investment partner, the US. As of March 2019, China accounts for only 2% of total ODA to the Philippines, while Japan continues to dominate with 46 percent. As already mentioned, half of the *Build, Build, Build* projects' indicative value will be financed by Japan, while China covers only 13.8 percent. Bilateral debt is mostly Japan with US$14.4 billion, while debt from China is reportedly insignificant at US$980 million. China's investments comprised 8.8% of net foreign direct investment (FDI) in 2018, a jump from the average of 0.6% in 2017-2018. But China continues to lag behind in terms of FDI net inflows to the Philippines, to Singapore, US, Hong Kong, and Japan. While Philippine trade with China at 17.1% of total trade as of 2018 is bigger compared to that with the US at 10.4%, trade with the US is characterized by being linked with the global value chains. Also, unlike US FDI, China's capital is also not prominent in crucial sectors that can deepen economic control, such as manufacturing.

Yet, the growing backlash is against the onerous terms of China loans, debt and ODA. The loan contracts stipulate the continuation of the practice of tied aid where the loans are spent on China's goods and services, including for payment of Chinese contractors and even hiring of Chinese workers. China also charges the highest nominal rates among other bilateral ODA donors. Apart from stringent loan payment schedules, the contracts are also explicitly governed and construed in accordance with the laws of China, and disputes will have to be settled in the courts of China. The Philippines may also potentially give up natural and strategic resources, unless prohibited by law, in connection with any arbitration. This raises concerns on sovereignty and the Duterte administration's predisposition to wield the law recklessly for narrow interests.

But the biggest major flashpoint drawing public indignation is the West Philippine Sea issue and Pres. Duterte's inability to assert Philippine sovereignty against China. Pres. Duterte has chosen to set aside the July 2016 ruling of the international tribunal, the Permanent Court of Arbitration, that was in favor of the Philippines upholding its rights over its 200 nautical miles exclusive economic zone (EEZ) under the United Nations Convention on the Law of the Sea (UNCLOS). It may be recalled that China rejected the tribunal ruling amid regional and international negative reaction to its continued violation of the Philippines' sovereign rights in the latter's EEZ. As early as his first visit to China in October 2016, Pres. Duterte has publicly vowed not to impose anything on China, practically backtracking from the Philippines' territorial claims and early victory.

Pres. Duterte and a huge entourage of government officials and businessmen had three other succeeding visits to China, while China Prime Minister Xi Jin Ping also made a short visit to the country in 2018. The "improved relations" between the two governments however, local and international observers conclude, only indicate that the Philippines has actually lost to China. China has continued to fish, conduct petroleum exploration, construct artificial islands, do reclamation projects, and even restrict Filipino fishermen in the Philippines' own territorial waters.

The ramming and sinking of the Filipino fishing boat Gem-Ver by a Chinese ship on 9 June 2019 could be a tipping point in the sovereignty sell-out issue, and in the words of SC senior associate justice Antonio Carpio, "a quantum escalation of China's aggressive acts against the Philippines in the West Philippine Sea."

Beijing downplayed the incident, even initially making untruthful accounts to play victim, but later on insisted that it was an ordinary maritime traffic accident. The foreign affairs and defense secretaries, Teddy Locsin and Delfin Lorenzana, as well as presidential spokesperson Salvador Panelo thereafter flip-flopped from their previous anti-China statements and became open to China's side. Pres. Duterte finally broke his weeklong silence on the issue, basically echoing the position of China. Malacañang has further decided to conduct a joint probe. Also, Pres. Duterte has rejected the demands of the Filipino fishermen to disallow China to fish in Philippine waters, invoking only the verbal agreement he made to Prime Minister Xi Jin Ping and the "friendship" of the two countries.

Accommodations to China have been obviously disproportionate to Philippine gains so far, prompting critics to believe that the president has been generously bribed by China. Such accommodations may also constitute culpable violation of the Philippine Constitution (which Pres. Duterte has simply dismissed as a piece of paper) and betrayal of public trust. What is clear at this point is the Duterte government has failed to uphold Philippine sovereignty against China.

US influence against country unshaken and reasserting itself

This is not to say however, that the country, if without China's incursions, is indeed sovereign. US policy dictates and influences are largely embedded in the Philippine system by deep and long-standing neocolonial relations, neoliberal economic framework and military cooperation. The Duterte government remains beholden to US military and economic aid to continue implementing US-dictated neoliberal economic policies and be subservient as well to US expansive military strategy in the region.

Pres. Duterte has done nothing to change US domination. After a brief pause at the start of the Duterte administration and since the Marawi incident, US dominance has been reasserted and fortified, especially in military and security terms and particularly over the AFP. Pres. Duterte himself has publicly softened and is seeking US help in the West Philippine Sea issue.

The US is ratcheting up its maneuvering against China, visibly with the US-China trade war but also militarily as part of its Indo-Pacific strategy of greater military cooperation with India, Indonesia, Singapore and the Philippines and through increased deployments and large-scale military exercises. High-level security and policy dialogues and meetings have continued, while the US has continued the implementation of its Operation Pacific Eagle-Philippines (OPE-P) plus a yet unnamed three-year security program in the Philippines.

US budget for OPE-P has increased from US$99.4 million in 2018 to US$108.2 million in 2019, the largest is allocated for contract for aerial surveillance capabilities. Some reported US military spending on Philippine military and police related to OPE-P, outside the Foreign Assistance Budget of the US Department of State, reached US$71.7 million in 2018. Most of this was on foreign military sales (US$34.1 million) and trainings (US$23.8 million).

US military and security aid to the Philippines is projected to be increasing from US$64.5 million in full-year 2016 to an interim figure of already US$43.4 million in full-year of 2019. The biggest chunk is for foreign military financing program. Likewise, socioeconomic aid is from US$94.1 million in 2016 to a preliminary figure of US$75 million in full-year 2019. **(See Table 19)**

The Duterte government has maintained a relatively high number of scheduled military exercises with the US, which is set to increase from 261 in 2018 to 281 in 2019. Among the scheduled exercises for this year, at least five major joint exercises including the Salaknib and Balikatan exercises have been carried out. These involve thousands of troops from both sides. Apart from these exercises, in the pretext of OPE-P, around 900 US troops of the Joint Special Operation Task Force-Philippines were stationed in the AFP base in Zamboanga at the height of the Marawi siege. In 2018, almost 300 US troops, including 80 contractors, joined AFP military activities. Apart from these which facilitate the stationing and rotation of US troops in the country is the increased presence, patrolling and free navigation of US warships, vessels and aircraft in Philippine territory.

US troops will also be given access to at least five old AFP military bases where new facilities will be built by virtue of the Enhanced Defense Cooperation Agreement (EDCA). One such facility at the Cesar Basa Air Base in Pampanga has been constructed and inagurated. Other bases include the Benito Ebuen Air Base in Cebu, Antonio Bautista Air Base in Palawan, Lumbia airport in Cagayan de Oro City, and Fort Magsaysay in Nueva Ecija – practically making different parts of the archipelago as US military base.

Meanwhile, the Duterte government has yet to fully implement the economic policies that have been dictated by US policy-related programs on trade and investment, notably the US$490-million Partnership for Growth (PFG) which is embedded in the government's Philippine Development Plan (PDP) for 2017-2022. The prominent "backlog" of the Duterte administration in US-favored policymaking is

Table 19

Selected US assistance programs to the Philippines by funding account, FY 2016-2019 (in US$ million)

Funding Account	FY 2016	FY 2017	FY 2018	FY 2019 [p]	FY 2020 [p]
Global Health Programs	32.0	33.0	28.5	20.0	20.0
Development Assistance	62.1	51.9			
Economic Support Development Fund			70.0	55.0	80.8
Foreign Military Financing Program	50.0	40.0	40.0	30.0	45.9
International Military Education and Training	1.9	2.0	2.1	2.0	2.0
International Narcotics Control and Law Enforcement	9.0	7.0	6.5	5.3	4.7
Non-Proliferation, Anti-Terrorism and Demining Related	3.6	6.1	5.8	6.1	5.9
Total	158.6	140.0	152.9	118.4	159.3

[p] - preliminary

Source: United States Department of State Foreign Assistance Budget

Cha-cha itself, specifically the full liberalization of the economy to foreign investors and ownership, which the US has long lobbied for.

Remainder of term uncertain

Pres. Duterte's midterm has proven the instability of the economic and political order. The factors for such are quite internal to the Duterte government, however. The economic crisis intensifies due to harsher neoliberal economic policies, while the political situation is shaky due to the Duterte government's growing authoritarianism.

For the remainder of its term, the Duterte presidency will have to walk a tightrope between the success and failure of the debt-driven infrastructure program in propping the slowing economy. For sure it will be an unwinnable battle for the Duterte government's economic managers to arrest the jobs crisis and unremitting poverty, as they remain unrepentant in relying on unsustainable and shallow growth sources. Their neglect of agriculture and manufacturing for local needs will worsen the economy's downward trajectory and erosion of productive base, which shall stoke social unrest further. The Duterte government's populist measures on the other hand are running short of appeasing growing discontent.

The remaining three years also puts in question the Duterte administration's ability to push further neoliberalism, either through reforms even without changing the Constitution or through full liberalization via Cha-cha. Neoliberal policies have long been discredited with the people especially the poor majority due to their harsh impact on livelihood, incomes, social services, and working people's rights. Most especially under the Duterte government, neoliberalism is further discredited what with the implementation of extremely regressive TRAIN taxes, rice liberalization, continued contractualization and wage repression, among others. Any move to further impoverish the majority, such as allowing foreign corporations to take over lands for instance, will be very unpopular.

In politics, as already projected, politicians are already looking to fighting conventional presidency-centered battle in 2022. But it remains to be seen if the Duterte clique will fight according to accustomed electoral cycle but heightening authoritarian machinery, or take a more aggressive but disruptive tack such as federalism through Cha-cha or nationwide martial law.

Finally, with the heightening people's economic and political struggles and resistance, it is also quite uncertain how far the Duterte administration will be able to put down forces for progressive change.