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2020: Beginning of the End?

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The administration oddly launched a 'Duterte Legacy' campaign with almost two-and-a-half years still left in its term. Likely with a view to the 2022 elections, it will backfire as the public becomes more discerning and less easily manipulated than the administration assumes.

The durability of the Duterte administration will be tested in 2020. It will struggle to arrest the economic slowdown and the social unrest this stirs. It will also be forced to deal with growing political challenges to its rule especially with the prospect of strong international rebuke.

But the far-reaching damage of the administration to the country in the middle of its term is already clear – its neoliberal authoritarianism has greatly worsened elite control of politics and the economy. Ever greater efforts are needed to arrest the continued backsliding of the country's fledgling democracy in the remaining years of the Duterte watch.

The Duterte administration is faltering in its fight against the slowing economy

A dynamic, equitable and environmentally sustainable economy is essential to improve the well-being of every Filipino. The administration's economic team plays up its continuity with the policies, programs and projects of past administrations as a virtue. However, this only meant that overly market-oriented policies hindering meaningful agricultural and industrial progress are unchanged. Even the macroeconomic stability it always highlights can easily prove transitory.

The government needs to go beyond the short-term reasons and look for the underlying structural causes of slowing growth

The administration's latest propaganda campaign is also an attempt to distract from how the economy is not really doing well even as the country's elites are getting wealthier. It is trying to prevent wider understanding of this, else its reform agenda and cultivated pro-poor image are put under question.

Slowing growth

The economy has been growing rapidly since the start of the 2000s. Growth rates were high in historical terms and among the countries in the region which spurred the notion that the Philippines was finally over its boom-bust cycle and breaking out of its long-standing underdevelopment. This was attributed to free market reforms since the 1980s.

Yet, even at its most rapid, economic growth has actually been shallow. High growth is due to external and temporary factors. The Philippines is still essentially a low-growth economy. The internal structural factors for sustained growth are still missing: strong agriculture, robust Filipino industry, and greater equity. Growth is shallow because these internal factors have not been deepened; they were if anything even eroded by decades of globalization policies.

The most important external factors were overseas remittances and export-oriented foreign investment especially in business process outsourcing (BPOs) and low value-added foreign manufacturing. Tourism, including around gambling-related activities, also increased but their impact is less significant.

These drove consumption and some economic activity. This was felt mainly in: real estate and construction; accommodation and food services; wholesale and retail trade; transport and storage; power, water and telecommunications; and banking. It is worth pointing out that these are the sectors where oligarchs and their corporations have flourished the most.

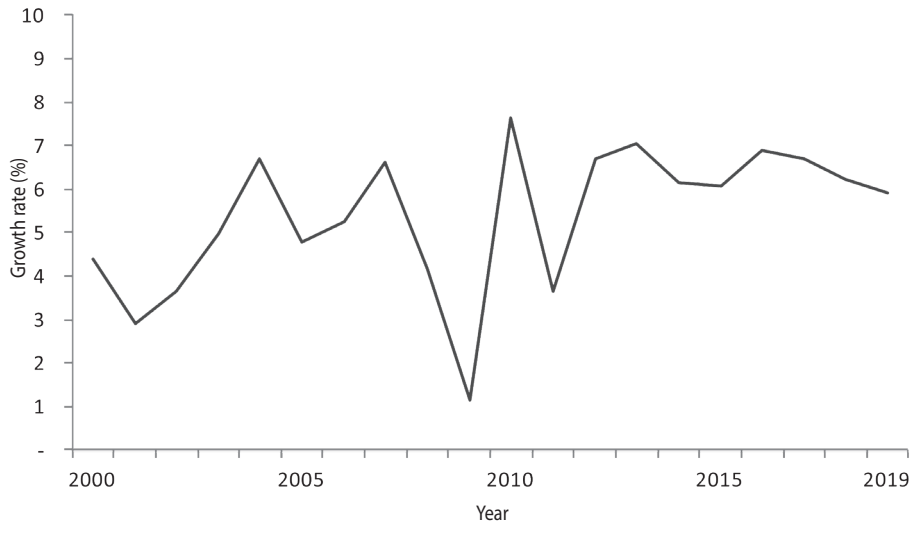
The multiplier effects were however limited by consumption and spending going to imports or import-dependent services. More jobs would have been generated if the domestic economy was able to provide and produce rather than import these. Income generation was meanwhile low, constraining consumption, because economic returns were skewed away from workers and employees.

The last two decades of high growth can be divided into three phases: accelerating growth from around 2000 to 2011; growth peaking in 2012-2016; and then steady decline from the end of 2016 until today. **(See Chart 1)** The upward trajectory saw gross domestic product (GDP) growing from as low as 2.9% in 2001 to as much as 7.6% in 2010. In the peak growth period, GDP grew at an annual average of 6.6 percent. The slowdown has so far seen growth slowing to an annual average of 6.3% over the period 2017-2019.

The most important drivers of growth in 2000-2011 were stepped-up overseas remittances since the early 2000s and rising foreign direct investment (FDI) since the mid-2000s. Foreign investments were not just in the usual manufacturing subsectors but also in the sunrise BPO industry. **(See Annex 1)** The markedly

Chart 1

GDP annual growth rate, 2000-2019 (at constant 2000 prices; in %)



Source: Philippine Statistics Authority National Accounts of the Philippines

more rapid growth in overseas remittances is particularly notable. **(See Annex 2)** The upward trend was interrupted but not broken by the global financial crisis in 2008-2009.

During 2012-2016, overseas remittances were still growing but at a slower rate. FDI however started rising rapidly not just from expanding BPOs. It was also spurred by export-oriented foreign manufacturers relocating post-financial crisis or avoiding rising labor costs and growing regulation in China. This was portrayed as a 'manufacturing resurgence' despite being mainly foreign-driven and in low value-added export enclaves. This period also saw tourism-related investments increasing especially following the opening up of gambling in 2008.

This period was moreover the start of rapidly increasing government spending. In particular, the Aquino government ramped up infrastructure spending and targeted this to reach levels up to 3% of GDP. All these trends were reflected in faster growth in capital formation, especially construction, and in faster growth in imports and exports. **(See Annex 3)**

However, the long period of relatively rapid growth since 2000 has ended with the Duterte administration. The economy has been on a downward slide with GDP growth of 6.9% in 2016 slowing to 6.7% in 2017, 6.2% in 2018, and then just 5.9% in 2019. **(See Table 1)** Growth in 2019 is at an eight-year low.

Economic growth is falling further and further below the administration's original target of 7-8% in its Philippine Development Plan (2017-2022). The target was lowered to 6-7% but growth is still not reaching even that.

The underlying reason for the slowdown is that the economy, despite a long episode of high growth rates, still does not have a strong foundation in agriculture and Filipino industry. This would be more dynamic and result in more sustainable growth because more jobs and incomes will be generated. These incomes would then be spent on domestically produced goods and services, which would support more jobs and incomes.

The long period of relatively rapid growth since 2000 has ended with the Duterte administration

Absent such foundations, the dwindling in many of the external factors which stimulated growth for so long is having a disproportionately dampening effect. Overseas remittances are slowing, the momentum of BPOs has likewise decreased, and foreign investments are softening astride weaker export demand from a sluggish global economy. Philippine Online Gaming Operations (POGOs) have controversially surged but apparently not enough to compensate for the weakening in the more accustomed external factors.

Government pump-priming

The biggest driver of economic growth today is government spending. Economic growth would be even slower if not for the Duterte administration's pump-priming to artificially boost growth. Unfortunately, government pump-priming is not

resolving the underlying reasons for the country's slowing growth.

Government expenditure has been steadily rising since the Aquino administration and, at almost 20% of GDP in the last couple of years, is already at its highest levels in the post-Marcos era or for some three-and-a-half decades. **(See Chart 2)**

The Duterte administration has greatly increased spending on infrastructure, social programs, and public sector pay hikes. These are reflected in markedly bigger budgets for personnel services, maintenance and other operating expenses, and infrastructure outlays. **(See Annex 4)**

Annual appropriations for the infrastructure program were equivalent to 4.7% of GDP in 2019 – this is projected to increase to 5.7% of GDP in 2020, 6.6% in 2021, and 7.0% in 2022. The already large budget for cash transfer programs, including administrative expenses, has increased 15.1% from Php126.2 billion in 2019 to Php145.3 billion in 2020. The budget for the Universal Access to Quality Tertiary Education has fallen slightly from Php46.4 billion to Php41.9 billion but is still significant.

Economic growth is becoming more and more reliant on the short-term stimulus from government spending. This has however apparently not been enough to offset the weakening of accustomed external factors. Growth is still slowing.

Table 1

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

Expenditure share	2016	2017	2018	2019
1. Household Final Consumption Expenditure	7.1	5.9	5.6	5.8
2. Government Final Consumption Expenditure	9.0	6.2	13.0	10.5
3. Capital Formation	24.5	9.4	13.2	(0.6)
a. Fixed Capital	26.1	9.4	12.9	1.5
i. Construction	13.1	5.8	13.6	9.4
ii. Durable Equipment	37.7	10.7	12.4	(5.2)
iii. Breeding Stock and Orchard Development	3.6	3.3	4.7	3.6
iv. Intellectual Property Products	33.9	32.4	21.9	24.7
4. Exports of Goods and Services	11.6	19.7	13.4	3.2
a. Export of Goods	10.7	20.9	14.6	2.7
b. Export of Services	15.3	15.1	8.9	5.0
5. Less: Imports of Goods and Non-Factor Services	20.2	18.1	16.0	2.1
a. Import of Goods	23.7	19.6	17.4	1.9
b. Import of Services	7.2	11.8	9.6	3.0
Gross Domestic Product	**6.9**	**6.7**	**6.2**	**5.9**
Gross National Income	**6.7**	**6.5**	**5.9**	**5.5**

Source: Philippine Statistics Authority National Accounts of the Philippines

Government pump-priming is not resolving the underlying reasons for the country's slowing growth

This trend will eventually by itself limit the scope for fiscal stimulus, as growing fiscal deficits and debt levels, measured against GDP, become unmanageable. As the room for pump-priming narrows, it becomes even more important to address the underlying reasons for slow growth. In particular this means reconsidering globalization policies that have transformed the economy into a prematurely service-dominated laggard that is overly overseas remittance- and foreign investment-dependent.

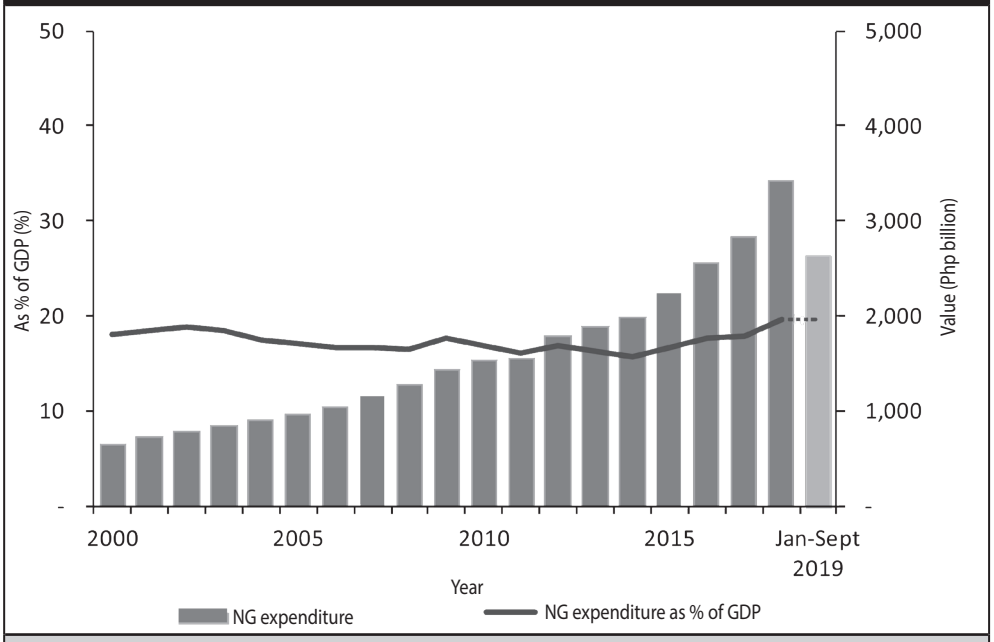
Investment illusions

The 'Build, Build, Build' (BBB) program is a defining characteristic of this administration and its economic strategy. However, the infrastructure program is not growth-enhancing over the long-term.

The government gives the impression that filling in infrastructure gaps is the key to sustained long-term growth. This notion is bolstered by the significant short-term stimulus that construction projects provide. There is also the appealing tangibility of new roads and bridges, railways, airports and seaports.

Chart 2

NG expenditure value and as percentage of GDP, 2000-2018 and January-September 2019 (value in Php billion)



GDP - Gross domestic product
NG - National government
Sources: Bureau of the Treasury and Philippine Statistics Authority National Accounts of the Philippines

it is even going backwards such as with the insistence on rice liberalization which will erode domestic agriculture further. The drive for more thorough-going investment liberalization is similarly ill conceived. This only biases the policy regime further in favor of foreign investors at the expense of nurturing domestic capital. It is particularly misguided given growing global protectionism and retreat from liberalization.

But it will take more than improved transportation and mobility – the main focus of the BBB program – to raise the country's productive capacity. Indeed, without more active government intervention in agriculture and industry, the additional infrastructure will mainly benefit the service- and trading-oriented sectors of the economy and only bloat these further.

The infrastructure program is not growth-enhancing over the long-term

Put another way, infrastructure will only contribute to long-term growth if it helps unleash the country's agricultural and industrial potential. Critical complementary policy reforms are needed for this to happen. Without these reforms, the additional infrastructure, no matter how plentiful, will just be a short-term stimulus at best.

The most important reforms the administration needs to give more serious attention to are greater protection and government support for agriculture and Filipino industry. Unfortunately, Also, if productive capacity and productivity is not expanding, then the economic returns from infrastructure will also be low and not enough to justify its cost. While less transport congestion and easier travel are palpable gains, the economic question is if these gains are commensurate to the costs.

Financing underdevelopment

Over-reliance on short-sighted government spending also creates fiscal pressures. The impact of deficits and debt is cumulative and, if unchecked, potentially catastrophic.

The government is financing part of its increased spending with higher taxes and improving tax collection; this also improves sovereign creditworthiness and makes further borrowing cheaper.

Revenues however are still not keeping up with expenditures and the fiscal deficit is still slowly increasing. **(See Chart 3)** The Php558 billion deficit in 2018 was equivalent to 3.2% of GDP or an eight-year high.

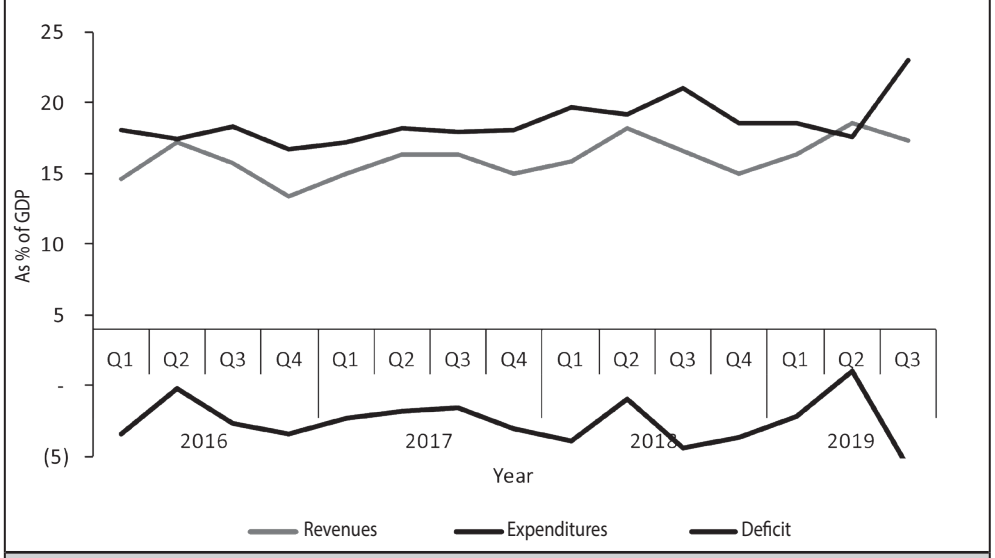
The deficit is financed by growing debt. **(See Table 2)** On average, the Duterte government is borrowing almost three times as much than the Aquino government and over twice as much as the Arroyo government per month. The outstanding debt of the national government is growing at an average of Php43.0 billion monthly – compared to Php19.0 billion under Aquino and Php21.2 billion under Arroyo – and was Php7.7 trillion already as of November 2019.
The national government debt will become increasingly unmanageable as growth slows further. There will be a cascading effect on the ability to pay – the debt-to-GDP ratio will worsen, government revenue generation will weaken, and borrowing will become more difficult. Uncurbed spending will also exert even greater pressure on the deficit.

All governments need to raise revenues. The Duterte administration's policy choice to raise revenues by making the tax system more regressive with its comprehensive tax reform program, starting with the TRAIN law, is however troublesome.

The administration is cutting direct taxes on higher income families and large corporations. On the other hand, to make up for eroding its revenue base among those with the greatest capacity to pay taxes, it is increasing indirect consumption taxes on the lower income and poor majority. This is a disproportionate burden on tens of millions of poor Filipinos. At the same time, this worsens already severe inequity in the country.

Chart 3

Selected quarterly fiscal indicators as percentage of GDP, 2016-3rd quarter 2019 (in %)



GDP - Gross domestic product
Sources: Bureau of the Treasury and Philippine Statistics Authority National Accounts of the Philippines

Weakening production

Relying on government spending to boost growth is unsustainable without a solid and dynamic production base in agriculture and industry. These sectors are important to expand

Table 2

National government outstanding debt by administration, 2001-November 2019

Administration	Total increase over term (Php million)	Total debt at end of term (Php million)	Debt per capita at end of term (Php)	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-Nov 2019)	1,761,646	7,709,645	71,755	42,967

Sources: Bureau of the Treasury and Philippine Statistics Authority

employment, increase the purchasing power of the vast working classes, and can build domestic productive capacity for future growth. Unfortunately, they are weakening rather than deepening and expanding. Government attention to agrarian reform and agricultural development is still minimal, while industrial policy remains biased for foreign investors.

Agriculture recovered to 1.5% growth in 2019 from the 0.9% slowdown in 2018. **(See Table 3)** Nonetheless, the sector continues its general decline in terms of its share in the economy and employment. Agriculture now only accounts for 7.8% of GDP while the 9.7 million employed last year was the lowest since 1989 or in three decades.

This will only worsen with the implementation of the rice liberalization law last year. Designed to drive rice prices down to curb inflation, the law threatens to displace as much as 250,000 to 350,000 of the country's smallholder farmers. Millions of rice farmers and their families are already suffering collapsing incomes from drastically lower palay buying prices and discouraged from planting and harvesting. Rice imports are growing, from 2.0 million metric tons (MMT) in 2018 to an unparalleled 2.9 MMT as of November 2019. Food security is fast eroding. The sugar industry is next in line for liberalization this year.

Relying on government spending to boost growth is unsustainable without a solid and dynamic production base in agriculture and industry

Table 3

National Accounts of the Philippines by industry group, 2016-2019

Industry group	2016	2017	2018	2019
1. Agriculture, Hunting, Forestry and Fishing	(1.2)	4.0	0.9	1.5
a. Agriculture, Hunting, Forestry	(0.6)	5.0	1.1	1.3
b. Fishing	(4.0)	(0.9)	(0.2)	2.5
2. Industry Sector	8.1	7.1	6.7	4.9
a. Mining and Quarrying	3.9	1.4	1.3	5.9
b. Manufacturing	7.1	8.4	4.9	3.8
c. Construction	12.1	5.1	14.9	7.7
d. Electricity, Gas and Water Supply	9.0	3.4	5.5	6.5
3. Service Sector	7.5	6.8	6.8	7.1
a. Transportation, Storage, and Communication	5.3	4.0	5.4	6.7
b. Trade and Repair of Motor Vehicles, Motorcycles, Personal and Household Goods	7.6	7.3	6.0	8.0
c. Financial Intermediation	7.9	7.6	7.2	10.4
d. Real Estate, Renting and Business Activities	8.9	7.4	4.7	3.7
e. Public Administration and Defense: Compulsory Social Security	7.1	8.7	15.2	10.3
f. Other Services	7.5	6.4	7.7	6.1
Gross Domestic Product	**6.9**	**6.7**	**6.2**	**5.9**
Gross National Income	**6.7**	**6.5**	**5.9**	**5.5**

Source: Philippine Statistics Authority National Accounts of the Philippines

The so-called manufacturing resurgence meanwhile has apparently stalled. Manufacturing slowed drastically from 8.4% growth in 2017 to 4.9% in 2018 and just 3.8% in 2019. **(See Table 3)** The sector even shed around 6,000 jobs by the end of last year, falling to 3.6 million employed.

The chances of a meaningful manufacturing recovery are slim. The sector is overly dependent on foreign firms producing for a global market. The world economy is however still grappling with a protracted slowdown and increasing protectionism. Government's industrial policy is meanwhile still oriented to attracting low value-adding foreign investors instead of strengthening Filipino industry. The economy is made to succumb to so-called global value chains instead

of finding creative ways to use these to develop Filipino industrial capacity.

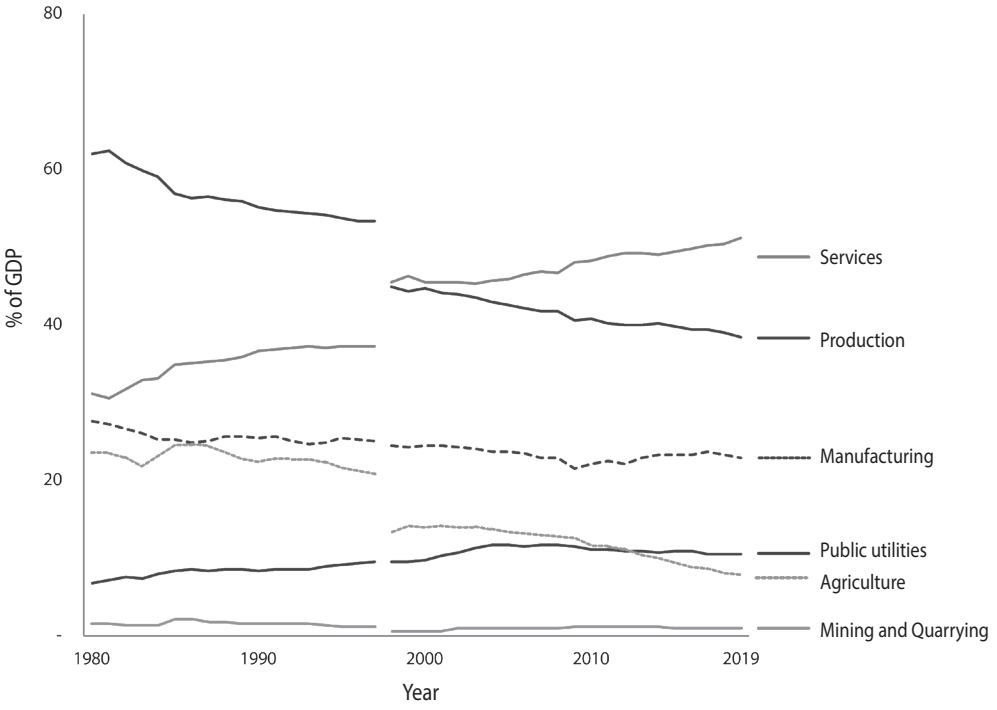
The economic direction is clearly deindustrialization, which means limited capacity to produce the economy's needs. So imports of capital goods and raw materials, especially for infrastructure, and of consumer goods, have surged. The chronic trade deficit has reached record highs under the Duterte administration. **(See Annex 5)** It is also worth pointing out that imports as a whole do not go to substantially building productive capacity and so will not enhance the country's long-term growth prospects.

The long-term decline of the country's production sectors is dramatic and among the most important structural factors behind the country's underdevelopment. **(See Chart 4)** Agriculture is a neglected and vastly diminished share of the economy. Manufacturing decline that started in the 1980s seemed to have been arrested since 2010, but this is proving short-lived and it has started to fall again. The sector has also become more and more foreign-dominated in recent decades.

A few service sectors were instead the biggest centers of economic activity and wealth creation – trading, real estate, hotels and restaurants, utilities, and related financial services. Yet these are not the sectors vital for long-term growth and development.

Chart 4

Gross Domestic Product by production, 1980-2019* (in %)



* - Data for 1946 to 1997 were computed using GDP at constant 1985 prices, while for 1998 onwards at constant 2000 prices.
Source: Philippine Statistics Authority National Accounts of the Philippines

Poverty is widespread and unemployment is at a record high

Unresolved poverty

The decline in poverty is illusory

Among the biggest economic news last year was the reported decline in poverty in 2018 to just 12.1% of families and 16.6% of the population, corresponding to 3.0 million families and 17.6 million Filipinos. **(See Table 4)** This means 1.1 million less poor families and 5.9 million less poor Filipinos between 2015 and 2018. However, the decline in poverty is illusory; the number of poor Filipinos remains unacceptably high and the economy is still failing to resolve structural poverty.

First, the 'decline' in poverty is according to a very low poverty threshold. The official poverty line is a nationwide average of Php71 per person per day or just Php10,727 per month for a family of five – this is officially deemed enough for Filipinos to meet their food and non-food needs and no longer be poor. This is more appropriately considered a threshold for extreme poverty.

Setting such a low income standard obscures how the conditions of tens of millions of Filipinos are not fundamentally improving. For instance, the same family income data would show that 12.4 million Filipino families or over half of the population actually tries to survive on just Php132 or much less per person per day.

The low 'poverty threshold' also does not capture many other dimensions of poverty that tens of millions of Filipinos suffer: income insecurity, lack of decent work, lack of education, insufficient nutrition and poor health, inadequate housing, lack of clean water, sanitation and electricity, lack of assets, exploitation and other vulnerabilities. Taking all these into consideration – a more reasonable income poverty threshold and other dimensions -- would place real poverty incidence at half to about two-thirds of the population.

Secondly, the cash transfers dispensed by government are the main reason for the 'decline' in poverty incidence. There are no signs that the country's poorest are getting decent work.

Such poverty 'reduction' is artificial in not being due to any real improvement in employment and livelihood opportunities. The well-being of families cannot be made

The cash transfers dispensed by government are the main reason for the 'decline' in poverty incidence

Table 4

Selected poverty indicators, 2009, 2012, 2015 and 2018

Indicator	2009	2012	2015	2018
Annual Per Capita				
Poverty Threshold (in Php)				
At 2006 =100	16,871	18,935	21,753	
At 2012 =100			22,685	25,744
Poverty incidence (in %)				
Family				
At 2006 =100	20.5	19.7	16.5	
At 2012 =100			17.9	12.1
Population				
At 2006 =100	26.3	25.2	21.6	
At 2012 =100			23.3	16.6
Magnitude of poor (in million)				
Family				
At 2006 =100	4.0	4.2	3.7	
At 2012 =100			4.1	3.0
Population				
At 2006 =100	23.3	23.7	21.9	
At 2012 =100			23.5	17.6

Source: Philippine Statistics Authority Official Poverty Statistics

chronically dependent on cash transfers which are necessarily limited by fiscal constraints. The government will never be able to afford the cash dole-outs needed to raise tens of millions of people's conditions to decent levels, nor is this even desirable to begin with.

According to reports by the Department of Social Welfare and Development (DSWD), an average of Php11,578 was given to each of the 4.4 million poorest households in the country under the Pantawid Pamilyang Pilipino Program (4Ps) in 2015 – consisting of 4.16 million households covered by the regular conditional cash transfer (CCT) program and another 237,859 under the Modified CCT (MCCT).

By 2018, cash transfers almost doubled to an average of Php21,871 to each of the 4.18 million poorest households. The 4Ps disbursed an average of Php19,471 – now including an additional rice subsidy – to 3.96 million households covered by the CCT program and another 227,990 under the MCCT. It is assumed that they also received the Php2,400 unconditional cash transfer (UCT) that the TRAIN law temporarily grants the country's poorest 10 million families.

Some 2.8 million families were around or just below the official poverty line in 2015, according to the Family Income and Expenditure Survey (FIES). At such low income levels, the combined cash transfers that families were receiving in 2018 amounted to between 16-20% of their family income. It is highly likely that the 1.1 million families 'lifted' from poverty were pushed above the poverty threshold only by the huge increase in cash transfers between 2015 and 2018 and not because of any improvements in the economy and their livelihoods.

Government hypes that the country is on the verge of achieving upper-middle-income status, possibly as early as 2020. The real poverty situation should be used to put this in context. The World Bank defines an economy as upper-middle-income if its gross national income per capita (GNI) is between US$3,956 and US$12,235 (around Php200,000 to Php623,000 at current exchange rates). The country's GNI per capita was US$3,725 (Php196,153) in 2018 and, according to preliminary data, US$3,978 (Php206,055) in 2019 – which inches the country over the threshold.

However so-called upper-middle-income status should not be construed as in any way implying that many or most Filipinos are now 'upper middle class'. These are merely indicative figures referring to economic production as a whole and do not literally mean that these are the incomes received, wholly or on average, by the population. If taken literally less than half of Filipinos even reach the US$3,956 per capita threshold.

More importantly, that status of the economy as a whole is disconnected from the wide poverty and serious inequality in the country. For instance, according to the latest publicly available FIES data for 2015, the richest 5% of Filipino families account for almost one-fourth (23%) of total family income – which is as much as the poorest half (53%) of Filipino families struggle to live on. These are income figures and inequalities in wealth are exponentially worse.

Record unemployment

Real unemployment is at a record high

Agriculture and manufacturing are failing and unable to create the jobs needed by the growing population and real unemployment is at a record high. Tens of millions of Filipinos are forced either abroad or into all sorts of erratic and low-paying service work.

For 2019, the Philippine Statistics Authority (PSA) reported a surge of 1.3 million additional employed to 42.4 million, resulting in unemployment falling by 40,000 to just 2.3 million with a lower unemployment rate of 5.1 percent. **(See Table 5)** Much of the surge only offsets significant job losses earlier at the start of the Duterte administration though.

Employment generation under the Duterte government is only averaging 477,000 annually which is the second worst in the post-Marcos era. **(See Chart 5)** This is slightly more than in the post-Asian financial crisis years under Estrada. Employment generation was highest while growth was accelerating during the Arroyo years, plateaued when growth peaked under Aquino, and is falling with slowing growth now.

Employment in the agriculture sector however fell by another 300,000 last year. **(See Table 6)** Falling for the third straight year, the sector has shed a

Table 5

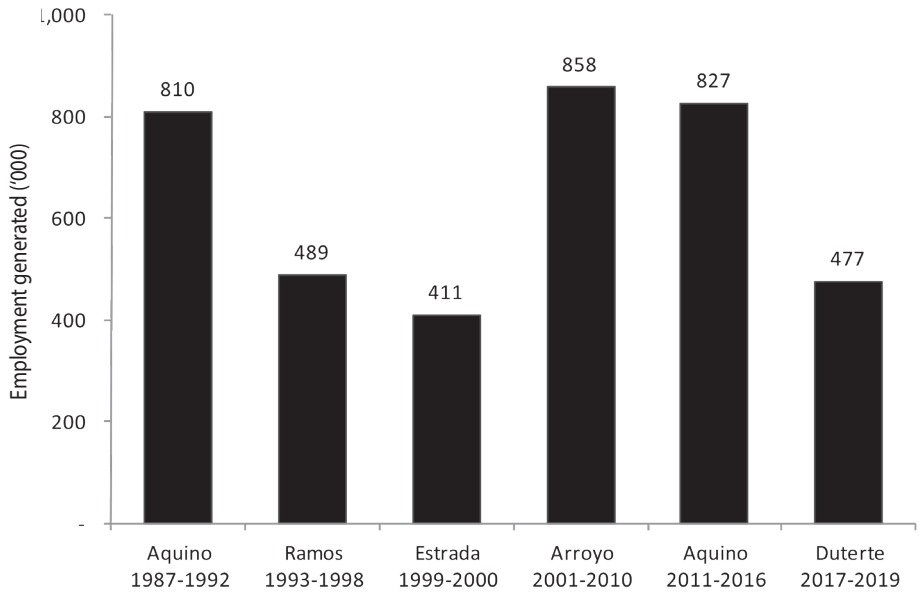
Selected labor force statistics, 2016-2019 (population in thousands; rate in %)

Indicator	Official				IBON estimates			
	2016	2017	2018	2019 p	2016	2017	2018	2019 p
Total 15 years old and over	**68,311**	**69,891**	**71,339**	**72,931**	**68,311**	**69,891**	**71,339**	**72,931**
Labor Force	**43,361**	**42,775**	**43,460**	**44,693**	**44,863**	**44,972**	**45,799**	**47,084**
Employed	40,998	40,334	41,157	42,429	40,998	40,334	41,157	42,429
Underemployed	7,513	6,506	6,734	5,933	7,513	6,506	6,734	5,933
Unemployed	2,363	2,441	2,303	2,263	4,025	4,638	4,639	4,658
Not in the Labor Force	**24,950**	**27,116**	**27,879**	**28,239**	**23,448**	**24,919**	**25,540**	**25,848**
Participation Rate	63.5	61.2	60.9	61.3	65.7	64.3	64.2	64.6
Employment Rate	94.6	94.3	94.7	94.9	91.4	89.7	89.9	90.1
Underemployment Rate	18.3	16.1	16.4	14.0	18.3	16.1	16.4	14.0
Unemployment Rate	5.4	5.7	5.3	5.1	9.0	10.3	10.1	9.9

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 (PSA) regional level microdata on the Labor Force Survey (LFS) using the original pre-2005 definition to make comparisons with previous periods possible. For 2019, however, estimates were made based on the trends of unemployment and labor force participation rates in 2018 as PSA's microdata on the LFS rounds are yet to be released.
Source: Philippine Statistics Authority Labor Force Survey

Chart 5

Employment generation by administration, annual averages (in thousands)



Source: Philippine Statistics Authority Labor Force Survey

total of 1.4 million employed since the start of the Duterte administration to just 9.7 million employed. Employment in manufacturing has also started to contract although just by an incremental and statistically insignificant 6,000 so far to 3.6 million employed.

The biggest increases in employment were in low-paying wholesale and retail trade (459,000) and construction (287,000) followed by the public sector

Table 6

Number of employed persons by industry, 2016-2019 (in thousands)				
Industry	**2016**	**2017**	**2018**	**2019[p]**
Total Employed	**40,998**	**40,334**	**41,157**	**42,429**
Agriculture	**11,064**	**10,261**	**9,998**	**9,698**
Agriculture, hunting and forestry	9,801	9,066	8,872	8,395
Fishing	1,263	1,194	1,126	1,303
Industry	**7,159**	**7,370**	**7,846**	**8,112**
Mining and Quarrying	219	203	207	184
Manufacturing	3,404	3,481	3,625	3,619
Electricity, Gas, Steam and Air Conditioning Supply	91	80	88	91
Water Supply; Sewerage, Waste Management and Remediation Activities	68	69	61	64
Construction	3,378	3,537	3,865	4,153
Service	**22,775**	**22,703**	**23,312**	**24,619**
Wholesale and Retail Trade	8,039	7,900	7,994	8,453
Transport and Storage	3,038	3,127	3,220	3,432
Accommodation and Food Service Activities	1,777	1,740	1,727	1,918
Information and Communication	366	397	403	426
Financial and Insurance Activities	514	506	540	582
Real Estate	193	186	204	230
Professional, Scientific and Technical Activities	213	247	275	304
Administrative and Support Service Activities	1,371	1,475	1,584	1,656
Public Administration and Defense, Compulsory Social Security	2,196	2,408	2,559	2,786
Education	1,304	1,204	1,197	1,282
Human Health and Social Work Activities	502	484	518	543
Arts, Entertainment and Recreation	361	325	363	397
Other Service Activities	2,898	2,701	2,724	2,609
Activities of Extraterritorial Organizations and Bodies	3	2	4	1

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

(227,000). **(See Table 6)** These three subsectors accounted for over three-fourths (76%) of net employment generation last year. Overall, job generation has been in the service sector which is notorious for widespread low pay, irregularity and informality.

Taken at face value, the increased employment is welcome especially after the contraction in employment in 2017 at the start of the Duterte administration. Looking at the figures more closely however does not indicate that long-term development is taking place.

The biggest weakness is that unemployment is measured according to a changed definition of unemployment since 2005. Reverting to the previous definition for greater historical comparability gives a more accurate sense of structural unemployment trends. This is necessary to be able to appreciate if the economy's capacity to create jobs is improving or not.

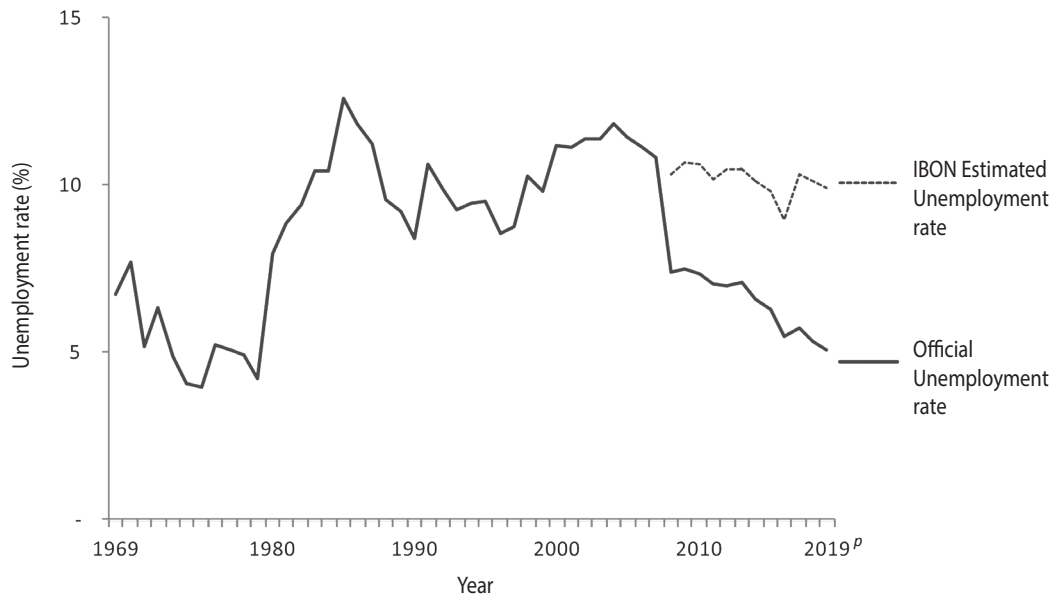
IBON's preliminary estimate is that the number of unemployed Filipinos increased to a record 4.7 million. The real unemployment rate is correspondingly almost double at 9.9%, which is still around the historical average unemployment rate of 10.2% in the four-decade long period 1980-2019.

Underemployment has fortunately continued to fall. The large 802,000 decrease from 2018 down to just 5.9 million in 2019 means that combined real unemployment and underemployment is at 10.6 million. These figures include the discouraged workers and those unable to immediately take up work that the changed definition stopped counting as unemployed.

Notwithstanding some year-to-year variations, Philippine unemployment has remained

Chart 6

Unemployment rate, 1969-2019 (in %)



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 (PSA) regional level microdata on the Labor Force Survey (LFS) using the original pre-2005 definition to make comparisons with previous periods possible. For 2019, however, estimates were made based on the trends of unemployment and labor force participation rates in 2018 as PSA's microdata on the LFS rounds are yet to be released.
p - preliminary
Source: Philippine Statistics Authority Labor Force Survey

chronically high since 1980 and the onset of globalization policies. **(See Chart 6)** The jobs crisis is deep-rooted. Growth was rapid, but because of its shallow nature and distorted patterns, there were no commensurate improvements in the quantity or quality of employment.

Working poor

It seems favorable that the most employment generated in 2019 was of wage and salary workers, which increased by 968,000 to 27.2 million accounting for almost two-thirds (64.2%) of total employment. **(See Annex 6)** Wage and salary work is presumed to imply regular and well-paid work.

Flexibilization is however increasingly pervasive. IBON's most recent estimate is that some four-out-of-ten (42%) of workers in private establishments are non-regular and agency-hired, while some three-out-of-ten (28%) of workers in government are contractuals (Job Order or JO/ Contract of Service or COS).

Official poverty and unemployment figures need to be revisited to reflect rather than hide the reality of underdevelopment

This means that 27.2 million or a 64% majority of employment in 2019 is still actually poor quality work consisting of: non-regular and agency-hired (9.0 million), government contractuals (1.1 million), and informals (17.2 million consisting of private household workers, worked with pay in own family-operated farm or business, own account workers, and unpaid family workers).

Wages remain low and are falling. The PSA has yet to release updated figures for the daily pay of Filipino workers. Using the National Capital Region

Table 7

Daily wage indicators for the National Capital Region, June 2016, December 2018 and December 2019

Indicators	Jun 2016	Dec 2018	Dec 2019
Daily minimum wage (Php)	491	537	537
Real minimum wage (2012=100; in Php)	468	461	448
For a family of six members			
Estimated family living wage (Php)	1,077	1,196	1,230
Wage gap (Php)	586	659	693
Wage gap (%)	54	55	56
For a family of five members			
Estimated family living wage (Php)	897	996	1,025
Wage gap (Php)	406	459	488
Wage gap (%)	45	46	48

Sources: National Wages and Productivity Commission, and Philippine Statistics Authority

(NCR) as a benchmark though, the NCR minimum wage is clearly not keeping up with the rising cost of living. **(See Table 7)** Its real value has fallen in 2019 from 2018, and especially compared to its value at the start of the Duterte administration. The gap between the minimum wage and the family living wage is also growing wider; the minimum wage is barely half the amount needed by a family of five and less than half needed by a family of six.

The low incomes and wages that most Filipinos actually receive should qualify any excessive enthusiasm about inflation moderating to 2.5% in 2019. Lower inflation means that prices still grew, albeit at a lower rate, and still includes the effect of the 5.2% inflation spike in 2018. This spike need not have happened minus, for instance, new consumption taxes and with better rice production and management of stocks.

An economy generating sufficient and decently-paid work is an important marker of inclusivity and development. All told, however, some 31.9 million Filipinos or over two-thirds (68%) of the labor force are either unemployed or in poor quality work. The situation is more stark if the estimated 10.4-12 million overseas Filipinos are considered as also reflecting the inability of the domestic economy to create enough decent work.

Official poverty and unemployment figures need to be revisited to reflect rather than hide the reality of underdevelopment. They are currently disconnected from the daily socioeconomic hardships faced by the country's poorest and most vulnerable. Statistical misdirection only reinforces economic problems.

Social programs

The administration plays up social programs as the masses sharing in the benefits of growth. The Duterte administration's banner social programs are cash transfers, free tuition in state universities and colleges (SUCs), so-called Universal Health Care (UHC), and free irrigation.

In particular, CCT has been expanded and institutionalized under the 4Ps, with UCT over 2018-2020 under the TRAIN tax reform law. Free tuition, UHC and free irrigation meanwhile help reduce expenses of many households, which increases their disposable income further.

The social programs help improve household welfare each in their own way. Still, there is reason to check undue enthusiasm especially to avoid complacency in development policy.

The cash transfers combined give the poorest Filipino families thousands of pesos in additional income per year – a sizeable amount considering such low and irregular incomes of the majority of the population. Cash transfers however should not be permanent income support but rather temporary social protection when transitioning between jobs, for instance, or in times of vulnerability such as during natural disasters or personal emergencies.

Decent well-paid employment, not chronic cash dole-outs, is the most important mechanism for growth to be genuinely inclusive. This is where the problem lies – unfortunately, real unemployment remains high, the quality of work is deteriorating, and incomes are still too low for too many.

The free tuition scheme and UHC share a similar underlying problem. The relief for families with college students or facing medical emergencies

is real but in a sense covers up a worsening problem of underfunded SUCs and public hospitals.

As it is, free tuition benefits around half of the tertiary-level aged population in SUCs with the balance taken up by more expensive private schools. The government however does not appear to have a long-term view of improving and expanding the SUC system.

Likewise, UHC benefits families seeking medical attention from public and private hospitals – but the government does not appear to have a long-term view of improving and expanding the public hospital system. Public hospitals are serving less and less of the population – under the Duterte administration, the trend of more private than public hospital beds is getting worse. Private hospitals are three to four times more expensive than public hospitals, so UHC is evolving into a subsidy program for private profit-seeking health providers and pharmaceutical firms.

Health care remains burdensome for Filipinos despite reportedly nearly universal PhilHealth coverage. The PSA's Philippine National Health Accounts (PNHA) for instance estimated that 53.9% of the Php767 billion in total health spending in the country in 2018 consisted of household out-of-pocket payments which is actually even slightly higher than the 53.3% registered a decade ago in 2009. By this measure, the government's expanding flagship health program does not appear to be reducing the strain of health care on the low incomes of Filipinos.

The largest part of health spending goes to hospitals and to pharmaceutical firms and other providers of medical goods. Spending on health care goods reached Php322 billion, overwhelmingly on pharmaceuticals (99%).

There is no readily available estimate of spending on private versus public hospitals although it is safe to assume that there is larger spending on private hospitals. The PNHA does note that there was more spending by private hospitals than public hospitals. Also, the Department of Health (DOH) reports that there are more private hospitals than public hospitals and, notably, more private hospital beds than public hospital beds since 2012 under the Aquino administration.

The global crisis is getting worse

Global crisis

The world economy has remained in a protracted crisis for over a decade, reflected in, among others, weak growth. **(See Chart 7)** After managing the aftershocks of the financial crisis in 2008, efforts at recovery reverted to mainly easy money and debt-driven measures. This is creating conditions for renewed financial and economic turmoil. It is notoriously difficult to predict the onset of crisis but the broad-based deterioration in the global economy last year is serious and the coming year may not be any better.

The underdeveloped Philippine economy has a shallower financial system and narrower international industrial integration than other economies. As in 2008 though, global turmoil will adversely impact the domestic economy and the welfare of millions of Filipinos in the country and abroad.

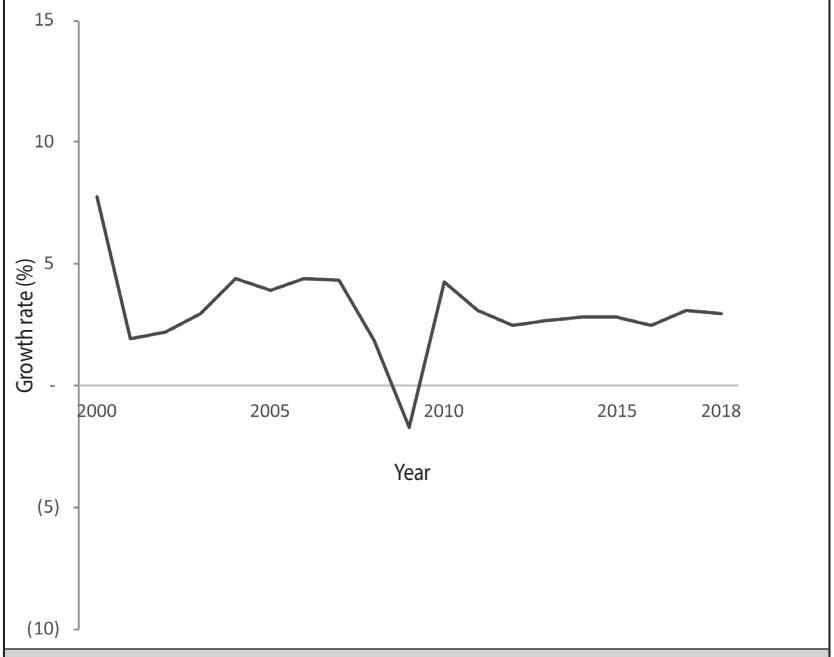
Global turmoil will adversely impact the domestic economy and the welfare of millions of Filipinos in the country and abroad

The United Nations Department of Social and Economic affairs (UNDESA) estimates that world GDP growth fell to 2.3% last year which is the lowest rate since the crisis in 2008-2009. The ultimate reasons for slow global growth are unresolved structural problems of gross inequity, low incomes of the majority of populations, over-financialization of economies, and governments unwilling to undertake needed radical socioeconomic reforms.

Last year however saw significant policy disruptions to accustomed globalization-era free market arrangements. Overt protectionism that

Chart 7

Global GDP growth, 2000-2018 (at constant 2010 prices; in %)



Source: World Bank Global Economic Prospects

started in 2008-2009 dramatically increased since 2017 until last year. UNDESA also estimates global trade growth down to 0.3% or the slowest in a decade. This was headlined by the growing trade and investment dispute between the United States (US) and China, but many other countries around the world are asserting their nationalist economic interests.

For instance, monitoring both trade and investment measures, Global Trade Alert (GTA) reports 17,171 protectionist measures implemented worldwide since 2009 versus just 6,949 liberalizing measures. This includes 7,311 protectionist measures by the G7 group of advanced capitalist countries (Canada, France, Germany, Italy, Japan, United Kingdom and US) and 5,705 by the BRICS (Brazil, Russia, India, China and South Africa).

UNCTAD also notes the termination of 187 liberalizing international investment agreements in the period 2010-2018. They also note a steep rise in the share of restrictive investment measures in all changes to national investment policies– from just around 3% in 2000 to 34% in 2018. These confirm lessening investment liberalization and growing restrictions worldwide.

It is possible that the onset of the populist era is marking the reversal of four decades of globalization. This will be clearer in the coming years. Still, as the world crisis drags, it appears that protectionist pressures can only rise and liberalization regaining momentum is less and less likely. This highlights how the Duterte administration should also adjust its economic policy thrusts accordingly rather than mechanically pushing discredited globalization policies.

The world's biggest industrial capitalist powers are the most aggressive protectionists. The US is the most brazen recalcitrant; long-standing targeted subsidies and tax breaks were bolstered with tariffs, technology export restrictions, blacklisting of foreign firms, investment regulations, and even sanctions. Beyond Brexit, Europe is also working on taxing imports on environmental grounds, imposing restrictions on state-supported foreign firms, giving subsidies, and prioritizing European firms in government procurement.

China's rise was of course built on extensive state intervention that it maintains until today. Industrial strength was created with government enterprises, joint ventures, subsidies, technology support, directives to private and state companies, and systematic protectionism -- hence its industrial prowess. Its industrial overproduction is incidentally also behind the competitive decline of domestic industries worldwide.

Global debt is reaching explosive proportions and may herald a sharp economic slowdown or even a crash. This is most of all from how central banks have resorted to using low interest rates and easy credit policies to spur sluggish economies.

The Institute of International Finance (IIF) reported that global government, corporate and household debt reached US$253 trillion as of September 2019, corresponding to a record 322%

of global GDP. Debt-to-GDP ratios are highest in the developed countries, such as the US, Europe and Japan, at 383% overall. The debt-to-GDP in the US is already at a record high. China's debt is meanwhile fast approaching 310% of GDP.

As it is, the World Bank has already pointed this out as the largest, fastest, and most broad-based accumulation of debt since the 1970s. The problem is also deeper with how large portions of the debt are accumulated in financial assets instead of invested in the real economy. This weakens productivity growth, worsens inequality, and exacerbates financial instability.

Global clashes

Relations among the major geopolitical powers are in flux. The US is overwhelmingly still the world's dominant strategic power and its efforts to consolidate its position amid growing multipolarity are particularly destabilizing. Its protectionism is targeted not just against declared peer competitor China but even erstwhile allies nearby, like Canada, and afar, like Europe and Japan. It has taken an increasingly belligerent stance on a wide range of global issues including outright military aggression – notably against Iran at the start of the year.

The rising wave of democratic protests worldwide across developed and underdeveloped countries is also relevant. Most express popular aspirations for development against the failure of globalization policies, as well as for more democracy against worsening authoritarianism and corruption. Some are instigated by foreign powers, such as the US, for their own geopolitical agenda.

Hong Kong was a standout in East Asia as protests against amendments to an extradition law expanded to demands for political freedoms against Chinese rule. General strikes in India that mobilized huge numbers of the peasantry and working class were however also significant. Farmers demanded fair prices for their produce and more public investment and support in agriculture, workers for higher minimum wages, and students for lower fees and against the privatization of higher education.

Mass protests also erupted in Bolivia, Chile, Colombia, Ecuador, Haiti and Venezuela often directed against authoritarian governments. The issues were wide-ranging and spanned rising food and transport costs, austerity measures, privatization, corruption, and electoral fraud.

In Africa, protests surged in Cameroon, Ethiopia, Nigeria, and South Africa. Demonstrators took on issues such as low wages and unfair labor practices. After months of protests, the government of Sudan was overthrown. In the Middle East, popular movements in Algeria, Lebanon and Iraq demanded political reforms and the clearing out of corrupt and abusive political elites. Protestors also agitated for jobs and decent social services.

Amid growing uncertainty and instability in the international situation, the popular upsurge creates conditions for resurgent democratic struggles around the world. Albeit each with its own specific dynamics, the various protests are all spurred by socioeconomic inequalities and elite domination of politics.

The challenges to President Duterte's rule will intensify this year

Pres. Duterte's vaunted popularity and consolidation of power will be challenged this year. Economic distress will worsen and stir unrest. He also faces the prospect of heightened international condemnation for human rights violations especially, but not only, around his ill-conceived war on drugs. The president makes a show of being heedless of what he decries as foreign intervention – yet strong international rebuke will erode his political standing not just abroad but also among domestic allies, business elites, and the public.

The president will be pressed to take even more determined measures to ensure that he escapes accountability beyond the end of his term in 2022. The more politically diminished Pres. Duterte becomes, the greater the pressure for a successor of proven loyalty. Yet, so weakened, he may possibly have less leverage to make that choice

amid jockeying for power in his coalition. The political opposition could start regrouping well enough to pose a more credible challenge to the administration. In any case, social discontent will manifest in growing protests and other ways.

The Duterte administration's efforts to manage this situation will tend to become even more heavy-handed. Attacks on political and civil liberties already started to heighten last year. If and as the various risks emerge, they will start aggravating each other and cause even more volatility.

International isolation

Pres. Duterte faces greater international isolation this year. This will further erode the administration's reputation and credibility.

The Philippines withdrew from the Rome Statute creating the International Criminal Court (ICC). The court's position however is that it still has jurisdiction over the crime against humanity complaints filed against the Philippine president regarding his war on drugs, since the complaints were filed before the withdrawal. The preliminary examination may be finished this year when the Prosecutor will decide if it will open an investigation.

Pres. Duterte faces greater international isolation this year.

If the ICC finds enough evidence to file formal charges, this could plausibly lead to arrest warrants issued against Pres. Duterte and key government officials especially among the Philippine National Police (PNP). Whether or not the warrants are executed, being found guilty will severely damage the administration's political standing as it joins the ranks of others involved in war crimes, genocide, and crimes against humanity.

Meanwhile, the United Nations Human Rights Council (UNHRC) investigation approved a resolution in July 2019 to investigate allegations of human rights abuses in the Philippines. The resolution launched a comprehensive review of the country's situation and UN experts will look into violations of civil and political rights – including but beyond the war on drugs – as well as economic and social rights. The UN High Commissioner for Human Rights will present the report at the UNCHR's 44th regular session in June 2020.

The administration will certainly be dismissive of any adverse findings by the ICC and UNHRC. But even if it rejects their decisions, its tarnished international reputation will affect transactions in multilateral fora and regional meetings. Even transnational business and commercial ties stand to be affected. In the case of the ICC, the president's and officials' movements would even be constrained lest ICC member States execute arrest warrants as the Rome Statute creating the ICC obliges them to.

International condemnation has been building up since the start of the administration. Last year saw the US taking concrete steps to denounce the Duterte administration's human rights violations. Legislation was passed to prohibit the entry into the US of Philippine government officials involved in the "wrongful" imprisonment of Senator Leila de Lima. Close Duterte ally Sen. Ronald "Bato" dela Rosa's US visa was reportedly canceled. This step raises the specter for government officials that the US government will take even more measures such as freezing their assets, as authorized by their Global Magnitsky Act.

However, these sanctions are only the more visible ones. Even before this, the US has been using its global propaganda platforms to take up issues around the Duterte administration. Major mass media outlets, academics, think tanks and non-government organizations have continuously taken up controversial issues such as the drug war, corruption, political repression, closer Philippine-China relations, and Chinese incursions into the West Philippine Sea.

Towards 2022

The premature 'Duterte Legacy' campaign underscores how the 2022 elections are already looming large

The premature 'Duterte Legacy' campaign underscores how the 2022 elections are already

looming large for the administration and, if only because of this, for the rest of the country's traditional political opposition. Positioning for the 2022 presidential elections is off to an early start.

The pressure on Pres. Duterte to have a reliable successor is mounting. If the ICC takes up the case against his administration and rules adversely, he will need high-level political support to escape justice and accountability for initiating the killing of at least 6,000 and as much as 12,000-30,000 drug suspects. This is astride culpability for markedly increased human rights violations against activists and in the course of the intensified counterinsurgency campaign.

There is also a long line of discontents among politicians and the bureaucracy who were eased out of positions of power and opportunities for corruption in favor of Duterte allies. It is not just Duterte himself but those in his clique who would be in peril. The blowback from the country's oligarchs and business elites also cannot be underestimated. The president's use of the government's regulatory authority and legal system to favor cronies and cripple opponents has been excessive.

The president's personal preference is clearly someone from his inner circle. This was understood as the motivation behind the orchestrated national visibility of his daughter, reputedly independent-minded Davao Mayor Sara Duterte, in the midterm elections and her Hugpong ng Pagbabago (HNP) party. However, much more conspicuous now is how visibly present newly-elected Sen. Bong Go is with the president in his public appearances. Sen. Go now has the advantage of coming in third in his debut senatorial run as well the national platform and wide resources that the Senate gives. Certainly, his loyalty to the president is legendary.

There are others speculated as contenders for the administration. There is Sen. Cynthia Villar who seems to have political momentum from topping the Senate race last year, aside from having the vast resources of the Villar empire at hand; former senator Manny Villar, her husband and the richest Filipino according to Forbes, has also been floated. House Speaker Alan Peter Cayetano has become an avid Duterte supporter to support his own political ambitions.

Ferdinand "Bongbong" Marcos, Jr. is also transparent about his ambitions, which are helped by the president's efforts to restore his family's wealth and revamp their image to the public. But there are also possible sleepers. Manila Mayor Isko Moreno has gotten the public attention and can plausibly duplicate Pres. Duterte's rise to the presidency from the mayoralty. Even Sen. Manny Pacquiao has been speculated if only for his popularity as one of the greatest professional boxers of all time.

The final choice will also depend on the president's transactions among his supermajority. His leverage most of all comes from his command over the vast resources of the government as well from his hyped popular support. His family also achieved some dynastic expansion with a son newly elected to the House of Representatives. Political alliances are notoriously opportunistic though, and these may still shift or coalesce elsewhere. Duterte has proven a powerful center but he is ageing and reportedly in ill-health.

Pres. Duterte earlier conceded that a shift to a federal system of government through Charter change would not be possible before his term ends. However, perhaps to keep the option open for whatever purpose, the House of Representatives (HOR) committee on constitutional amendments is keeping HOR-initiated proposals in play. The Department of Interior and Local Government (DILG) also launched a Constitutional Reform or CORE Movement at the start of the year. This is pushing for a wide range of political and economic changes in the 1987 Constitution through a plebiscite before the 2022 elections.

But Charter change efforts historically run aground whenever they are exposed as maneuvers to extend terms of elected officials including the president. The prospects for wide enough support from the Senate and among local politicians is uncertain though, and this will only be less and less likely as 2022 nears.

Unpeace legacy

Last year ended with a flicker of hope that the Duterte administration might still produce a genuine legacy that many past administrations have failed to do – a peace deal with the National Democratic Front of the Philippines (NDFP) that ends the 51-year old armed conflict and starts

critical social, economic and political reforms for the country. Informal meetings were resumed and a tentative plan to reopen formal talks was drawn up in December.

The NDFP and the Communist Party of the Philippines (CPP)- led New People's Army (NPA) welcomed the opportunity and registered their openness. Unilateral and reciprocal 16-day ceasefires were declared and by and large followed, creating a favorable atmosphere to resume peace talks. The interrupted agenda to be taken up was finalizing socioeconomic reforms and starting on political reforms as preludes to the cessation of hostilities.

The government has virtually formalized its disinclination to peace talks with the NDFP

There were however mixed signals by the Duterte administration. While Pres. Duterte initiated the process of exploring a resumption of peace talks, high-ranking military officials including those who took on civilian positions quickly and publicly registered their objections. By January, what little political momentum was created appears to have been interrupted.

Militarist hawks reiterated and elaborated their opposition. Incremental confidence-building measures such as the release of NDFP consultants and other political prisoners on humanitarian grounds stalled. A historic proposed face-to-face between the president and the CPP founding chair became a precondition instead of an outcome of progress in the talks.

The Office of the Presidential Adviser on the Peace Process (OPAPP) presumably expresses the government's official stand. It has already issued a statement effectively discarding painstaking progress achieved and impugning the integrity of past negotiations and negotiators.

On the pretext of staying within the bounds of law, the government has virtually formalized its disinclination to peace talks with the NDFP. It is covering this up by feigning openness and by misrepresenting contrived NPA surrenderees and counterinsurgency dole-outs as 'localized peace talks'.

Duterte's uncommon relationship with the Communist group is well known. The optimism has been that this would be enough to leverage a final peace agreement. Since the talks were suspended in 2018, however, the administration has taken unprecedented legal and military measures against the revolutionary armed Left. As these measures gained ground, and particularly as the military believed that it was making more and more headway, it became more and more unclear where the political pressure to reverse them would come from.

The worst possible scenario is that the recent supposed opening is merely a ruse and failed peace talks are being orchestrated as a justification for greatly intensified counterinsurgency offensives.

The Duterte Administration's neoliberal authoritarianism sets back democracy and development

Since the start of its term, the Duterte administration has inflicted severe and long-lasting damage to the country. The most evident and publicized are to political institutions but the harm to the economy is also real. These regressive trends continue and seriously threaten prospects for improving democracy and developing the economy.

Elite economics

The Duterte administration has styled itself as pro-poor from the very beginning. This is probably why it has also taken pains, from the very beginning, to repeatedly stress that its economic policies will be continuous with past administrations – for to be genuinely pro-

The richest 40 Filipinos have more wealth than the poorest 54 million Filipinos combined

poor would mean radically overhauling the policies of past administrations.

There is no doubt that the real character of the Duterte administration's economics is not just continuity with existing neoliberal policies but even taking these further using the powers of an increasingly authoritarian regime. Pres. Duterte has used State power to make the economy even more pro-rich and anti-poor and the overall result is that the country's elites are still the primary beneficiaries of government policy.

This is exemplified by the flagship tax reforms being aggressively pushed to make the tax system even more regressive, pro-rich and pro-capital. Though conceived in essence by previous administrations, the Duterte government has been the most successful in legislating them. The TRAIN law burdening poor consumers with higher consumption taxes is entering its third year. The rich whom TRAIN favored with lower taxes on their income and wealth are set to get even more tax cuts where subsequent tax packages lower corporate income taxes and taxes on capital and financial investments, among others.

The administration's banner BBB infrastructure drive is another example. Transport infrastructure paid for with public funds in effect socializes transport costs to boost corporate profits. Contracted private construction firms -- and politicians getting kickbacks – are only the immediate beneficiaries. The long-term gains go to real estate developers from rising property values, mall owners from increased traffic, and foreign manufacturing firms seeing improved logistics.

Some large social programs have been implemented to bolster its pro-poor credentials. Neoliberal technocratic and business elites expressed concern that the additional strain on government budgets would be fiscally destabilizing with adverse effects on profit-making. Consensus was reached however – partly because their cost was not dangerously high, and partly because the pro-poor image is an effective smokescreen for pushing through with harsh neoliberal reforms.

This is also how the president's anti-oligarch ploys should be appreciated. While being done to benefit the president's cronies and allies, and while seemingly disruptive of existing arrangements, they do not fundamentally depart from the status quo of capital and profits being dominant over the welfare of the people.

The only political calculation is that the president can ride through the discontent of affected business and that investor uncertainty is manageable. This is the case for instance with government interventions in the concession agreements that privatized Metro Manila water, as well as around the country's so-called third telecommunications firm.

Table 8

Key indicators of individual and corporate wealth, 2016-2019

Indicator	2016	2017	2018	2019
Net worth of richest Filipinos				
10 richest (in Php billion)	2,517	2,580	2,709	2,717
40 richest (in Php billion)	3,694	3,654	3,818	3,959
40 richest as % of GDP (in %)	25.5	23.1	21.9	nda
Net income of corporations				
Top 100 corporations (in Php billion)	606	597	949	nda
Top 1,000 corporations (in Php billion)	1,239	1,331	1,559	nda
PSE-listed firms (in Php billion) *	683	719	769	677
Gross revenue of conglomerates				
Top 50 conglomerates (in Php billion)	7,052	8,112	9,073	nda
Top 50 conglomerates as % of GDP (in %)	48.7	51.3	52.1	nda

nda - no data available
* - January-September data only for 2019
Sources: Forbes Philippines' 50 Richest, BusinessWorld Top 1000 Corporations in the Philippines Vols. 31-33, The Philippine Stock Exchange, Inc., and Philippine Statistics Authority National Accounts of the Philippines

Under the Duterte administration, oligarch wealth and profits continue to rise amid massive poverty. Inequality is if anything getting worse – IBON initially estimates that the richest 40 Filipinos have more wealth than the poorest 54 million Filipinos combined.

The wealth of the richest Filipinos has continued to grow since 2016 with the combined net worth of the 10 richest growing by 7.9% and of the 40 richest by 7.2% by 2019, to Php2.7 trillion and Php4 trillion respectively. **(See Table 8)** The net worth of just the 40 richest Filipinos was also equivalent to over one-fifth (21.3%) of GDP at current prices in 2019.

The profits of the country's biggest corporations grew even more, even over the shorter period that data is available – of the Top 100 corporations by 56.1% and the Top 1,000 by 25.9 percent. **(See Table 8)**

The rise in wealth of some acknowledged Duterte business allies is notable. In just three years, former senator Manny Villar's net worth grew four-fold from Php85.5 billion in 2016 to Php342 billion in 2019. Tycoon Ramon Ang meanwhile saw his net worth almost triple from Php57 billion to Php145 billion over that same period.

Particularly meteoric is the long-time Duterte supporter Dennis Uy who broke into the ranks of the Top 40 richest Filipinos in 2019 to the 22nd spot with a net worth of Php34.2 billion. Uy's two parent companies Udenna Corp. and Phoenix Petroleum Philippines, Inc. have also made their way into the Top 50 conglomerates in the country, ranking 31st and 35th, respectively.

There is little publicly known about the growing wealth of other close Duterte allies, nor indeed of Pres. Duterte himself. Statements of Assets and Liabilities (SALNs) of government officials are notoriously unreliable, but even then these have become much more difficult to obtain. So many corruption controversies have already simmered to the surface – around pork barrel funds as well as involving Duterte allies and appointees in the Department of Public Works and Highways (DPWH), Philippine National Police (PNP), Bureau of Corrections (BuCor), Bureau of Customs (BOC), Office of the Solicitor General (OSG), Department of Health (DOH), Department of Transportation (DOT), and Philippine Charity Sweepstakes Office (PCSO).

Having more information would help the public discern if Pres. Duterte and his allies benefited, for instance, from a conspicuously large increase in public works in the president's home region of Davao. **(See Annex 7)** The gross value of public construction in the Davao region more than doubled (134% increase) from Php49.1 billion in 2016 to Php115.1 in 2018. This increased Davao's share in total public construction from 10.7% in 2016 to 17.4% in 2018, at the expense of 11 other regions who saw their shares fall. The Philippine Center for Investigative Journalism (PCIJ) has for instance already reported that among Davao's top government infrastructure contractors, CLTG Builders and Alfrego Builders and Supply, are owned by relatives of Sen. Bong Go.

The president is reputed to have a strong following among the middle class. If so, this is likely out of personal political preference rather than because of any improvements in their well-being. The latest FIES data actually show the incomes of middle class Filipinos falling. **(See Table 9)** Adjusted for inflation, the average income of families in the three highest income deciles – or those with annual incomes of Php280,000 (around Php23,700 monthly) or more – has eroded by between 1.0 and 3.7% between 2015 and 2018. Also, if the TRAIN law was supposed to increase the take-home pay of middle class

Table 9

Average family income by per capita income decile, 2015 and 2018 (at 2012 prices; in Php '000)

Per capita income decile	2015	2018
Philippines	**250**	**267**
First Decile	81	93
Second Decile	107	117
Third Decile	125	136
Fourth Decile	147	156
Fifth Decile	171	180
Sixth Decile	205	206
Seventh Decile	243	246
Eighth Decile	299	296
Ninth Decile	390	386
Tenth Decile	737	710

Source: Philippine Statistics Authority 2015 and 2018 Family Income and Expenditure Survey

income taxpayers, this does not seem to be reflected in the family income data for 2018.

The economic policies of the Duterte administration have made the super-rich even richer, eroded the incomes of the middle class, and tempered unrest among the poor majority with increased cash dole-outs.

Elite politics

Pres. Duterte's authoritarianism has worsened elite control of politics. The Executive is run like a fiefdom. The president's extra-democratic interventions in the Senate, HOR, Supreme Court and the rest of the judiciary, and even in constitutional bodies such as the Ombudsman, Comelec, Commission on Audit (COA), and Commission on Human Rights (CHR) are exceptional in their brazenness.

The president wields government not just against political opponents but to attack press freedom, stifle academic freedom, and restrict the space for civil society. Disinformation is institutionalized and the legal system weaponized against any and all perceived opposition.

Most of all, the security apparatus of the State is being strengthened and its influence expanded. The bureaucracy has been militarized with 73 military and police officials in 46 agencies, including helming 38 of these and constituting one-fifth of the Cabinet. Draconian laws are being pushed – from amending the Human Security Act (HSA) to become harsher in curtailing civil liberties, to reintroducing the death penalty, and then lowering the minimum age of criminal responsibility.

All these legitimize repression and further narrow democratic space in the country.

Pres. Duterte is using his assertive influence across the breadth of the country's ostensibly democratic institutions for narrow self-serving ends. At the same time, the coercive powers of the State are being strengthened towards preserving elite rule and the domination of market forces over the interest of the broader citizenry.

The militarism is vigorously flexed. Martial law was declared in the whole of Mindanao and only lapsed at the end of 2018. Through Memorandum Order 32, troops were deployed to operate in rural and urban areas of four regions of Luzon and the Visayas: Bicol, Samar, Negros Oriental and Negros Occidental.

Last year saw the rolling out of the so-called National Task Force to End Local Communist Armed Conflict (NTF-ELCAC) created through Executive Order No. 70 at the end of 2018. With the president as chairperson and the national security adviser as vice-chairperson, an expansive organizational structure was created encroaching

Table 10

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

Violations	Number of victims
Extrajudicial killing	293
Enforced disappearance	11
Torture	210
Frustrated extrajudicial killing	429
Illegal arrest without detention	2,516
Illegal arrest and detention	768
Illegal search and seizure	645
Physical assault and injury	358
Demolition	6,492
Violation of domicile	1,043
Destruction of property	6,615
Divestment of property	901
Forced evacuation	454,696
Threat / Harassment / Intimidation	97,362
Indiscriminate firing	8,436
Bombing	370,186
Forced / Fake surrender	3,296
Forced labor / Involuntary servitude	35
Use of civilians in police and/or military operations as guides and/or shield	147
Use of schools, medical, religious and other public places for military purpose	44,029
Restriction or violent dispersal of mass actions, public assemblies and gatherings	3,964

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

on virtually every government agency at every level nationwide. They preside over 18 Cabinet officials.

This is being used to suppress dissent and opposition and last year saw greatly heightened attacks on the most potent agents for radical change and democracy in the country – activists and civil society. Organizations of workers, farmers, urban poor, youth, teachers, indigenous peoples, environment advocates, alternative media, cultural workers, disaster responders, and even researchers around the country face surveillance, harassment and public vilification. Illegal arrests and extrajudicial killings are on the rise.

Since the start of the Duterte administration until the end of 2019, human rights group Karapatan has monitored 293 extrajudicial killings, 429 more frustrated attempts, 11 enforced disappearances, 210 cases of torture, and 3,284 cases of illegal arrest including 768 with detention. **(See Table 10 and Annex 8)** There are also already 370,186 victims of bombings in the countryside and 454,696 victims of forced evacuation.

The main violators here are State security forces especially the military and paramilitary groups. It is worth mentioning that the US has appeared to have restored their ties with the Duterte administration especially with the military, not that these were ever really broken. The US is giving US$159.3 million in military and economic assistance to the Philippines in 2020, returning this to levels at the end of the previous Aquino administration. **(See Annex 9)** Joint military exercises will also increase from 281 in 2019 to 300 in 2020. At least three new US military facilities are being built in Philippine military and police camps in Cavite, Basilan and Tarlac on top of the five previous Enhanced Defence Cooperation Agreement (EDCA)-identified locations.

Development will come from the people

The worsening elite character of the State under the Duterte administration only underscores the critical importance of political and mass movements. More than ever, politicized and mobilizing groups are the most significant socio-political actors in the long process to transform society in progressive and revolutionary directions for the better.

Democratic change

Popular struggles have defied mounting political repression. In so many ways and across the country, people have organized to demand real democratic change as well to claim power over the economy and society.

The most vigorous struggles have been in the countryside. Organized farmers nationwide continued to vigorously demand land, fair prices for their produce, and meaningful government support. Fisherfolk resisted reclamation projects displacing them and destroying the environment. The government policy of rice liberalization was opposed. Indigenous peoples (IP) resisted the encroachment of mining firms, large dams projects, and agri-business interests into their ancestral domain. Lumad bravely defended their community schools.

Workers launched strikes against exploitation, contractualization and poor working conditions. Among those breaking into the national consciousness were by the trade unions of NutriAsia, Nissin-Monde, Regent Foods, Sumifru, Pepmaco, and Super 8. Part of the reason for this was how many were attacked and put down by police and private security forces. Urban poor groups sought to assert their right to housing and fought against demolition of their communities.

Urban poor groups joined with church groups to protest the killings of drug suspects, and are at the forefront of seeking accountability and justice in international venues such as the ICC and UN. Youth and student groups stood up against militarization of their campuses and attacks on academic freedom with protests and walkouts across the country.

Aside from their specific struggles, sectoral groups also came together to assert the country's

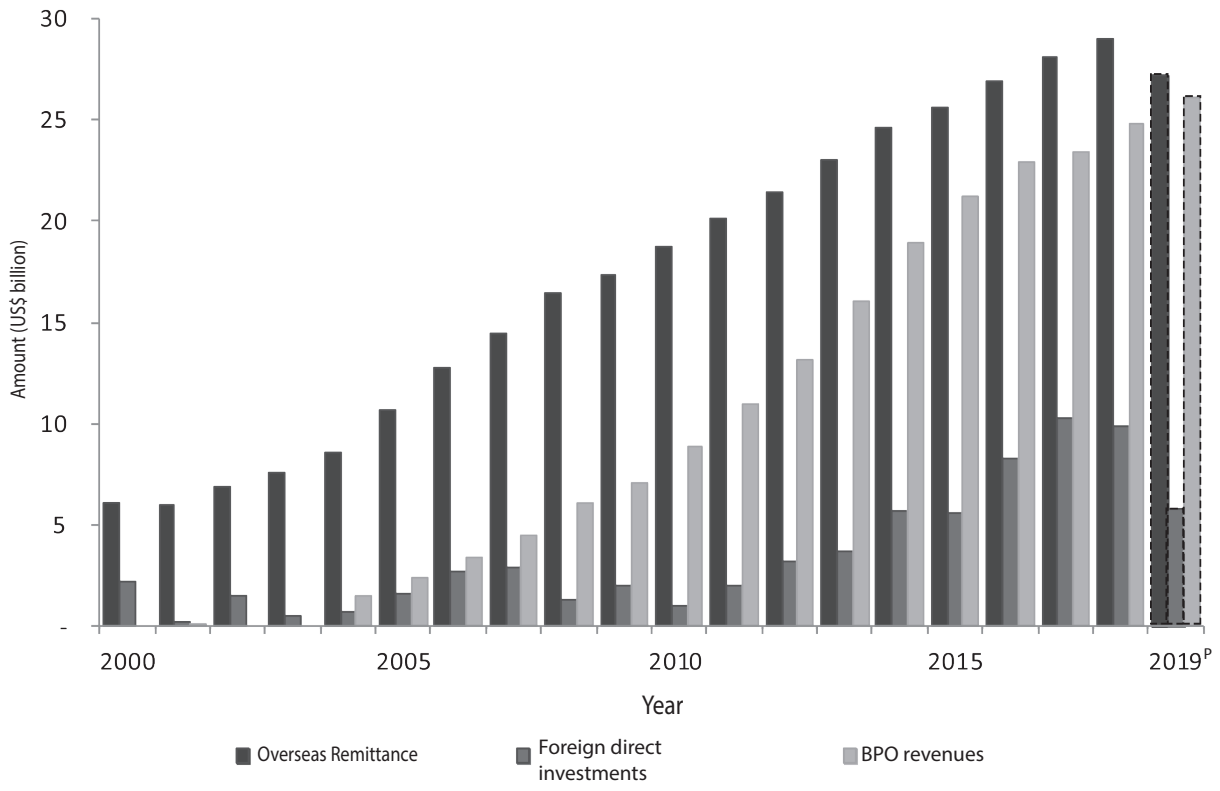
sovereignty against the US and China as well as to call to respect and human rights. The political situation also demanded coming together with allies to push back against the administration's authoritarianism and militarism.

Social unrest is growing amid economic distress, inequality and conspicuous wealth especially among administration cronies, corruption, and wide human rights violations. These are conditions for resurgent democratic protests and mass actions. Spontaneous public outbursts may also start and spread, while even erstwhile uninvolved civil society may also start to become more vocal and active.

In that sense, the launch of the 'Duterte Legacy' campaign is welcome – it will only stoke thinking that the sooner the country can start anew, the better.

Annex 1

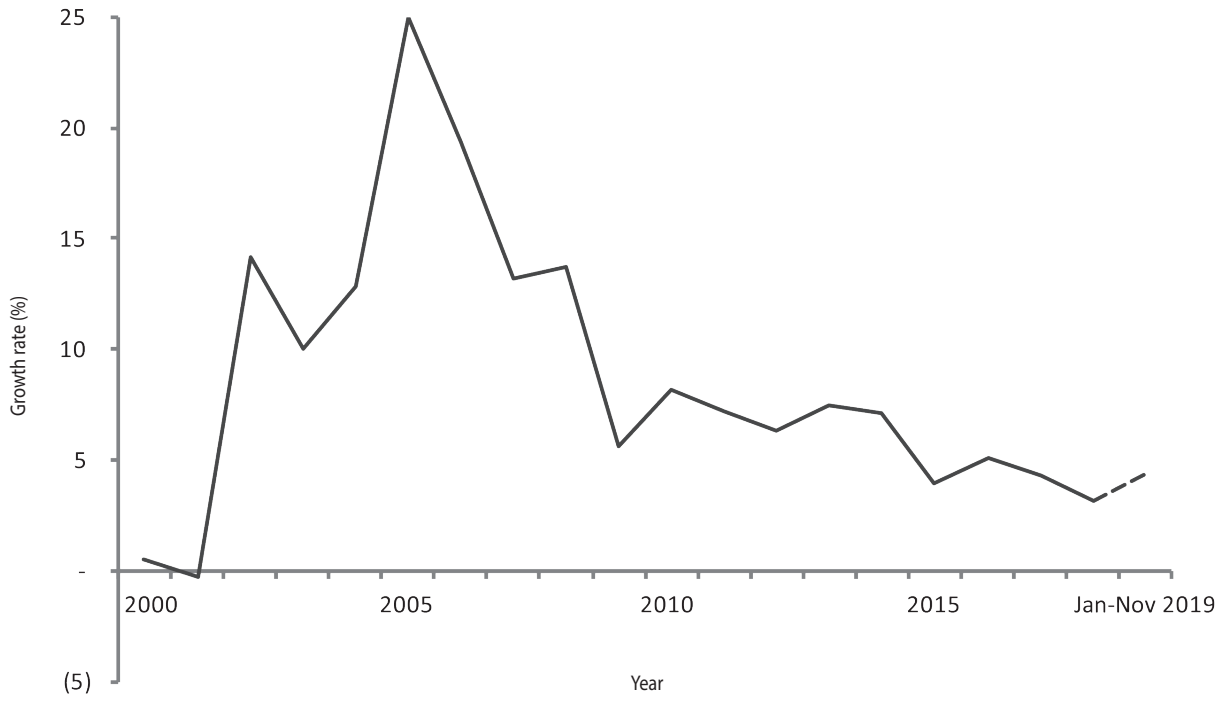
**Overseas remittances, BPO revenues and FDI, 2000-2019*
(in US$ billion)**



* - data for 2019 are as follows: overseas remittances as of November, FDI as of October, and BPO revenues are as estimated.
BPO - business process outsourcing
FDI - foreign direct investments
Source: Bangko Sentral ng Pilipinas, and IT & Business Process Association Philippines

Annex 2

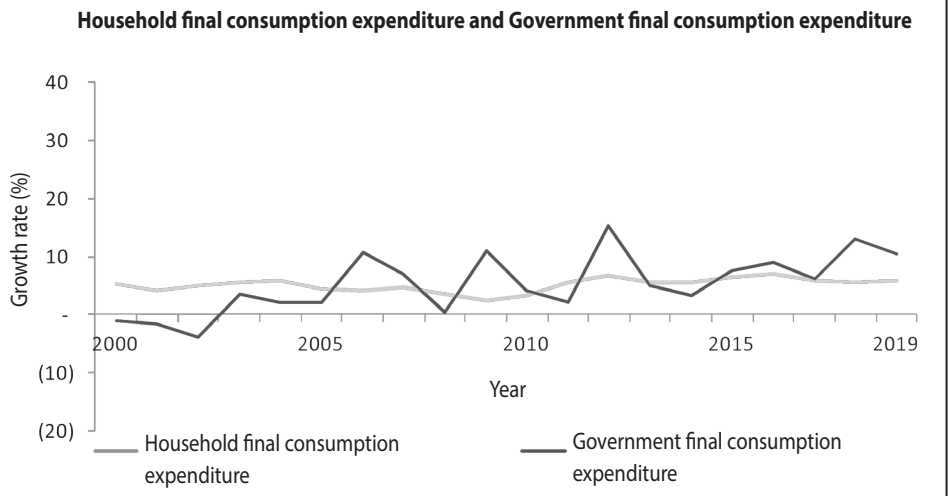
Annual overseas remittance growth, 2000-2018 and January-November 2019 (in %)

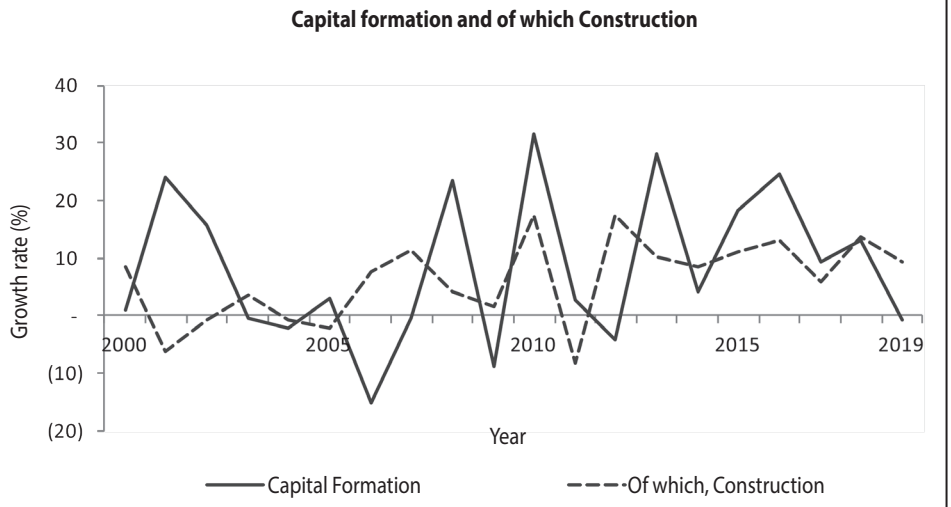


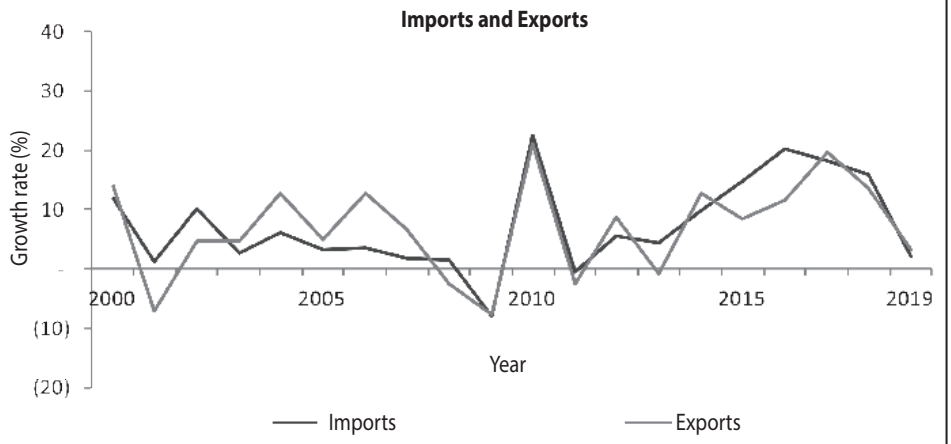
Source: Bangko Sentral ng Pilipinas

Annex 3

Annual growth rate of expenditure shares, 2000-2019 (at constant 2000 prices; in %)







Source: Philippine Statistics Authority National Accounts of the Philippines

Annex 4

Actual NG disbursements, Total 2010-2015, Annual 2016-2018, and January-October 2019 (in Php billion)

Particulars	2010-2015	2016 [a]	2017	2018	2019 [b]
Current Operating Expenditures	**8,831**	**1,909**	**2,114**	**2,441**	**2,163**
Personnel Services	3,362	723	808	987	829
Maintenance and Other Operating Expenses	1,615	420	465	526	453
Subsidy	334	103	131	137	159
Allotment to LGUs	1,491	343	390	420	385
Interest Payments	1,840	305	311	349	315
Tax Expenditure	189	16	8	22	23
Capital Outlays	**2,024**	**625**	**714**	**963**	**758**
Infrastructure/Other Capital Outlays	1,480	493	569	804	629
Equity	50	12	5	4	2
Capital Transfers to LGUs	430	120	140	156	128
CARP-Land Acquisition and Credit	8	-	-	-	-
Debt Management Program	56	-	-	-	-
Net Lending	**95**	**15**	**(4)**	**5**	**17**
Total	**10,950**	**2,549**	**2,824**	**3,409**	**2,938**

[a] - 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.
[b] - For January to October only
MOOE - Maintenance and Other Operating Expenses
NG - national government
Source: Department of Budget and Management NG Disbursement Performance Reports

Annex 5

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

GDP - Gross domestic product
Source: Philippine Statistics Authority

Annex 6

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

Indicator	2016	2017	2018	2019 [p]
Total employed	**40,998**	**40,334**	**41,157**	**42,429**
Wage and salary workers	**25,240**	**25,209**	**26,257**	**27,224**
Worked for private household	2,096	1,925	1,945	1,829
Worked for private establishment	19,694	19,776	20,609	21,393
Worked with pay in own family-operated farm or business	132	119	129	133
Worked for government/government corporation	3,317	3,388	3,574	3,870
Own account workers	**12,473**	**12,689**	**12,580**	**12,730**
Self-employed without any paid employee	11,097	11,198	11,090	11,479
Employer in own family-operated farm or business	1,376	1,491	1,489	1,250
Unpaid family workers (Without pay in own family-operated farm or business)	**3,285**	**2,437**	**2,320**	**2,475**

[p] - preliminary
Source: Philippine Statistics Authority Official Poverty Statistics

Annex 7

Gross value in public construction by region, Total 2010-2015 and Annual 2016-2018 (at constant 2000 and current prices, in Php billion)

Area	2010-2015	2016	2017	2018
At constant 2000 prices				
Philippines	**729.8**	**190.0**	**213.0**	**255.0**
National Capital Region (NCR)	88.5	8.9	8.9	10.7
Cordillera Administrative Region (CAR)	33.6	4.6	6.3	7.5
Region I (Ilocos Region)	32.0	10.0	11.1	12.8
Region II (Cagayan Valley)	28.0	9.3	9.3	9.9
Region III (Central Luzon)	50.3	14.4	17.9	24.9
Region IV-A (CALABARZON)	37.8	6.4	6.8	8.4
Region IV-B (MIMAROPA)	35.6	6.9	8.9	11.8
Region V (Bicol Region)	49.3	12.4	13.8	18.7
Region VI (Western Visayas)	57.6	14.3	16.0	17.8
Region VII (Central Visayas)	61.5	15.9	14.3	16.8
Region VIII (Eastern Visayas)	39.9	9.2	10.3	11.7
Region IX (Zamboanga Peninsula)	43.5	20.3	13.9	13.9
Region X (Northern Mindanao)	52.2	18.2	18.0	23.6
Region XI (Davao Region)	58.6	20.3	37.5	44.2
Region XII (SOCCSKSARGEN)	42.3	12.4	12.6	14.6
Region XIII (Caraga)	18.9	6.4	7.4	7.5
Autonomous Region in Muslim Mindanao (ARMM)	0.3	0.1	0.1	0.1
At current prices				
Philippines	**1,654.3**	**457.8**	**523.1**	**661.0**
National Capital Region (NCR)	196.2	21.4	21.6	27.6
Cordillera Administrative Region (CAR)	80.6	11.9	16.3	20.5
Region I (Ilocos Region)	72.2	24.2	27.0	32.9
Region II (Cagayan Valley)	61.8	21.8	22.1	25.0
Region III (Central Luzon)	115.7	34.9	44.1	64.6
Region IV-A (CALABARZON)	86.1	15.5	16.8	21.9
Region IV-B (MIMAROPA)	80.8	16.6	21.9	30.5
Region V (Bicol Region)	111.5	30.0	34.0	48.8
Region VI (Western Visayas)	131.0	34.5	38.9	45.8
Region VII (Central Visayas)	138.5	38.0	34.8	43.2
Region VIII (Eastern Visayas)	89.0	22.2	25.5	30.5
Region IX (Zamboanga Peninsula)	97.8	47.9	33.3	35.5
Region X (Northern Mindanao)	121.5	44.5	44.8	61.9
Region XI (Davao Region)	133.0	49.1	92.4	115.1
Region XII (SOCCSKSARGEN)	94.1	29.5	30.6	37.1
Region XIII (Caraga)	43.8	15.7	18.6	19.7
Autonomous Region in Muslim Mindanao (ARMM)	0.7	0.2	0.3	0.4

Source: Philippine Statistics Authority National Accounts of the Philippines

Annex 8

Number of victims of extrajudicial killing by sector, July 2016-December 2019	
Violations	**Number of victims**
Church	7
Entrepreneur	4
Environmentalist	13
Fisherfolk	3
Government employee	22
Indigenous people	59
Peasant	239
Teacher	2
Lawyer	2
Human rights worker	16
Worker	13
Youth and student	15
Cultural worker	1
Moro	32
Transport	9
Minor	10
Source: KARAPATAN Alliance for the Advancement of People's Rights	

Annex 9

Selected US assistance programs to the Philippines by funding account, FY 2016-2020 (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