

Aquinomics: What development roadmap?

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Benigno S. Aquino III's victory in the May 2010 presidential elections was propelled by the promise of change. This resonated deeply with Filipino voters suffering decades of worsening joblessness and poverty which was even capped by a decade of corruption and human rights violations of historic proportions under the Arroyo administration.

The irony however is that President Aquino's victory was precisely because he would not bring change. His bland political and legislative track record shows that he is personally not a reformist and much less a radical reformer. At the same time the narrow elite political and economic forces which gravitated around him were and are very much about maintaining their hold on economic political power in the country.

One year is far from enough time to solve the multitude of problems facing the country. One year, however, is more than enough time to take the first determined steps toward solving these. Indeed, the first year of the administration is exactly the time to put the country on the path of change no matter how rocky, difficult and circuitous this may be – as it will certainly be because the country's complex problems are far beyond simplistic “*kung walang corrupt, walang mahirap*” solutions.

One year therefore is more than enough time to conclude: the Aquino presidency has no vision for development and, divertingly and deceitfully, offers only illusions.

Poor first year outcomes

The economy's binding constraints are mainly political – inequities in income, assets and wealth (and correspondingly in political power), and the lack of a strategic vision for development (with government economic policies mainly serving elite interests). The Aquino administration's actions in its first year unfortunately establish that it is not going to be challenging these inequities and will not set strategic directions that will benefit the poor majority. Three instances regarding food, jobs and land are emblematic of the Aquino presidency.

In his June 30, 2011 speech on the first year of his presidency, President Aquino boasted: “I hope you will excuse me, because I do not usually boast: We used to have an annual rice deficit of 1.3 million tons. In this first year alone, we will be importing 800,000 tons – to leave room for a buffer – but all we need now is some 600,000 tons... No sleight of hand was needed to increase our rice yield: We just found the most affordable and effective measures where we could allocate our irrigation budget; we promoted the use of the best seedlings available; and we encouraged upland rice farming... 15 percent increase in our rice production...”

But this claim of improving food security was an empty boast. There has not yet been an increase in rice production and the “15 percent” increase appears to just refer to the *projected* 14.9 percent increase in palay production according to the government's Bureau of Agricultural Statistics (BAS) April 2011 rice situation and outlook report. Any such increase will in any case not be due to the Aquino government's efforts but rather, according to the BAS, an expansion in harvest area and no adverse EL Niño phenomenon this year unlike in 2010. And if the Aquino government is importing less much of this is

also ironically due to the previous Arroyo administration whose questionable over-importation in 2010 resulted in a record 3.4 million metric ton rice stock inventory. President Aquino's rice exaggeration is an example of a grain of truth distorted for brazen propaganda purposes.

The crisis of joblessness, poor quality work and low wages continues. It is possible that President Aquino will in his upcoming state of the nation address (SONA) roll out statistics of a supposedly improved employment situation. He may for instance say that 1.4 million jobs were created and that the number of unemployed Filipinos fell by 228,000 between April 2010 and April 2011. But this will not be the real picture because it will be using an Arroyo-era revised definition of unemployment that does not count millions of unemployed Filipinos and it will not reflect the deteriorating quality of jobs.

The reality rather than the illusion is that the number of Filipinos jobless or otherwise not earning enough from their jobs and seeking additional work increased by 645,000 to reach 11.6 million – consisting of 4.5 million unemployed and 7.1 million underemployed Filipinos. There is a large increase in the number of Filipinos jobless or in poor quality work because the small drop in the number of unemployed, by whatever definition, was more than offset by the huge 829,000 increase in the number of underemployed. It can also be argued that the number of Filipinos jobless or in poor quality work is even larger at 21.1 million – consisting of 4.5 million unemployed, 4.3 million unpaid family workers, and 12.2 million own account or informal sector workers.

The Aquino administration is also giving even less to workers than the previous Arroyo government with just a Php22 wage hike for the National Capital Region (NCR) in May 2011. The previous Arroyo government that President Aquino says he is so different from was able to give higher Php25 wage hikes in June 2005 and July 2006. The real wage, or taking inflation into account, also even reached higher during the previous administration and was worth Php258 in February 2008 (in 2000 prices) compared to the Php245 under Aquino in June 2011. As it is, the mandated minimum wage of Php426 is just 43% of the family living wage of Php998 for a family of six in NCR. President Aquino's paltry wage hike is an example of siding with capitalists and employers in defense of their profits over low-income workers and employees.

The Aquino presidency gives low priority to agrarian reform. It is the second worst performer in terms of land distribution in the five administrations of the post-Marcos era. It has distributed only an average of 19,901 hectares of land per month in its first nine months – compared to the much higher monthly averages under the Ramos administration (38,229 hectares), Cory Aquino (28,711 hectares) and Estrada (26,032 hectares). The Aquino administration's performance is only slightly better than the monthly average of 17,311 hectares under Arroyo.

This is very poor performance for a program that should have had much greater momentum by now while unsurprising for being under a president coming from a landed clan. Yet President Aquino can certainly exert his moral and political authority to immediately distribute the Hacienda Luisita land to its farmers and farmworkers. President Aquino's poor land distribution performance and evasive stand on Hacienda Luisita is an example of no political will to implement real agrarian reform in the country.

Development plan without development

The Philippine Development Plan (PDP) 2011-2016 is the government's premiere development plan and cannot but strongly reflect the dominant economic and political forces in the country. And because these elite forces remain entrenched the government's economic plan cannot but be recycled and anti-development.

The PDP 2011-2016 spans 10 chapters and is nearly 400 pages long. Yet for all its length and breadth, all it does is affirm and continue past policies of globalization that by now are familiar to all: trade and investment liberalization, privatization and deregulation. There are only two additional stresses: first, more extensive and deeper privatization (through public-private partnerships, or PPPs) and, second, covering up failures of globalization with multi-billion peso anti-poverty gimmickry (especially conditional cash transfers, or CCTs).

Privatization is intensified with even greater incentives for big business, especially foreign investors, through so-called regulatory risk guarantees. Its coverage is also greatly expanded into health, education and housing – reducing these vital social services into opportunities for profit and foreshadowing making them unaffordable and inaccessible to the country's poor and poorest. It does not seem that any area of the economy will be spared PPPs and the administration's list of coverage is long: power, telecommunications, information technology, highways, roads, railways, ports, airports, transport systems, irrigation, canals, dams, water supply, sewerage, markets, warehouses, slaughterhouses, government buildings, land reclamation, tourism and industrial estates.

The Aquino administration and its PDP is forced to acknowledge the unavoidable consequences of decades of globalization: low and volatile growth, record joblessness, falling incomes and growing poverty. However rather than deal with the roots of the problem it instead seeks to merely cover up for these with a multi-billion peso CCT program that is expensive, debt-driven and unsustainable aside from being prone to abuse, patronage and corruption. There are also already reports of CCTs being used less for anti-poverty than counterinsurgency.

And more than just relief without reform the CCT program actually seeks to use the relief precisely to cover up for the lack of reform. Families may receive Php9,000 to as much as Php15,000 a year for a maximum of five years but the question remains: after five years will they have jobs, steady incomes, steady livelihoods and decent public education, health and housing?

Who's the boss?

A quick glance at the major influences behind central aspects of Philippine 'development' planning goes far in explaining the kind of economic plan drawn up and why economic outcomes are systematically biased against the poor majority.

For instance, the Joint Foreign Chambers of Commerce in the Philippines (JFC) pitched for "Seven Big Winner Sectors" with a policy paper in 2009 and pushed for these again in 2010 with *Arangkada Philippines 2010: A Business Perspective*, a massive advocacy paper with hundreds of figures, tables, maps and recommendations "for building a more competitive economy". These sectors were: agribusiness, business process outsourcing (BPOs), infrastructure, mining, tourism (including medical travel and retirement), manufacturing and logistics, and creative industries. Virtually all of these have found their way into the 2011 PDP as "Competitive Industries and Services Key Areas": agribusiness, BPOs, infrastructure, mining, tourism, electronics and shipbuilding (both specified by the JFC under manufacturing), logistics and housing.

The CCT program started under the Arroyo administration which the Aquino administration greatly expanded has a rich pro-globalization pedigree. The World Bank (WB) has been among the foremost promoters of 'free market' policies of globalization for decades. CCTs were first used extensively in the mid-1990s in Brazil and Mexico but the WB appropriated and started aggressively pushing this soon after. It implemented its first CCT program in 2001, held the first of a series of international CCT conferences in 2002, breached the billion-dollar mark for support in 2009 with a US\$1.5 billion program in Mexico (and an additional US\$1.2 billion in 2010), and over the period 2009-2011 has allotted US\$9 billion for

so-called social safety nets of which CCTs are a major part. As it is, the WB and the Asian Development Bank (ADB), another pro-globalization institution, have loaned the Philippines US\$805 million which will cost US\$1.0 billion to repay.

The WB and ADB are also at the forefront of pushing PPPs. The WB Country Assistance Strategy (CAS) declares: “The World Bank Group will promote private investments in infrastructure, specifically roads and power, through public-private partnerships.” It is able to leverage this thrust with some US\$2 billion in funding commitments to the Philippines. The ADB similarly pushes PPPs with a Country Partnership Strategy (CPS) of: (i) strengthening institutional framework of PPPs; (ii) providing advice on innovative approaches and solutions in PPP project development, financing, and implementation; and (iii) mainstreaming PPPs in country programming and project processing. The ADB can push this agenda with its US\$900 million portfolio for the country.

The pro-big business thrust of the PDP is also not surprising given the background of the Aquino presidency’s economic team. The finance secretary’s background is with SGV & Co./Ernst & Young, the trade secretary with SM Investments Inc./Chase Manhattan Bank/Chemical Bank, the energy secretary with Manila Water Company/Aboitiz & Co., the public works secretary with Maynilad Water Service, the transport and communication secretary with Meralco, the tourism secretary with the Makati Business Club, and the economic planning secretary is a former NEDA chief pushing globalization in the 1980s aside from being with business consultancies and the Philippine Stock Exchange. These are companies which have profited from water and power privatization, and which are also among those bidding for the new flagship PPPs.

On the other hand the lack of genuinely people-biased measures is glaring for being unacceptable to this status quo. The PDP does not aim to meaningfully increase wages, implement far-reaching agrarian reform that breaks rather than merely reproduces rural monopolies on land and power, raise taxes on high income corporations, families and individuals, builds Filipino-owned manufacturing industries, and others.

Prospects in the next five years

The last decade and the first year of the Aquino administration is a straightforward way of seeing where the economy will likely be headed in the remaining five years of the current administration. The last decades of globalization policies have resulted in record unemployment, deteriorating quality of work, falling real incomes, and increasing poverty. With these same policies in place the results cannot and will not be any different.

If anything there are very strong negative economic tendencies. First, there is the volatile global economic situation which could deteriorate very rapidly before end of President Aquino’s term. Some early signs of this are the dropping exports, falling investments and slowing remittances. Second, there is the internal problem of inequity which is among the factors keeping the economy on a low-growth, low-employment and vulnerable path. These economic flashpoints make the CCTs all the more important for the Aquino administration as its main effort to defuse unrest and stem worsening social turmoil to be able to stay the globalization path.

The reasons for nationalist economics are then even more compelling. Experience has shown that neoliberal ‘free market’ policies of globalization have not developed and cannot develop the Philippines. The global economy has entered an era of slower growth both in the advanced capitalist powers as well as in the emerging economies. Accumulated internal problems from decades of globalization are meanwhile reaching a breaking point – weak economy, social crisis, and incapable government.

President Aquino himself set the standard by which he should be measured. He promised change yet Aquinomics is no change at all. There is no shift from the failed and inequitable globalization policies of the past. The PDP recycles old policies and, if anything, even covers up their recurring failure with multi-billion peso CCTs. The Aquino presidency has shown itself to have no vision of real development or of real economic reform for the people.

And yet none of this is cause for despair but should rather point to the directions to take. Change will clearly not come from the Aquino presidency. Yet change or at least the first steps toward that change are possible even if this will depend, rather, on the advance of real democratic political forces.###