When People Are Last

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The basic question is: how are the people doing? The president and her economic managers - as well as those few left in the country still doing well for themselves – keep saying that things are not that bad or will soon get better. This paper attempts to answer the question and makes an assessment of the country's economic performance in the year 2002.

The grounds for optimism include the following: the increase in gross domestic product (GDP) growth in 2001 which exceeded IMF, WB and ADB forecasts; an agricultural sector "revitalized" by government support for modernization; the return of "foreign investor confidence"; a "robust" service sector; and exports and industry soon to be boosted by recovery in the US and Europe. All these supposedly show that the economy is "reaping the benefits of structural reform measures."

Unfortunately, there are strong reasons to think otherwise. First, the damage wrought by some two decades of imperialist globalization; second, the impossibility of a rerun of the artificially-boosted growth spurt of the mid 1990s; third, the likelihood of further upheavals from the global crisis; and finally, the government's refusal to overhaul its social and economic policies.

Double Standards

The need for economic nationalism and domestically-grounded development policies - and, conversely, the folly of an undue outward-orientation - is well-established. None of the current industrial powers nor the so-called newly industrialized countries (NICs) were able to build strong industrial and agricultural sectors without first setting the domestic economic house in order. Their economic hostory affirms the necessity of protectionist policies and deliberate state suport.

The persistence of substantial massive government subsidies and trade protection for agriculture and industry even in today's advanced economies should be more than enough proof that the benefits of "globalization" and the level playing field are more myth than reality.

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The absence of these progressive economic policies goes far in explaining the dismal and worsening state of the people's welfare. Policy-making has been little oriented towards truly fostering domestic development. Rural elites have resisted agrarian reform. Foreign investors and their local partners have resisted national industrialization. As a result, policies have in the main been biased towards what profit foreign and domestic elites rather than benefits the poor majority. Even health services, education and housing are being turned into luxury goods available only to those who can afford them.

Consider what two decades of neo-liberal globalization since the 1980s has wrought.[1] Policy instruments of state guidance and protection critical to domestic development, albeit badly wielded in years past, were progressively taken away. Private profit-seeking foreign and elite interests were given unparalleled latitude to dominate economic and social life.

Figure 1 gives some indication of how much more open to foreign trade and investment the Philippines has become, albeit with some reversals in foreign capital flows with the onset of the global crisis beginning in Asia in 1997.

The results were devastating. There were three major economic crises, in 1984-85, 1991 and 1998, during which the economy actually shrank – the only times that these happened in post-World War 2 history. The country's enduring cyclical tendency to go bust has become more volatile and frequent. Annual growth rates dropped steeply seven times during the 35-year period (from 1945 to1980); the next seven times these happened were in the much shorter 20 year-period (from 1980 to 2000).[2]

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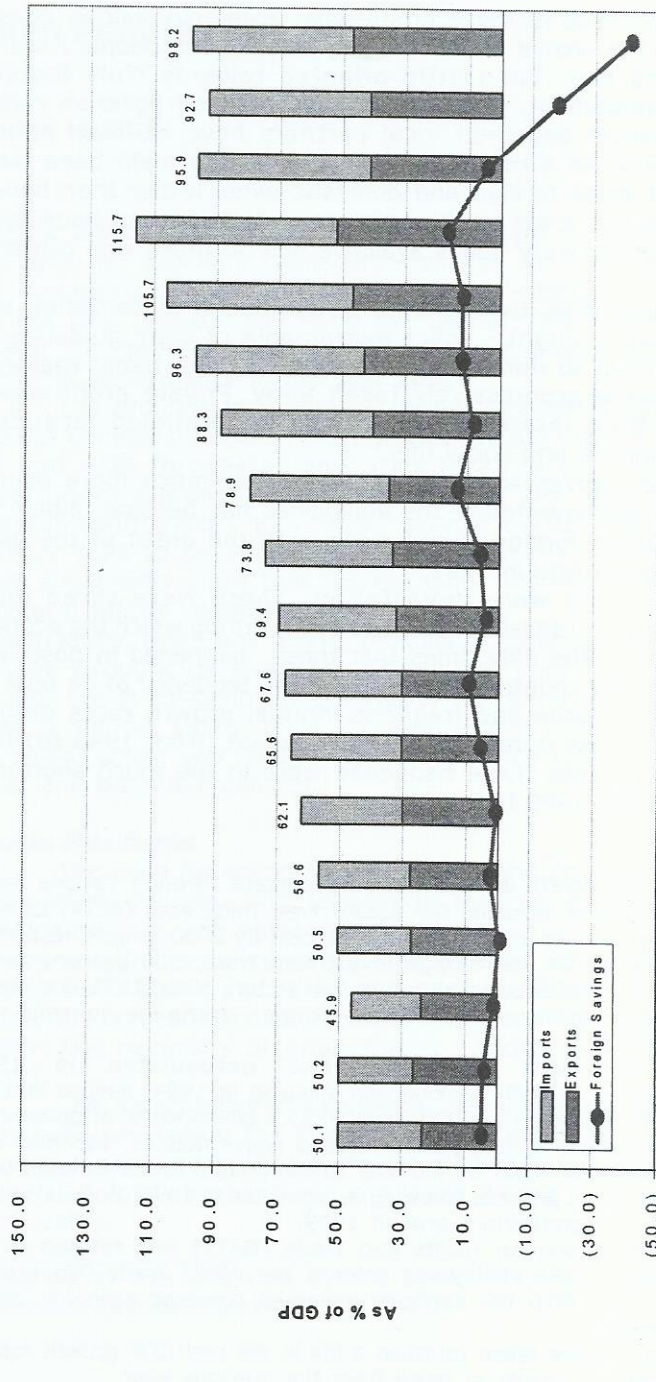
[1] Average nominal tariffs were slashed 81 percent through various import liberalization programs including the ASEAN Free Trade Area (AFTA) launched in 1993, coming down to an average of 8 percent by 2000; import restrictions were also removed. On the foreign investment front, 100 percent foreign ownership has been allowed in all but a few sectors since 1991 and there's complete freedom to repatriate capital. Foreign exchange controls were dropped in 1993.

Water transport was liberalized and deregulated in 1992, telecommunications in 1993, banking and shipping in 1994, airlines in 1995, oil in 1996, and retail trade in 2000. Over US$3.5 billion worth of government assets were privatized including oil firms and water utilities. Essential road and power infrastructure was turned over to the private sector through build-operate-transfer (BOT) projects following deregulation in 1993. Hospitals began the process of "corporatization" around 1999.

The General Agreement on Tariffs and Trade (GATT) was ratified by the Senate in 1994 and the Philippines entered the World Trade Organization (WTO) in 1995. The WTO has explicitly governed domestic economic policy-making since then.

[2] A "steep drop" is here taken to mean a fall in the real GDP growth rate of some two percentage points or more from the previous year.

Figure 1 External-Orientedness: 1983-2000



	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Exports plus Imports	50.1	50.2	45.9	50.5	56.6	62.1	65.6	67.6	69.4	73.8	78.9	88.3	96.3	105.7	115.7	95.9	92.7	98.2
Imports	26.6	23.6	21.9	23.3	28.8	32.3	35.0	37.3	37.1	40.2	43.9	48.2	53.4	58.9	63.6	54.5	51.3	51.3
Exports	23.5	26.5	24.0	27.2	27.8	29.8	30.6	30.2	32.3	33.6	34.9	40.1	42.9	46.8	52.1	41.4	41.5	46.9
Foreign Savings	4.9	4.2	1.5	(0.6)	2.3	0.8	5.7	9.4	4.3	6.0	13.4	8.3	12.0	11.9	16.7	4.5	(17.9)	(41.0)

These manifested in the further deterioration of the country's long backward agricultural and industrial base. People lost their jobs, incomes collapsed, and poverty soared.

Far from improving, the unemployment situation has categorically worsened in these "globalizing" years. The unemployment rate has been fluctuating around a very high 10 percent since the 1980s – and has been climbing steadily since 1996. The 11.2 percent in 2000 and 2001 were already record high figures and there were 3.7 million jobless Filipinos last year.

Even then, so much of the 29.2 million jobs to be had last year were just in irregular and low-earning employment. There were 11.3 million people in part-time work or less (35 percent of jobs); likewise, there were 14.7 million own-account and unpaid family workers (51 percent).[3] It is this sort of low-paying, informal and unproductive work which has bloated the service sector.

All in all, real per capita incomes today are even less than at the start of the 1980s – as shown in Figure 2.[4] The government officially counted some 31.3 million Filipinos or 40 percent of the population as poor in 2000. Yet a more realistic poverty line increases this to 67 percent or 52.6 million poor Filipinos.[5] This situation could only have worsened in the past two years given the intensifying economic crisis.

This massive poverty is rooted in the country's unequal agrarian structure, as well as in the private profiteering from the provision of public goods.

Yet the country's elite continued to prosper. While the share in total income of the bottom half of the population fell from 20.3 percent in 1988 to 17.8 percent in 2000, the share cornered by the top fifth rose from 51.8 percent to 54.8 percent. This stunning and worsening inequality is brute affirmation that the rich have it good even when times are bad.

Unsound Fundamentals

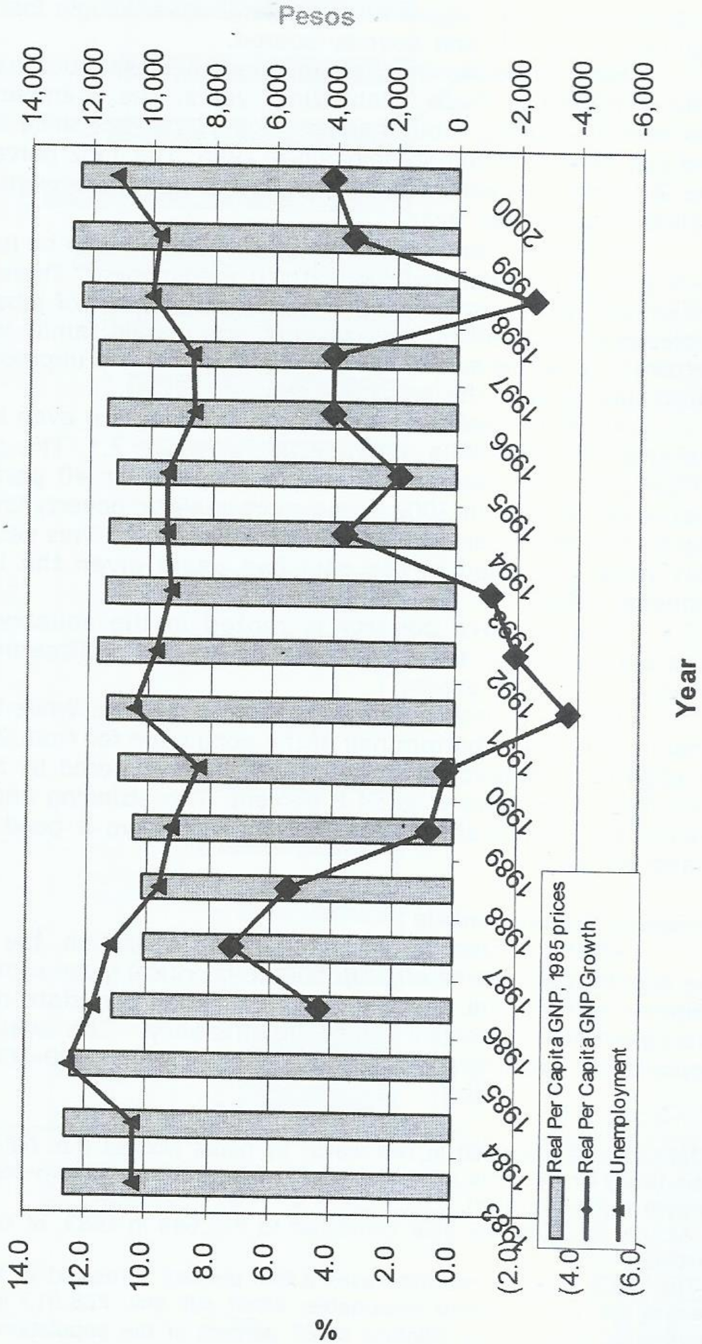
After two decades of imperialist globalization, the people and the economy are worse off. Agriculture is critical given some 80 million Filipinos to feed. Yet agricultural liberalization and state neglect have increased food insecurity and insufficiency. The average annual agricultural growth rate of just 1.5 percent from 1980-2000 was far

[3] Jobs can be classified in two ways: by hours worked (i.e. full-time and part-time) or by class of worker (i.e. wage and salary, own-account, unpaid family worker).

[4] Around P12,581 last year compared to P12,643 in 1983, at constant 1985 prices.

[5] The NSCB poverty estimate uses a low poverty threshold of P13,916 per person per year. A more reasonable, albeit still low, P28,013 increases poverty to 52.6 million Filipinos or 67 percent of the population.

Figure 2 **Real Per Capita GNP (1985 prices), Unemployment: 1983-2000**



below the 4.2 percent rate of the twenty years before it. Domestic food production per capita today is even lower than at the end of the 1970s.

Because of this, the country is more and more dependent on foreign sources of food. Take the 1990s: comparing the five years after 1994 when the country acceded to the WTO with the five years before them, rice imports increased by 540 percent, corn by 320 percent, poultry by 580 percent, beef by 230 percent, pork by 120 percent and fish by 45 percent.[6] Correspondingly, the US$1.3 billion agricultural trade surplus turned into a US$3.5 billion deficit. We are already the world's sixth biggest rice importer.

The sector's backwardness also shows in its inability to genuinely modernize and achieve the increases in productivity needed to boost rural incomes and raise savings for industrialization. This shows in how its share in gross national product (GNP) fell from 25 percent in 1981 to only 18.9 percent last year.

There are people behind these numbers. The agricultural sector lost over a million jobs between 1994 and 2000, accelerating rural poverty. Even those still able to farm had to settle for farm gate prices for their products which were collapsing .

And it is not as if an industrial sector was flourishing at the expense of agriculture. The rush of cheap imports and lack of industrial policy ravaged an already stunted sector: per capita production of textiles in 2000 was half that in 1986; metal industries' output was 17 percent lower, and that of food, beverage and tobacco products was 10 percent less. Overall, manufacturing's share in national output fell from 26.7 percent in 1983 to 23.1 percent in 2001, which is even less than the 24.5 percent share in 1960.

Stunted industry is a basic problem. Also stemming from this is the economy's unending and wide-ranging import-dependence. Imports from the most basic consumer items to complex producer goods have increased from 20 percent or so of GDP in the early 1980s to over 50 percent in recent years.

This is notwithstanding the crown jewel of the "Philippines 2000" hoopla: high-tech electronics manufactures, especially of semiconductors, which are over 70 percent of total exports. According to the National Statistics Office (NSO), electronics exports rose from US$2.8 billion in 1992 to US$13.1 billion in 1997.[7] These seem like a lot of money.

Yet it is well-known that the country's export enclaves are little more than assembly areas with over 80 percent of electronics components imported. There is also the less mentioned fact that

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[6] Although it should be noted that agricultural liberalization really *preceded* accession to the WTO. Still, WTO greatly added impetus to overall liberalization efforts.

[7] The Semiconductor and Electronics Industries in the Philippines, Inc. (SEIPI) meanwhile claims a jump from US$3 billion to US$14.9 billion.

electronics manufacturing added a piddling 4.6 percent to GDP in 2000, averaging just 3.9 percent in the period 1991-2000. It contributed barely 1 percent to total employment last year: a measly 307,000 jobs out of almost 30 million employed. Put another way, there were 12 times more unemployed Filipinos than jobs in the electronics industry. The issue is even starker if we take just information and communications technology (ICT)-related manufacturing:, there were only 177,000 jobs in 2000.

The country's investment and industrial policies do not create jobs, develop or transfer technologies, or cause the accumulation of domestic capital. The result is low productivity, heavy imports of capital and intermediate goods, and enclave export manufacturing isolated from the rest of the economy. Which is why industry fails to deliver jobs. The share of manufacturing employment to total employment was down to 9.0 percent in 2001 from 9.8 percent in 1983 – levels which are very much lower than the 12 percent share in 1960.

Figure 3 highlights how manufacturing has been falling as a share of GNP and basically stagnates as a share of total employment despite rapid growth in merchandise exports, mainly electronics.

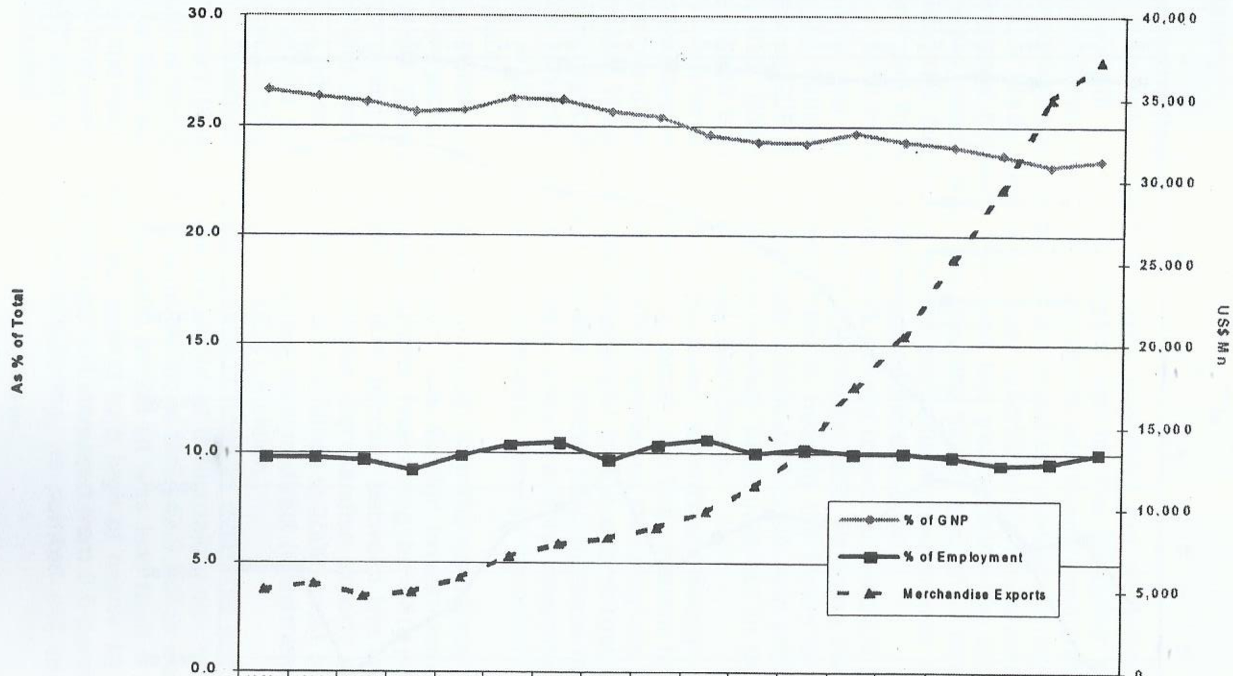
Hollowed Out

All these point to an economy that is being hollowed out. An economy with degraded agriculture and manufacturing sectors simply will not create jobs nor generate substantial economic surplus. Domestic savings for instance are dismally low compared with countries with more deliberate industrial strategies. Our average savings rate of 19 percent of GDP from 1996-2001 compares unfavorably with other Southeast Asian countries.

Foreign capital comes in to fill our savings-investment gap but the adverse effects are two-fold. There is an implicit outflow in the future through debt service and profit repatriation. In addition, investment activities will be determined by what will be profitable for foreign capital rather than what is needed for domestic development.

This dependence on foreign capital is a serious defect of the Philippine economy. Sans any real effort to deepen the domestic economy, the government just resorts to even more borrowing and attracting foreign investments (be they direct or speculative) at all costs. But though expedient in the short-term, they increase foreigners' claims on the economy as well outflows over the long-run. Apart from being unsustainable sources of growth, they actually even undermine the prospects for long-term growth by fostering a pattern of production and trade that weakens domestic agriculture and industry.

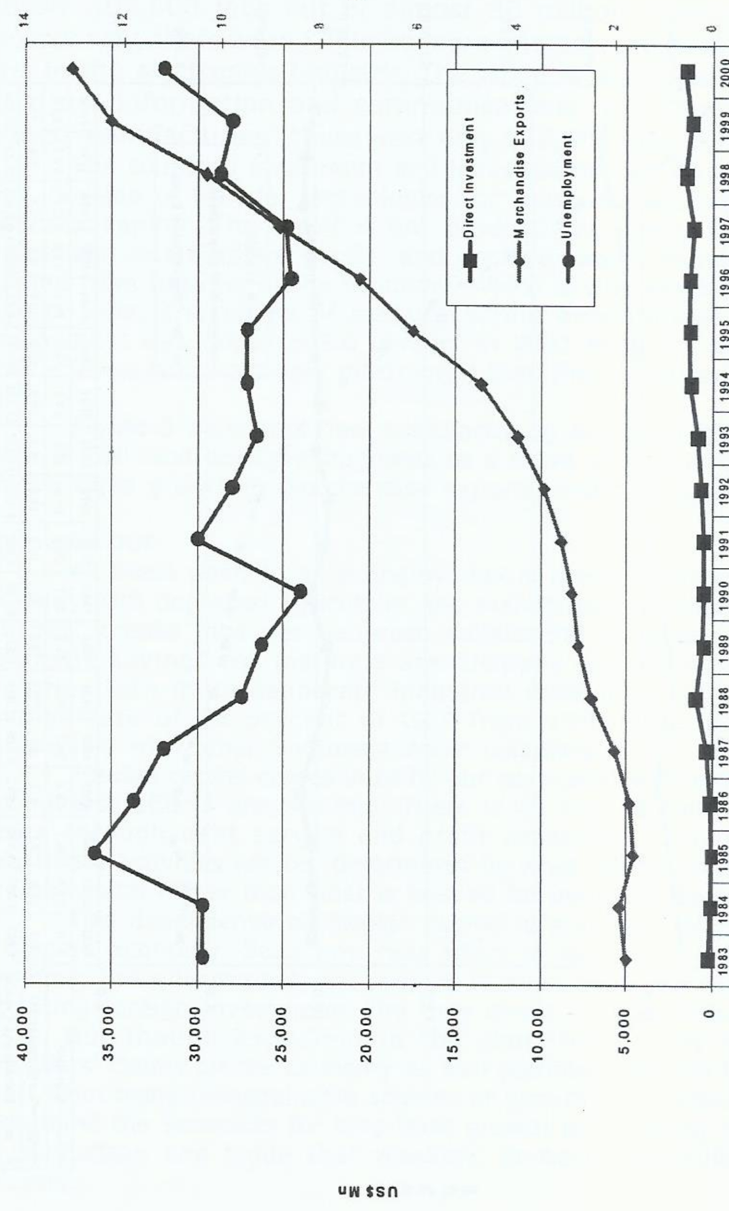
Figure 3 **Manufacturing Output and Employment Shares, Merchandise Exports: 1983-2000**



	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
% of GNP	26.7	26.4	26.1	25.6	25.7	26.3	26.2	25.7	25.4	24.6	24.3	24.2	24.7	24.3	24.0	23.7	23.2	23.4
% of Employment	9.8	9.8	9.7	9.2	9.9	10.4	10.5	9.7	10.4	10.6	10.0	10.3	10.0	10.0	9.9	9.5	9.6	10.1
Merchandise Exports	5,005	5,391	4,629	4,842	5,720	7,074	7,821	8,186	8,840	9,824	11,375	13,483	17,447	20,543	25,228	29,496	35,037	37,295

Year

Figure 4 **Direct Investment, Merchandise Exports, Unemployment: 1983-2000**



	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Direct Investment	221	122	49	146	362	983	559	528	529	675	864	1,289	1,361	1,338	1,113	1,592	1,228	1,584
Merchandise Exports	5,005	5,391	4,629	4,842	5,720	7,074	7,821	8,186	8,840	9,824	11,375	13,483	17,447	20,543	25,228	29,496	35,037	37,295
Unemployment	10.4	10.4	12.6	11.8	11.2	9.6	9.2	8.4	10.5	9.8	9.3	9.5	9.5	8.6	8.7	10.05	9.8	11.2

Note in Figure 4, for instance, how despite massive increases in exports and foreign investments especially in the 1990s, unemployment rates have remained high and in recent years even increasing.

Beneath the Hype

The other macroeconomic indicators are no better. The peso has devalued some 400 percent against the US dollar since 1980. Debunking the claim that devaluations will improve our trade position, the chronic trade deficit has continued to increase through all those years. A trade deficit of over US$52 billion has already been accumulated between 1983 and last year despite the crisis-induced "surpluses" since 1998. The resulting higher cost of all foreign goods, service and financing sends perpetual shockwaves across the import- and foreign capital-dependent economy.

Total foreign debt stock in turn tripled to US$54.9 billion as of June this year from US$17.3 billion in 1980. At some 75 percent of GDP, the country's foreign debt is nearing the levels of around 90 percent of GDP during the early-1980s debt crisis. And yet from 1970-2000, over US$82 billion has already been paid out in debt service, some US$25 billion from 1996-2000 alone.

But what of the manufactures, exports and foreign investment that the government makes so much of? The problem is that these are not the development ends in themselves that they are often made out to be. They would be meaningful to the extent that they foster domestic agriculture and industry, create jobs, increase incomes and reduce poverty. Without these, they are only meaningful for the profits of big exporting businesses, foreign investors and their financiers.

Which is precisely the problem with the grandiose "Philippines 2000" project and all its export- and foreign investment-fixated ilk. Globalists gloated about exports increasing by 250 percent and foreign direct investment by 216 percent between the two decades 1980s and the 1990s. In particular, merchandise exports soared from U.S.$7.1 billion in 1988 to U.S.$73.3 billion in 2000, most of which was of electronics exports; annual net foreign direct investment also went up from U.S.$983 million to U.S.$1.6 billion.

Government public relations went on overdrive and trumpeted the country being on the threshold of industrialization. Yet what was not said is important. A trade deficit of U.S.$49.9 billion was still built up over that same 1988-2000 period (it was less than 8 percent of GDP in the early 1990s but soared to a high of nearly 14 percent in 1997). The unemployment rate still increased from 9.6 percent to 11.2 percent and domestic manufacturing, as pointed out earlier, even deteriorated.

If exports and investments mean anything in terms of job creation, trade performance or industrialization, it certainly doesn't show in the figures. In fact these clearly point in the opposite direction.

Smoke and Mirrors

What of the so-called wonder years of the mid 1990s? Considering that those years are still looked upon fondly by many, it is useful to see just what they were about – in particular how they were less a sign of impending prosperity than an affirmation of how little growth, not to speak of social development, can be squeezed out of a backward semi-feudal economy.

Those years were mainly a debt- and speculation-driven growth spurt. The single biggest push came from the abnormal rush of foreign capital borne on an outrageous "Asian Miracle" fantasy. Portfolio inflows leapt from around U.S.$140 million annually in the early 1990s to nearly U.S.$7 billion in 1997. The government raked in a privatization bonanza of P59 billion in 1994-95 that, along with rapidly increasing public debt, gave the impression of fiscal stability. Electronics exports were also propelled by the imaginary dawn of a new economy especially in the United States.

A seemingly virtuous cycle was set in motion. The stock market boomed and total market capitalization soared from about 15 percent of GDP in 1990 to some 97 percent in 1996. Bank lending grew 32 percent on average each year in the 1992-96 period, peaking at 41 percent growth in 1996. This was fueled by foreign funds: commercial banks' foreign exchange liabilities skyrocketed from US$520 million in 1993 to over US$7 billion in 1997. Real estate loans' share in the KB's loans outstanding rose the most even as agriculture's share fell.

But it was not even that impressive a spurt by either historical or regional standards. The peak real GDP growth rate of 5.8 percent in 1996 was still less than the average 5.9 percent rate attained by the country over the lengthy pre-globalized 1950-1979 period. The average annual growth rate of 2.9 percent over 1991-2000 was also below that of Indonesia, Thailand, Taiwan, South Korea, Malaysia and Singapore.

In any case, the sources of growth were as unsustainable as the development gains were illusory. The construction industry grew the fastest with its 9.8 percent annual average clip between 1993 and 1997. The finance/housing and utilities subsectors, and transportation and communications came next. Yet none of these are the core of a production system that enables sustained and broad-based jobs creation and capital accumulation. On the contrary, their growth depends mainly on the availability of financing and on the overall level of economic activity. On the other hand, manufacturing grew at a much slower 4.5 percent and agriculture just 2.5 percent annually. Though fleeting, the hype was infectious especially for those who were raking it in. Then the financial and dot.com bubbles burst and the economy returned to its more accustomed trend level of unremitting crisis.

As things stand, it is unlikely that foreign capital will come in at anywhere near the levels of the mid 1990s. The giddy years when massive debt and speculation can be used to cover up for a festering crisis of overproduction are well and truly over. If anything, and in the absence of new ways to come up with fictitious capital, the coming years will see the end of blissful ignorance and the shock of reality as corporate and financial accounts are overhauled.

Fairy Tale Economics

The past decades are more than enough to establish that the basic tendency of foreign- and elite-biased economic policy is to compromise the well-being of the people. Clearly all that happened in recent years is an intensification of that tendency.

Globalization policies even recklessly exposed the country to external sources of instability at a time when the inherent instability of the global economy has heightened considerably. This creates significant uncertainty. So much needs to be done to build a more solid domestic economic base. Except that the greater uncertainty precludes long-term investment, expanded productive capacity, sustained increases in output and productivity, employment growth and poverty reduction.

The raging global crisis is strong affirmation of the importance of a strong, independent and self-reliant domestic economy and the folly of making its and our people's fortunes depend on the whims and interests of foreign monopoly capital. Global instability is a given and precisely something which domestic economic policies must rigorously take into account.

Yet the Arroyo administration is acting as if it is oblivious to this all. Despite the obligatory pro-poor rhetoric, economic policies retain everything that is essential to imperialism and which is at the root of our backwardness. Indeed what makes them even worse now than under previous regimes is the brazen junking of ideas of social justice and public responsibility for people's welfare.

The basic policy framework remains neo-liberal globalization: trade and investment liberalization, privatization and deregulation. To begin with, this means that past "globalizing" efforts will remain in place – given their dire impact, so far, that is disastrous in itself. Yet the aim is to deepen past efforts and go even further.

A single tariff of 5 percent is aimed for by 2004 with very few exceptions. Within the ASEAN Free Trade Area (AFTA), the target is for 60 percent of products to have zero duties come 2004; by 2010 virtually all products will have zero duties save for a handful of sensitive agricultural products (which, nonetheless, will have tariffs of only 5 percent or less). The move to replace quantitative restrictions on rice with tariffs has stalled but remains a priority. Local content requirements on automobiles are due to be relaxed, facilitating U.S. penetration of AFTA via the Philippines.

The unwarranted enthusiasm for expanding profitable opportunities for foreign capital through new financial instruments is particular cause for concern. Principal among these are new debt instruments through securitization and the fire-sale of domestic assets through Special Purpose Asset Vehicles (SPAV). Although ostensibly aimed at "deepening" capital markets, the more likely result of these attempts at bubble-driven growth is to introduce new elements of volatility into the domestic financial system.

On a more traditional front, foreign investors are being offered a Philippine Constitution purged of the nationalist provisions that to some degree still hinder them. More liberal regulations and a more generous investment regime are already being crafted for foreign mining corporations. The government is also moving to "rationalize" investment incentives towards longer income tax holidays and more extended tax breaks across-the-board. All these run contrary to the basic development principle of letting foreign investors in only on terms which give real and lasting benefit to the domestic economy.

Industrial and Agricultural Pseudo Development

Noteworthy for being given undue developmental significance is the peculiar ICT policy thrust. The limitations of low value-added and low employment-generating ICT manufacturing are self-evident. These will persist as long as foreigners' technological monopoly remains intact and as long as the only thing the domestic economy gains from pseudo-production are the salaries paid to cheap Filipino workers. Also, the falsity of the exaggerated claims regarding ICT (especially regarding productivity gains) are sinking in and dampening export markets.

A similar set of limitations applies to ICT outsourcing: call centers, software development, animation, medical transcription and business process outsourcing. As with ICT manufacturing, these outsourcing services involve very heavy imports of equipment and facilities. All the country will be providing is, again, cheap labor albeit sitting before computers in air-conditioned rooms and speaking or writing in American English.

The job creating potential is grossly overstated in both cases – some hundreds of thousands at most against some 4 million jobless Filipinos. More so with the likes of giants China and India also playing the game of a global race to the bottom: offering foreign investors cheaper labor, greater subsidies and bigger incentives. The biggest winner at the end of the day will just be the big ICT companies who will have their costs of doing business bid down to rock bottom (right where the supposed gains to host countries will also be). Little should also be read into "investment" figures of millions of dollars because most of these will go to imported goods and services. Yet the government is already falling over itself in expanding incentives for foreign ICT investors.

Policy hypocrisy is perhaps keenest when it comes to agriculture. Reflecting how the country remains mainly agricultural with some 60-70 percent of the population directly and indirectly depending on it for their livelihoods, "comprehensive rural development" is spoken with much flourish. The Agriculture and Fisheries Modernization Act (AFMA) is supposedly the centerpiece program. However, the P24.2 billion supposedly spent for it last year is far less than the some P80 billion which went to the military and police and just a fraction of the P275.2 billion in total debt servicing. This is not to belittle that some farmers may benefit, only that piddling support is reduced to tokenism in the absence of agrarian reform and agricultural protection.

Indeed, agrarian reform is also becoming less of a concern than ever before. Land distribution of 103,377 ha. in 2001 (with another 6,284 ha. as of mid 2002) is barely half the annual average over the past 30 years of 190,047 ha. and even less than the then-record-low average performance under the Estrada administration of 133,355 ha. These do not yet consider mounting evidence of bloated performance reports, reversals and land reconcentration.

So beyond a few showcase communities, the vast (landless) peasantry suffer from usury, expensive farm inputs, no irrigation, and decrepit post-harvest facilities amidst a liberalized trade regime that floods local markets with cheap imported farm products.

All told, these aggravate the shrinking of domestic manufacturing, the long-standing weaknesses of agriculture, and the ever-deteriorating balance of payments. With these will come higher unemployment, lower real incomes and deepening poverty. Overall prospects are, in a word, bleak.

Signs of the Times

The general downward trend is inexorable and it is against this that short-term data should be read. Government propagandists can be expected to cite figures selectively and out of context or, barring these, unduly downplay the worst aspects of the situation. But that would be dealing in half-truths. The most important question regarding quarterly and annual figures is whether or not they indicate a fundamental reversal of the country's decades-long chronic crisis.

Take much ado about the country's growth outpacing that of our neighbors. GDP grew by 3.4 percent and GNP by 3.7 percent last year and by 3.8 percent and 4.9 percent, respectively, in the first quarter of 2002. These are played up as the Philippine economy "showing its resiliency" but the overall picture says otherwise.

The country's poor average annual growth rate in real GDP in the last decade was still below that of our most similar regional neighbors Indonesia, Thailand and Malaysia.[8] Over that same period, we also had the smallest industrial sector, the slowest manufacturing growth, the lowest savings and investment rates, and the highest ratio of debt to national output. This kind of economic performance is reflected in important social indicators: high unemployment, high poverty incidence and worst inequality.[9]

The government also points out our low inflation and interest rates: inflation averaged 3.4 percent in the first 7 months of the year ; the Banko Sentral ng Pilipinas (BSP) benchmark rates are at their lowest in a decade, with the overnight borrowing rate at 7.0 percent and lending rate at 9.25 percent. But far from being due to any economic wizardry on the part of the country's economic managers, they are further symptoms of a deep social and economic crisis. Cash-strapped households are unable to make their needs felt in the marketplace. Businesses are inhibited from borrowing by the deepening economic gloom. Commercial bank loans outstanding fell 3.7 percent in the first half of 2002 from the same period last year while bad loans were up to 18.6 percent in June 2002 from 17.0 in June 2001.

It is also nothing to brag about that the single biggest growth push in the first quarter came from the large 22.5 percent increase in overseas remittances. This desperate measure to earn foreign exchange – the relegating of the labor force to cheap salaried workers for foreigners – comes at great social cost to communities. Also, as a critical pillar in the overall strategy of export-orientedness and import-dependence, it only conceals the underlying emasculation of the economy which drove Filipinos overseas in the first place.

The Economy in Early 2002

Still, even playing the short-term game yields sobering data. Take the official forecasts of real GDP growth of 4-4.5 percent and real GNP growth of 4.5 to 5 percent in 2002. These are aimed at projecting optimism more than anything else.

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[8] The Philippines registered average annual growth of 2.9 percent over 1991-2000 which was lower than Indonesia's (4.1 percent), Thailand's (4.3 percent), and Malaysia's (6.7 percent) – not to mention Taiwan's (5.8 percent), South Korea's (6.0 percent) and Singapore's (7.5 percent).

[9] Unemployment rates from 1991-2000: Philippines (9.7 percent), Thailand (2.9 percent), Malaysia (3.2 percent) and Indonesia (4.3 percent). Poverty incidence: Philippines (40 percent in 2000), Malaysia (8.1 percent in 1999), Thailand (12.9 percent in 1998) and Indonesia (23.4 percent in 1999)s. Inequality, measured as the ratio of the incomes of the top 20 to the bottom 20 percent of the population: Philippines (12.4 percent in 2000), Indonesia (4 percent in 1999), Thailand (9.3 percent in 2000) and Malaysia (12.3 percent in 1997).

GDP growth of 4.1 percent and GNP of 4.7 percent in the first semester was overwhelmingly consumption-driven and strongly dependent on debt and overseas remittances. The 2.9 percent contraction in exports in the first quarter is the fourth consecutive quarter of falling exports; the only reason net exports seemed to grow (by 19.1 percent) is because imports fell even more with a 4.1 percent shrinkage. Investments on the other hand fell 1.3 percent in the first quarter following a 1.5 percent shrinkage in the fourth quarter of last year. Unfortunately, consumption-driven growth is generally unsustainable especially now with falling investments and the implicit eroding of the economy's productive capacity. And this growth is a vicious jobless growth because unemployment is still scaling record high.

Indeed, investment pledges approved by the Board of Investments (BoI), Philippine Economic Zone Authority (PEZA), Subic Bay Metropolitan Development Authority (SBDA), and the Clark Development Corporation (CDC) fell a steep 79.2 percent in the first quarter of 2002 from the same period last year. Total first quarter approved foreign and domestic investments fell to P9.0 billion from P43.2 billion last year. Yet these are not yet actual investments and it would not be abnormal if only half of these pushed through.

Low investments and falling imports – especially in an economy as import-dependent as ours – are clear signs of a production slowdown. As it is, the manufacturing slowdown is still underway with 2 percent growth being the lowest in eleven quarters, since early 1999.

Much is also made of first quarter 3.8 percent agricultural growth. But this is still consistent with how backward domestic agriculture remains captive to the vagaries of the weather. With or without so-called agriculture and fisheries modernization, quarterly agricultural growth rates since 1995 have varied wildly: from negative 11.5 percent to as high as 10.5 percent. The first quarter performance is in any case less than the average 4.6 percent growth over the 1999-2001 period and will very likely be followed by drastic drops in the rest of the year due to the onset of drought and the impending El Niño.

The 1.14 million metric tons of rice imported so far in 2002 – up 46 percent from last year's 781,000 MT – is already second to 1998's historic high of 2.1 million tons. But instead of implementing sound agricultural development based on true agrarian reform, the National Food Authority (NFA) insists that it will let private traders import 800,000MT of rice starting January 2003.

The P166.5 billion national government (NG) budget deficit as of end-September is already far above the originally targeted P130 billion target for the whole year – and is expected to hit P180-200 by year-end. The underlying problems of the deficit are clear. Expenses are bloated by debt servicing and spending on the military and police

– these expense items alone take up 39 percent of the total NG budget for 2002. This trend worsens in the proposed 2003 budget which sees increases in military and police spending of up to 10 percent and decreases in health, housing and education spending of up to 15 percent. On the other hand, there are falling revenues due to tariff cuts and unwarranted generosity to corporate big business.

Taxes from international trade and transactions have already dropped from 3.9 percent of GDP in 1997 to only 2.9 percent in 2001. But even the Bureau of Customs (BOC) has had to admit that declining tariff rates under WTO and AFTA have caused revenues to keep falling in the first five months of the year. Its revenues of P36.7 billion were 3.2 percent lower than the same period last year (for May alone the P7.7 billion collected was a steep 16 percent drop from last year). Collections from corporate income taxes had in turn already fallen from 3.4 percent of GDP in 1997 to 2.6 percent in 2001. Yet the Bureau of Internal Revenue (BIR) could only lament "weak tax collections from large taxpayers" in the first five months of this year.

But most directly relevant for the people is of course the job situation. Government officials often rattle off "job creation" figures without saying how many were on the other hand lost. For no matter how the government twists the situation, the bottom line is that some 4.9 million Filipinos were jobless in April – the most number of unemployed the country has ever seen.

The unemployment rates of 13.9 percent in April and of 11.2 percent in July, the latest round, are the highest on record taking into account the seasonality in the labor market – these indicate that the economy is approaching its highest recorded unemployment rate in 2002. As it is, some 350 workers a day were displaced in the first two months of this year compared to the average rate of about 200 a day displaced in 2001.

Increasing uncertain and low-paid employment is also nothing to brag about. The share of own-account and unpaid family workers in total employment is creeping up and, at 26.2 million Filipinos, stood at 50.6 percent in July 2002 (with a corresponding drop in the share of wage and salary workers). There were 5.2 million underemployed, or those working but still looking for additional work to supplement insufficient earnings, and the underemployment rate stood at 17.1 percent.

Any downplaying of the gravity of the situation and false promises of employment and livelihoods to come, as the government is more and more inclined to, is callousness of the highest order.

Subverting Imperialism's Logic

There is simply no sound economic logic to the "free market" wrong development policies. Truly redistributive agrarian reform would be the single most effective step to expanding the domestic market and for starting to build an economic surplus.

Genuine national industrialization in turn is the key to ending the bizarre phenomenon of jobless growth and for rapid capital accumulation. Widely available social services can only strengthen the people's productive potential. It is clear that trade, investment and social policies should serve these ends and not the other way around.

But there is, rather, the political logic of policy-making captured by foreign and domestic elite interests - by imperialism, in short. The urgency for a more liberating, democratic and humane alternative that puts people first remains.