

# Crisis and Change

Focus on the Philippines 2008 Yearbook

# Crisis and Change

Focus  
on the  
Philippines  
2008  
Yearbook

**Crisis and Change:  
Focus on the Philippines  
2008 Yearbook**

**FOCUS ON THE PHILIPPINES YEARBOOK**

*rounds up the year's key issues and events, providing sharp, timely, relevant research, commentary, reports, and analysis on important themes in the Philippines. FOCUS ON THE GLOBAL SOUTH Philippines Programme hopes to contribute to political and economic debate and discourse in the country through its regular publications, the FOP Yearbook, FOP Policy Review and the monthly FOP E-Newsletter.*

**FOCUS ON THE GLOBAL SOUTH**

Focus on the Global South is a non-profit policy analysis, research and campaigning organisation, working in national, regional and international coalitions and campaigns, and with social movements and grassroots organisations on key issues confronting the global south. Focus was founded in 1995 and is attached to the Chulalongkorn University Social Research Institute (CUSRI) in Bangkok, Thailand. It has programs in the Philippines and India.

**Contributors**

Walden Bello, Jenina Joy Chavez, Julie Delos Reyes, Herbert Docena, Aya Fabros, Mary Lou Malig, Mary Ann Manahan, Joseph Purugganan, Raffy Simbol, Rene Raya, Miriam Coronel-Ferrer, Rufa Cagoco-Guiam, Soliman M. Santos, Nathan Gilbert Quimpo, Octavio Dinampo, Eric Gutierrez, Leonor Briones, Isagani Serrano, Rene Ofreneo, Kanlungan Center, Freedom from Debt Coalition

**Photos**

Carlos Paredes, Visayan Daily Star, Aison Garcia, Arkibong Bayan, Magkaisa Junk JPEPA, Freedom from Debt Coalition, Welga ng Kababaihan

**Editor**

Aya Fabros (aya@focusweb.org)

**Editorial Assistant**

Gabrielle Dominique Garen

**Layout**

Gaynor Tanyang

**Crisis and Change: Focus on the  
Philippines 2008 Yearbook**

Published by Focus on the Global  
South Philippines Programme

Quezon City, Philippines

January 2009

The contents of this report can be freely reproduced and quoted on the condition that the source be mentioned. Focus would appreciate receiving a copy of the text in which the report is mentioned or cited. To publish figures not belonging to Focus on the Global South, please coordinate with the owners for permission.

For more information about this and other Focus publications please contact:

Qiqo Simbol - Focus Philippines  
IT/Knowledge Management qiqo@focusweb.org

Lourdes Torres - Focus Philippines  
Administrative Officer  
lou\_torres@focusweb.org

#19 Maginhawa St. UP Village, Diliman,  
Quezon City 1104 PHILIPPINES  
Tel (632)433 3387, (632)433 1676;  
Fax (632)4330899  
<http://ph.focusweb.org>  
[info@focusweb.org](mailto:info@focusweb.org)

Printed on recyclable and acid free paper

## Contents

### Introduction /1

Moving Forward, Looking Back: Revisiting the year of crises and 'change'  
Aya Fabros /1

### 2008 in Figures /6

### Crisis /11

In the Shadow of Debt: The Sad but Sobering Story behind a Quarter-Century of Stagnation  
Walden Bello /11

On the Rice Crisis  
Mary Ann Manahan /26

How to Manufacture a Global Food Crisis:  
How "Free Trade" is Destroying Third World Agriculture—and Who's Fighting Back  
Walden Bello /30

Notes on the Oil Crisis  
Walden Bello /39

Filipino Families and Government  
Spending Less on Education  
Rene Raya /41

Continuing Political Crisis: 'Executive Privilege' Timeline  
Raffy Simbol /45

The Buzz in Congress  
Joseph Purugganan /48

The Future of Agrarian Reform Hangs in the Balance  
Mary Ann Manahan /54

Status Symbol: The Status of Visiting Forces Agreement with Australia is Up for Ratification at the Senate  
Herbert Docena /57

## Focus on the SONA /62

Eight-Point Memo to Address the Economic Crisis  
Herbert Docena and Jenina Joy Chavez /62

Goebbels' Disciple  
Walden Bello /70

Let Them Eat 'Spin' (Qu'ils Mangent de la Merde):  
National Social Welfare Program, Noah's Ark, and  
So-Called Strategic Responses to the National Crisis  
Aya Fabros /73

Politicizing the Bureaucracy, Recycling Political Allies  
Mary Ann Manahan /80

Gloria's 8th SONA and the ghosts of past controversies  
Joseph Purugganan /84

## Mindanao /89

The US and the Bangsamoro Struggle:  
Selfish Determination vs Self-Determination  
Herbert Docena /89

Muddling up Mindanao  
Aya Fabros /102

Making and Unmaking Mindanao  
Miriam Coronel Ferrer /108

POVERTY IN ARMM

## Focus on the MOA-AD /114

Notes on Mindanao and the MOA-AD  
Aya Fabros /114

Towards a memorandum for self-determination  
Herbert Docena /120

On the botched MOA-AD: Lessons never learned  
Rufa Cagoco-Guiam /135

The MOA is dead! Long live the MOA!  
Atty Soliman M. Santos /140

What Muslim Mindanao Really Means to Arroyo  
Nathan Gilbert Quimpo /146

What Now and Where To?  
Prof. Octavio Dinampo /152

Southern Philippines Conflict: Violence to Intensify as  
Land and Territorial Disputes Worsen  
Eric Gutierrez /156

## Trade /164

The Road to JPEPA: How the Philippine government  
negotiated the controversial trade deal with Japan  
Joseph Purugganan /164

How Doha Died: A Ringsider's View  
Walden Bello /176

## Meltdown /182

A Primer on the Wall Street Meltdown  
Walden Bello /182

Protecting the poor  
Leonor Magtolis Briones /194

The Need for a Debt Moratorium: Increasing Fiscal  
Spending, Ending Fiscal Dictatorship  
Freedom from Debt Coalition /198

## Migration /206

Are OFWs Falling Through the Cracks?: Between  
Unwieldy Regulation and the Middle Men of Migration  
Julie de los Reyes /206

Did the Global Forum on Migration and Development  
Really Address Migrants' Issues?  
Mary Lou Malig /214

In the Service of Filipino Workers  
Kanlungan Center Foundation /218

A Climate Justice Deal in Copenhagen?  
Isagani Serrano /223

## Agrarian Reform /230

Standing on Tenuous Grounds: The Battle for CARP  
Extension and Meaningful Reforms  
Mary Ann Manahan /230

Subverting Reform by Raising Wrong Development  
Policy Choices  
Rene E. Ofreneo, Ph.D. /238



# Introduction

## MOVING FORWARD, LOOKING BACK:

Revisiting the year of crises and  
'change'

The word of the year is change.

It's the most frequently used term in the media and the Internet in 2008. For some reason, the word change came up – in the news, in shows, in posts, articles, interviews and blogs - in such a striking way this year, compared to any other word in the English language. If you crosscheck the findings of predictive quantity propriety algorithm and do a simple googlesearch of key words, you get: god (498,000,000 results), government (609,000,000), sex (746,000,000), porn (16,900,000), food (814,000,000), and change (1,110,000,000 results).

Question: What does this fascinating finding mean? What makes change this year's it word? Or better yet, what makes 2008 the year of change?

In the Philippines, changes this year mostly sprung in the context of sudden swings, vacillating positions, shocks and downturns. Think Mindanao and the government stance on the Memorandum of Agreement on Ancestral Domain or MOA-AD, the whole episode shifting from forging a breakthrough agreement for peace to the resumption of violence and warfare. (For more on Mindanao and the MOA-AD, see Docena, *p. 89*; Fabros, *p. 102*; Ferrer, *p. 108*; Fabros, *p.114*; Docena, *p. 120*; Cagoco-Guiam, *p. 135*; Santos, *p. 140*; Quimpo, *p. 146*; Dinampo, *p. 152*; Gutierrez, *p. 156*) Think Chacha and the positions of politicians who push on and then pull back. The call for Charter Change (Chacha) was a recurring theme throughout the year, and although it's been cropping up for several years now, the recent

move really has nothing to do with changing things and everything to do with ensuring that things are kept the way they are.

Of course, for this year, the key area rocked with swings and shocks would be the Philippine economy, which swung from a year of 'historic growth' (7.3 percent in 2007) to a slump that dropped below the average 5-6 percent level registered in recent years. This downturn at the start of the year came with a major food and rice 'shortage', as well as an energy and oil crisis, which led to sharp spikes in prices. Inflation rose each month from an average of 2.8 percent last year to double-digits, with the price of key commodities like rice, shooting up to as high as 60.5 percent in some areas. (see 2008 in Figures)

Our vulnerability to global price fluctuation has been traced back to policies that made the Philippine economy so extensively linked to global production and trade, even when it comes to basic commodities like food. Walden Bello linked the food crisis to structural adjustment and trade liberalization in 'How to Manufacture a Global Food Crisis' (p. 30), saying, "the one-two punch of IMF-imposed adjustment and WTO-imposed trade liberalization swiftly transformed a largely self-sufficient agricultural economy into an import-dependent one as it steadily marginalized farmers." Mary Ann Manahan examined dimensions of the rice crisis (p. 26), including the sharp increases in global rice prices (from \$380 per metric ton to \$1000 by April 2008) and the Philippines' reliance on rice imports, rising from 0.7 million metric tons to 1.8 million metric tons in 2007, also attributing the rice crisis to government neglect of agriculture and the issue of land, further discussed in "Future of Agrarian Reform Hangs in the Balance" (p. 54) and "Standing on Tenuous Ground: The Battle for CARP Extension and Meaningful Reforms" (p. 230), and "Subverting Reform by Raising Wrong Development Policy Choices." (Ofreneo, p. 238)

With crisis after crisis unfolding, the government-- insisting on sound economic fundamentals and blaming external factors beyond our control-- responded with conditional cash transfers and later on a National Social Welfare Program, providing dole-outs to the poor from VAT windfall. (p. 73) These relief measures, while welcomed by those reeling from the crunch, only served to mitigate the impact of the crises rather than address key weaknesses of our economy. In the FOP SONA issue, Herbert Docena and Joy Chavez put together an "Eight-point Memo to Address the Economic Crisis." (p. 62) Pointing

to alarming trends even before the global financial meltdown, Focus stressed the need for strategic solutions that systematically change the way the economy is run. The global economic crisis further highlighted major contradictions in the Philippine economy. Majority of Filipinos have not benefited from periods of steady growth and have been dealt with the harshest blows of the economy's swings and shocks—with poverty and hunger rising instead of falling, jobs lost rather than created, incomes dwindling rather than growing, where income and asset distribution remain highly unequal.

As early as April, Walden Bello wrote about the puzzling 'growth' of the stagnant Philippine economy, linking 25 years of stagnation and underdevelopment to a 'crisis of investment' due to debt prioritization and trade liberalization. (Bello, p. 11) By the last quarter of 2008, initial tremors of the global financial crisis begun to manifest in decline in exports and investment, with reports of order cancellation, shut downs and massive lay offs rising. (For more on the meltdown and proposed measures, see Bello, p. 182; Briones, p. 194; Freedom from Debt Coalition, p. 198) Even before the full impact of the crisis has set in, the harsh effects of advanced global integration already dispute the logic of the aggressive push to deregulate the Philippine economy and link up to global production and trade. (For articles on trade, see Purugganan, p. 164; Bello, p. 176) While domestic jobs are being destroyed, overseas work has also become increasingly precarious at a time when the country is largely dependent on migration as an employment and development strategy.

At this early stage of the crisis, batches of overseas Filipino workers, who have been pushed out of the country given the massive jobs deficit and economic stagnation, are being sent back home where there are already at least 8 million Filipinos who are either unemployed or underemployed. Even as the question of relief for returning OFWs (Overseas Filipino Workers) remain unresolved, Julie De los Reyes, in "Are OFWs Falling Through the Cracks: Between Unwieldy Regulation and the Middle Men of Migration" (p. 206), further pointed out that protection and promotion of OFW rights and wellbeing remain secondary to the goal of all-out overseas deployment: "Three decades and five presidencies later, labor migration remains a key tenet in the country's economic agenda, perhaps more openly in the current administration. Like previous administrations, balancing between promotion and protection continues to pose a big challenge. Unlike

previous administrations however, labor migration is no longer seen as a stop-gap measure but rather actively pursued as an alternative to domestic employment and as a development strategy. To date, remittances constitute more than ten percent of the country's GDP. Given this over-reliance on overseas employment, the fear that protection of OFWs might in the end be only secondary to sustaining the deployment figures may not be completely unfounded."

As the case for strong regulation and active state intervention is highlighted, the need for an alternative (strategic and coherent national) development framework is also underscored. The unraveling of the multiple crises further stresses that the country's development thrust has to be consciously, consistently linked to issues of social, gender and climate justice, ensuring that the benefits and the burden of development are equitably distributed. (See Serrano on Climate Justice, *p. 223*) Clearly, the work of instituting thoroughgoing reforms cannot be left to the government alone, especially in a country like the Philippines which exemplifies a staggering democratic deficit, as seen in constricting spaces for democratic participation in critical decision making, where discourses like executive privilege prevail, as shown, for one, in the JPEPA (Japan Philippines Economic Partnership Agreement) episode which Joseph Purugganan examined. (On Executive Privilege, see Simbol, *p. 45*; On JPEPA, see Purugganan, *p. 164*) Today, limited democracy in the hands of a few threatens important gains, for instance in the area of asset reform, as seen in the slaughter of the Comprehensive Agrarian Reform Program carried out by a landlord-run Congress. With vested private interest and political maneuvering driving state processes, prioritization and decision-making, it's not surprising that corruption scandals, politically-motivated appointments, fraud and wheeling-and-dealing persist rampantly in 2008, despite fits and spurts of demonstrated public outrage, manifestations of weak institutions and a festering political crisis that remains unresolved. (See related articles: 'Gloria's 8th SONA and the Ghost of Past Controversies', *p. 84*; 'Politicizing the Bureaucracy, Recycling Political Allies', *p. 80*)

Documented and examined in this first FOP Yearbook, the main issues and events in 2008 point out many systemic flaws (in both the economy and the realm of politics and governance) that warrant significant change. This brings us back to our main point- while 2008 has been characterized by crisis after crisis after crisis; it also opens

up potent opportunities to institute meaningful, thoroughgoing changes. There is an emerging climate for change. The multiple crises underscore the urgent and compelling need for change. And while key decision-makers and politicians seem to narrow down their conception of change to Constituent-Assembly-type, jogging-in-place, moving-forward-to-head-back sort of change, most of us are already looking at really radical transformation that goes beyond a piece of paper. Many are striving for change that overpowers, inspires and makes a real difference. The word of the year indicates that people are talking about change, writing about it, thinking about it more than anything else this year.

2008 presents us with difficulties that test our resilience as well as our commitment to the change we need and want. The challenge is to effectively seize the openings at hand and follow through. As it is, many groups are heeding this call for change. Initiatives like Dakila, Kaya Natin! and Juana Change offer spaces to build on. The enduring resistance, the continuous, although largely unheralded, organizing of movements and communities - such as the farmers of Sumilao, Calatagan and Banasi, who captivated our imagination with their symbolic walk and sustained struggle to assert their right to land and social justice-- provide inspiration. They present a glimpse of the force, the quiet tenacity of change at work. Also, as seen in collective initiatives like the Emergency Conference on the Economic Crisis, social movements are similarly coming up with concrete solutions and offering alternative ways of doing things. These efforts need to be amplified and collectively pushed forward in order to reverse this dire condition of constant crisis.

The time to turn things around is here and now.

The word of the year is change.

AYA FABROS  
December 2008

# 2008 in Figures

## ECONOMIC ACCOUNTS

### National Income

#### Constant 1985 Pesos

(In Million PhP)

	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
	2007	2008	2007	2008	2007	2008	2007	2008
<b>GDP</b>	320,816	335,752	339,651	354,695	329,543	344,856	378,630	
<b>GNP</b>	350,312	370,642	377,017	397,573	363,855	387,627	411,630	

Source: [http://www.nscb.gov.ph/secstat/d\\_accounts.asp](http://www.nscb.gov.ph/secstat/d_accounts.asp)

### National Income

#### Current Pesos

(In Million PhP)

	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
	2007	2008	2007	2008	2007	2008	2007	2008
<b>GDP</b>	1,524,077	1,667,968	1,618,601	1,837,877	1,613,788	1,858,950	1,891,779	
<b>GNP</b>	1,653,574	1,828,204	1,785,015	2,045,291	1,768,034	2,074,553	2,042,700	

Source: [http://www.nscb.gov.ph/secstat/d\\_accounts.asp](http://www.nscb.gov.ph/secstat/d_accounts.asp)

### GDP Growth

(In Percent)

	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
	2007	2008	2007	2008	2007	2008	2007	2008
<b>GDP</b>	6.9	5.2	7.5	4.6	6.6	4.6	7.4	

Source: press releases; [http://www.nscb.gov.ph/secstat/d\\_accounts.asp](http://www.nscb.gov.ph/secstat/d_accounts.asp)

## PRICES

### Year-on-year Inflation Rate

#### by Area and Commodity Group

Area/ Commodity Group	2008												2007	
	NOV	OCT	SEP	AUG	JUL	JUN	MAY	APR	MAR	FEB	JAN		AVE	DEC
PHILIPPINES														
Index for All Items	158.2	159.1	159.8	160.4	159.9	157.4	153.9	151.6	148.6	147.3	146.8			145.1
All Items	9.9	11.2	11.8r	12.4r	12.3r	11.4	9.5r	8.3	6.4	5.4	4.9		2.8	3.9
Food, beverages, and tobacco	13.8	15	16.1r	17.2	17.8	16.5	13.6r	11.4	8.2	6.8	5.9		3.3	4.8
Fuel, light and water	7.5	10.7	8.5	7.4	5.5	7.6	8.2	8	6.2	4.6	5.5		3.2	5.3
National Capital Region														
All Items	6.8	8	8.2	8.7	8.6	9.2	8.3	7.4	5.4	4.1	3.9		2.6	3.5
Food, beverages and tobacco	9.3	10.1	11.2	11.9	13.1	14.1	12.7	11.1	8.4	5.9	5.4		3.3	4.7
Fuel, light and water	10.5	10	2.5	-1.7	-4.5	3.4	6.6	6.6	1.4	-0.6	1		3	0.7
Areas Outside NCR														
All Items	11.2	12.6	13.5	14.2	13.9	12.3	10.1r	8.7	6.8	6	5.3		2.8	4.2
Food, Beverages, and tobacco	15.2	16.5	17.7	18.8r	19.2	17.3	13.9r	11.5	8.1	7.1	6.2		3.2	4.9
Fuel, light and water	5.9	11.2	11.7	12.6	11.3	9.9	9r	8.8	8.9	7.4	8.1		3.3	7.8

Source: Economic Indices and Indicators Division National Statistics Office  
[www.census.gov.ph/data/sectordata/2008/cp081108r.htm](http://www.census.gov.ph/data/sectordata/2008/cp081108r.htm)



## JOBS

### Employment Rate

(In Percent)

Labor Force Survey

Year	1st Quarter (January)	2nd Quarter (April)	3rd Quarter (July)	4th Quarter (October)
2007	92.20	92.60	92.20	93.70
2008	92.60	92.00	92.60	93.20

Source: [www.census.gov.ph](http://www.census.gov.ph), [www.nscb.gov.ph](http://www.nscb.gov.ph)

### Unemployment Rate

(In Percent)

Labor Force Survey

Year	1st Quarter (January)	2nd Quarter (April)	3rd Quarter (July)	4th Quarter (October)
2007	7.8	7.4	7.8	6.3
2008	7.4	8.0	7.4	6.8

Source: [www.census.gov.ph](http://www.census.gov.ph), [www.nscb.gov.ph](http://www.nscb.gov.ph)

### Underemployment Rate

(In Percent)

Labor Force Survey

Year	1st Quarter (January)	2nd Quarter (April)	3rd Quarter (July)	4th Quarter (October)
2007	21.5	18.9	22.0	18.1
2008	18.9	19.8	21.0	17.5

Source: [www.census.gov.ph](http://www.census.gov.ph), [www.nscb.gov.ph](http://www.nscb.gov.ph)

### Employed Persons by Major Industry Group

(In Percent)

Labor Force Survey

Sector	1st Quarter (January)		2nd Quarter (April)		3rd Quarter (July)		4th Quarter (October)	
	2007	2008	2007	2008	2007	2008	2007*	2008*
Agriculture	34.7	35.0	35.2	35.5	34.5	35.0	36.1	35.7
Industry	14.8	14.8	15.6	14.9	15.6	14.8	15.1	14.7
Services	50.5	50.2	49.3	49.6	50.0	50.2	48.7	49.6

Source: [www.census.gov.ph](http://www.census.gov.ph), [www.nscb.gov.ph](http://www.nscb.gov.ph)

\*Data not summed up in report

### Number of Employed

Labor Force Survey

Year	1st Quarter (January)	2nd Quarter (April)	3rd Quarter (July)	4th Quarter (October)
2007	33.545 Million	33.704 Million	33.318 Million	33.672 Million
2008	33.695 Million	33.536 Million	34.597 Million	34.533 Million

Source: [www.census.gov.ph](http://www.census.gov.ph)

### Number of Unemployed

Labor Force Survey

Year	1st Quarter (January)	2nd Quarter (April)	3rd Quarter (July)	4th Quarter (October)
2007	2.850 Million	2.692 Million	2.824 Million	2.246 Million
2008	2.675 Million	2.914 Million	2.750 Million	2.525 Million

Source: [www.census.gov.ph](http://www.census.gov.ph)

### Number of Underemployed

Labor Force Survey

Year	1st Quarter (January)	2nd Quarter (April)	3rd Quarter (July)	4th Quarter (October)
2007	7.214 Million	6.378 Million	7.327 Million	6.109 Million
2008	6.370 Million	6.626 Million	7.275 Million	6.028 Million

Source: [www.census.gov.ph](http://www.census.gov.ph)

### OFW Remittances

(in Thousand Dollars)

	Annual	January-October	Growth Rate
2007	14,449,928	11,865,982	
2008	--	13,707,818	15.52%

	Jan	Feb	Mar	Apr	May
2008	1,264,036	1,258,638	1,427,807	1,410,210	1,429,832

	June	July	August	Sept	Oct
2008	1,450,838	1,366,796	1,332,023	1,332,912	1,434,726

Source: [http://www.bsp.gov.ph/statistics/statistics\\_online.asp](http://www.bsp.gov.ph/statistics/statistics_online.asp)

\*Monthly remittances data only available for 2008.

## IN THE SHADOW OF DEBT:

### The Sad but Sobering Story behind a Quarter-Century of Stagnation

(Originally published in Business Mirror, April 22, 2008)

WALDEN BELLO

*The stagnation of the Philippine economy has now lasted over 25 years. Between 1990 and 2005, the Philippines' average annual GDP growth rate was the lowest in Southeast Asia, being lower than even that of Laos, Cambodia, and Myanmar. Explanations rooting the country's failure to launch in overpopulation, corruption, protectionism, and non-competitive wages are examined in this article and found grossly inadequate. The central bottleneck is the gutting of the government's capacity to invest owing to the policy of prioritizing debt repayments and the severe loss of government's revenues due to trade liberalization. In contrast to the Philippines, our neighbors promoted policies that saw state investment synergize private investment. This accounted for their superior economic performance, especially before the Asian financial crisis. Until the reigning policy framework is overturned the country will not be able to emerge out of stagnation.*

Assaulted on all sides owing to its entanglement in the ZTE-NBN corruption scandal, the administration has confronted its critics with the image of an economy that is purring along, that is doing just fine except for the rise in the price of rice, for which it says it is blameless.

### Deconstructing "Growth" in 2007

But the state of the economy, even some of the administration's friends have pointed out, is a thin reed on which to rest. In a recent article, Peter Wallace, an influential consultant, deconstructed the 7.3

per cent growth rate recorded for the Philippines in 2007, showing that the figure is actually a statistical fluke that stems from the way the measure Gross Domestic Product (GDP) is computed. The figure actually masks something negative: the fall of imports by 5.4 per cent. “So because we had less imports, GDP looked good,” Wallace says. “From where I sit, that does not indicate a strong, growing economy, the best in 31 years.” With no less irony, the World Bank agrees: “Remarkably, weaker import growth made the largest arithmetical contribution to the growth acceleration in 2000-07 compared to 1990-99.” It added that this was not “consistent with sustained fast growth in the longer term.”

The reality, Wallace points out, is indicated by the same brutal numbers: more poor people in 2007 than in 2000, more people without jobs, a real decline in average family income, the shrinking of the middle class as more people jump ship and swim to other shores. “Notwithstanding higher growth,” the World Bank chimes in, “the latest official poverty estimates show that between 2003 and 2006, when GDP growth averaged 5.4 per cent, poverty incidence increased from 30.0 to 32.9 per cent. This level of poverty incidence is almost as high as it was in 2000 (33 per cent). Indeed the magnitude of poor Filipinos rose to its highest level in 2006: of a population of 84 million in 2006, 27.6 million Filipinos fell below the national poverty threshold of P15, 057.”

If you pop the famous “Ronald Reagan” question to most Filipinos—“Do you feel better off now than four years ago”—there is no doubt about how they would answer.

For many people, the main problem confronting the economy is spelled G-M-A. But for those who have spent time studying the Philippine economy, Arroyo is not the problem, but part of a bigger problem that extends far into the recent past. The collective responsibility of the last five administrations for our economic malfunctioning becomes stark when viewed in a comparative context. According to the latest Human Development Report of the United Nations Development Program (UNDP), with the growth in GDP per capita averaging 1.6 per cent per annum in the period 1990 to 2005, the Philippines’ economic growth record was the worst in Southeast Asia, with even

all the so-called lower-tier ASEAN countries significantly outstripping it. Say that again? OK. Now, Vietnam (5.9 per cent) is not a surprise. But, for Christ’s sake, Laos (3.8 per cent), Cambodia (5.5 per cent), and Myanmar (6.6 per cent)?

So what are the real causes of this state of stagnation that has now lasted for over 25 years?

There is, of course, the old overpopulation-causes-poverty school. The weight of decades of research, however, is that it is economic growth that causes a significant decline in population growth—the so-called “demographic transition”—instead of reduced population serving as the trigger for economic dynamism. This is not to say that a slowing of the population growth rate does not make the burden of development lighter. It does, and fertility control also contributes positively to women’s empowerment, which is why contraceptive programs continue to be critical.

It is, however, the other, seemingly more solid explanations for the Philippines’ failure to launch that interest us here. There are three that are particularly popular with the establishment: corruption, protectionism, and high wages. Let’s look at these closely.

## Is it Corruption?

Undoubtedly, the most popular is Peter Wallace and the World Bank’s favored answer — that is, that cronyism and corruption are holding the Philippines back. This view is reinforced by the news that, for two years in a row, the Philippines has been designated the “most corrupt economy” in Asia by the influential Political and Economic Risk Consultancy (PERC).

Now, there is no doubt that corruption erodes governance, subverts democracy, and is morally corrosive. And there is no doubt in this writer’s mind that the illegitimate occupant of Malacañang deserves to be hung, drawn, and quartered—legally, that is, not physically—for presiding over one of the most corrupt regimes in the history of the republic. However, it is another thing to say that corruption and cronyism are mainly responsible for the Philippines’ failure to get out of the stagnation in which it is mired. The reason one must be

skeptical of this explanation is that in many other societies, periods of rapid growth have also been periods of endemic corruption in politics, and this observation includes England in the 18th century, the US in the nineteenth and early 20th centuries, and Korea in the late sixties to the eighties.

Closer to home, corruption pervaded the politics of our Southeast Asian neighbors, such as Thailand, Malaysia, and Indonesia during their period of rapid industrialization from the mid-eighties to the mid-nineties, when they experienced 6 to 10 per cent growth rates. Indonesia under Suharto, for instance, occupied the position the Philippines is now in, being regularly rated as the most corrupt government in Asia. Double-entry book-keeping, tax evasion, bribing of politicians and bureaucrats, and massive fraud were legendary in Thailand in its boom decade.

Observations casting doubt on the correlation between stagnation and corruption have received confirmation from more systematic studies. Focusing on Southeast Asia, Mustaq Khan and Jomo K.S. found no simple correlation between the extent of rent-seeking and long-run economic performance and found the thesis that crony capitalism caused the Asian financial crisis of 1997 a rather dubious one. Working with a bigger global sample, I.A. Brunetti, G. Kisunku, and B. Weder's research found that, if at all, the impact of corruption on GDP growth was not significant. Other studies have found that, as in the case with population growth and poverty, the direction of causation is more likely to be from poverty to corruption rather than the other way around.

Summing up the conclusion of a slew of studies on growth and corruption, Herbert Docena says, "Too many empirical anomalies undermine the conclusion" that corruption is a significant explanation for economic backwardness. What research has done is simply to confirm the intuitive sense that the customs agent that builds a house with ill-gotten wealth stimulates the economy as much as the middle manager who builds one with her legitimate savings. The difference between them lies not in their economic effects but in what their ethical and legal destinies should be: the former deserves to go to jail while the other deserves to enjoy the fruits of her labor.

There is an added problem with the corruption explanation for stagnation, Docena argues. The popular discourse that attributes economic backwardness to corruption and cronyism plays into the dynamics of elite politics and that of multilateral institutions like the World Bank. "Corruption discourse" is the preferred weapon in the political competition among the different factions of the elite. It is discourse that performs the function of allowing elites to compete and succeed one another in office without fatally destabilizing a social structure that is shot through with inequity.

## The Neoliberal Explanation

Another favorite explanation is that stagnation stems from the "strong" protection offered to domestic industry. The Philippines, it is said, has not been exposed enough to market forces that would have shaken it out of its "inefficiency".

The problem with this analysis is that, in fact, the Philippines was subjected to radical tariff liberalization in the 1980's and 1990's. Under programs imposed by the World Bank and International Monetary Fund (IMF) in the 1980's, the average tariff rate was brought down from 43 per cent in 1980 to 28 per cent in 1985 while quantitative restrictions were removed on over 900 items between 1981 and 1985. This process of liberalization was accelerated in the mid-1990's under the Ramos administration's Executive Order 264, which sought to drive down tariffs on all but a few sensitive products to between 1 and 5 per cent by 2004.

Moreover, the liberalization program in the Philippines was often more profound than those of our neighbors, which were growing by leaps and bounds while we stagnated. For instance, by the end of the eighties, the average tariff rates in Indonesia and the Philippines were just about equal while Indonesia had a greater proportion of goods subjected to non-tariff barriers than the Philippines. Compared to Thailand, which was, in many ways, the best performer among the Southeast Asian "newly industrializing countries" (NICs) in the 1985-1995 period, the Philippines was much farther along the liberalization road: by the end of the eighties, the effective rate of protection for manufacturing in Thailand was 52 per cent, compared to 23 per cent

for the Philippines. In fact, in the 1980s and 1990s, the strategy of our neighbors was not one of indiscriminate liberalization such as that pursued by Philippine technocrats but one of strategic protectionism cum selective liberalization that was designed to deepen their industrial structures. As one wag, who was trying to drive home the contrasting outcomes in the Philippines and our neighbors put it, the crucial difference was that our technocrats preached free trade and practiced it, while our neighbors boasted of their free trade credentials while practicing protectionism. In other words, in a world ruled by economic realpolitik, it is often not a virtue to practice what you preach.

### Management's Story

A third explanation favored by the establishment is that too much legal protection of labor has made wages rigid and non-competitive with other Asian countries, thus making the Philippines an unattractive investment site.

Though it has been successfully used by management to dampen wage demands, this argument has been seriously undermined by the facts. The real wage in 2003 was only 80 per cent of what it was in 1980 and labor's share in GDP has dropped from 75 to 65 per cent. In contrast, capital's share of GDP has increased by 10 per cent and the profit rate has shown an upward trend, from 8 per cent in 1985 to nearly 13 per cent in 2002. The Spanish economist Jesus Felipe and his Filipino colleague Leonardo Lanzona, Jr., argue in a study for the Asian Development Bank that except in some areas, Philippine labor market policies cannot be seen as the main culprit for the economy's failure to lift off. Indeed, they do not see an increase in current wages as a problem since, seen from a neo-Keynesian perspective, the Philippines falls into the category of being a "wage-led economic regime," where, owing to persistently low levels of investment by capital, an increase in wages will lead to a higher level of aggregate demand that will result in a utilization of current excess capacity in industry, leading to faster growth and more employment.

So why is the Philippines stuck in what is effectively a low-growth path, where unemployment and underemployment continue to rise even

when the economy is growing by 5-6 per cent? The culprit, Felipe and Lanzona strongly suggest, is low capital accumulation or investment: "In the Philippines...the lack of investment is a well known problem.... It is possible that the Philippines' low capital stock per worker, due to lack of investment, has led to higher markups and unemployment. Thus, the policy prescriptions to reduce unemployment would be investment and not labor market reforms."

### The Investment Conundrum

One cannot then understand Philippine underdevelopment without reference to the crisis of investment. From nearly 30 per cent in the early eighties, the ratio of investment to GDP plunged to 17 per cent in the mid-eighties and never really recovered, staying at 20-22 per cent in the early part of this decade. The same pattern of collapse and very weak recovery is also seen in the growth of capital stock, which fell from an index of nearly 0.07 in 1983 to nearly zero in 1985 and leveled off at below 0.03 in the early part of this decade.

To understand the dismal performance of investment over the last two decades, one must situate these figures in their historical politico-economic context.

While the Marcos regime is often pinpointed as the culprit behind Philippine underdevelopment, an equally decisive part has been played by the post-Marcos administrations. The private sector unraveled in the early 1980's owing to the effects of a structural adjustment program — trade liberalization cum monetary and fiscal tightening — imposed by the World Bank and IMF at a time of international recession. Describing the fatal conjunction of local adjustment and international downturn, the late economist Charles Lindsay said, "Whatever the merits of the SAL [structural adjustment loan], its timing was deplorable." The collapse of industry, it must also be noted, took place amidst a political crisis that marked the transition from the dictatorship to the presidency of Corazon Aquino.

### Why Government Spending was Gutted

The downward spiral of private investment was not met by a countercyclical effort of government to shore up the economy, as



would be expected under orthodox macroeconomic management. This was a catastrophic failure, and the cause of it was external. Owing to pressure from international creditors, the fledgling democratic government of President Corazon Aquino adopted the so-called “model debtor strategy” in the hope of continuing to have access to international capital markets. This approach was cast in iron by Executive Order 292, which affirmed the “automatic appropriation” from the annual government budget of the full amount needed to service the foreign debt.

What this meant is that instead of picking up the investment slack, government resources flowed out in debt service payments. In the critical period 1986-1993, an amount coming to some 8 to 10 per cent of GDP left the Philippines yearly in debt service payments, with the total amount coming to nearly \$30 billion. This figure was nearly \$8.5 billion more than the \$21.5 billion Philippines total external debt in 1986. What is even more appalling is that owing to the onerous terms of repaying debts that were subject to variable interest rates and the practice of incurring new debt to pay off the old, instead of showing a reduction, the foreign debt in 1993 had gone up to \$29 billion!

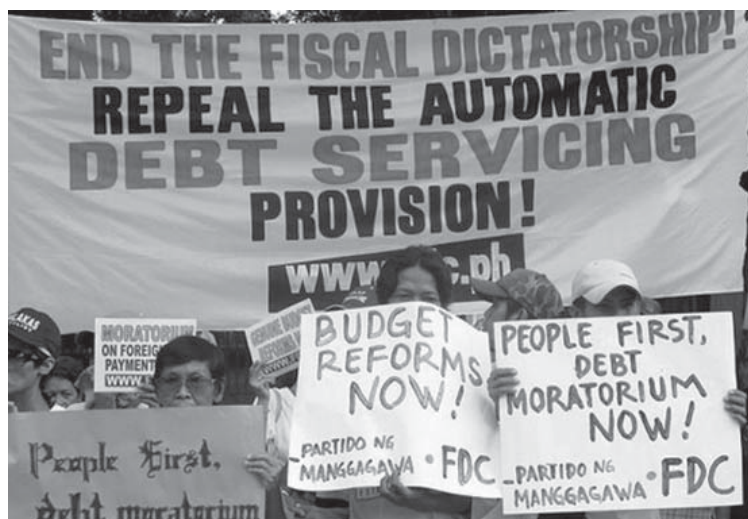
What this translated into was that interest payments as a percentage of total government expenditure went from 7 per cent in 1980 to 28 per cent in 1994. Capital expenditures, on the other hand, plunged from 26 to 16 per cent. Debt servicing, in short, became, alongside wages and salaries, the no. 1 priority of the national budget, with capital expenditures being starved of outlays. Since government is the biggest investor in the country — indeed, in any country — the radical stripping away of capital expenditures represented by these figures goes a long way towards explaining the stagnant 1.0 per cent average yearly GDP growth rate in the 1980’s and the 2.3 per cent rate in the first half of the 1990’s. The anti-growth implications of the state’s being deprived of resources for investment were very clear to Filipino economists during the mid-eighties. As the University of the Philippines professors who authored the famous 1985 “White Paper” warned: “The search for a recovery program that is consistent with a debt repayment schedule determined by our creditors is a futile one and should therefore be abandoned.”

## Government and Investment: Contrasts with Our Neighbors

Why do we focus on key policy decisions made in the period 1985 to 1995? The reason is that these decisions—in particular the fateful decision to channel government financial resources to debt repayment instead of capital expenditures—go a long way towards explaining why our neighbors leaped forward as we stagnated. Contrary to doctrinaire free-market economics, institutional economists argue that government financial resources devoted to building physical or social infrastructure or shoring up domestic demand “crowd in” rather than “crowd out” private investment, including foreign investment. For instance, one key study of a panel of developing economies from 1980 to 1997 found that public investment complemented private investment, and that, on average, a 10 per cent increase in public investment was associated with a 2 per cent increase in private investment.

Now the key explanation for why our neighbors flourished in the period 1985-95 is that they were deluged with Japanese investment that was relocating from Japan to make up for the loss of competitiveness of Japan-based production owing to the drastic revaluation of the Japanese yen relative to the dollar under the famous Plaza Accord in 1985. This flow of Japanese investment to our neighbors was not accidental. Nor was it accidental that the Japanese bypassed the Philippines. For while our external creditors were busy stripping our government of resources for investment in infrastructure, our neighbors were frantically devoting resources to financing infrastructure to attract or crowd in Japanese direct investment.

Indonesia, for instance, attracted \$3.7 billion worth of Japanese direct investment between 1985 and 1990. A key reason was the high level of government capital expenditures, which came to 47 per cent of total expenditures in 1980, 43 per cent in 1990 and 47 per cent in 1994. Or take Thailand. It pushed down interest payments from 8 per cent of government expenditure in 1980 to 2 per cent in 1995 and raised capital expenditures from 23 per cent to 33 per cent. In the late eighties and early nineties, Thailand received \$24 billion in



foreign direct investment from Japan, Korea, and Taiwan, or 15 times the amount invested by the three countries in the Philippines, which came to a paltry \$1.6 billion. There is no doubt that government capital spending crowded in foreign investment in Thailand and the lack of it crowded out foreign investment in the Philippines. And there is no doubt that, as Kunio Yoshihara asserted, “This difference in the flow of foreign investment from [Japan, Korea, and Taiwan] produced a significant disparity in growth performance of the two countries during this period.”

Like all clear-thinking investors, the Japanese were not going en masse to a place where infrastructure was decaying and where the market was depressed and poverty was increasing owing to a political economy shackled by structural adjustment and battered by the priority given to repaying the foreign debt. They were, in short, not stupid.

This trend of continuing outflow of government resources in the form of payments to creditors and the shrinking of capital expenditures continued into the first years of this decade. In 2005, according to the World Bank, 29 per cent of the government expenditures was devoted to interest payments to both foreign and domestic creditors and 12 per cent to capital expenditures. Calculations by James

Miraflor of the Freedom from Debt Coalition put servicing of the foreign and domestic debt (most of which is said to be owed to locally based foreign entities) at 51 per cent in 2005, 54 per cent in 2006, and 41 per cent in 2007. This configuration of government spending prompted the UP School of Economics faculty to complain once again that the budget left “little room for infrastructure spending and other development needs,” though they did not follow through on the policy consequences of their analysis. They were joined, in an extraordinary example of hypocrisy, given its historical role in foisting the debt service at the head of the trough of government spending, by the World Bank, which complained in a 2007 policy brief:

“The Global Competitiveness Index ranks the Philippines at only 71 out of 131 countries, rating the country particularly poorly on a majority of the infrastructure indicators. The quality of transport infrastructure (which includes roads, railways, ports, airports, and logistics) is a particularly serious concern, with consequences for trade-related transaction costs and overall competitiveness. Recent assessments indicate that transport infrastructure is poorly maintained and badly managed, with years of underinvestment, especially in maintenance.”

Not surprisingly, with government capital expenditures remaining low, total fixed investment has remained anemic, indeed running at only 14 per cent of GDP, which the World Bank notes is “substantially lower even than during the deep recession in the first half of the 1980’s and substantially lower than in most other larger East Asian economies.” Durable equipment investment, it added, reached a historic low in 2007. The problem, as usual, is not the Bank’s description of developments but its refusal to see their origins in policies in the formulation of which the Bank was deeply implicated.

## The Other Shoe Drops: Trade Liberalization and the Fiscal Crisis

The explanation for our national stagnation is not exhausted by the priority our leaders accorded to repaying the foreign debt. Activist governments, we have seen, have been key players in development in Southeast Asia. But the Philippine government was incapacitated from playing this activist role by a one-two punch delivered by

external forces. If the hemorrhage of payments on the debt hit it on the expenditure side, trade liberalization, by drastically reducing a very critical source of government revenues, clobbered it on the revenue side. But before we detail this second blow, the fiscal impact of trade liberalization, it is important to place the latter in the context of the comprehensive structural adjustment cum trade liberalization program which choked the country in the eighties and nineties.

It is fashionable these days to decry the weakness of the Philippine manufacturing sector, which was supposed to play the role of absorbing a greater and greater portion of the labor force into high-value-added jobs. Trade liberalization was, in theory, supposed to reinvigorate Philippine industry by, among other things, ending monopolization. Instead, what happened was monopolization increased as trade liberalization intensified. Why? It is very likely that monopolization rose because weaker firms were driven out of business by trade liberalization—an understandable outcome but one that did not fit the neoliberal paradigm.

As noted earlier when we discussed and dismissed protectionism as a possible explanation for the Philippines' economic stagnation, trade liberalization in this country was no joke. The effective rate of protection for manufacturing was pushed down from 44 to 20 per cent. That was achieved at the cost of multiple bankruptcies and massive job losses—in short, de-industrialization. The list of industrial casualties included paper products, textiles, ceramics, rubber products, furniture and fixtures, petrochemicals, beverage, wood, shoes, petroleum oils, clothing accessories, and leather goods. The textile industry was practically rendered extinct by the combination of tariff cuts and the abuse of duty-free privileges, with the number of firms shrinking from 200 firms in 1970 to less than 10 by the end of the century. As former Finance Secretary Isidro Camacho, Jr., admitted, "There's an uneven implementation of trade liberalization, which was to our disadvantage." While consumers may have benefited from tariff cuts, he said, liberalization "has killed so many local industries."

Yet the negative effects of trade liberalization were not limited to the erosion of the country's industrial base. Trade liberalization had fiscal effects. If the hemorrhage of payments on the foreign debt blew a

hole on the expenditure side, trade liberalization, by reducing a very critical source of government revenues blew a hole on the revenue side. The trade liberalization that started with Executive Order 264—which phased in, beginning 1994, a radical program to unilaterally reduce all tariffs to 0 to 5 per cent by 2004—resulted in a radically decreased customs collections over a very short period of time. In the period 1995-2003, while the value of imports grew by 40 per cent, customs collections of import duties declined by 35 per cent; imports rose from US\$25.5 billion in 1995 to \$37.4 billion in 2003, but import duties fell from P64.4 billion to P41.4 billion. As a percentage of GDP, total customs collections fell from 5.6 per cent of GDP in 1993 to 2.8 per cent in 2002. As a percentage of government revenues, customs duties and taxes from international trade fell from 29 per cent in 1995 to 19 per cent in 2000 at a time that hardly any new revenue sources had come onstream.

Combined with the outflow of debt service payments, the collapse in customs revenues precipitated the fiscal implosion, which made it even more difficult for government to finance the capital expenditures that were necessary to crowd in both domestic and foreign investment in order to decisively lift the country from the stagnation of the eighties and nineties. Former Finance Secretary Camacho could not but admit the obvious—that it was not so much failure to increase taxation but the drive to decrease import taxation that mainly accounted for the crisis in government revenue: "The severe deterioration of fiscal performance from the mid-1990's could be attributed to aggressive tariff reduction."

To say this is not to excuse the current administration and its predecessors from not making a greater effort at tax collection, especially from their private sector cronies, just as our earlier remarks were not meant to excuse corruption. It is mainly to achieve a clearer understanding of the key structural factors and dynamics that have condemned the Philippines to almost permanent stagnation. One can agree with Peter Wallace that the Philippines needs a much bigger effort to enforce taxation and punish tax evaders without having to say that this failure is what precipitated the crisis on the revenue side. Trade liberalization precipitated that crisis, which resulted in, among

other things, a further crippling of the capacity of the Philippine state to play a positive role in development.

### When Paradigms Blind

In conclusion, the dominant explanations for the continuing stagnation that has caused so many Filipinos to abandon ship are deeply flawed. Why they continue to be popular is due to their being easy to grasp (corruption) or ideologically correct (lack of market freedom). Alternative explanations are screened out because they are not ideologically correct or because they are, like the burden of debt thesis, simply unacceptable as explanations and options for action to the establishment. Yet it requires no special intelligence to realize that the massive amounts of money that have gone to paying our creditors to service our constantly mounting external debt was money that could not go to development. It cannot be otherwise given that resources are finite. Sometimes such truths can only be grudgingly accepted when events occur that force their acceptance. For instance, it can no longer be denied that Argentina's five-year string of 10 per cent annual GDP growth is due principally to President Nestor Kirchner's courageous act of essentially defaulting on most of that country's foreign debt and channeling the money saved to domestic investment.

With the failure of doctrinaire neoliberalism to both explain and move countries out of underdevelopment, we are beginning once more to appreciate the positive role of the state in development, in its triple role of assisting the market, disciplining the market, and leading the market. What we have tried to do here is to position the incapacitation of the Philippine state as the central factor in explaining the stagnation of the Philippine economy. The priority accorded to repaying the foreign debt in the context of an economy in crisis deprived the state of financial resources to play its role as the economy's biggest investor, thus crowding out private investment. This emasculation on the expenditure side was paralleled by a crippling on the revenue side by the collapse of customs revenues owing to aggressive trade liberalization. This double punch amplified the depressive effects of the policy framework of structural adjustment cum trade liberalization that was imposed on the country in the eighties and

nineties with the acquiescence of our leaders. This suffocating policy framework unfortunately lives on, with minor adjustments, and as long as it remains this country's basic paradigm, it is difficult to see the Philippines emerging from its long night of stagnation.

(Focus on the Philippines April 2008)

Walden Bello is the president of Freedom from Debt Coalition, senior analyst at Focus on the Global South, and professor of sociology at the University of the Philippines. The author would like to thank James Matthew Miraflor and Bobby Diciembre of the Freedom from Debt Coalition for their assistance.

## ON THE RICE CRISIS

MARY ANN MANAHAN

In various parts of the country, poor Filipinos are lining up for rice, sending outsignals that a rice crisis is unfolding in the country. They line up specifically for the subsidized rice sold by the National Food Authority (NFA), the Philippine agency responsible for ensuring food security and the stability in the supply and price of rice in the country. The long lines were triggered by soaring rice prices, which increased by up to 32 per cent this month from the year-ago wholesale and retail levels. (See table.)

The higher prices are due partly to the global crunch in rice supply. According to the United Nations Food and Agriculture Organization, rice stocks have dipped to their lowest level in 25 years. The most optimistic estimates say that global rice supply could slide to 70 million tons, less than half the 150 million-ton inventory in 2000. As a result, global rice prices have surged to historic levels in 20 years, trading in recent months at US \$500-700 per ton compared to the US\$300 per ton in the year 2000. The rise in prices has been particularly marked since the start of the year. The Philippines, for example, bought rice at US\$474.40 per ton in January. By March, this price has increased by 43 per cent to US\$678.39 per ton.

Various reasons have been blamed for the dwindling global supply and soaring of prices: increases in the cost of oil, transport and fertilizer; rice hoarding; climate change; and the high demand for bio-fuel stock that results in the shrinking of areas planted with rice. Local experts say that the rice crisis is more than just a result of a global phenomenon. According to the Philippine Rice Research Institute

### Average Wholesale and Retail Prices of Rice Per Kilogram (In Pesos), 2000-2008

	2000	2001	2002	2003	2004	2005	2006	2007	8-Jan	8-Feb	8-Mar	Apr *
<b>Average Wholesale Prices of Rice Per Kilogram (in peso), Philippines, 2000-2008</b>												
<b>Rice Fancy</b>	23.32	23.68	23.79	25.09	24.47	25.61	26.07	27.37	..	..	..	..
<b>Rice Premium</b>	19.92	20.01	20.43	21.08	21.59	23.31	24.04	24.98	..	..	..	..
<b>Combined Regular and Well Milled</b>	17.77	17.61	18.21	18.30	19.12	20.93	21.39	22.59	22.62	22.97	24.60	27.76*
<b>Rice Ordinary/NFA Rice</b>	15.91	15.99	16.52	16.51	17.30	19.14	19.49	20.66				
<b>Average Retail Prices of Rice Per Kilogram (in peso), Philippines, 2000-2008</b>												
<b>Rice Fancy</b>	25.76	26.89	27.44	27.76	27.54	28.82	29.59	30.76	32.46	33.43	34.81	37.10
<b>Rice Premium</b>	21.77	21.77	22.43	22.90	23.52	25.09	25.81	26.93	27.60	27.88	30.40	33.52
<b>Combined Regular and Well Milled</b>	19.45	19.43	19.98	20.20	21.04	22.88	23.56	24.72	22.90	24.16	26.86	30.74
<b>Rice Ordinary/NFA Rice</b>	17.59	17.54	18.00	17.95	18.71	20.73	21.28	22.39	18.45	18.38	18.46	18.77

Source: FAO Statistics; Bureau of Agricultural Statistics  
[..] no data is available, \*April 1-8, 2008

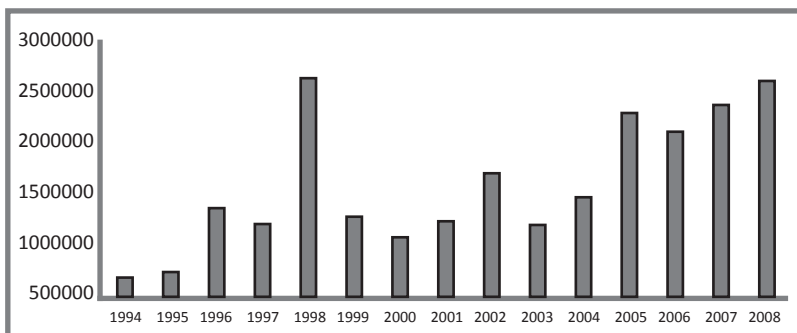
and the International Rice Research Institute, failure to achieve rice self-sufficiency is due to the Philippines' geography and booming population. From 60 million in 1990, the country's population has increased to 90 million in 2008. National daily consumption has reached 33,000 metric tons, which is a 14 per cent increase from two years ago. This amounts to a per capita consumption of as much as 134 kilos or 2.7 sacks of rice per year. (See graph on Comparative Growth of Palay, Production, Per Capita Rice Consumption and Population.)

Based on government figures, rice production has been growing steadily. In 2008, the Philippines is forecast to produce around 17 million metric tons, almost double the production in 1990. However, according to the NFA, the registered growth in palay (paddy or unhusked rice) production is not enough to meet the combined effects of an increase in demand and the need to maintain the required



## NFA Rice Importation

(in Metric Tons)



Source: <http://www.nfa.gov.ph/nfa18.html>

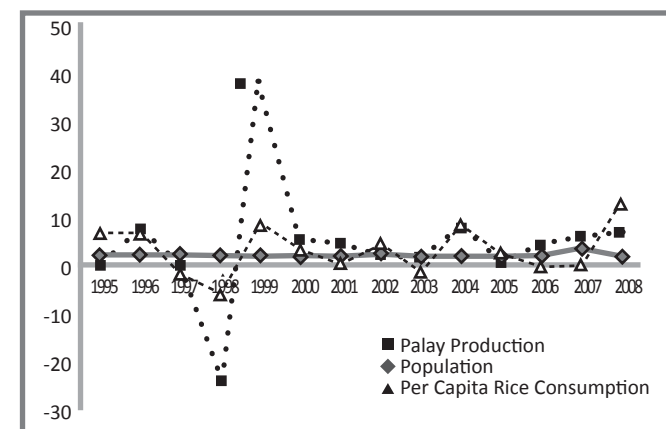
buffer stock by July 1. To contain a surge in rice prices, the country needs to import up to 2.1 million metric tons, one of the largest rice importations in the country's history, to be able to maintain its two-month inventory, which has thinned by 20 per cent in the first quarter this year. (See graph on NFA Rice Importation.)

NGOs and farmers groups offer alternative explanations for the crisis. According to Centro Saka, Inc., an NGO that works on rural issues, the Philippines' capacity to supply its rice requirements has continued to weaken even as the demand for rice has not increased significantly. It says that the gap between rice supply and demand has hovered at about one million metric tons in the last five years. To cover the deficit, rice importation has steadily increased from 0.7 million metric tons in 1997 to 1.8 million metric tons in 2007. This over-reliance on imports weakens the country's food security and makes it vulnerable to global supply fluctuations such as the one currently being experienced. Land use conversion of rice lands to residential and commercial uses has also been identified as a reason for the crisis. Over the past 20 years, the country has lost nearly half of its irrigated land to urban development. Many claim that at the heart of problem is government's neglect of agriculture over the past two decades and its incoherent food security policy.

These days, civil society watchdogs and rural development advocates are busy urging government to re-prioritize the agriculture sector and address the root causes of the rice crisis. Meanwhile it remains to be

## Comparative Growth of Palay Production, Per Capita Rice Consumption and Population, Philippines, 1995-2008

(in percent)



For statistics on production of palay, farmgate prices, and other information on rice and other grains, see [www.bas.gov.ph](http://www.bas.gov.ph).

seen how effective the Philippine government's immediate response to the crisis is. It has so far committed to funnel additional 43.7 billion pesos to the rice sector to ensure "abundant, affordable, and accessible" food supply, bulk of which is expected to be spent on rice imports. (Focus on the Philippines April 2008)

### References:

Data on Philippine's rice importation from 1984 to 1996, see <http://www.nfa.gov.ph/nfa18.html>  
 For articles and news on the rice crisis, see <http://www.pcij.org/blog/?p=2256> or <http://www.inquirer.net/specialfeatures/riceproblem/>  
 For statistics on production of palay, farmgate prices, and other information on rice and other grains, see [www.bas.gov.ph](http://www.bas.gov.ph).  
 For civil society positions and news, see [www.centrosaka.org](http://www.centrosaka.org) and [www.cbcnews.com](http://www.cbcnews.com).

Mary Ann Manahan is a research associate with Focus on the Global South (Focus), Philippines Programme. She works on the reclaiming and defending the commons program, particularly on land and water issues. She can be contacted at [mbmanahan@focusweb.org](mailto:mbmanahan@focusweb.org).

## HOW TO MANUFACTURE A GLOBAL FOOD CRISIS: How “Free Trade” is Destroying Third World Agriculture— and Who’s Fighting Back

WALDEN BELLO

When tens of thousands of people staged demonstrations in Mexico last year to protest a 60 per cent increase in the price of tortillas, many analysts pointed to biofuel as the culprit. Because of US government subsidies, American farmers were devoting more and more acreage to corn for ethanol than for food, which sparked a steep rise in corn prices. The diversion of corn from tortillas to biofuel was certainly one cause of skyrocketing prices, though speculation on biofuel demand by transnational middlemen may have played a bigger role. However, an intriguing question escaped many observers: how on earth did Mexicans, who live in the land where corn was domesticated, become dependent on US imports in the first place?

### Eroding Mexican Agriculture

The Mexican food crisis cannot be fully understood without taking into account the fact that in the years preceding the tortilla crisis, the homeland of corn had been converted to a corn-importing economy by “free market” policies promoted by the International Monetary Fund (IMF), the World Bank and Washington. The process began with the early 1980s debt crisis. One of the two largest developing-country debtors, Mexico was forced to beg for money from the Bank and IMF to service its debt to international commercial banks. The quid pro quo for a multibillion-dollar bailout was what a member of the World

Bank executive board described as “unprecedented thoroughgoing interventionism” designed to eliminate high tariffs, state regulations and government support institutions, which neoliberal doctrine identified as barriers to economic efficiency.

Interest payments rose from 19 per cent of total government expenditures in 1982 to 57 per cent in 1988, while capital expenditures dropped from an already low 19.3 per cent to 4.4 per cent. The contraction of government spending translated into the dismantling of state credit, government-subsidized agricultural inputs, price supports, state marketing boards and extension services. Unilateral liberalization of agricultural trade pushed by the IMF and World Bank also contributed to the destabilization of peasant producers.

This blow to peasant agriculture was followed by an even larger one in 1994, when the North American Free Trade Agreement went into effect. Although NAFTA had a fifteen-year phaseout of tariff protection for agricultural products, including corn, highly subsidized US corn quickly flooded in, reducing prices by half and plunging the corn sector into chronic crisis. Largely as a result of this agreement, Mexico’s status as a net food importer has now been firmly established.

With the shutting down of the state marketing agency for corn, distribution of US corn imports and Mexican grain has come to be monopolized by a few transnational traders, like US-owned Cargill and partly US-owned Maseca, operating on both sides of the border. This has given them tremendous power to speculate on trade trends, so that movements in biofuel demand can be manipulated and magnified many times over. At the same time, monopoly control of domestic trade has ensured that a rise in international corn prices does not translate into significantly higher prices paid to small producers.

It has become increasingly difficult for Mexican corn farmers to avoid the fate of many of their fellow corn cultivators and other small-holders in sectors such as rice, beef, poultry and pork, who have gone under because of the advantages conferred by NAFTA on subsidized US producers. According to a 2003 Carnegie Endowment report, imports of US agricultural products threw at least 1.3 million

farmers out of work—many of whom have since found their way to the United States.

Prospects are not good, since the Mexican government continues to be controlled by neoliberals who are systematically dismantling the peasant support system, a key legacy of the Mexican Revolution. As Food First executive director Eric Holt-Gimenez sees it, “It will take time and effort to recover small-holder capacity, and there does not appear to be any political will for this—to say nothing of the fact that NAFTA would have to be renegotiated.”

### Creating a Rice Crisis in the Philippines

That the global food crisis stems mainly from free-market restructuring of agriculture is clearer in the case of rice. Unlike corn, less than 10 per cent of world rice production is traded. Moreover, there has been no diversion of rice from food consumption to biofuels. Yet this year alone, prices nearly tripled, from \$380 a ton in January to more than \$1,000 in April. Undoubtedly the inflation stems partly from speculation by wholesaler cartels at a time of tightening supplies. However, as with Mexico and corn, the big puzzle is why a number of formerly self-sufficient rice-consuming countries have become severely dependent on imports.

The Philippines provides a grim example of how neoliberal economic restructuring transforms a country from a net food exporter to a net food importer. The Philippines is the world’s largest importer of rice. Manila’s desperate effort to secure supplies at any price has become front-page news, and pictures of soldiers providing security for rice distribution in poor communities have become emblematic of the global crisis.

The broad contours of the Philippines story are similar to those of Mexico. Dictator Ferdinand Marcos was guilty of many crimes and misdeeds, including failure to follow through on land reform, but one thing he cannot be accused of is starving the agricultural sector of government funds. To head off peasant discontent, the regime provided farmers with subsidized fertilizer and seeds, launched credit schemes, and built rural infrastructure, with land under irrigation rising from 500,000 hectares in the mid-sixties to 1.5 million in the

mid-eighties. Owing to these investments, the Philippines achieved self-sufficiency in rice for most of the Marcos period, though in its last full year, 1985, it had to import over 500,000 tons. When Marcos fled the country in 1986, there were reported to be 900,000 tons in government warehouses.

Paradoxically, the next few years under the new democratic dispensation saw the gutting of government investment capacity. As in Mexico, the World Bank and IMF, working on behalf of international creditors, pressured the Corazon Aquino administration to make repayment of the \$26 billion foreign debt a priority. Aquino acquiesced, though she was warned by the country’s top economists that the “search for a recovery program that is consistent with a debt repayment schedule determined by our creditors is a futile one.” Thus, structural adjustment, which was already in effect in the last years of Marcos, was tightened under Aquino.

Between 1986 and 1993 the equivalent of 8 per cent to 10 per cent of GDP left the Philippines yearly in debt-service payments—roughly the same proportion as in Mexico. Interest payments as a percentage of expenditures rose from 7 per cent in 1980 to 28 per cent in 1994; capital expenditures plunged from 26 per cent to 16 per cent. In short, debt servicing became the national budgetary priority.

Spending on agriculture fell by more than half, from 7.5 per cent of total government spending in 1982 under Marcos to 3.3 per cent in 1988 under Aquino. Even before Marcos left the country in 1986, the government’s “Masagana 99” rural credit program to which many observers attributed the rise in rice yields had already fallen victim to the IMF-World Bank adjustment program. But the Bank, Fund, and their local acolytes were not worried, however, since one purpose of the belt-tightening was to get the private sector to energize the countryside. But agricultural capacity quickly eroded. Irrigation coverage stagnated at 1.5 million hectares. By the end of the 1990s, only 17 per cent of the Philippines’ road network was paved, compared with 82 per cent in Thailand and 75 per cent in Malaysia. Crop yields were generally anemic, with the average rice yield in rice of 2.8 metric tons per hectare way below those in China and Vietnam, where governments actively promoted rural production. The post-

Marcos agrarian reform program shriveled, deprived of funding for support services, which had been the key to successful reforms in Taiwan and South Korea.

As in Mexico, Filipino peasants were confronted with full-scale retreat of the state as provider of comprehensive support—a role they had come to depend on.

And the cutback in agricultural programs was followed by trade liberalization, with the Philippines' 1995 entry into the World Trade Organization having the same effect as Mexico's joining NAFTA. WTO membership required the Philippines to eliminate quotas on all agricultural imports except rice and allow a certain amount of each commodity to enter at low tariff rates. While the country was allowed to maintain a quota on rice imports, it nevertheless had to admit the equivalent of 1 to 4 per cent of domestic consumption over the next ten years. In fact, because of gravely weakened production resulting from lack of state support, the government imported much more than that to make up for possible shortfalls. These imports, which rose from 263,000 metric tons in 1995 to 2.1 million tons in 1998, depressed the price of rice, discouraging farmers and keeping growth in production at a rate far below that of the country's two top suppliers, Thailand and Vietnam.

The consequences of the Philippines' joining the WTO barreled through the rest of its agriculture like a super-typhoon. Swamped by cheap corn imports—much of it subsidized US grain—farmers reduced land devoted to corn from 3.1 million hectares in 1993 to 2.5 million in 2000. Massive importation of chicken parts nearly killed that industry, while surges in imports destabilized the poultry, hog and vegetable industries.

During the 1994 campaign to ratify WTO membership, government economists, coached by their World Bank handlers, promised that losses in corn and other traditional crops would be more than compensated for by the new export industry of "high-value-added" crops like cut flowers, asparagus and broccoli. Little of this materialized. Nor did many of the 500,000 agricultural jobs that were supposed to be created yearly by the magic of the market; instead,

agricultural employment dropped from 11.2 million in 1994 to 10.8 million in 2001.

The one-two punch of IMF-imposed adjustment and WTO-imposed trade liberalization swiftly transformed a largely self-sufficient agricultural economy into an import-dependent one as it steadily marginalized farmers. It was a wrenching process, the pain of which was captured by a Filipino government negotiator during a WTO session in Geneva. "Our small producers," he said, "are being slaughtered by the gross unfairness of the international trading environment."

## The Great Transformation

The experience of Mexico and the Philippines was paralleled in one country after another subjected to the ministrations of the IMF and the WTO. A study of fourteen countries by the UN's Food and Agricultural Organization found that the levels of food imports in 1995–98 exceeded those in 1990–94. This was not surprising, since one of the main goals of the WTO's Agreement on Agriculture was to open up markets in developing countries so they could absorb surplus production in the North. As then-US Agriculture Secretary John Block put it in 1986, "The idea that developing countries should feed themselves is an anachronism from a bygone era. They could better ensure their food security by relying on US agricultural products, which are available in most cases at lower cost."

What Block did not say was that the lower cost of US products stemmed from subsidies, which became more massive with each passing year despite the fact that the WTO was supposed to phase them out. From \$367 billion in 1995, the total amount of agricultural subsidies provided by developed-country governments rose to \$388 billion in 2004. Since the late 1990s subsidies have accounted for 40 per cent of the value of agricultural production in the European Union and 25 per cent in the United States.

The apostles of the free market and the defenders of dumping may seem to be at different ends of the spectrum, but the policies they advocate are bringing about the same result: a globalized capitalist industrial agriculture. Developing countries are being integrated into a system where export-oriented production of meat and grain

is dominated by large industrial farms like those run by the Thai multinational CP and where technology is continually upgraded by advances in genetic engineering from firms like Monsanto. And the elimination of tariff and nontariff barriers is facilitating a global agricultural supermarket of elite and middle-class consumers serviced by grain-trading corporations like Cargill and Archer Daniels Midland and transnational food retailers like the British-owned Tesco and the French-owned Carrefour.

There is little room for the hundreds of millions of rural and urban poor in this integrated global market. They are confined to giant suburban favelas, where they contend with food prices that are often much higher than the supermarket prices, or to rural reservations, where they are trapped in marginal agricultural activities and increasingly vulnerable to hunger. Indeed, within the same country, famine in the marginalized sector sometimes coexists with prosperity in the globalized sector.

This is not simply the erosion of national food self-sufficiency or food security but what Africanist Deborah Bryce of Oxford calls “de-peasantization”—the phasing out of a mode of production to make the countryside a more congenial site for intensive capital accumulation. This transformation is a traumatic one for hundreds of millions of people, since peasant production is not simply an economic activity. It is an ancient way of life, a culture, which is one reason displaced or marginalized peasants in India have taken to committing suicide. In the state of Andhra Pradesh, farmer suicides rose from 233 in 1998 to 2,600 in 2002; in Maharashtra, suicides more than tripled, from 1,083 in 1995 to 3,926 in 2005. One estimate is that some 150,000 Indian farmers have taken their lives. Collapse of prices from trade liberalization and loss of control over seeds to biotech firms is part of a comprehensive problem, says global justice activist Vandana Shiva: “Under globalization, the farmer is losing her/his social, cultural, economic identity as a producer. A farmer is now a ‘consumer’ of costly seeds and costly chemicals sold by powerful global corporations through powerful landlords and money lenders locally.”

## Food Sovereignty: An Alternative Paradigm?

Peasant organizations around the world have become increasingly militant in their resistance to the globalization of industrial agriculture. Indeed, it is because of pressure from farmers’ groups that the governments of the South have refused to grant wider access to their agricultural markets and demanded a massive slashing of US and EU agricultural subsidies, which brought the WTO’s Doha Round of negotiations to a standstill.

Farmers’ groups have networked internationally; one of the most dynamic to emerge is Via Campesina (Peasant’s Path). Via not only seeks to get “WTO out of agriculture” and opposes the paradigm of a globalized capitalist industrial agriculture; it also proposes an alternative food sovereignty. Food sovereignty means, first of all, the right of a country to determine its production and consumption of food and the exemption of agriculture from global trade regimes like that of the WTO. It also means consolidation of a small holder centered agriculture via protection of the domestic market from low-priced imports; remunerative prices for farmers and fisherfolk; abolition of all direct and indirect export subsidies; and the phasing out of domestic subsidies that promote unsustainable agriculture. Via’s platform also calls for an end to the Trade Related Intellectual Property Rights regime, or TRIPS, which allows corporations to patent plant seeds; opposes agro-technology based on genetic engineering; and demands land reform. In contrast to an integrated global monoculture, Via offers the vision of an international agricultural economy composed of diverse national agricultural economies trading with one another but focused primarily on domestic production.

Once regarded as relics of the pre-industrial era, peasants are now leading the opposition to a capitalist industrial agriculture that would consign them to the dustbin of history. They have become what Karl Marx described as a politically conscious “class for itself,” contradicting his predictions about their demise. With the global food crisis, they are moving to center stage—and they have allies and supporters. For as peasants refuse to go gently into that good night and fight de-peasantization, developments in the twenty-first century are revealing the panacea of globalized capitalist industrial agriculture



to be a nightmare. With environmental crises multiplying, the social dysfunctions of urban-industrial life piling up and industrialized agriculture creating greater food insecurity, the farmers' movement increasingly has relevance not only to peasants but to everyone threatened by the catastrophic consequences of global capital's vision for organizing production, community and life itself.

(Focus on the Philippines May 2008)

Walden Bello is a senior analyst at and former executive director of the Bangkok-based research and advocacy institute Focus on the Global South. In March he was named Outstanding Public Scholar for 2008 by the International Studies Association. He is also president of the Freedom from Debt Coalition. He can be contacted at [waldenbello@yahoo.com](mailto:waldenbello@yahoo.com).

## Notes on the OIL CRISIS

(Excerpts from Walden Bello's speech delivered during the Development Round Table Series Forum on Oil and Electric Power held at the Sulo Hotel on 17 June 2008)

### WALDEN BELLO

Our dependency on oil has never been more excruciating than it is today. The price of fuel has reached unheard of heights. The price of crude went above \$139 a barrel in the second week of June, before easing. At the pump, the price of unleaded gasoline has gone beyond P56 and diesel above P49. We are now consuming over 120 million barrels a year, and 90 per cent of that is sourced outside the country.

What is causing this unprecedented rise in global oil prices? The key factor seems to be that the demand for oil is rising much faster than its supply, and this is due fundamentally to the fact that the few old oilfields on which the world relies for most of its oil are being depleted and no new fields have been discovered that can match their production and reserves. Peak oil, which was viewed just a few years ago as a outlandish theory, is now being treated as fact. The second factor pushing up prices is the rush to buy oil futures contracts, a development that is partly determined by the fear that available oil will increasingly become scarce, partly by the desire of investors to park their wealth in oil instead of the declining dollar.

Our capacity to influence developments in oil has deteriorated from 25 years ago. Then we had a proactive energy strategy, we had a government energy complex working to diversify our energy sources, and we had mechanisms to influence the domestic price of oil. Today,

in the era of oil deregulation, we are 100 per cent at the mercy of Chevron-Caltex, Shell, and Aramco, which controls Petron. The OPEC countries that dominate the production of crude are often cast as the villains of the piece, yet the last few years have been years of record profits for the oil majors. In the Philippines, the subsidiaries of the majors have been doing very well. In 2007, Shell's net profit rose 54 per cent over 2006, from P4.12 billion to P6.36 billion. Petron's net profits rose 6.3 per cent, from P6.02 billion to P6.4 billion.

In the US, it takes 4 to 6 weeks before a rise in the price of crude is reflected in the pump price. In the Philippines, with the rapid succession of pump price rises, the truth is we no longer know how prices are being determined. We don't know if prices are being determined in response to actual past rises in crude prices or in anticipation of future price rises. Non-transparency is the rule in the oil industry. (Focus on the Philippines June 2008)

Walden Bello is a senior analyst at and former executive director of the Bangkok-based research and advocacy institute Focus on the Global South. In March he was named Outstanding Public Scholar for 2008 by the International Studies Association. He is also president of the Freedom from Debt Coalition. He can be contacted at [waldenbello@yahoo.com](mailto:waldenbello@yahoo.com).

## FILIPINO FAMILIES and Government Spending Less on Education

(Excerpts from an article of the same title that first appears in the Yellow Pad column, BusinessWorld, 26 May 2008, pages S1/4-S1/5)

RENE RAYA

How does one cope when income drops, when food and fuel prices go up, and when there is no money left to send the children to school? The latest Family Income and Expenditure Survey (FIES 2006) suggests that for poor Filipino households, coping meant spending more on alcohol and tobacco. Well, at least the poor were creative enough to find happy moments amidst difficult times. In comparison, the non-poor were more prudent but maybe less happy, although the FIES does not come out with any index on happiness or misery.

But seriously, when families experiencing a drop in real income spend less on education and health care, but increase spending on alcohol and tobacco, then one can say that times are indeed harsh.

Hardly anyone was actually surprised when the National Statistics Office (NSO) announced that average family income in real terms declined in 2006 compared to three years before then. Following this report, the government admitted that poverty incidence increased in 2006.

Perhaps more disturbing are the observed changes in the expenditure pattern of Filipino families.

Over the years, the share of education in the family budget has been generally increasing. In 2003, Filipino families spent an average of P5,580 annually on education, representing 4.5% of total family

expenditure. The spending share increased to 4.7% in 2006. However, when spending pattern is examined across income groups, a different picture emerges. NSO data show a decrease in the spending share of education among poor families (those belonging to the bottom 30% income group) – from 2.9% of total family expenditure in 2003 to only 1.3% in 2006.

This means that in 2006, the poor spent just half of what they spent for education in 2003. The same trend was observed for medical care, with poor families spending only 1.7% for health in 2006 compared to 2.1% in 2003. This pattern of expenditure will have long-term implications on human capital and poverty reduction in the country.

Reduced spending of the poor on education confirms what has been reflected in the data of the Department of Education (DepEd) and the Education Network (E-Net), a civil society network working for key reforms in the education sector. Parents are cutting on cost, specifically on tuition fees, books, school supplies, educational materials and allowances, but with consequent impact on learning achievement. Children are migrating from private to public schools, which are generally more affordable. More students are working—and for longer hours—thus affecting learning outcome. Worse, a huge number of children from poor families drop out and stay out of school due to financial difficulties and the high opportunity cost of keeping children in school.

What accounted for this fall in education spending? NSO data show that the poor had to spend more on food, fuel and utilities in 2006, which took away 66.4% of the family budget. Given the worsening food and energy crisis in the last two years, expect the poor to dig deeper into their pockets to cover food essentials, leaving very little for education and health.

NSO data further reveal that the poor have less access to education, have shorter school life expectancy and have lower learning achievement. The children from the poorest 20% income group are four times more likely to drop out of school compared to the richest 20%. Such disparities in education access and outcome perpetuate poverty and intensify inequity in society.

Government's role becomes especially important during difficult times and crisis events. When families go hungry and reduce their spending on education, and when children drop out of school to work, then government must act to cover the financing gap and provide safety nets to help the poor and disadvantaged. But this is not happening in the case of the Philippines.

In fact, the Philippines has been under-investing in basic education, as shown by the study done by Rosario Manasan of the Philippine Institute of Development Studies (PIDS). In 1997, national expenditure on basic education was 3.2% of gross domestic product (GDP). This went down to 2.5% in 2001 and to 2.1% in 2005. Similarly, the share of basic education in the national budget has been shrinking over the years. By 2007, the allocation for basic education was down to only 11.9% of the national budget from a high of 16% in the late 1990s. International benchmarks set the desirable level of education expenditure at 6% of GDP and 20% of total public expenditure.

Indeed, the current level of expenditure is low and falls short of the requirements for quality education. It places the Philippines among the lowest spenders on education in Asia and the rest of the world. Thailand spends over six times what the Philippine government spends for educating its citizens, while Malaysia spends over ten times more. India spends nearly 4% of GDP on education while Sri Lanka allots about 3% of GDP.

The trouble with the country's public financing of education is that the government thinks it is richer, talks as though it is performing better, but acts and spends on the same scale as those countries that are much poorer and with far lower educational achievement. The Philippines' spending level at 2.5% of GDP is about the same as Bangladesh, Laos and Pakistan. But we are doing better (well, at least for now) than Burma, Indonesia and Cambodia, which spend only between 1% and 2% of GDP.

UNESCO's global monitoring of education performance shows that spending shares tend to increase with income, suggesting that, over the long term, countries with bigger economies tend to allocate a larger share of their GDP on education. When countries were classified into

four groups based on income, the spending level of the Philippines (a middle income country) on education at 2.5% of GDP was even lower than the median (3.9% of GDP) expenditure of countries belonging to the lowest income group.

There was a time when the Philippines ranked next only to Japan in education. That was in the 1920s. By the 1940s, Sri Lanka, Thailand and South Korea joined the Philippines in the lead pack. By the first half of the 1970s, the Philippines was still in the lead pack. But this was the time when the country started to lose steam. Today, the country is among the bottom performers in Asia and the rest of the developing world. UNESCO's Education Development Index ranked the Philippines 75th among 125 countries, falling behind most Asian countries like China, Malaysia, Indonesia and Vietnam.

Many Asian countries are now taking concrete steps to increase real spending on education in comparison to the size of their economies. Not a few countries have achieved significant headway in literacy, net enrolment, cohort survival and teaching quality. Sadly, the Philippines appears to be stalling and moving in the other direction. Unless education expenditure is increased to a more respectable level and unless governance of the school system is improved, the country may end up as the education waste bin in the Asian region.

(Focus on the Philippines June 2008)

Rene Raya is a trustee of Action for Economic Reforms and a convener of Social Watch Philippines.

## Continuing Political Crisis: 'EXECUTIVE PRIVILEGE' Timeline

RAFFY SIMBOL

The National Broadband Network (NBN)-ZTE Project has caught national attention when whistle blower, Jose "Joey" de Venecia III exposed an alleged corruption attending the approval of the project. In September 2007, three Senate Committees (the Accountability of Public Officers and Investigations/Blue Ribbon, the National Defense and Security, and the Trade and Commerce Committees) held joint hearings on the issue. During the hearings, former Socio-Economic Planning Secretary Romulo Neri revealed that the former Commission on Elections Chair Benjamin Abalos tried to bribe him and that he informed the President about the bribery attempt, but refused to answer further questions on his conversation with the President. He invoked executive privilege, or the right of the President and high-level executive branch officials to invoke confidentiality in certain types of information that would be too sensitive to disclose.

Thus started a chapter of the country's search for truth, and the determination of the potential culpability of the President in the controversy. Following is a short timeline of the executive privilege saga.

Sept 26, 2007	Sec. Neri testified before the Senate that Abalos tried to bribe him with 200 million pesos for his approval of the NBN project
Nov 13, 2007	A subpoena was issued to Sec. Neri to testify further before the Senate



- Nov 15, 2007 Malacanang asked the Senate to discharge Sec. Neri's upcoming testimonies invoking the right to executive privilege
- Nov 20, 2007 Sec. Neri did not show up for the Senate hearing
- Nov 29, 2007 Sec. Neri expounded his reason for not attending the Senate inquiry through a personal letter
- Jan 30, 2008 The Senate held Sec. Neri in contempt and issued a warrant of arrest for Sec. Neri for his failure to testify
- Jan 30, 2008 Sec. Neri sent a letter to the Senate asking for reconsideration
- Feb 01, 2008 Sec. Neri filed a restraining order petition before the Supreme Court
- Feb 05, 2008 The Supreme Court issued a status quo order on the arrest of Sec. Neri, which means that the Senate could not arrest Sec. Neri, that the Senate could still hold the inquiry but may not compel Sec. Neri to answer the three questions at issue

until the question of executive privilege is resolved. These questions sought to discover: whether the president followed up the NBN project; whether Neri was dictated to prioritize the Chinese state firm ZTE; and whether the president said to go ahead and approve the project after being told of an interested party's alleged attempt to bribe Neri.

- Mar 25, 2008 The Supreme Court ruled that the Senate could not compel Sec. Neri to answer the three questions asked of him during the Senate hearing because these are covered by executive privilege
- Apr 8, 2008 The Senate filed a motion for reconsideration before the Supreme Court
- Apr 15, 2008 The Supreme Court gave Sec. Neri and the Solicitor General ten days to comment on the Senate's motion

Critics deplore the Supreme Court decision to uphold Sec. Neri's claim of executive privilege, saying that the decision has effectively undermined the powers of the Senate to hold inquiries in aid of legislation, and accorded the president absolute privilege in sensitive information. More broadly, the decision is seen as a blow on the Filipino people's quest for transparency and accountability in government. (Focus on the Philippines April 2008)

Raffy 'Qiqo' Simbol is the IT/Knowledge Management staff of the Focus on the Global South Philippines Programme.



## THE BUZZ IN CONGRESS

JOSEPH PURUGGANAN

A number of important pending legislation created political noise in the past few weeks. In the Senate, the biggest buzz was generated by the call for “conditional concurrence” of the controversial Japan-Philippines Economic Partnership Agreement (JPEPA), the comprehensive trade and investment deal with Japan that is undergoing ratification process. In the House of Representatives, pending bills on agrarian reform, on access to cheap medicines, and on our territorial baseline were discussed, debated on and some eventually passed.

### Conditional Concurrence on JPEPA

Senators Miriam Santiago, Chair of the Foreign Relations Committee, and Manuel Roxas II, Chair of the Trade Committee, endorsed “conditional concurrence” on JPEPA. In a report submitted on April 21, 2008, they argued that the controversial agreement with Japan should be ratified with certain conditions.

These conditions, which according to Santiago are in effect “amendments to the treaty”, are necessary in order to address serious constitutional issues raised against JPEPA and to make it more favorable to the Philippines. The report outlined 15 conditions, covering key constitutional provisions such as on public health; protection of Filipino enterprises; ownership of public, alienable public and private lands; use of natural resources; regulation of foreign investment; and national economy and patrimony.

A number of Senators expressed doubts about the validity of the proposal for conditional concurrence. Citing international law and the Senate’s own experience on treaty ratification, Senators Pimentel, Enrile and Escudero questioned the Santiago solution saying that the Senate should either ratify the deal or reject it. Pimentel also questioned whether the proposal, which would require that a side-agreement be made with Japan on these conditions, would be accepted by Japan. The Japanese government has issued statements in the past against the re-negotiation of JPEPA.

Senator Santiago eventually shifted gears and deferred her sponsorship of the ratification of JPEPA with conditions. According to Santiago, the exchange of notes between Foreign Affairs Secretary Alberto Romulo and Japanese Ambassador to Manila Makoto Katsura should first take place in order to “tighten up the loose language” in the treaty before she files another resolution for concurrence in August.

Under Senate rules, the committee report must be approved by 11 out of the 20 combined members of the Committees of Foreign Relations and Trade and Industry. The treaty then goes to a vote, and requires a 2/3 majority (or 16 out of 23) to be ratified. So far only Senators Manuel Roxas, Miriam Santiago, Edgardo Angara, and Richard Gordon have expressed their readiness to ratify JPEPA.

### Cheaper Medicines

Packaged as a Labor Day gift to the workers, the final version of the cheaper medicines law (officially called the “Universally Accessible Cheaper and Quality Medicines Act of 2008”) was passed by Congress on April 29 and transmitted for signing by the President.

The law seeks to bring down the price of medicine by encouraging more competition in the local pharmaceutical market through the parallel importation of quality but cheaper medicine from abroad. It also seeks to help the local generics industry by amending the Intellectual Property Code and strengthening the regulatory powers of the Bureau of Food and Drugs against substandard medicine.

The new law draws its mandate from a declaration made in 2001 by member countries of the World Trade Organization in Doha. The strict

enforcement of patent laws on medicines has been identified as a main obstacle to access by poor countries of cheaper medicines. The Trade Related Intellectual Property Rights (TRIPS) agreement in the World Trade Organization made it mandatory for countries to include medicines in their patent regimes. Responding to public outcry, WTO member countries issued a declaration on TRIPS and Public Health in 2001 saying that the agreement does not and should not prevent members from taking measures to protect public health. Member countries also agreed that the TRIPS Agreement should be interpreted and implemented in a manner supportive of WTO Members' right to protect public health and, in particular, to promote access to medicines for all.

The new law took Congress three years to pass, and suffered further delay due to crucial divergences between the two Houses' versions of the law. The two versions departed on two crucial issues pertaining to the regulatory body that would implement the law, and on whether the law should mandate doctors to prescribe only generic medicines to patients.

The Senate version, Senate Bill No. 1658 ("An Act To Provide for Quality Affordable Medicine") principally authored by Senator Roxas gives the President the power to set price ceilings on various drugs, upon the recommendation of the secretary of health. On the other hand, the House version, House Bill No. 2844 ("An Act Providing for Cheaper Medicine, Amending for the Purpose Republic Act No. 8293 or the Intellectual Property Code, RA 6675 or the Generics Act and Republic Act 5921 or the Pharmacy Law and for Other Purposes") principally sponsored by Palawan Representative Antonio Alvarez would create a price regulatory board that would monitor and set price ceilings for medicine. The House version also includes a "generic only" provision which would require physicians to prescribe only generic medicine.

Despite strong objections from various representatives from the Lower House and even some Senators (most notably Senator Manuel Villar, touted as a would-be rival of Senator Roxas in 2010) against a "watered-down" law which they claimed would not address the issue of high cost of medicine, the new law awaiting the President's imprimatur excludes two prominent provisions from the House

version--the "generics only" provision and the creation of the drug price regulatory board.

## CARP Extension (and Reform)

Another controversial piece of legislation pending in Congress is the law on the extension of the Comprehensive Agrarian Reform Program (CARP). CARP is set to expire in June 2008 with about 1.3 million hectares of private agricultural land yet to be distributed.

The House Committee on Agrarian Reform, chaired by Rep. Elias Bulut Jr. of Apayao, approved on April 23, 2008 a consolidated bill mandating the five-year extension of CARP. The three negative votes came from Bayan Muna Representative Satur Ocampo, Gabriela Representative Liza Masa, and Anakpawis Representative Crispin Beltran (dec.) who are against the extension of CARP and are instead pushing for what they call the Genuine Agrarian Reform Bill (GARB).

The committee was initially divided on the issue of credit access for farmers. Malacañang favors the inclusion of a provision in the amended law that would allow farmers to use their lands as collateral for loans. This provision has been opposed by some legislators and by farmers groups who argue that the "farm land as collateral" provision could lead to massive land foreclosures and reversal of the gains of agrarian reform. They proposed instead that CARP guarantee access to subsidized credit.

On April 29, the Committee on Agrarian Reform voted 22-3 to remove the provision on farmland as collateral in the consolidated bill opting to include the provision on subsidized credit for ARBs.

The consolidated bill proposes to extend implementation of land acquisition and distribution (LAD) for five years with a corresponding budget of PhP100 billion; increase funding allocation for support services; provide subsidized credit for ARBs; provide gender-responsive support services; Recognize the indefeasibility of EPs and CLOAs; uphold DARAB's Exclusive Jurisdiction on Agrarian Related Disputes; uphold the legal standing and interest of ARBs; and create a Joint Congressional Oversight Committee.

The consolidated bill was presented in Plenary on May 14 with Representatives Edcel Lagman, Representative Riza Hontiveros-Baraquel and Representative Edward Joson delivering their respective sponsorship speeches.

## Baseline Bill

The House of Representatives deferred the passage of House Bill 3216 better known as the Baseline Bill authored by Representative Antonio Cuenco of Cebu. House Speaker Prospero Nograles said the deferment of the bill, which was already on its way for third and final reading, was done to allow for a “reasonable time” to get the consensus of Malacañang and the Senate on whether or not the Spratly’s Island and the Scarborough Shoal should be included in Philippine territory.

Representative Cuenco was pushing for the early passage of the measure in order to comply with a May 2009 deadline set by the United Nations for countries to define their territorial baselines under the UN Convention on the Laws of the Seas (UNCLOS).

Cuenco’s proposed Baseline Bill defines the country’s archipelagic baselines to include the Kalayaan Island Group and Scarborough Shoal in the Spratlys, which are also being claimed in part or in whole by Vietnam, Taiwan, Malaysia, China and Brunei.

In December 2001 the Chinese government has expressed its objection to HB 3216 in a “note” to the Philippine Embassy in Beijing and warned of consequences on bilateral relations if the baseline bill pushes through.

In the Senate, Senator Miriam Defensor Santiago, the chairperson of the Committee on Foreign Affairs likewise decided to defer action on the proposed measure saying there is a need for more studies on the matter.

Within days of deferment of the bill in the House, Representative Ferdinand ‘Bongbong’ Marcos, Jr filed a substitute Baseline Bill which conforms to the likings of both Malacanang and the Chinese government.

Marcos’ Baseline Bill defines the baseline as one that will enclose the main archipelago alone and treat the Scarborough Shoal and the Kalayaan Islands as a “regime of islands” or offshore territories. According to Marcos, his substitute bill aims to steer clear of complications arising from competing claims and possible rejection and non-recognition of the international community and strengthen our hold on our lands, seas and resources as an archipelagic claim.

Members of the minority in the House of Representatives vowed however to block Marcos’ substitute bill saying this is clearly not the best option for the Philippines as it would weaken our claim over the disputed islands.

The House Committee on Rules decided to revert the bill back to the committee level for decision while the Committee on Foreign Affairs in return, voted 16-6 to recommit the bill, opening the door for further amendments to the bill. (Focus on the Philippines May 2008)

Joseph Purugganan is a research associate of Focus on the Global South working mainly on trade issues. He is the coordinator of the Stop the New Round Coalition in the Philippines and co-coordinator of the EU-ASEAN FTA regional campaign network.

# THE FUTURE OF AGRARIAN REFORM

## Hangs in the Balance

MARY ANN MANAHAN

Congress has been debating the future of the Comprehensive Agrarian Reform Program (CARP) since last year, with particular focus on the extension of funding for its key component—land acquisition and distribution (LAD), which expired last June 10.

Created by the Comprehensive Agrarian Reform Law (RA 6657) in 1988, CARP was given a 10-year extension in 1998 by RA 8532. Considered the most comprehensive agrarian reform initiative in the country, CARP is supposed to distribute 8 million hectares of agricultural lands to more than five million landless men and women farmers and farmworkers. Crafted within a democracy, the CARP is a product of a compromise to accommodate competing interest, resulting in tensions and inconsistencies in its implementation. The Department of Agrarian Reform (DAR) has the primary task of distributing all private agricultural lands, while the Department of Environment and Natural Resources (DENR) has the responsibility for all public lands. The government allotted a total of 130 billion pesos to the program since its inception. Based on its 2007 accomplishment report, CARP distributed nearly six million hectares of land and one million hectares in leasehold areas to around three million peasant households. This outcome, though partial and the accuracy of which continues to be questioned, can be deemed significant given the political difficulty in implementation.

Official statistics claim that one million hectares of land have yet to be distributed. Bulk of the land still up for redistribution are private

agricultural lands in Negros Occidental, Leyte, Negros Oriental, Maguindanao, and North Cotabato where large landholdings are located. DAR estimates that they need an additional 160 million pesos to complete the LAD. According to civil society groups, the completion gap in land redistribution and support services is larger than what official data suggest, making the extension of the CARP funding even more urgent.

Despite President Gloria Macapagal-Arroyo's certification of the extension bill as urgent, Congress failed to pass a law to extend CARP before it went on recess on June 12. The House of Representatives deferred action on House Bill 4077, the consolidated bill which represents the outcome of the Committee on Agrarian Reform hearings, local public consultations, and deliberations on a number of CARP extension bills. Instead, the House passed Resolution No. 21 which seeks to extend LAD until December 31, 2008. However, the same resolution failed to pass in the Senate.

During the lower house floor debates on June 10, Speaker Prospero Nograles called for a closed-door all-members executive caucus to tackle HB 4077. Ninety-seven (97) representatives voted for the passing of HB 4077, 82 voted against it, and five abstained. However, the House leadership decided to postpone the plenary votes citing that the "votes are not yet in the bag". The Senate, on the other hand, has yet to produce both its committee report and its own version of the bill, insisting that CARP still has a budget until December 31 and that its extension does not hinge on the June 10 expiry date.

The possibility of termination of the CARP raises a lot of uncertainties, prompting agrarian reform beneficiaries, farmers and farmworkers still seeking to be covered by the program, and wider civil society including pro-CARP reform forces from the farmers' groups, academics, NGOs, and even the influential Catholic Bishops Conference of the Philippines (CBCP) to step up their campaigns and lobby work. On July 7-8, the CBCP will convene the Second National Rural Congress, a gathering of the rural poor from around the country, with agrarian reform taking a big space on the agenda.

Clearly, the landed bloc has consolidated its forces in Congress, and more importantly, President Arroyo has failed to exercise leadership and political will to see the program through. The battle over the extension and reform of CARP, however, is far from over.

(Focus on the Philippines June 2008)

Mary Ann Manahan is a research associate with Focus on the Global South (Focus), Philippines Programme. She works on the reclaiming and defending the commons program, particularly on land and water issues. She can be contacted at [mbmanahan@focusweb.org](mailto:mbmanahan@focusweb.org).

## STATUS SYMBOL:

### The Status of Visiting Forces Agreement with Australia is Up for Ratification at the Senate

HERBERT DOCENA

Even as the petition challenging the constitutionality of the Philippines' Visiting Forces Agreement (VFA) with the United States awaits judgment at the Supreme Court, a similar agreement, the Status of Visiting Forces Agreement (SOVFA) with Australia, is inching towards ratification at the Philippine Senate.

Signed in Canberra in May 2007, the agreement still needs the approval of  $\frac{2}{3}$  of the Senate's members for the agreement to take effect. The executive department transmitted the agreement in November last year and the Senate's committee on foreign relations held its first public hearing last February. Committee Chair Sen. Miriam Defensor-Santiago has indicated that no further committee hearings may be necessary and that the agreement may soon be submitted to the plenary for deliberations.

#### Quandary

The proposed ratification of the SOVFA comes in light of the controversy over the only other Status of Forces Agreement the Philippines has. The actual application of the provisions of the VFA with the US was recently put to the test in the trial of US Marines accused of raping a Filipina in November 2005. US and Philippine government officials invoked the VFA's provisions to justify the holding of the accused under US custody upon arrest and in the entire duration of the trial. A Philippine court subsequently found one US Marine guilty and ordered him imprisoned in a Philippine jail in December 2006. US and Philippine authorities again cited the VFA to defy the judge's



order. Under pressure from the US, which cancelled scheduled military exercises with the Philippines to express its displeasure with the Philippine Court's order, Filipino officials promptly spirited the convicted rapist out of the Philippine jail. He remains locked in a cell inside the US embassy complex in Manila, US officials claim.

In light of the controversy generated by the rape case, the push for the SOVFA has put the Philippine government in a quandary. In trying to sell the new agreement, Manila has categorically stated that it has learned its lessons and that the SOVFA rectifies the VFA's faults. With this claim, various government officials have in effect chosen to admit that the VFA is flawed.

## Differences

The SOVFA indeed features some differences from the VFA, such as providing for an entire section on "environmental protection" and on "mortuary affairs." On the whole, however, the SOVFA hews closely to the template of the VFA such that in certain portions, its provisions were seemingly copied word-for-word from the VFA.

On the controversial aspect of criminal jurisdiction, for example, the SOVFA and VFA are very similar. On offenses punishable under the laws of both countries, jurisdiction will be concurrent, meaning the offender becomes subject to both Philippine and Australian laws and processes. As with the VFA, the Philippines cannot exercise primary jurisdiction if the Australian side claims that an action was carried out in performance of an "official duty." Unlike the VFA, however, Australia must "consult" with the Philippines on whether an action indeed falls under "official duty" and the Philippines has the final say. If, for example, an Australian soldier were accused of being complicit in the killing of innocent civilians or of other human rights violations, their Filipino victims would not be able to sue him or her in Philippine courts once Australian authorities claim, and Philippine authorities agree, that the action was carried out on "official duty."

## Custody

On the issue of custody, SOVFA also appears to have slightly deviated from the VFA.

The VFA states that custody of troops over whom the Philippines is to exercise exclusive jurisdiction remains with the US (unless otherwise "requested") from the commission of the offense until the completion of judicial proceedings. The SOVFA, on the other hand, gives the Philippines custody of the accused during the trial period. Pending investigation, however, the Philippines would be able to detain the accused only if he or she were already in the hands of Philippine authorities. If he or she were already in the hands of Australian authorities, however, he or she would remain with the Australians (though in Philippine territory).

Upon conviction, the SOVFA states only that the accused "shall be confined and serve his or her sentence in accordance with the laws of the Receiving state." With this provision, the Philippines can claim that holding the convict within Philippine territory is what is in accord with Philippine laws. It is interesting to note, however, that, unlike for the period prior to investigation or during trial when the SOVFA specifies where exactly the accused would be held, this particular provision fails to explicitly state where the convict would be confined. Why the provision did not simply say that the accused would be held in the Philippines could again lend it to differing interpretation.

For all the differences, however, the SOVFA essentially seeks the same objectives for Australian troops as the VFA does for American soldiers: to apply the concept of the "Law of the Flag" or the idea that a country deploying military forces abroad should apply its own laws to its soldiers - and not that of the country where they are to be deployed. In other words, to SOVFA aims "to the extent negotiable" to exempt Australian troops from being subject to the same laws of the Philippines by according them a different legal "status." While Filipinos or other nationals who are accused of committing offenses in the Philippines will have to go through the normal judicial process that applies to everyone in the country, troops covered under the SOVFA will not.

## Covert operations

As with the VFA, the SOVFA is being described as the agreement that will authorize Australian troops to conduct exercises in the Philippines.

President Gloria Macapagal-Arroyo claims that “the SOVFA is for training and intelligence fusion, not for operations, not for boots on the ground.” The text of the SOVFA however states that Australian troops may come “for combined training, exercises or other activities mutually approved by the Parties.” What are covered under “other activities” is not defined.

In fact, even without the SOVFA, a small number of Australian troops have been deploying to the Philippines ostensibly to train Filipino soldiers since 2001. In July and August 2004, Australian Special Forces had already come for joint training exercises. In 2005, the Australian press even reported that Australian police were conducting “covert operations” in the country. This was followed by reports that elite Australian troops had joined US and Filipino soldiers in operations against alleged terrorists in Mindanao.

Even without the SOVFA, Australia can opt to continue sending troops to the Philippines, as long as the Philippine government consents. It wants to secure the SOVFA, however, because without it, Australian troops would be subject to the laws of the Philippines as ordinary tourists.

What Australia wants through the SOVFA is to secure the legal guarantees and exemptions the agreement accords to its troops when they do choose to deploy to the Philippines. This, in essence, is what Status of Forces Agreements such as the SOVFA and VFA wish to avoid. In itself, it is not the SOVFA that legally allows the deployments.

### Diversification?

The SOVFA has been seen as a signal that the Philippines is diversifying its alliances. One popular analyst has claimed that the SOVFA is “breaking the monopoly of the United States as the historic guarantor of the country’s external security.”

This would be accurate only if Australia were not one of the most loyal allies of the United States. No other country has fought side-by-side the US in all its major wars in the past century, including most recently in Afghanistan and Iraq. Though it evidently has its own distinct interests, Australia’s foreign policy has been inseparable from that of

the US. As the influential American neo-conservative commentator Max Boot has pointed out, “We may be the global sheriff, but we need a posse to be effective, and Australia has been a stalwart member of that self-selected assemblage.”

While Australia’s new Labor government has fulfilled its electoral pledge to withdraw troops from Iraq, it is still unclear whether this signals a one-time deviation or a fundamental break in its foreign policy. Tellingly, the new government has pledged that its troops are to stay on with US and other troops in Afghanistan. It has also announced that a far-reaching military agreement that the previous conservative government signed with Japan, another US ally, will not be revoked. Australia’s military relations with the US will presumably retain its alliance status.

### Consolidation

In this light, the SOVFA seeks to strengthen, rather than break, the chain of US allies in Asia and the world. The military deployments, for which Australia wants to protect its troops through the SOVFA, are part of a larger push to further deepen the military relationship between Australia and the Philippines by expanding Australian military presence in the country.

In October 2005, Australian Defense Minister Robert Hill proposed that Australian troops not only train Philippine troops but also participate in maritime surveillance ostensibly against terrorists across the Sulu and Celebes Seas. Upon the signing of the SOVFA, Australia announced that it will give the Philippine military 28 brand new airboats worth \$4-million for use in internal security operations. Along with the US, Australia is now helping the Philippines build radar stations, surface vessels, aircraft and communication equipment to patrol the country’s southern borders.  
(Focus on the Philippines May 2008)

Herbert Docena ([herbert@focusweb.org](mailto:herbert@focusweb.org)) wrote Focus on the Global South’s special report on the US military presence in the Philippines, ‘At the Door of All the East’: The Philippines in US Military Strategy.

# Focus on the SONA

## EIGHT-POINT MEMO to Address the Economic Crisis

HERBERT DOCENA AND JENINA JOY CHAVEZ

Despite Malacanang's attempts to give a positive spin to the crisis, the government's own data unambiguously attest to how Filipinos are reeling from an economic downturn made worse by increases in the price of basic commodities. A previous Focus report documented the grim signs: the 7.3% GDP growth of a year ago dipped to 5.2% in the first quarter of 2008. About 9.5 million of the country's 33.5 million workers are either unemployed or underemployed. Inflation in June breached double-digit at 11.4%, compared to 2.3% last year. Prices soared high in the fuel, light and water commodity group, registering a doubling of inflation from 3.8% to 7.6% in June on a year-on-year basis. Even more staggering was the inflation in food, beverages and tobacco which shot up to 16.5% in June from 2.6% last year. Little wonder that 2.8 million families, or 15.7% of total, experienced hunger.

A more visionary leadership would have implemented an emergency response while laying the ground for long-term measures. Instead, the crisis has been used as an excuse to gain political points. Government's answer is an elaborate package of dole-outs that are palliatives at best. (See related article: Fabros, Let them Eat Spin.)

The crisis is caused by fundamental weaknesses in the economy. These include the government's perennial lack of funds, the inability of the majority of the population to contribute to and gain from the economy due to their lack of incomes or assets, and the power of a few to dominate the economy in ways that promote their interests over the larger public's.

We put forward an eight-point agenda that address – instead of evade – these problems.

### 1. End corruption and wasteful spending.

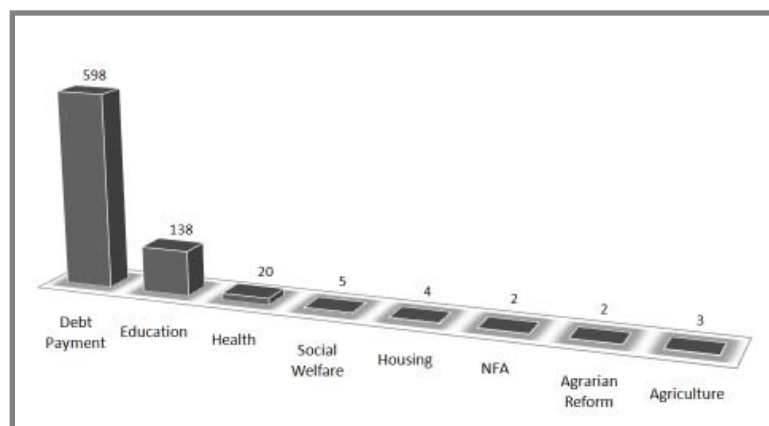
When President Arroyo and her delegation went to the US recently, they reportedly spent P66 million – enough to buy 4.4 million kilos of NFA rice. Banning junkets and other frivolous expenses will bring considerable savings which can instead be spent for more essential and urgent expenditures. Corruption sucks our already limited resources dry, effectively shrinking government budget by about one-fifth annually, according to the World Bank. This translates to about P250 billion out of this year's budget of P1.12 trillion. That's 14 billion kilos of rice – enough to assure 170 kilos of rice for every single Filipino. For starters, we can work to recover those P700 million in fertilizer funds. And no more P100,000 goodie bags. At the end of the day, however, no anti-corruption drive will work unless change begins at the top.

### 2. Ease the tax burden on the poor and rationalize the tax system to make it more progressive.

The current crisis is debilitating and calls for immediate relief, and what better way than to target VAT which cuts across all classes. To avoid a deep fissure in revenue projections, a minimum immediate action can be the restoration of VAT rates from 12% to the original 10%. The 2% add-on was put in place in 2006 to respond to what President Arroyo considered the most urgent problem at the time, the burgeoning public sector deficit. A strong peso and two years of the 12% VAT have addressed this problem. Meanwhile, the government has raked in a windfall from VAT collections due to the rapid increase in the prices of oil and other products. Said windfall amounts to as much as P73.1 billion from oil alone (based on government estimate of revenue losses if VAT on oil is scrapped). Instead of funneling the windfall to a dubious Katas ng VAT dole-out program, it would be better to slash the VAT rate and let more people and the entire economy enjoy the benefit.

## 2008 Government Budget Allocations

(in Billion Pesos)



Source: Department of Budget and Management

It goes without saying that steps to correct the institutional weaknesses of our tax system and to improve tax administration should be put in place. The system should be designed to rely more on taxes on wealth and profit.

### 3. Spend more on social services and social investments.

The largest portion of next year's budget should go to social services and investments – health, education, housing, social welfare, land reform, investments in agriculture, etc – up from only 10% today. This re-allocation of spending will not only help Filipinos cope with the crisis – by decreasing what they have to pay for school or hospital bills – but will also spur demand and production, thereby boosting mid-term and long-term growth prospects.

Social Watch Philippines' Alternative Budget presents concrete recommendations for spending an additional P20 billion but an even larger increase is needed. Meeting the international ideal of spending 6% of GNP on education by increasing the budget of the Department of Education from P140 billion to P440 billion could lead not only to the construction of more school buildings, thereby boosting the

construction industry, but also to more productive workers, better-paid teachers, more research and development and, thus, to more innovations. Mass housing projects will not only put roofs above people's heads, they will also boost consumption. Wiping out TB and other communicable but preventable diseases is not just good in itself; it will also enhance the country's social capital in the long-term.

### 4. Reduce debt service.

To ensure that there are enough resources for social services and investments, government must reduce debt service. Total debt service this year will gobble up 37% of total government spending of P1.6 trillion. At close to P600 billion, it will be 170 times larger than what the national government will spend on housing, 120 times bigger than that for social welfare, 30 times that for health, and four times larger than that for education. GMA's much-trumpeted P2 billion cash subsidy for small power users, or the National Food Authority's budget of P2 billion, is only 0.3% of debt service. (See graph.) At a time when one in six Filipino families is going hungry, this spending priority is not only scandalous, it makes no economic sense. It is like being forced to donate blood while one is also already hemorrhaging.

Part of the debts we have incurred are anomalous. Freedom from Debt Coalition strongly advocates stopping payment of these anomalous debts. They also call for an official debt audit to find out which debts were fraudulently incurred and should be cancelled.

All these will of course be opposed by creditors and their local underwriters who will expectedly threaten to withdraw funds from and withhold lending to the Philippines in the future. But as Argentina – which refused to pay part of its debts in 2002 and has since been growing 9% annually – has shown, this reallocation from debt to productive spending may be the only "win-win" solution both for the country and the creditors in the long-term.

### 5. Bring down the price of oil and electricity.

One way to reduce the costs of electricity is to review the expensive contracts with Independent Power Producers (IPPs). Government

gives them generous guarantees which make us pay even for power we don't consume. As of December 2007, we still have an oversupply of electricity, with 15,937 megawatts of total installed generation capacity for peak demand of only 8,993 megawatts. A technical audit of these IPPs will give government a clear basis to renegotiate the terms of their contracts, and save us billions of pesos.

The Energy Regulatory Commission (ERC) should also start examining the cost structure of distribution utilities like Meralco. ERC should look behind the submissions of electric distributors, and in particular, check whether the purchases of the distributors are competitively priced. For the ERC to act decisively, there should be a revamp of its officials, with only bureaucrats of proven integrity appointed.

The VAT on oil should be scrapped, and in its stead a specific tax lower than what the VAT now yields should be reinstituted. This way, oil will still be taxed high enough to pay for its environmental costs, to discourage wasteful use, and to replace some of the revenues lost from the removal of VAT.

The government should also reclaim its role in the energy sector. The Oil Industry Deregulation Law and the Electric Power Industry Reform Law should be revisited. Plans to privatize the Philippine National Oil Company (PNOC) and its remaining 40% stake in Petron should be abandoned. Energy is a strategic industry where government presence is desirable. Government needs to have a direct stake in the industry to be able to exercise price leadership and better monitoring, and to serve strategic concerns beyond profits (e.g. development of renewable and clean energy).

## **6. Revive industry, create more jobs, and increase workers' and farmers' incomes.**

We are concerned about the plight of Filipinos as consumers, but it is important to emphasize that they are also producers and workers. The goal of development should not be narrowly defined by low consumer prices, a goal which has been used to justify a myriad of policies from trade liberalization to the freezing of wages. Cheap prices have come at the expense of income and employment, particularly in agriculture, promoted the restructuring of the economy

towards services, and undermined our productive capacities in both agriculture and industry.

For starters, the current minimum wage must be raised. Government estimates that a family of six must have at least P894 everyday to afford a minimum standard of living in Metro Manila but the current minimum wage is only P382. The predilection of government to sign trade and economic agreements left and right should be checked. The government should refuse to sign the Doha Round agreement in the World Trade Organization which seeks to further open up our markets. Opening up has led to jobless growth, de-industrialization and the implosion of agriculture. Contrary to the promises of its proponents, it has failed to raise income and employment, as has been conceded by UP School of Economics Professor Ramon Clarete.

This must be reversed by a review of the tariff structure, adjusting it upwards to protect domestic employment and incomes – not to coddle and enrich local capitalists as in old-style protectionism but to foster sustainable industrialization and development the gains from which must be more broadly shared.

## **7. Extend and reform the Comprehensive Agrarian Reform Program**

Increasing trade protection is not enough for the farm sector, characterized as it is by a highly skewed asset distribution and landlessness, low investments, low technology, high production costs and low productivity. To address the asset distribution issue, government must undertake to extend the Comprehensive Agrarian Reform Program (CARP) with reforms. CARP still has 1.9 million hectares of land to redistribute to more than half a million potential beneficiaries. Beyond land redistribution, CARP needs to step up on the support services necessary to sustain existing as well as assist new farmer beneficiaries, and help stem reversals in the program. (For more on our recommendations regarding land reform, see <http://www.focusweb.org/philippines/content/view/159/4/>)





## 8. Provide the poor with jobs and services, not dole-outs.

The dole-out programs now in vogue with government are only appropriate as an immediate response in the wake of a disaster or calamity. The poorest lack the means to buy basic essentials, but they do not lack talent or the will to work. They deserve to be treated with more dignity and not be subject to a near-mendicant, dependent existence.

That said, targeted intervention is necessary for the poorest, because they are the least able to manage the impact of a crisis, even as they are the last to share in the benefits of growth. To be sustainable and respectful of the dignity of the poorest of the poor, however, the intervention must be employment-based rather than dole-outs. For this, appropriate social mobilization is necessary involving both the state and the community. For example, employment-based intervention can involve public works at the local government units or the public school system. Everyone has the right to employment and services and it is the duty of government to ensure that these rights are respected – not as a matter of charity but as an obligation. Fulfilling these obligations is not just good in itself, however, but it is also a prerequisite for progress.

Taken together, this 8-point package of interventions will allow the majority of Filipinos to cope with the crisis. To get by for another day should not be our only goal, however. These policies should be seen as initial efforts to break free from the dominant economic paradigm



Photo by Welga ng Kababaihan

that has guided policy-making in the country for the last few decades and which have resulted in stagnation and immiseration.

In the medium-term, the government should aim to rebuild its capacity to act in the economy so as to promote the welfare of the most number of people by assuming leadership in strategic economic sectors, pursuing an industrial policy to rebuild our manufacturing capacity, and abandoning trade agreements and arrangements that disallow the government from upholding the interests of the larger population. Bondage from debt must be finally broken. The government should also continue to prioritize policies to democratize economic power – through land reform, progressive taxation, and other redistributive measures – in order to widen the economic base required for long-term sustainable growth. At the same time, the government should, in cooperation with other developing countries, play its role in transforming the international environment to make it more conducive for attaining sustainable and equitable development. (Focus on the Philippines July 2008)

Herbert Docena ([herbert@focusweb.org](mailto:herbert@focusweb.org)) wrote Focus on the Global South's special report on the US military presence in the Philippines, 'At the Door of All the East': The Philippines in US Military Strategy.

Jenina Joy Chavez is Senior Associate with Focus on the Global South and heads its Philippines Programme. She can be reached at [j.chavez@focusweb.org](mailto:j.chavez@focusweb.org).

## GOEBBELS' DISCIPLE

WALDEN BELLO

Joseph Goebbels, the chief of the Nazi propaganda machine, must be a role model for President Gloria Macapagal-Arroyo and her spin doctors. If people remember, Hitler's right-hand man said that if one repeats a lie often enough, it gets accepted as truth. In her eighth State of the Nation address, Arroyo piled on top of one another half truths, factoids taken out of context, irrelevant details, distortions, and outright lies to paint a picture of a government laboring to serve the people under conditions of tremendous stress. The more than one hundred times the pro-administration crowd applauded on cue was part of the scenario building.

### Agriculture's Savior

Agriculture was the centerpiece of the speech. This was not surprising given the administration's poor record in preparing the country for the skyrocketing food prices of the last four months. Factoids were interspersed with outright lies such as the Arroyo's claim that the 1.5 million hectares of cultivated land that her administration has supposedly brought under irrigation was a "historic high." Fact: the Marcos regime achieved this figure over 20 years ago. The president made it seem like she's had all along a plan to increase food production and food self-sufficiency. The truth is that the food crisis is so severe precisely because there has been so little planning in agriculture except to buy rice abroad to make up for production shortfalls. The truth is this government gave up on achieving rice self-sufficiency long ago, something Arroyo came close to admitting when she derided our being able to export rice in the period 1978 to 1981

as a fluke and blamed nature—the Philippines being on the "path of typhoons"—to excuse her administration's addiction to rice imports. The fact is agriculture has been deprived of much needed investment, with the country's financial resources going instead to repaying the massive foreign debt.

### Rewriting Economic History

Arroyo's greatest lie was her painting the economy as in great shape prior to 2008: "Just a few months ago, we ended 2007 with the strongest economic growth in a generation. Inflation was low, the peso strong and a million jobs were created." The truth is that the economy, under the management of Arroyo, was already in severe distress before the spectacular rice and oil price increases that began in the first quarter of 2008. The 7.3 per cent growth in gross domestic product that the president boasted of — the "strongest in a generation" — was a statistical illusion to which the main arithmetic contribution was a 5.4 per cent decrease in imports. This was not a sign of health, the World Bank noted.

The Bank further pointed to an increase in poverty incidence between 2003 and 2006, with the level of poverty in 2006 very closely approximating the 2000 level. In 2006, 27.6 million out of 84 million Filipinos fell below the poverty line—more than at any other time in this country's history. The president went on to claim that while we may be suffering today, other countries are in worse shape. In fact, in the last 15 years, the record of the Philippines in terms of economic growth has been the worst in Southeast Asia. Second-tier ASEAN states such as Laos, Cambodia and Myanmar have fared much better with average GDP per capita growth rates ranging from 3.8 to 6.6 %. Compare that with the measly 1.6% for the Philippines.

### The Anti-Corruption Crusader

The most astonishing part of the president's speech, however, came when she portrayed herself as an indefatigable fighter against corruption. When she boasted of her administration's successful prosecution of "dozens of corrupt officials," the people at the sari-sari store I stopped at to get a drink had had enough of almost 45

minutes of non-stop distortion: they shouted angrily. “E yung asawa mo?” (What about your husband?)

When, during their electoral debate several years ago, President Jimmy Carter laid out statistic after statistic to prove that his administration was successfully dealing with stagflation that gripped the US during his term, Ronald Reagan interrupted him and asked the audience if they felt they were better off then than they were four years before, when Carter took office. Reagan successfully cut to the chase and won the presidency. Similarly, let us cut through the crap. We dare this government to ask citizens a similar simple question: do they feel they are better off today than they felt in 2001? (Focus on the Philippines) July 2008)

Walden Bello is a senior analyst at and former executive director of the Bangkok-based research and advocacy institute Focus on the Global South. In March he was named Outstanding Public Scholar for 2008 by the International Studies Association. He is also president of the Freedom from Debt Coalition. He can be contacted at [waldenbello@yahoo.com](mailto:waldenbello@yahoo.com).

## LET THEM EAT ‘SPIN’ (Qu’ils Mangent de la Merde): National Social Welfare Program, Noah’s Ark, and So-Called Strategic Responses to the National Crisis

AYA FABROS

Official pronouncements claim: ‘SONA 2008 government targets on track.’ For this year’s state of the nation address (SONA), the plot thickens and twists abound, with a despised president speaking before a discredited congress amid a backdrop of widespread hunger, skyrocketing prices, and escalating discontent. Confronted with a plummeting -38% net satisfaction rating, 11.4% inflation rate, and 16.3% hunger incidence, Gloria Arroyo will be brandishing before Congress and the rest of the nation her accomplishments and forthcoming programs, anticipating applause for every point and pause.

According to the Philippine Information Agency, “the SONA 2008 will revolve on investments made, investments being made and investments to be made by the government to ensure long term development for the nation.” This shall highlight so-called achievements in 2007, including perhaps the passage of the Cheaper Medicines Law (RA 9502), the creation of 53,026 teaching positions (2002-2007) and provision of scholarships to 563,906 students, the allocation of P1 billion to TESDA for its PGMA Training for Work Scholarship program in 2007, an emergency employment program to provide employment to out-of-school and out-of-work youth, subsidies and the conditional cash transfer program, as well as

the completion and opening of Ninoy Aquino International Airport Terminal 3.

### National Social Welfare Program and the Noah's Ark

GMA is also expected to put forward her blueprint to address the current economic crisis, as she expounds on the National Social Welfare Program and her administration's attempt to address the devastating 'impact of the adverse global environment.' By virtue of Administrative Order No. 232, government agencies, such as the Department of Social Welfare and Development (DSWD), Department of Health (DOH), Department of Education (DepEd), Government Service Insurance System (GSIS), and the Social Security System (SSS), have been clustered to facilitate more cohesion and interagency coordination in carrying out social welfare programs, with the SSS administrator at the helm of this interagency initiative. AO 232 does not enumerate specific projects, however, the Noah's Ark framework, which has been 'approved in principle' according to proponent, Gov. Joey Salceda, reveals particular thrusts for the remainder of GMA's term.

Noah's Ark, an allusion to the vessel that protected and saved humanity from the great flood, is being presented as a strategic and consolidated response to the fuel and food crisis. "Social protection, in contrast to growth impetus as instrument of poverty reduction, has now become the foremost undertaking of the national government. Thus, we propose to the President and to our policy makers this social protection plan to build a Noah's Ark of basic needs to shelter the poor so no one would be left behind once the surging waters of economic adversities sweep over our shores," according to former presidential chief-of-staff and current Albay Governor, Joey Salceda.

The multi-year social protection plan is reportedly backed by a P316 Billion budget to be funded by domestic borrowing and loans from the World Bank and the Asian Development Bank. It aims to augment incomes of poor and middle class families and increase public goods spending on agriculture, education, health and housing. Several reports identify the following elements of the Noah's ark: conditional

cash transfers targeting 4.7 million impoverished households, with an allocation of P84 billion for three years, or P28 billion annually; P 36 billion for Commission on Higher Education scholarships and training vouchers from the Technical Education and Skills Development Authority; P58 Billion incremental budget for the Department of Agriculture; Rice subsidy P90 Billion; and P30 billion for NFA budget to build up a strategic rice reserve by buying from local farmers, according to reports.

The components of this strategic response appear to be patterned after various interim initiatives put forward with the onslaught of the multiple crises of unemployment, prices, hunger, and energy, such as the *Katas ng VAT*, *Pantawid Kuryente* ('Fruits' of the Value Added Tax-Electricity Subsidy) and the conditional cash transfer program, which have been criticized for being short-term, 'band aid', populist measures. In the first quarter of 2008, additional revenues generated from consumption taxes have been funneled into 8 Billion pesos worth of subsidy, relief and dole-outs handed out to lifeline users of electricity, poor households with young school children, wives of public transport drivers, and calamity victims.

Similarly, for this multi-year plan, cash subsidies and direct transfers comprise a major bloc. With the intensification of hunger and poverty, poor households would certainly welcome dole-outs from the government. However, criticizing these initiatives as populist palliatives is not really off the mark. For one, dividing up P28 billion to 4.7 million impoverished families would only amount to a meager P5,957 per household per year, clearly below the annual per capita poverty threshold of P15,057 set in 2006 (the latest Family Income and Expenditure Survey), and this does not even capture the inflation surge in 2008. This hardly constitutes '*pantawid gutom*' (a Filipino phrase referring to temporary relief to tide over hunger), juxtaposed with the Family Living Wage (FLW), the official rate, comprised of food and non-food expenditures needed to sustain a family of six, set by the National Wages and Productivity Commission, which for NCR (June 2008) was pegged at P894, or P326,310 per family per year. In fact, the recent SWS survey on hunger indicates an increase in and intensification of hunger, with almost 200,000 more families

experiencing severe hunger, 760,000 families compared to 570,000 families last quarter, even after the cash transfers and dole-outs were carried out.

While recognizing the importance of providing immediate relief in times of crisis, a central part of this so-called social protection framework is simply just an extension of an unsustainable, dole-out regime. The problem with a 'pantawid gutom' strategy is that hunger is a symptom not the disease. How this can be considered a strategic response, without addressing the chronic problem of joblessness, precarious livelihoods, and low-paying, unsteady work, not to mention the glaring disparities in assets, resource endowments and income distribution, is something that only the creative imagination of this administration can fathom. Or perhaps these inherent contradictions are being deliberately ignored to evade the tough decisions that have to be made to ensure thoroughgoing growth and development? The other thing is that these efforts of the administration are concentrated mostly in NCR, where public, media attention is focused and dissatisfaction is greatest, which raised a lot of questions on who's being targeted and why. The question to ask then is this-- pro-poor or pro-pogi points?

It's really not surprising that strategies are inadequate and misdirected, considering that this administration does not really acknowledge the full extent of the crisis and the reasons behind it. In their books, the whole crisis is brought about by external factors beyond our control. "As a country, we are all suffering from the world economic downturn. Factors beyond our control have seriously assaulted our economy and our way of life. The sound economic and fiscal program of government has provided us with the necessary buoyancy that has so far kept us afloat in these rough seas," says deputy spokesperson Lorelei Fajardo.

She adds, 'if not for the Arroyo administration's strong economic fundamentals in the past years, "we can only imagine how devastating the world fuel price crisis would have affected us."

Notice how Fajardo pins the blame on the world economic downturn, gives GMA the credit for purportedly keeping our head above water,

but forgets to mention the liberalization and deregulation thrusts that slaughtered domestic agriculture and industry, and rendered our economy even more vulnerable to the swings and shocks of the world market; or this administration's failure to provide the necessary social investment and asset reform infrastructure to prepare us for the impending deluge. Claims of sound economic fundamentals are challenged by data that show us trailing behind our neighbors. As Walden Bello emphasized in an earlier article, the recent UNDP Human Development Report shows that while our economy was growing, Philippine per capita income growth was the 'worst in Southeast Asia' at an average 1.9% growth between 1990-2005, in contrast with Vietnam (5.9%), Thailand (2.7%), Laos (3.8%), Cambodia (5.5%) and Myanmar (6.6%) The truth is, benefits of moderate economic growth under GMA failed to trickle down to the poor. In fact, poverty incidence increased from 30% in 2003 to 32.9% in 2006, according to the National Statistics Coordination Board, which translates to 3.8 million more poor Filipinos in 2006. Moreover, glaring disparities in income distribution continue to persist, with the poorest families (decile) getting a meager 2.16% of the total annual family income growth, while the richest families (decile) got 34.26%. Under an economic regime where distribution of resource endowments and access to opportunities to earn are skewed and limited to precarious livelihood, with low, unsteady incomes, it is not surprising that the incomes of the richest grew 16 times more than the incomes of the poorest. Given a limited framework that refuses to recognize (or insists on ignoring) these contradictions in our economy, the nation is bound to be stuck with mediocre mitigation measures rather than strategic solutions. (For some suggestions toward strategic intervention, see Chavez and Docena, Eight-Point Memo to Address the Economic Crisis.)

### A country in crisis, a president-in-distress

Instead of an admission of accountability and a more truthful assessment of the situation, GMA's crew offers us *consuelo de bobo* and asks us to take comfort in the fact that we have a 'a very dedicated and hardworking president', "a very active performing achiever, performing political leader, performing President," who would rather "buckle down to the nitty gritty of seeking ways to help



cushion the effect of the world economic situation and just see to the immediate and effective implementation of programs to benefit our people.” These are the lines given by Cerge Remonde, Eduardo Ermita and Lorelei Fajardo, respectively, who came to GMA’s defense after her ratings plunged to -38%, an all-time record low, crowning Gloria Arroyo as the most unpopular president in history, disliked by at least 60% of the people, in all regions, across the archipelago. Survey or no survey, the whole image of a leader, bent to carry out necessary, tough, unpopular measures, is negated by her waffling position on urgent and critical legislation such as the CARP extension (particularly the extension of Land Acquisition and Distribution of over a million hectares of land identified for redistribution and not just support services to beneficiaries) and the Reproductive Health bill.

What we have before us at this point is a flawed framework (insufficient and shortsighted) hyped up by an intensified propaganda offensive carried out by Arroyo’s spin doctors. What’s being fed to us, branded as strategic solution, is essentially a populist politician’s propaganda; and what’s lacking in substance and sincerity is fervently filled up with a heaping shit-load of spin. Ultimately, what we’re being asked to count on is a politician in distress steering this so-called ark at a time of dire crisis.

The problem here is that GMA has her eyes set on mitigating her own crisis, the lack of legitimacy, confidence and mandate that besets her regime, rather than the larger crisis that holds the nation hostage. A closer look at her propaganda drive, her political appointments and subsequent plays at a programmatic response actually betrays a blueprint for GMA’s shelter and not ours. The recent round of political appointments completely erodes her posturing and pretense of a well-meaning, well-thought out strategy, with Arroyo’s handpicked allies and cronies being given key positions in crucial agencies, such as the National Economic Development Authority, the Energy Regulatory Commission and the Social Security System, all critical in determining the outcome of the current crisis. (See related article on political appointments.) Certainly, Recto wasn’t chosen for his track record in socioeconomic planning, but more likely for his participation (and failed bid) in Team Unity and his proximity to possible vice

presidential candidates being eyed by the administration. Further, the political appointment of Romulo ‘executive privilege’ Neri, who will be at the head of the social welfare cluster, coordinating efforts under the National Social Welfare Program, including the infusion of funds toward direct cash transfers, could very well be a step toward assuring GMA’s sustenance as they pave the way for the road beyond 2010. Possibly, we are looking at the groundwork for yet another ZTE-NBN or Bolante fertilizer scam. It really doesn’t help that the key actors in this crisis situation are the same ones who have orchestrated large-scale, perpetual plunder, deception and fraud. (See related article.)

At this stage of the crisis, survival clearly is the name of the game. But whose survival and at whose expense, that is the nagging question. Meanwhile, with GMA on top of the food chain, the 14.5 million who are hungry and the 60 per cent who are dissatisfied will have to make do with a rehash of the Marie Antoinette quip ‘qu’ils mangent de la brioche!’ (let them eat cake) Of course, what GMA and her gang are in fact saying at a time of grave crisis is this: ‘Qu’ils mangent des mensonges, qu’ils mangent de la merde!’

But then again, as history tells us, there’s always the option to collectively cry out, “off with their heads, off with their heads!” (Focus on the Philippines July 2008)

Aya Fabros is Focus on the Global South Research Associate and editor of Focus on the Philippines.

## POLITICIZING THE BUREAUCRACY, Recycling Political Allies

MARY ANN MANAHAN

The recent round of presidential appointments has aroused suspicion over the motivations and logic behind Gloria Macapagal-Arroyo's decisions. Rather than merit, integrity, and competence, political relationships seem to be the common thread behind these appointments. Government positions, and the authority over policy and resources that go with it, appear to be handed out as part of a largesse package that oils a network of transactional politics.

The designation, for instance, of Ralph Recto, a defeated administration senatorial candidate in the 2007 elections, as National Economic Development Authority (NEDA) chief conveniently came after the one-year ban on appointing those who lost in elections. Recto, known as the main proponent of increasing the Value Added Tax rate, is only the second non-economist to head the socio-economic planning authority in the last 35 years. Though NEDA's top post does not have to be reserved exclusively for an economist, Recto's appointment has reinforced government critics' claim that it was all political payback for sticking with the administration during the last elections.

Zenaida Ducut's selection as head of the potentially powerful Energy Regulatory Commission (ERC) has been attributed to her closeness to the president as a *cabalen* (province-mate) and former classmate. Ducut's decisions will have implications on government resources and on prices. She will also play a role in the Meralco controversy. Prior to her appointment to the ERC, Ducut served as the president's

## Presidential Appointments

February to July 2008

Official	Old Post	New Post	Predecessor	Date of Appointment
Gerardo Calderon	Mayor of Angono	DENR Assistant Secretary		February 20, 2008
Marianito Roque	OWWA Administrator	DOLE Acting Secretary	Arturo Brion	March 17, 2008
Ricardo Saludo	Cabinet Secretary	Civil Service Commission Chair	Karina Constantino-David	April 21, 2008
Tourism Secretary Joseph 'Ace' Durano	Philippine Tourism Authority Acting General Manager (concurrent position)		Robert Dean 'Ace' Barbers	May 03, 2008
Ignacio R. Bunye	Presidential Spokesperson	Monetary Board member		May 11, 2008
Atty. Silvestre Bello III	Presidential Adviser on Government Centers	Cabinet Secretary	Ricardo Saludo	May 13, 2008
Jesus G. Dureza	Presidential Adviser on the Peace Process	Press Secretary	Ignacio Bunye	May 18, 2008
Hermogenes Esperon Jr.	AFP Chief of Staff	Press Secretary	Jesus Dureza	May 18, 2008
Executive Secretary Eduardo Ermita	Presidential Spokesperson		Ignacio Bunye	May 21, 2008
Mark Lapid	Former Pampanga Governor	Philippine Tourism Authority Head	Ace Durano	June 07, 2008
Michael Defensor	Presidential Chief of Staff	Head, Presidential Task Force on the NAIA-3		June 09, 2008
Leonardo Leonida	Malabon Regional Trial Court Judget	COMELEC Commissioner	Florentino Tuason	July 02, 2008
Lucenito Tagle	Court of Appeals Justice	COMELEC Commissioner	Resurreccion Borra	July 02, 2008
Vicente Sotto III	Senator	Dangerous Drugs Board Acting Chair	Anselmo Avenido	July 04, 2008
Romulo Neri	CHED Chair	SSS Head	Corazon de la Paz	July 09, 2008
Zenaida Cruz-Ducut	Presidential Legal Counsel	ERC Acting Chair	Rodolfo Albano	July 10, 2008
Ralph Recto	Senator	NEDA Director-General	Augusto Santos	July 23, 2008

Source: [www.op.gov.ph](http://www.op.gov.ph); [www.pcij.org](http://www.pcij.org); [www.inquirer.net](http://www.inquirer.net); [www.abs-cbn.com](http://www.abs-cbn.com)

deputy presidential legal adviser and as a three-term representative of Pampanga's second district. While Ducut chaired the House Committee on Energy and co-authored the Energy Power Reform Act, government regulation is a different ball game.

Perhaps the news that raised most eyebrows in the last few weeks was the transfer of Romulo Neri as head of the Commission on Higher Education (CHED) to administrator of the Social Security Services (SSS). Neri has been hopping from one government body to another—he headed NEDA before being transferred to the CHED after the ZTE-NBN controversy (see related article on the controversies hounding the Presidency in this issue). He will now handle the SSS' P30 billion trust fund. His appointment also coincided with the launch of the National Social Welfare Program, which clusters existing social welfare programs, currently under the Government Service Insurance System, Department of Social Welfare and Development, and the Department of Health. Neri will lead this umbrella body, thereby giving him a cabinet rank and retaining his immunity from having to disclose any information on Arroyo's involvement in the NBN-ZTE scandal (by invoking executive privilege).

Recto, Ducut, and Neri are just few of the recent appointees considered loyal functionaries and defenders of Arroyo. With her presidency under fire, having close friends and allies in key managerial positions in the bureaucracy is imperative for her political survival. This, however, reinforces what former Civil Service Commission (CSC) Chair Karina Constantino-David describes as the "politicization of the bureaucracy", a situation where political appointees 'invade' positions usually reserved for career service personnel. Appointing political allies to plum posts is not a new practice, but Arroyo has done it far too much. A 2004 World Bank study on public sector improvement and corruption found that political appointees have reached the levels of service director, regional director, and bureau director, which are usually reserved for career service personnel or those who passed the constitutionally-mandated eligibility tests.

Arroyo also seems to have a soft spot for retired generals and those connected to the military establishment. It will be recalled that the military played a decisive role during the 2001 EDSA uprising and in

neutralizing some factions within the armed forces that have plotted to overthrow Arroyo's government.

According to the CSC, at least 48 retired military officers occupy key positions in the government today. Six out of 29 cabinet officials had links with the military establishment. Angelo Reyes stands out for having been appointed to four Cabinet posts in the last seven years: National Defense in 2001, Interior and Local Government in 2004, Environment and Natural Resources in 2006, and Energy in 2007. Reyes was the Armed Forces Chief of Staff who led the mass defection against Estrada in January 2001.

Arroyo's habit of dispensing political positions has become a pervasive practice, to the extent that new positions and titles are created to accommodate chosen cronies. Mike Defensor and the Task Force on the NAIA is a case in point. The same World Bank study mentioned earlier found that rather than enhancing "bureaucratic capability and efficiency", the situation has led to demoralization, discontent and ineffectiveness. The most recent sets of Arroyo's political appointments punch holes on her supposed decisive resolve to address the economic crisis. Putting political allies with little background and at best questionable capacity or competence at the helm of key agencies given strategic roles in solving the crisis does not inspire confidence. Finally, while political appointments may still fall within presidential prerogatives, Arroyo's abuse of the practice places her nowhere near the good President that she aspires to be. She runs an administration mired in patronage, plunder and payback. (Focus on the Philippines July 2008)

Mary Ann Manahan is a research associate with Focus on the Global South (Focus), Philippines Programme. She works on the reclaiming and defending the commons program, particularly on land and water issues. She can be contacted at [mbmanahan@focusweb.org](mailto:mbmanahan@focusweb.org).

## GLORIA'S 8TH SONA and the ghosts of past controversies

JOSEPH PURUGGANAN

### Growing public distrust and skepticism continue to hound the GMA administration

Notwithstanding the attempts to re-fashion herself as a pro-poor president who promptly responds to people's needs in times of crises, majority of Filipinos remain skeptical of President Gloria Arroyo's performance, with a larger percentage expressing disapproval and distrust. Results of a recent Pulse Asia survey released a day before the State of the Nation Address (SONA) show that almost one in two Filipinos (48%) is critical of President Arroyo's performance and a majority (53%) distrusts her.

The survey also reveals that trust and performance ratings were largely unaffected by the spate of cash dole outs and subsidy programs for the poor initiated by government, with respondents who have received these subsidies expressing the same level of disapproval and distrust.

Public distrust and disapproval of the Arroyo regime reached their highest levels between October 2007 and March 2008 at the height of the ZTE-NBN controversy that rocked the embattled administration to the point of near collapse. The latest ratings indicate that GMA has failed to reverse the general public's critical judgment of her presidency, with negative perception and feedback continuously building up over the course of her corruption-mired seven-year term.

GMA's reported achievements and the prescriptions in her SONA, particularly in the areas of graft and corruption, agricultural development and agrarian reform and infrastructure development, should be viewed against the stark glare of controversies that Arroyo may have been able to ride out but that nevertheless continue to hound her embattled administration. The three cases below exemplify the massive kickbacks and large-scale plunder associated with the Arroyo administration.

### North Rail Rehabilitation Project (2002)

A US\$503 million contract between the North Luzon Railway Corporation (NLRC) and China's National Machinery and Equipment Group (CNMEG) was signed to rehabilitate the Caloocan to Malolos section of the Philippine National Railways (PNR). A government-to-government deal financed the bulk of project cost, with a US\$400 million loan granted by the Export-Import Bank of China on the condition that a Chinese firm bags the construction deal.

By 2004, allegations of overpricing and questions on the feasibility of relocating 40,000 residents started to hound the project. According to reports, the North rail reconstruction costs US\$15 million per kilometer, more expensive than the groundbreaking 2,000-km Qinghai to Tibet system, which only cost US\$3.6 billion, or US\$1.8 million per kilometer. A substantial part of the initial down payment allegedly went to kickbacks and payoffs. Since 2004, the Philippine government has reportedly paid out P1.4 billion for the project that has yet to commence, with interest payments amounting to a massive P1 million a day. In 2005, two separate Senate committees began investigation on the two issues of relocation and alleged price-padding.

The Senate investigation on the alleged overpriced contract continued despite the lack of cooperation from the executive branch, which repeatedly invoked executive privilege. Under Executive Order 464, department heads are required to seek executive permission first before appearing in Senate hearings. Calls to nullify the contract reached the courts when affected residents with assistance from the League of Urban Poor Action (LUPA) and the UP Law Center filed cases before the Supreme Court and the Makati Regional Trial Court.

On May 15, 2007, Judge Cesar Santamaria of Makati RTC Branch 45 issued an omnibus order that upheld the petition of LUPA-Bulacan and lawyers from UP Law Center.

In early July 2008, NLRC President Edgardo Pamintuan issued a statement saying the project has been “demobilized” due to differences with the Chinese on engineering and construction standards. Pamintuan retracted his statement a few days later saying that the project has just been delayed due to the failure of the NLRC to clear old railway bridges and ordered the demolition of the said railway within 45 days. NLRC is now reviewing the contract eyeing the resumption of the project.

### Fertilizer Fund Scam (2004)

P728 million in fertilizer funds under the Ginintuang Masaganang Ani (GMA) program were allegedly diverted to the campaign kitty of GMA to finance her 2004 presidential bid. Reports show that the funds were released to dummy non-government organizations and cooperatives, as well as in urban areas where no farming is done.

A Senate investigation into the deal recommended that President Gloria Macapagal-Arroyo be held accountable in the mismanagement of the fund. The joint committee report prepared by the Agriculture and Food, and Blue Ribbon committees recommended the filing of plunder and graft charges and malversation of public funds against former Department of Agriculture (DA) Secretary Luis Lorenzo, DA Undersecretary Jocelyn “Joc-joc” Bolante, Undersecretary Ibarra Poliquit, incumbent Undersecretary Belinda Gonzales, and Assistant Secretary Jose Felix Montes.

The report has been sitting in the Department of Justice and the Ombudsman. Bolante left the country at the height of the Senate investigation. He was arrested and detained in the United States on July 7, 2006 for possession of a revoked US visa. Bolante, who is believed to be a close associate of First Gentleman Jose Miguel Arroyo, later applied for but was denied political asylum.

The Senate Committee on Agriculture under the administration of Senator Edgardo Angara has refused to reopen the investigation

saying that the Senate has already done its job and the report has already been submitted to the Department of Justice (DOJ) and the Ombudsman.

The Court of Appeals (CA) First Division recently granted the petition filed by the Anti-Money Laundering Council to freeze 70 bank accounts listed under Bolante and some other individuals and entities allegedly linked to the scam. The CA found probable cause that these accounts could be where the P728-million fertilizer funds have been transferred.

### ZTE-NBN Broadband Deal (2007)

A \$329 million contract between the Philippine government and the Chinese telecommunications firm, Zhong Xing Telecommunication Equipment Company Limited (ZTE), was inked in order to build a national broadband network intended to improve communications between government agencies.

The deal triggered a scandal when reports came out in the media about alleged US\$130 million in kickbacks involving Benjamin Abalos, then Chairman of the Commission on Elections (COMELEC), as well as the First Gentleman Jose Miguel ‘Mike’ Arroyo.

By September 2007, five months after the story broke out in the media, a full-scale Senate investigation was launched. The Senate investigation produced a number of witnesses including Joey de Venecia, co-owner of Amsterdam Holdings, losing bidder for the NBN project, and son of the then House Speaker and erstwhile GMA ally Jose de Venecia. The younger de Venecia accused the First Gentleman Mike Arroyo of pushing the over-priced contract and telling him to “back off” from the project. Former NEDA chief Romulo Neri also appeared before the Senate and confirmed that Abalos was brokering the deal and that the Comelec Chair offered him a P200 million bribe in exchange for NEDA’s go-ahead for the project. Invoking executive privilege, Neri later declined to answer questions on whether or not he got specific orders from President Arroyo to approve the ZTE contract.



President Arroyo suspended the broadband contract with ZTE on September 27, 2008, and in October, Abalos resigned from the Comelec. These actions, however, did not stop the Senate from continuing with its investigation. By January 2008, a new witness, IT expert Rodolfo “Jun” Lozada, a trusted colleague of Neri, surfaced after being abducted by the police, and gave his own account to the Senate regarding the web of bribery, kickbacks and overpricing surrounding the controversial contract.

In February, the DOJ and the Ombudsman started their own investigations into the deal. In March 2008, the Supreme Court, in a vote of 9-6, upheld Neri’s invocation of executive privilege.

(Focus on the Philippines July 2008)

Joseph Purugganan is a research associate of Focus on the Global South working mainly on trade issues. He is the coordinator of the Stop the New Round Coalition in the Philippines and co-coordinator of the EU-ASEAN FTA regional campaign network.

# Mindanao

## THE US AND THE BANGSAMORO STRUGGLE: Selfish Determination vs Self-Determination

HERBERT DOCENA

That external powers and local elites seek to hijack liberation struggles for their own vested interests is reason to strengthen – rather than to withhold – support for the Moros’ struggle for self-determination

What is most striking about the United States Institute of Peace (USIP) report on its role “facilitating” the peace process in the Philippines is how openly it boasts of its unique capacity to be “an instrument for advancing US interests.”[i]

The USIP is special, according to the report, because while it can claim to be separate from the US government, it plays a role in the US’ government’s internal division of labor that no other US agency can. The report makes it clear that it was tasked to do the job by the US State Department and that it worked closely with the US embassy and the United States Agency for International Development (USAID) mission in Manila. But its “quasi-governmental, track one-and-a-half” status, USIP claims, supposedly enabled it to earn the confidence of local actors so much so that even members of the government peace panel reported inside information about cabinet discussions to them.[ii] The USIP, “offered a new policy instrument of the US government” which could be “incorporated more frequently into the toolkit of US foreign policy,” notes the report.[iii]

The USIP report has become hot copy lately, with the US' role being cited as one more ground for questioning, if not opposing, the controversial Memorandum of Agreement on Ancestral Domain (MOA-AD) between the Philippine government and the Moro Islamic Liberation Front (MILF). The latest result of protracted negotiations that date as far back as 1976, the MOA-AD has been billed as a breakthrough towards ending nearly four decades of war between the central Philippine government and Moros advocating for greater self-rule.[iv] Moving towards the establishment of a sub-state within the Philippines,[v] the agreement has deeply polarized the country and has since been junked by the Philippine government. Another – perhaps more dangerous – round of fighting has erupted.

### What interests?

The US began to be more involved in the war between the Philippines and the MILF beginning in 2003, with the USIP “facilitating” negotiations through meetings with negotiating panels, providing technical expertise, conducting forums, publishing reports, and other activities. Not unrelated to the USIP's work, as the USIP makes clear however, has been the expansion of the US military role in the country, as well as the escalation in US “development” and “humanitarian assistance.”[vi]

Two possibilities have recently been proposed to explain the US agenda: one is that the US is supporting the creation of an independent pro-US Bangsamoro state as a hedge against a more pro-China Philippines;[vii] the other is that US is deliberately fomenting and prolonging conflict between Filipinos and Moros so as to justify its intervention in Mindanao.[viii] Both assume common underlying geostrategic objectives: access to natural resources, including potential oil reserves, as well as military presence or basing.

In assessing these possibilities, it is useful, first of all, to bear in mind the US' actual record: it has crushed or has sought to crush pro-independence movements in places it has invaded and occupied (Examples: what became the Philippines – including the “Moro” states that were incorporated into it – in the early 20th century, Iraq and Afghanistan today); it has no problems supporting – or not actively

opposing – separatist/ pro-independence movements against regimes it doesn't like (Examples: Kosovo against Serbia, the Kurds against Saddam's Iraq, Tibet against China, Taiwan over China, etc); but it has also stood by central governments against separatist movements if these governments' stability and support are seen as more important for attaining US goals (Examples: Georgia over South Ossetia, Thailand over the Patani Malays of Southern Thailand, Indonesia over the West Papuans, Marcos over the Moros in the 1970s, etc).

That last example is particularly instructive: from 1972-1976, when the poorly armed and poorly trained Moro fighters took on the might of Marcos' military, the US provided Marcos over \$500-million in military assistance which contributed to tipping the balance against the Moros fighters. [ix] Despite this, the Moros – despite being poorly armed and poorly trained – managed to bring the war to a stalemate and forced the strongman to the negotiating table. The question is, has the situation changed so much that the US has switched sides in order to achieve its geopolitical objectives, as some believe?

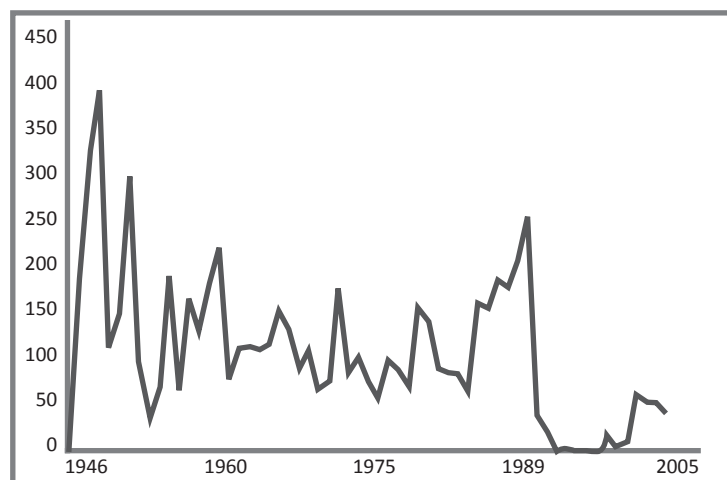
### Whose side?

What happened as late as last week was telling: when a US military-contracted helicopter went to evacuate injured fighters in an encounter in Basilan, they came to the succor of Filipino soldiers – not Moro rebels.[x] This week, in the latest proof that US troops are not only “training” Filipino soldiers, American soldiers were spotted helping Filipino troops recover unexploded bombs right during a lull in hostilities in North Cotabato.[xi]

In short, the US military is shoulder-to-shoulder with Filipino soldiers, not Moro fighters. From 2002-2006 alone, the United States has given around \$250 million not to the MILF but to the Armed Forces of the Philippines (See graph below). This has been equivalent to nearly 10% of the Philippines' annual military budget.[xii] On top of this, the \$260-million worth of “development” aid that the US has poured into Mindanao in the last 6 years[xiii] have been intended to legitimize the national government in the eyes of Muslims – and, hence, to douse support for Moro self-determination movements.

## US Military Assistance to the Philippines, 1946-2005

(in Million Dollars, Constant 2005 Prices)



Source: USAID, "US Overseas Loans and Grants, Obligations and Loan Authorizations", <http://qesdb.usaid.gov/gbk/index.html> [Accessed 14 August 2007]

Who have been the targets of the 300-500 US Special Forces that have stayed on indefinitely in Mindanao since 2002 to help Filipino troops in their day-to-day operations? These would have to be the alleged members of the Abu Sayyaf, the more politicized factions of which continue to espouse the original goal of the MILF -- Bangsamoro independence. On several occasions, even members of the Moro National Liberation Front (MNLF), the other Moro movement which has a peace agreement with the government, have been targeted in operations assisted by the US.[xiv] In at least one documented case, even Moro civilians have been killed.[xv]

Does the US's openness to – if not actual encouragement of – the MOA signal a change?

### Dumping an ally?

While US support for a pro-US Bangsamoro state is not inconceivable, the US can be expected to take this route only after concluding that a) the Philippine state can no longer be counted on to give it what it

wants and that it can only get what it wants from a pro-US Bangsamoro state; b) that there is a good degree of assurance that this Bangsamoro state will indeed turn out to be pro-US; c) the potential benefits of abandoning an old ally in favor of a newly created one outweigh the potential costs.

First, is it the case that the Philippine government has become so hopelessly unreliable in promoting US interests and should therefore be abandoned? As we have documented in our report, "At the Door of All the East: The Philippines in US Military Strategy", the US has managed to establish a more expansive, more deeply entrenched, more flexible, and less politically obtrusive military presence in the Philippines since 2001.[xvi] The US would not have been able to do this if not for President Arroyo who has gone out of her way – farther than her predecessors – in accommodating US demands.[xvii]

It is true that Arroyo has lately expanded relations with China but, with the economic opportunities China offers, so have many other pro-US allies. The Philippines may have welcomed US\$6.6 million in military assistance from China last year [xviii] – peanuts compared to what it gets from the US – but it is still unlikely to grant China what it gives the US – military presence in its territory – nor is it likely to give China what it presumably favors if it could ask for anything – the removal of US troops from the country. In any case, if the Philippines were really in danger of being lost to China, wouldn't the more rational response on the part of the US be to avoid that from happening by trying to outcompete the Chinese? Wouldn't the easiest way for the Philippines to fall into China's embrace be for the US to dump it?

### Finding new friends?

Second, is there a fair degree of assurance that the leaders of a new Bangsamoro state will necessarily be pro-US – so much more so as to compensate for the loss of a formerly pro-US Philippines?

Soliciting the support of external powers to boost one's standing in internal politics is certainly not exclusive to Filipinos. Contrary to the myth that the Moros were all united in resisting American colonizers in the early 20th century, many datus and sultans actually collaborated with the United States, to fend off Christianized Filipinos' attempts

to dominate them, as well as to preserve their privileged status within Moro society. Many ordinary Moros fought valiantly against the colonizers only to be sold out and betrayed by some of their leaders. The landlords that dominated the Philippine state would not have succeeded in resettling thousands of mostly landless northern peasants to Mindanao, thereby dispossessing and displacing Moros and other indigenous people so they could defuse rural unrest and hold on to their lands, were it not for the legitimization for these actions provided by the participation of Moro elites in the national system of patronage and spoils.

Today, there is no shortage of Moros ready to outbid Filipinos in offering Bangsamoro territory and cooperation in support of US foreign policy goals. Indeed, the USIP, along with other US government agencies, has been busy identifying, grooming and financing Moro leaders – showering them with scholarship opportunities, bringing them to the US, employing them, funding their NGOs, etc.[xix] As in other sites of US' political intervention, the USIP's and other agencies' work in "strengthening Intra-Moro communication and unity" [xx] is a deliberate political project to locate, build relations with and build the capacity of those moderate pro-US Moros in an attempt to make them better-resourced and more influential than the alternatives.[xxi]

Similar to Moro leaders in the past who preferred being part of a separate colony or protectorate of the United States to being part of the Philippines, some Moro leaders today can justify supporting the US – or at least, not antagonizing it -- as a pragmatic policy for advancing Moro nationalist goals. It is indicative, for example, that neither the MNLF nor the MILF leaderships have come out after all these years to categorically oppose the expanding US military presence in Mindanao.[xxii] After faintly making noise about the US military activities in Mindanao last February, for example, the MILF turned quiet after a visit from US Ambassador Kristie Kenney.[xxiii] A number of influential Moros, many of them among those who have benefited from US patronage, have unsurprisingly come out in support of US military intervention in Mindanao.

The calculus facing the leaders of those who have won their independence, however, could be different from that facing those

who have yet to gain it. Assuming that the Moros succeed in getting their own state with US support, the Moros would also become less dependent on external patrons for a struggle that has been won. Once this happens, prolonging the alliance with the US could conceivably become harder to sell to the Moro people, sensitized as they are to the plight of fellow Muslims from Palestine, Iraq, and Afghanistan under US aggression. Moro elites would still want foreign patrons to preserve their power like other elites; but they would also have to be concerned with winning elections or retaining legitimacy. The more likely outcome is a Bangsamoro that is just like many other Muslim-majority countries, such as Indonesia or Malaysia, where support for US foreign policy, while not impossible, has become a political liability that few politicians are willing to bear.[xxiv] Hence, betting on a pro-US Bangsamoro state may be a risky gamble that the US may not want to take.

## A risky gamble

It could take the risk – but only if the probable benefits outweigh the costs. This brings us to our third question: Is the US likely to gain more from the creation of a new state whose allegiances are uncertain than from losing an old reliable ally?

Consider the US' need for basing. While US military presence has expanded in recent years to include areas in Mindanao, a quick look at the map below shows that it covers the entire country. In Mindanao, this presence extends to areas that are not to be covered under the proposed Bangsamoro sub-state. The US Special Forces' Joint Special Operations Task Force-Philippines' (JSOTF-P) headquarters, for instance, is in Zamboanga City, whose mayor Celso Lobregat has been at the forefront of opposition to the MOA-AD and who has made no secret of his "wish" for the US to build a permanent base in his city. [xxv]

That the JSOTF-P is in Mindanao is not necessarily in preparation for the rise of a new Moro state: it is where it is because it is where its presence can be more plausibly explained – Mindanao is where the "terrorists" are – rather than, say, in Batanes, which is closer to Taiwan and mainland China, but where it has no pretext to be

stationed in. The JSOTF-P is assured of remaining – and could even choose to expand – in Zamboanga City with or without the consent of the Moros as long as the Philippine government agrees. Why, in abandoning the Philippines for a pro-US Bangsamoro state, would the US want to give up its control of or access to all those ports and facilities in Subic, Nueva Ecija, Batanes, Cebu, General Santos City, etc just to have bases in Mindanao when it can have them all?

Could the US just be hedging its bets [xxvi] – not necessarily abandoning the Philippines now but just making sure it has a contingency plan in case the Philippines crosses the line? Or could it just be pitting off the Filipinos and the Moros to make them outbid each other for US support, thereby giving the US the power to hold both on a leash while giving it the pretext to get what it wants (basing, market for equipment, allies)?

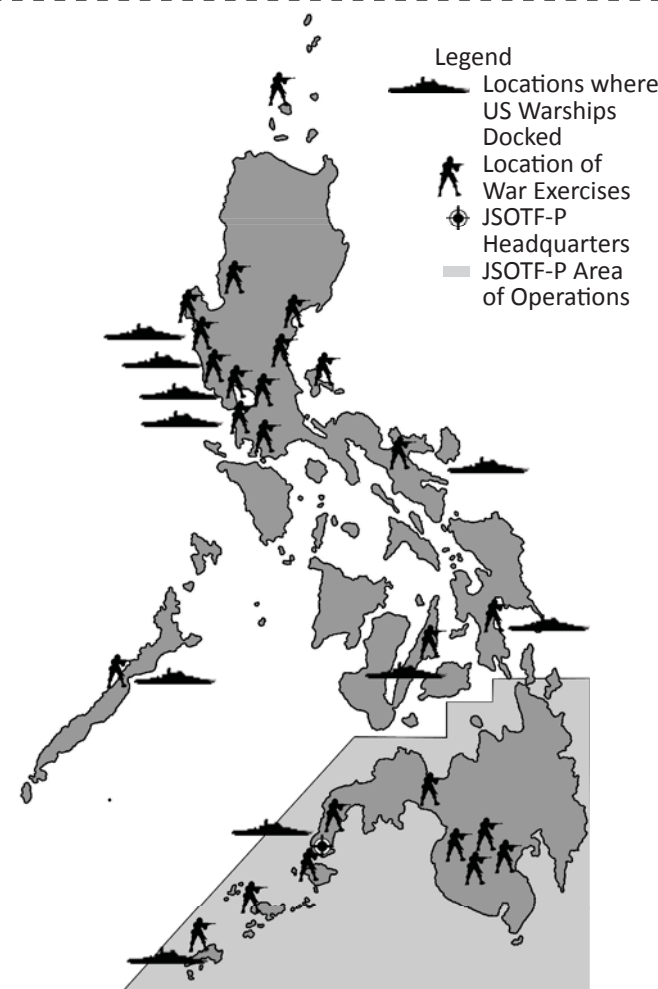
This is plausible. But it is also riskier than sticking to the status quo because it could turn into reality precisely that scenario that the US may want to avoid: that Filipino elites, not sure of US loyalty, could increasingly be alienated by the US and consequently be lured by China to its side; at the same time, that Moro fighters, realizing that it is bullets provided by the US to Filipino soldiers that are killing them, could turn against the US. Filipinos and Moro elites may often find it rewarding to sidle up to the US, but they are also not unthinking puppets with no regard for their own interests.

### The larger interests

It is always tricky figuring out how exactly US strategy is conceived: there is always a danger of imputing too much – but also of too little – rationality into US thinking. Another explanation for the US' interest in the peace talks and its openness to the solution posed by the MOA could be this: the US still wants and needs the Philippines as its ally, but in order for it to be of any use for advancing US interests, the Philippines has to be stronger and more stable. And it won't be so for as long as it remains bogged down fighting various separatist and communist movements simultaneously.

More pragmatic and more far-sighted – and hence as self-interested but more cunning – than some Filipino leaders concerned more with

### Map of the Philippines with Various Forms of US Military Presence



Source: At the Door of All the East: The Philippines in US Military Strategy, 2007



keeping their offices or landholdings than with promoting the enduring collective interests of ruling groups, the US probably understands that it is only by addressing what the USIP dares to correctly describe as the Moro's "legitimate grievances" that the Philippines can disarm the MILF, move on to other enemies, and become the stable, reliable ally that the US wants and needs it to be. In so doing, the US is also able to reward, co-opt and strengthen that section of the Moro elites who could otherwise be antagonistic to its objectives or who could lose out to those with more radical social and economic programs should war persist.

To keep all three – Moro, Filipino, and US elites – together, however, the acceptable solution for the US will have to be one which would still promote their larger common interests. It is for these reasons that the MOA's provisions on natural resources are worth scrutinizing: the US may be indifferent to how the Filipinos and Moro ruling groups split revenues with each other – just as long as, say, UNOCAL, which is already operating in the Sulu sea, and other corporate interests are not shut out from the region. As if to appease all those investors who are already harnessing Mindanao's resources, the MOA spells out that all mining concessions, timber licenses shall continue to remain in place unless revoked by the BJE.[xxvii] What could be in store is just a US-presided renegotiation in the power relations between Moro and Filipino ruling groups.

## A continuing struggle

A more stable Philippines, with a Mindanao that is "peaceful" and open for business, with pliant, relatively more powerful and less subordinated Moro elites at its helm, seems to be a more ideal scenario for the US than an antagonized pro-China Philippines and/or an independent Bangsamoro state with leaders who have uncertain loyalties. But while this scenario is rosier for the US, and arguably even for Filipino elites, it may not necessarily lead to liberation.

To the extent that the MOA promises more power to the Moro people as a whole, much more than any agreement achieved in over thirty years of fighting and negotiations, it can potentially be a step away from the Moros' long history of marginalization as a people, so long as

it does not end up trampling on the rights of other oppressed peoples. How that power will be used and for whose benefit, however, will only be decided in a continuing contest: whether it is a step towards emancipation depends on who will eventually prevail.

As is to be expected, in this struggle, other self-interested parties are attempting to hijack the Moros' right to self-determination to their advantage. To oppose measures that would advance the Moros' struggle – in the hope of frustrating these parties – may backfire: it could only end up pushing the Moros into these parties' embrace, allowing them to pass themselves off as their protectors. That others seek to instrumentalize the Moros' struggle is no reason to turn our backs on all those who, along with the landless Christian migrants or the indigenous peoples, have been historically oppressed and who have long been advocating for a just end to the war. It is even more reason to stand by their side. (Focus on the Philippines August 2008)

Herbert Docena (herbert@focusweb.org) wrote Focus on the Global South's special report on the US military presence in the Philippines, 'At the Door of All the East': The Philippines in US Military Strategy.

Endnotes:

[i] G. Eugene Martin and Astrid Tuminez, "Toward Peace in the Southern Philippines: A Summary Assessment of the USIP Philippine Facilitation Project, 2003-2007," United States Institute of Peace Special Report 202, February 2008, p. 2, 14.

[ii] Notes the report: "The PFP [Philippine Facilitation Project] staff met often with members of the GRP [Government of the Republic of the Philippines] negotiating team and occasionally received reports that their recommendations on policy, negotiating strategies, and tactics were discarded, weakened, or undercut by cabinet members." (p.13)

[iii] "Toward Peace in the Southern Philippines," p.14, 19. For a critical profile of the USIP, see Interhemispheric Resource Center, "United States Institute of Peace," <http://rightweb.irc-online.org/gw/2814.html>. For a journalistic profile of the institute, with quotes from USIP staff involved in the Philippines, see Corine Hegland, "Peace Work," National Journal, April 26, 2008, [http://nationaljournal.com/njmagazine/fa\\_20080426\\_5541.php](http://nationaljournal.com/njmagazine/fa_20080426_5541.php)

[iv] For more on the war, see Kristina Gaerlan, and Mara Stankovitch (eds.), *Rebels, Warlords, and Ulama: A Reader on Muslim Separatism and the War in Southern Philippines* (Quezon City: Institute for Popular Democracy, 2000); Thomas McKenna, *Muslim Rulers and Rebels: Everyday Politics and Armed Separatism in the Southern Philippines* (Pasig City: Anvil Publishing Inc., 2000); Marites Dangulian Vitug and Glenda M. Gloria, *Under the Crescent Moon: Rebellion in Mindanao* (Manila: Institute for Popular Democracy and Ateneo Center for Social Policy and Public Affairs, 2000); Patricio N. Abinales, *Making Mindanao: Cotabato and Davao in the Formation of the Philippine Nation-State* (Quezon City: Ateneo de Manila University Press, 2000)

[v] The proposed state will be in a "free association" with but will not separate from the Philippines. For more on this, see Soliman M. Santos Jr. "BJE and the question of independent statehood," August 12, 2008

[vi] For more on this, see 'At the Door of All the East': The Philippines in US Military Strategy (Quezon City: Focus on the Global South, 2008), [www.focusweb.org/at-the-door-of-all-the-east.pdf](http://www.focusweb.org/at-the-door-of-all-the-east.pdf)

[vii] William M. Esposo, "What's in it for the US in an independent Moroland?," *Philippine Star*, September 2, 2007; "ARMM polls deferment: The confluence of 3 agendas," *Philippine Star*, July 29, 2008; "The Untold Realities of the MILF Peace Pact," *Philippine Star*, August 5, 2008; "Know how the BJE serves US geo-political interests," *Philippine Star*, August 12, 2008

[viii] Kilusan para sa Pambasang Demokrasya's rejects the MOA-AD, claiming it was a "handiwork of the US government", which would allow the US to play a "de facto peacekeeping role" between both sides, thereby allowing it to establish US military installations within Bangsamoro territory ("Bangsamoro Juridical Entity (BJE): A US-Crafted Territory," Press statement, August 8, 2008). National Democratic Front of the Philippines chief political consultant Jose Maria Sison reasons along the same lines: He claims the US and the Philippine governments are foisting the MOA on the Moros "as a device of pretended generosity in order to seize the initiative" to prolong the peace talks and to justify deploying US and Filipino troops to Mindanao for oil, bases, and other resources (Jose Maria Sison, "Pretense at Generosity with Full Malice by US Imperialism and the Arroyo Regime," Press statement, August 15, 2008; see also TJ Burgonio, "MILF sought US intervention in peace talks with RP gov't," *Philippine Daily Inquirer*, August 15, 2008)

[ix] US Military Assistance to the Philippines, 1972-1976 (US Agency for International Development [USAID], "US Overseas Loans and Grants, Obligations and Loan Authorizations," <http://quesdb.usaid.gov/gbk/index.html>)

[x] Nikko Dizon, "TV reporter witnesses 4-hour dying of a Marine," *Philippine Daily Inquirer*, August 13, 2008

[xi] Carolyn Arguillas, "US troops join search for unexploded bombs in conflict area," *MindaNews*, August 18, 2008; For more on US troops' involvement in the war, see *Unconventional Warfare: Are US Troops engaged in an 'Offensive' War in the Philippines?* (Quezon City: Focus on the Global South, 2008) [http://www.focusweb.org/index.php?option=com\\_remository&Itemid=105&func=startdown&id=23](http://www.focusweb.org/index.php?option=com_remository&Itemid=105&func=startdown&id=23)

[xii] US Military Assistance to the Philippines, 1972-1976 (US Agency for International Development [USAID], "US Overseas Loans and Grants, Obligations and Loan Authorizations," <http://quesdb.usaid.gov/gbk/index.html>; Stockholm International Peace Research Institute, "Facts on International Relations and Security Trends database," <http://first.sipri.org/>

[xiii] USAID, "Activities in Mindanao," <http://philippines.usaid.gov/documents/about/activities%20in%20mindanao.pdf>

[xiv] Herbert Docena, "On-the-Job Training: Are US soldiers engaged in actual combat in the Philippines?," *Focus on the Global South*, March 9, 2006

[xv] See complete report of the Philippine Commission on Human Rights Region IX office, docketed as CHR-IX-2008-2221 and approved by Atty. Jose Manuel S. Mamaug MNSA; Citizens Peace Watch, Report of the Fact-finding Mission to Zamboanga City and Sulu, February 2008

[xvi] 'At the Door of All the East': The Philippines in US Military Strategy (Quezon City: Focus on the Global South, 2008), [www.focusweb.org/at-the-door-of-all-the-east.pdf](http://www.focusweb.org/at-the-door-of-all-the-east.pdf)

[xvii] It is true that Arroyo withdrew from the US-led "coalition of the willing" occupying Iraq but so have many other pro-US allies which the US has not and will conceivably not want to abandon: Japan, Italy, Thailand, etc. In any case, what Arroyo has done to make up for that withdrawal arguably outweighs what she may have deprived the US of: a little over 100 Filipino soldiers in a 160,000-strong occupying army.

[xviii] Noel Tarrazona, "US, China vie for Philippine military influence," *Asia Times*, September 20, 2007

[xix] In this, a certain Ishak Mastura's recommendation to the US seems to be being heeded. In a blog titled, "Moro Views on Bangsamoro affairs," a post under his name reads: "My best advice for the US, Australia and other interested international actors in Mindanao is to identify the Moros that can be on your side, befriend them, offer them support on their legitimate aspirations... and you can be sure of longer term gains in the Great Game as China looms on the horizon." It is not clear whether it is the same Ishak Mastura, Autonomous Region of Muslim Mindanao Department of Trade and Industry Secretary, who has also urged the United States to establish a "pro-Western Muslim polity" to check China's rise (See Footnote 19). Whether such views have resonance among Moros – especially elites -- is also difficult to ascertain but it at least demonstrates that such notions – of soliciting US support in exchange for promoting US foreign policy goals – are being entertained.

[xx] "Toward Peace in the Southern Philippines," p. 14.

[xxi] For more on US efforts to build the capacity of local elites supportive of its strategic objectives, see William I. Robinson, *Promoting Polyarchy: Globalization, US Intervention and Hegemony* (Cambridge: Cambridge University Press, 1996). For an analogous project, that of the US in Iraq, which illuminates similar dynamics in Mindanao, see *Silent War: The US' Ideological and Economic Occupation of Iraq* (Bangkok: Focus on the Global South, 2005)

[xxii] Rank-and-file members however have expressed their opposition to the US presence and have joined campaigns against it, though its not clear whether they have done so with the tacit encouragement of their leaders or in defiance of them.

[xxiii] Jason Gutierrez, "US envoy Kenney, MILF chief Murad meet on peace process," *Agence France Press*, February 19, 2008

[xxiv] See pp 91-106 of 'At the Door of All the East'

[xv] Julie Alipala, Jeoffrey Maitem, Jeffrey M. Tupas, "Mayor says US bases wishful thinking," *Philippine Daily Inquirer*, January 29, 2008

[xxvi] "To hedge their bets" is in fact what, according to Autonomous Region for Muslim Mindanao Trade Secretary Datu Ishak Mastura, the US should consider doing in the face of China's increasing influence in the Philippines. He wrote: "[T]he present stalemate between the MILF and the Philippine military presents [the US and Japan] the opportunity to hedge their bets with the Bangsamoro. This can be done by establishing a pro-Western Muslim body polity in Southeast Asia through the re-territorialization of a Bangsamoro homeland within the Philippine state." Mastura also advises the US, if it wants its counter-terrorism efforts to succeed, to take the local Muslim population's "state-building and power-sharing agenda seriously." (Datu Ishak Mastura, "Security for Economic Growth: Ethnic conflict and the US in Southern Philippines," <http://intellbriefs.blogspot.com/2007/04/security-for-economic-growth-ethnic.html>)

[xxvii] "Memorandum of Agreement on the Ancestral Domain Aspect of the GRP-MILF Tripoli Agreement on Peace of 2001"

## MUDDLING UP MINDANAO

AYA FABROS

Mindanao is again at the forefront of people's minds these days, including the government, which appears to be keenly pursuing Moro-related items as priority agenda. At least two important 'breakthroughs' are at the center of the public eye — automated elections in the Autonomous Region of Muslim Mindanao (ARMM) and the peace negotiations between the government and the Moro Islamic Liberation Front (MILF). These developments have become a cause for both celebration and concern, with new dimensions to long-unresolved, complex and tension-ridden issues surfacing.

In the wake of resounding calls for election modernization, a much-awaited milestone has taken place in the August ARMM elections, which launches automated polling in the country. This inaugural in ARMM is quite symbolic, with the region previously tagged as a bastion of electoral fraud and violence, the 'cheating capital of the Philippines', pioneering in modern, computerized elections. The August 11 exercise made use of digital recording equipment (or DRE whereby voters directly key in their votes) and optical mark readers (or OMRs that scan and automatically read ballots), which automated the casting and counting of votes.

The ARMM figured quite prominently in controversies surrounding the 2004 presidential elections (Hello Garci) and the 2007 senatorial elections (Zubiri and the last seat). Lanao and Maguindanao for instance have become notorious for providing the 'swing votes' that make or break national electoral bids, through wholesale 'dagdag-bawas' (vote padding and vote shaving) operations. In 2007, Juan

Miguel Zubiri claimed the 12th senate seat, edging out Aquilino Pimentel III by a narrow margin of around 18,000 votes. Zubiri dominated the polls in the ARMM, particularly in Maguindanao. Massive vote-rigging operations in the 2004 Presidential elections-- which purportedly assured Gloria Arroyo's one million vote-margin target courtesy of the infamous Comelec Commissioner Virgilio Garcillano-- were concentrated in the region, according to reports following the Hello Garci scandal. There are approximately 1.5 million registered voters in the ARMM, as of 2008.

With the historical weight of scandal after scandal that made many sectors extra-cautious when it comes to elections in the region, the August inaugural has stirred a lot of attention and discussion. Prior to the actual exercise, several groups have already underscored possible problems that may arise. According to Roberto Verzola, secretary-general of Halalang Marangal, "we shouldn't relax our guard just because we are automating the elections... Everyone thinks that if we automate the elections, then all our problems will go away. However, if you look at the experience of other countries, the old problems still persist and new problems crop up." Halalang Marangal, a non-profit, non-partisan consortium working toward credible elections, recommends an audit of the August 11 results, as it stressed that computerization will not completely eliminate room for cheating and other errors that happen before, during and after elections.

"More than a technological problem, election fraud is really a social problem and therefore calls for social solutions, supported by technological means. The only effective social solution to fraud in elections is eternal vigilance and punishment for the cheats," Verzola added.

The Commission on Elections (COMELEC) maintains that the ARMM electoral exercise was successfully carried out, with a 50-60 per cent turnout. Still, the Citizens Coalition for ARMM Electoral Reforms (C-Care), an independent poll watchdog comprised of people's organizations, NGOs, sectoral groups and electoral reform advocates, reported cases of under-age voters, vote buying, disenfranchisement, and ballot-box snatching. However, these have been cast as 'minor incidents.'

Nevertheless, groups remain 'upbeat' about the automated elections in the ARMM, now dubbed as a 'milestone', which will pave the way for the full automation of the 2010 elections. Automation law requires equipment testing and pilot exercises before implementing computerized polls at a national scale. At one point, questions regarding 2010 have cropped up, given recommendations to postpone the ARMM elections to give way to MILF's request in connection with ongoing negotiations regarding the Bangsamoro Juridical Entity (BJE).

The agreement between the MILF and the government is another key development that has made Mindanao a significant subject in news and public debates. In late July, Presidential Adviser on the Peace Process, Hermogenes Esperon Jr, announced a 'breakthrough' in the GRP-MILF talks, with the signing of a joint communique on the issue of ancestral domain. A Memorandum of Agreement on Ancestral Domain (MOA-AD), which extends the territory, power and authority of Bangsamoro beyond what is already given to the autonomous region, eventually surfaced. During her State of the Nation Address (SONA), Gloria Arroyo expressed her commitment to resolve 'the endless conflict in Mindanao' as she declared: "A comprehensive peace has eluded us for half a century. But last night, differences on the tough issue of ancestral domain were resolved."

On paper, the MOA-AD, which constitutes the BJE, is considered thus far the most substantial agreement between the GRP and Moro revolutionaries, as far as the Bangsamoro struggle for self-determination is concerned. The comprehensive scope of the BJE has provoked protests from various camps, including some Mindanao local government officials and their constituents, from North Cotabato for instance, parts of which have been included in the expanded Bangsamoro region. This Bangsamoro area recognizes the historical territory of Moros, including Mindanao and parts of Palawan, areas which will still undergo a plebiscite process that will determine inclusion in the BJE. It is not only the expansion of the territory that's being opposed but also provisions that reportedly allow the BJE to maintain an army, control natural resources and revenues, engage in trade with other countries, and set up its own banking system,

among others. Several legal experts have pointed out that the deal is unconstitutional, with the Arroyo administration entering into an agreement, which contains provisions that it won't be able to deliver. The supreme court eventually stepped in, issuing a temporary restraining order (TRO) on the signing, in order to deliberate on issues "before some irreversible acts are done," according to SC spokesperson, Jose Midas Marquez.

The secrecy and haste that surround the deal aroused speculation that the MOA, predicated on a shift to federalism as well as constitutional amendments, is deliberately intended to fail, meant to create openings that will extend Arroyo's term either through Charter Change or Martial Law. While many groups in Mindanao consider this agreement a significant step forward, the whole issue has been complicated and muddled up by competing interests, political motives as well as strategic and economic stakes in the region. As some quarters cry 'treason', 'negotiated land grab', and 'dismemberment of the Republic', reviving and escalating what many camps call 'anti-Moro' sentiments, the timing of the agreement and the sudden change in stance (of the government) with respect to the MILF and the ARMM are being questioned.

Administration figures behind this deal, who are notorious for pushing their own narrow interests, or that of their principals, do not help in bolstering the merits of the MOA-AD and the Bangsamoro struggle for self-determination, much less in ensuring a definitive conclusion to the conflict in Mindanao. Of course, shrewd politicians are well aware that loading sensitive negotiations with political motives and vested interest endangers the whole process, and may even end up exacerbating the conflict rather than resolving it.

All this speculation paints a picture of callous, calculating politicians who would not think twice risking further division and suffering as they pursue their personal political interests. The cruel reality is that these speculations are more credible than the *trapos* (Filipino term for rag and traditional politicians) that figure in this issue. Worse, controversial characters, the likes of Arroyo and Esperon (who are mentioned several times in the Hello Garci conversations, as well as associated with the armed offensive in Mindanao) are spearheading

such a crucial process, while millions of citizens, who have suffered the consequences of conflict and underdevelopment in the region, have little access to information and decisions that will affect them significantly.

These two events, the ARMM elections and the ongoing peace process, are linked not only because they take place in Mindanao, a much-neglected region that has endured more than its fair share of setbacks, suffering, and strife. A more staggering crosscutting feature has to do with the players involved. The suspicion and confusion surrounding these issues have to be traced back to (and pinned on) the ardent proponents behind the renewed interest and aggressive action pertaining to Mindanao. Apparently, the lack of credibility and legitimacy of the Arroyo administration has spilled over and spoiled resolutions and measures, even before any systematic discussion on the substance and merits of existing propositions have taken place.

With such a distrusted and despised president at the helm, it's evident why the Mindanao question continues to be muddled up. Moves and motives of the current administration have always been viewed with utmost scrutiny and suspicion. It wouldn't be a surprise if results of the ARMM elections end up being contested, or if speculation on automation testing in ARMM (as a means to find ways to subvert computerized elections rather than address the problem of electoral fraud) surfaces, given the track record of this regime in institutionalizing electoral fraud.

In the case of the MOA-AD, the MILF certainly has the right to push forward with the Bangsamoro agenda and make the most of openings that come up. However, it seems to have picked the wrong regime to strike a deal with, if the goal is to pave the way toward long-term peace and resolution to the problems that persist in Mindanao. The Arroyo administration, faced with its own crisis, is in no position to sort out such a complicated matter. Neither does it have the time nor the resolve to actually deliver on its promises. At this point in time, anything this administration comes up with has virtually zero chance of gaining support and consensus, even less when it comes to complex, long-standing issues that require very thorough deliberation, consultation and agreement. The Arroyo government's vacillating

position on the MOA-AD, including announcements that the GRP will not sign the agreement in its present form (considered by the MILF as a 'done deal'), as well as this administration's role in renewed hostilities in Mindanao, aggravates the situation even further.

In as much as the Bangsamoro struggle is rooted in historical injustice and legitimate grievance, Mindanao will have to proceed with caution and perhaps, wait a little longer, seek out and enlist earnest champions, for lasting solutions to emerge and truly take root. The question is, can we still afford and manage to stall the ticking timebomb in Mindanao? As we straddle this tricky balancing act, the exploitation of Mindanao continues to heighten, with varied interests capitalizing on its resources and votes, as well as its conflicts, struggles and dilemmas. (Focus on the Philippines August 2008)

Aya Fabros is Focus on the Global South Research Associate and editor of Focus on the Philippines.



## MAKING AND UNMAKING MINDANAO

(This article first came out August 11 in the author's EYES SEE column on ABS-CBN News Online. [www.abs-cbnnews.com](http://www.abs-cbnnews.com))

MIRIAM CORONEL FERRER

For a long time, Indonesia refused to let go of East Timor even if it meant military occupation of the territory and international condemnation for the massive human rights violations committed to enforce its rule. Then the 1997 regional economic crisis struck. Indonesia's economy crashed and the Suharto regime was shaken. Indonesians wondered if keeping their conflict-ridden, lowest-income province was worth the trouble. With the economy in shambles and the New Order regime besieged, they could not afford the added aggravation posed by the 20-year conflict in East Timor. This confluence of events loosened thinking on the immutability of the republic's territory among the Indonesian political elites and the public. "Free Indonesia from East Timor!" even became the slogan of one Java-based campaign group, a call that reversed the earlier demand to free East Timor from Indonesia.

East Timor is just one example of how new states were born from existing ones. There are many other new states in Africa and Eastern Europe.

Eritrea was annexed to and later disengaged from Ethiopia. The former Federal Republic of Yugoslavia has metastasized into the independent states of Bosnia and Herzegovina, Slovenia, Croatia, Macedonia, Montenegro and Serbia. To its credit, Czechoslovakia split into the Czech Republic and Slovakia peacefully. Quebec almost

became independent from Canada but the sovereignists narrowly lost the vote in two referenda.

Meanwhile, the divided countries of North and South Vietnam and East and West Germany have been reunited.

I am citing these examples to make the point that states are not fixed and irrevocable entities. This is the wide and deep perspective that we need in order to appreciate the peace process with the Moro Islamic Liberation Front, although in fact the talks and the controversial Memorandum of Agreement (MOA) on Ancestral Domain are not even about ceding.

Unfortunately, many other political issues and the lack of transparency have jeopardized the process, but let me get to that later. For now, let us just open our minds to this fact: that throughout history, empires, kingdoms, unions and republics were made and unmade by men and women. These political projects were achieved through costly wars, occupations, uprisings, international arbitration, constitutional processes like referenda, negotiations, or a combination of these means.

The Philippines was a late 19th century creation. What we call "The Philippines" did not exist since time immemorial, nor was it a product of nature. Neither is it immutable.

The provinces and the politico-administrative units making up the country are even more malleable to redrawing of boundaries. In the short history of the Philippine republic, their histories are even shorter. The current provinces of North Cotabato, Maguindanao, and Sultan Kudarat were created only in 1973. Since 1914, there was only one Cotabato province, until 1966 when part of it became South Cotabato. From 1903-1913, Cotabato, Davao, Lanao, Zamboanga and Sulu made up the Moro Province. Before the Spaniards came, there was a Cotabato empire ruled by the Maguindanao sultanate, with a counterpart in the Sulu seas under the Sulu sultanate. Before this, there were only island and mountain people governed by tribal councils.

\*\*\*

My point is that a new political map of Mindanao and of the country is not as unthinkable as it seems. Nor should a remapping necessarily be unconstitutional.

But any remapping should be transparent and consensual so that it would solve rather than create more problems. The lack of prior consultation on the contents of the MOA caused the vehemence that greeted it. Peace Secretary Hermogenes Esperon's use of executive privilege as excuse only fed the agitation. Moreover, the fear that the peace agreement will be used for a GMA-orchestrated charter overhaul has made it impossible to appreciate the bigger context of what political negotiations can possibly achieve in lieu of war, and how new political arrangements can possibly improve the way things are.

North Cotabato and Zamboanga officials base their opposition to the MOA on existing rights or the status quo while the Bangsamoro advocates pursue their historical claims founded on prior rights. Between these two camps, there are other equally legitimate claimants – the lumad; the different Moro tribes, groups, women, youth and political elites not affiliated with the MILF; the migrant settlers; the ordinary residents; private business.

Whose rights among them shall prevail? How should any political change take place taking into account the multiple stakeholders in Mindanao?

Ideally, any new governance structure should ensure representative and participatory mechanisms so that all conflicting rights are judiciously accorded their due. Secondly, it is only proper that this new entity be given real autonomy.

Here, I think the MILF was promised what any self-respecting, responsible autonomous local government should in fact enjoy – a bigger share in revenues from and control over their natural resources; authority to negotiate overseas development assistance and send foreign trade missions, which some developmental local governments are already doing; reforming the banking system to suit

local cultural beliefs and needs; and police power. (The LGUs and the ARMM have not really been liberated from Malacañang. That's why their officials are so beholden or "sipsip". What exists is patronage-based autonomy.)

How then to achieve this political change? Based on the MOA, Congress will have to draft the law(s) for the plebiscite, and the creation and broad design of a more genuinely autonomous government body. Both the plebiscite and enhanced autonomy can be legislated within the framework of the current constitution, or at most through a very specific constitutional amendment.

The people of Mindanao in the identified areas will be asked if they wish to join this new entity. In this plebiscite, they can say NO – just as the referendum in Quebec twice defeated the Quebecois nationalists.

Whatever the outcome, Mindanaoans can pick up the process and through consensus-building chart a new political arrangement for themselves. As things stand, I don't see how the House Representative from the district of Makati can have any more right than the MILF to claim to know what is good for the affected Mindanaoans. I don't see how the Senate can speak in behalf of all when there is not even one Moro among them. (Focus on the Philippines August 2008)

Miriam Coronel-Ferrer is associate professor at the Department of Political Science, University of the Philippines, and is a weekly columnist in [www.abs-cbnnews.com](http://www.abs-cbnnews.com).

## POVERTY IN ARMM

According to official estimates, there are 1.77 Million impoverished Filipinos in the Autonomous Region of Muslim Mindanao (ARMM) alone. The region which makes up only 4.6% of the Philippine population, accounts for 6.4 % of the poor in the country in 2006. Three of the 10 poorest provinces in the Philippines are in ARMM and six are in Mindanao. These are Tawi-tawi (1), Zamboanga del Norte (2), Maguindanao (3), Surigao del Norte (5), Lanao del Sur (6), and Misamis Occidental (10).

Tawi-tawi ranks first, with a poverty incidence of 78.9 in 2006. In contrast with the national poverty incidence of 32.9 per cent in 2006 or 3 out of 10, this figure translates to 8 out of 10 poor people in Tawi-tawi. In Maguindanao, 6 out of 10 residents find themselves below the poverty line, while in Lanao del Sur, it is 5 out of 10.

Average annual family income in the ARMM is P 61,000, which is half the national average of P 125,000 (both in constant 2000 prices). Total income of families in the region in 2006 amounted to 33 Billion pesos (constant 2000 prices), in contrast with 522 Billion pesos in the National Capital Region (NCR). The total

family income in the Philippines is 2.18 Trillion, with ARMM receiving only 1.5% of this amount.

## Land Ownership

According to the 2007 Comprehensive Agrarian Reform Program (CARP) accomplishment report, about 191,598 hectares out of the 304,923 hectares of land (63%) have been distributed to 61,420 farmer beneficiaries in ARMM. This is 42.7% of the total lands (447,945) which are owned or partly owned in the region (based on the 2002 Census of Agriculture). The region has the second lowest accomplishment rate, following the Western Visayas.

Two out of the top ten provinces with the highest balance of land to be redistributed are from ARMM. Maguindanao with 43,036 hectares and Lanao del Sur with 37,802 hectares, which is 17.2% of the total balance of the 10 provinces. The total LAD balance is 468,716 hectares or more than one-third of the remaining LAD balance under the program.

Source: www.census.gov.ph, 2006 Family Income and Expenditures Survey, 2007 Census of Population, Department of Agrarian Reform

## Top 10 Poorest Provinces in 2006

Province	Region	Incidence
1. TAWI-TAWI	ARMM	78.9
2. ZAMBOANGA DEL NORTE	IX	63
3. MAGUINDANAO	ARMM	62
4. APAYAO	CAR	57.5
5. SURIGAO DEL NORTE	CARAGA	53.2
6. LANA DEL SUR	ARMM	52.5
7. NORTHERN SAMAR	VIII	52.2
8. MASBATE	V	51
9. ABRA	X	48.8
10. MISAMIS OCCIDENTAL	X	48.8

Source: census.gov.ph, 2006 Family Income and Expenditures Survey, 2007 Census of Population

## Magnitude of Poor Population

	2006	2003
<b>PHILIPPINES</b>	27,616,888	23,836,104
<b>NCR</b>	1,156,313	742,549
<b>ARMM</b>	1,778,262	1,373,620
<b>Basilan</b>	118,183	101,514
<b>Lanao del Sur</b>	442,338	301,215
<b>Maguindanao</b>	596,454	527,225
<b>Sulu</b>	310,140	315,635
<b>Tawi-Tawi</b>	311,137	128,041

Source: census.gov.ph, 2006 Family Income and Expenditures Survey, 2007 Census of Population

# Focus on the MOA-AD

## Notes on Mindanao and the MOA-AD

AYA FABROS

Focus on the Philippines (FOP) took a first stab at the Memorandum of Agreement on Ancestral Domain (MOA-AD) and the Mindanao question in August 2008 at the height of the MOA debate. Since then, the MOA-AD has been scrapped and negotiations descended into an indefinite impasse spiked with armed hostilities escalating in Muslim Mindanao. This first FOP forum is an attempt to bring together analyses and reflections to keep the discussions going. Sol Santos, Rufa Cagoco-Guiao, Nathan Quimpo, Octavio Dinampo, Mon Casiple, Eric Gutierrez and Herbert Docena shared their insights; providing handles for all of us who are trying to make sense of this recent MOA episode and the larger dilemmas that remain unresolved.

The MOA itself is seen by most as a crucial step that puts forward important concepts such as “shared sovereignty” and “associative relationships”, demonstrating that a “compromise” is possible and a middle ground that addresses historic injustice and larger nation-building issues can be forged. Several authors stressed the importance of reviving the MOA in future discussions, in order to resuscitate a moribund process, pointing to the dangers of a deadlock that would push parties to engage in war rather than continue discussion on peace and justice. However, given the fierce reaction to the document, hinging future talks on the MOA is also deemed difficult and ‘unrealistic’. This also underscores the critical role of the state in disseminating information and rallying public support, a key parallel process that was absent in this and previous rounds of negotiations. Such processes are vital given the strong, insidious

anti-Moro prejudice and chauvinism that’s gleaned from the violent response to the peace talks and the MOA.

These are just some of the key points presented in the articles below; all of which reiterate: The MOA-AD may be dead, but it points to a lot of issues that need to be discussed, lessons to take stock of, debates to pursue as we explore ways forward.

### What happened?

The analyses provide a postmortem. Apart from pointing out ‘flaws’, the articles also underscore political dimensions behind the death of the MOA. Casiple points out ‘defects’ in both the MOA and the peace negotiations, which just went against political and economic realities as seen in the fierce opposition. Although there’s no consensus on the actual points of protest, for the authors, what killed the MOA is the widespread uproar, which came from ‘the whole Philippine side-- Executive, Legislative, Judiciary, Local Governments, Business Sector, Media, General Public, etc’.

Santos puts it this way, “The MOA has become politically untenable to sign as far as the government’s own constituency is concerned. The non-signing of the MOA was calculated to give the Executive some space to engage in various political efforts to defuse the political situation as well as address the ground situation.”

Gutierrez, who insists that the Mindanao conflict is predicated on land and not just religious issues, stresses the role of ‘settler politicians’ determined to stall an agreement. Dinampo further unpacks local politician rhetoric, “made to appear as an honest attempt to stop the GRP panel from dismembering some parts of the Philippines, [but] is actually a feeble ploy to mask politicians’ fears of losing vast estates grabbed from Moro ancestral land.”

Also examining the common ‘Filipino’ response to the Moro-issue, Guiam pins much of the blame on a lack of information and public education, which she considers extremely crucial in a country as diverse and divided as the Philippines. For her, the uproar made it clear that “the Philippines, its state mechanisms and processes are still under the control of a vast majority that likes to imagine the

country as one solid and integrated “Filipino” nation. Such a nation is built on a core of basically Christian Filipino values that largely negates identities that contravene these core values. When the GRP announced a MOA granting “extraordinary” rights to a group that does not hold the same core values, the majority group reacted negatively, even violently.”

In this respect, the MOA-AD can also be considered a casualty of prejudice and chauvinism of a Filipino majority conditioned to regard Moros with suspicion and contempt.

The secrecy and haste, along with Arroyo’s lack of legitimacy made matters worse. For Quimpo, “How could a government that had become widely perceived as being the most corrupt, most repressive, and most unpopular since the Marcos regime possibly rally public support for any peace deal that it could forge with the MILF?”

Quimpo traces everything back to Hello Garci and the deep links between Muslim Mindanao and national trapo politics. Arroyo benefits from disorder, lawlessness and corruption in Mindanao, “Why change all that?,” says Quimpo, implying that there was no serious interest in delivering a peace agreement. He also cautions that the same trapo system could seriously undermine self-determination arrangements like the ARMM and the BJE.

### Where are we now?

Santos reiterates: the MOA is dead. Rather than dwell on concerns on national sovereignty and the constitution, the question now is “whether the peace process with the MILF is also dead or at a dead end, where the detour taken could lead to full-blown war.”

Docena also notes “the prospect for peace has never been bleaker since the 1970s.” Dinampo calls attention to the moribund peace process as well as the ‘humanitarian crisis’ in its wake, “with hundreds of casualties, more than half a million evacuated, the military on a rampage, economic activities disrupted, Muslims and Christians deeply divided... The provinces of North Cotabato, Maguindanao, Sharief Kabunsuhan, Lanao del Sur and Lanao del Norte shall be thrown back to where they were four decades ago. Soon, too, when

the International Monitoring Team’s term ends and there is no more referee to cry foul, this rumble will definitely spill over to nearby provinces and regions.”

While official pronouncements maintain that both camps are still open to talks, the government insists on DDR (Disarmament, Demobilization, Reintegration), as the MILF hints it’ll just wait for the next president. Docena reads between the DDR lines and says, “the government for its part now says that the talks will resume only if the Moros disarm. In other words, surrender. For the government, it is force, yet again, that will keep the Moros within the Philippines. The door to negotiations slammed on their faces, Moros are faced with no other option but to resist.”

Santos contextualizes the MILF’s stance as a rejection of further negotiations with the Arroyo administration: “They [MILF] take what happened to the MOA (including but not just the Executive’s decision of non-signing) as the GRP having negotiated in bad faith, and thus the basic trust built by years of peace talks has been seriously eroded. The bottom line is that the Arroyo administration cannot deliver at all,” according to Santos.

Still, the MOA episode also offers a glimpse of some gains. Guian considers the MOA-AD itself as a positive gain, regarding it as a “powerful document that can move the peace process forward.”

Docena shares this: “the MOA-AD is a step forward from the Moros’ current subordination and marginalization within a country that they did not choose to be a part of.”

“Though the MOA-AD falls far short of the Moros’ original goal of establishing an independent state, it goes farther-- and is more specific-- than any of the previous agreements in providing for greater Moro self-rule,” he adds.

For Santos, the MOA-AD has provided a unifying platform for Moros, an entry point to national public discourse and offered proof that a compromise is possible. “The MOA shows that at least some Filipinos and Moros can compromise or find a middle ground for a proposed BJE which would be something between the existing ARMM and



independent statehood, the original common aspiration of the Moro liberation fronts,” says Santos.

Casiple however warns against hinging future talks on the MOA given the opposition, the imbalance and the weak consideration of present realities. For him, “any just and lasting peace agreement should lead to a situation of future peaceful co-existence of all inhabitants in disputed territories.”

### Where do we go from here?

The articles underscore important lessons and suggest next steps. It cannot be overemphasized—such a crucial and sensitive process requires careful handling, serious work, and complementary efforts in different fronts.

Stressing the importance of learning from past experience, Guiam explains that “in any peace process, the state that engages a rebel group in negotiations and dialogues is expected to set in motion a parallel process of information dissemination and public education about why such a process has to take place...for the state to secure the ‘consent’ from its majority constituents on a deal with a group that is perceived by the majority as the cause of all ‘trouble’.”

Quimpo also underlines the need to hold government accountable for its (mis)conduct and actions as well as the consequences of its trapo plays and practices. “Arroyo should have known that peace negotiations are serious business and not her usual game of patronage. If the Arroyo government did not conduct proper consultations with all sectors concerned, it should take responsibility. If there are provisions in the MOA that are indeed unconstitutional, it should take responsibility. It cannot simply wash its hands and walk away.”

What should be done from here on? Santos proposes the following steps for the Arroyo administration: “maintain ceasefire, enhance rehabilitation and development work, pursue consultation and dialogue, information and education, building of a constituency supportive of the general goals and specific objectives as well as the processes and contents of peace negotiations.”

Veering away from loaded discussions that associate the MOA with words like unconstitutional, dismemberment of the republic, and treason, Docena, Santos, and Guiam situate the MOA-AD in the context of a long history of coercion, subjugation and marginalization. For them, the goal of the peace process is to correct this historical injustice by achieving a just middle ground between the Moros and the Philippine state. They think the MOA presents key proposals and principles that ought to be maintained to revive the peace process.

“For those committed to peace with justice, our duty does not end in merely preventing the outbreak of full-blown fighting or calling for a ceasefire, if such a ceasefire ends up perpetuating a status quo in which the Moros continue to be held at gunpoint within the Philippines. It merely begins with advocating for a long-term solution that addresses and ends the historical oppression suffered by Moros. No solution will lead to peace if it is not just; and it won’t be just if it does not advance the Moros’ right to self-determination. While advancing this right is not all that is required, no solution will be complete without it,” Docena reminds us.

These are just some of the valuable points to ponder, as we strive to preserve the space for substantial and sustained talks for peace and justice in Muslim Mindanao. Please read on, ruminate and respond. (Focus on the Philippines September 2008)

Aya Fabros is Focus on the Global South Research Associate and editor of Focus on the Philippines.

## Towards a memorandum for **SELF-DETERMINATION**

HERBERT DOCENA

Force has kept the Moro people within the Philippines: Against their will, the Moros, who were already living in their own states in the south, were incorporated beginning in the early twentieth century into what became the Philippine nation-state by American colonizers and their Filipino partners from the north.[i] Without their consent, the Moros' and the indigenous peoples' (IP) lands were declared Philippine property. Tens of thousands of hectares were sold or leased to foreign and Filipino-owned corporations. Dominated by Filipino landlords seeking to douse mounting demands for land redistribution in the north, the Philippine government set off massive resettlement programs that encouraged and pushed millions of landless, impoverished peasants to the region where the Moros and the IPs lived. Laws discriminated against the Moros and the IPs: In the 1920s, for example, corporations were allowed to own up to 1,024 hectares of land each, Christian settlers could claim up to 16 hectares each, but non-Christians were allotted only four.[ii]

But it was not the settlers who benefited most. By the late 1980s, more than half of the lands in the region were in the hands of a few plantation owners, multinational corporations, and logging concessionaires that extracted the area's resources but plowed the wealth out of the region.[iii] At one point, it was estimated that the region provided half of the products being exported by the Philippines. The Moros, meanwhile, have become among the poorest in a poor country: Up to 80% of them are now landless and they have among the shortest life expectancy, the lowest literacy rates, and the

least access to education, health, and other services in the country. If, before, they made up the majority of the region's population, now they account for less than a fifth.[iv]

Terrorized by militias supported by landowning politicians and government security forces, cornered into a narrowing portion of the region, but increasingly conscious of their collective plight, the Moros fought back. Beginning in the 1970s, they rose to wage armed struggle against the Philippine government. With nearly universal public support among the Moros, the struggle took on the character of a popular uprising for national liberation. Though poorly armed and poorly trained, the Moros managed to bring the US-supported Philippine military to a stalemate. Peace talks ensued. The Moros momentarily laid down their arms and their bid for an independent state in exchange for the promise of greater autonomy – a promise that the Philippine government would repeatedly break by conceding only limited power to Moros in autonomy arrangements that it would put in place on its terms.[v]

The Memorandum of Agreement on Ancestral Domain (MOA-AD), the result of the latest round of negotiations between the Moros and the government, could have broken that history of broken promises. Having sparked widespread and strident opposition, however, the agreement has since been unilaterally abandoned by the Philippine government. The prospect for peace has never appeared bleaker since the 1970s: Despite the government's reversal, however, the Moros want the peace negotiations to continue; the government, for its part, now says that the talks will resume only if the Moros disarm. In other words, surrender. For the government, it is force, yet again, that will keep Moros within the Philippines. The door to negotiations slammed on their faces, Moros are faced with no other option but to resist.

For those committed to peace with justice, our duty does not end in merely preventing the outbreak of full-blown fighting or calling for a ceasefire, if such a ceasefire ends up perpetuating a status quo in which Moros continue to be held at gunpoint within the Philippines. It merely begins with advocating a long-term solution that addresses and ends the historical oppression suffered by Moros. No solution will

lead to peace if it is not just; and it won't be just if it does not advance the Moros' right to self-determination. While advancing this right is not all that is required, no solution will be complete without it.

Viewed from the precipice of a full-blown conflagration, the vision offered by the MOA-AD becomes sharper and clearer. Though it has since been killed, its proposals and principles – whether it retains the name or not – can still resuscitate the moribund peace process.

### A state within a state

The MOA-AD envisions the establishment of – without as of yet establishing – a so-called Bangsamoro Juridical Entity (BJE), described as a “state within a state” or a “sub-state” in an “associative relationship” with the Philippines.[vi]

This governing entity is to exercise “shared responsibility and authority” with the Philippine government over a particular territory: the area covered by the current Autonomous Region for Muslim Mindanao (ARMM); a number of municipalities which voted to be with ARMM in a plebiscite in 2001 but did not become part of the ARMM; plus another 735 villages whose residents will be asked whether they wish to be part of the territory in a plebiscite to be held within 12 months upon the signing of the MOA. Another category, encompassing around 1,500 villages, are proposed to receive targeted socio-economic assistance from the government. After 25 years, their residents will also be asked whether they wish to join the BJE.[vii]

The BJE is to have its own “basic law,” its own security forces, its own system of taxation and finance, and its own political and administrative structures, including civil service, electoral, judicial, educational, and other institutions. It may send trade missions to and enter into economic agreements with other countries. It will be allowed to exercise greater authority over its territory's resources such as minerals, oil, natural gas, etc. and it will have the power to grant or enter into resource-extraction concessions and agreement. Royalties from these resources are to be split 75% and 25% between the BJE and the Philippine government, respectively.

### A compromise

Though the MOA-AD falls far short of the Moros' original goal of establishing an independent state, it goes farther – and is more specific – than any of the previous agreements in providing for greater Moro self-rule. Politically, the BJE will have more power than the current ARMM, itself a governing entity created as part of previous peace agreements but mandated with very limited powers. Rather than paving the way for Moro self-determination, the ARMM as such ended up being further eroded by the government, and later on dominated by powerful clans and warlords favored by the Philippine government.

Signifying the Moros' acceptance of the demographic changes that resulted from the government-sponsored resettlement policies, however, the BJE's territory will be smaller than the area originally claimed as the “homeland” of the Moros – and even less than the area that was supposed to have been under Moro autonomy, as promised in the earlier 1976 Tripoli Agreement between the Moro National Liberation Front (MNLF) and the government. Though the territory is proposed to cover more villages beyond ARMM, their inclusion is far from assured: the government, with all the advantages it enjoys, can be expected to do all it can to win the scheduled plebiscite. Within what will remain of BJE-governed territory, no one is to be evicted: the MOA-AD states that existing property rights will be respected, meaning land previously awarded by the government to settlers and corporations – as well as lands claimed by IP communities – will not be expropriated.[viii]

In other words, the MOA-AD is a compromise document. Contrary to the widely held view that the agreement is “too good to be true” – that the government is being too generous – the MOA-AD arguably requires more on the part of the Moros' than on the Philippine government. The latter won't lose anything more than a still undefined fraction of political and economic control over a small part of Philippine territory – the government will still wield “shared authority and responsibility” in ways that will only be spelled out in a final agreement – and no individual's or corporation's property will be taken away. The Moros, on the other hand, will not only be abandoning their claim for more

land or their share of resources already extracted; they will also be setting aside their dream of a country to call their own.

### With the Moros' backing

Despite requiring more concessions from them, Moros have expressed their readiness to accept the compromise proposed in the MOA-AD. In fact, the agreement is being pushed by the Moro Islamic Liberation Front (MILF), the largest, most powerful Moro liberation organization today and supported by other Moro organizations, including those that are ideologically unaligned with the MILF, along with non-Moro groups with Christian migrants and IP communities in their membership.[ix]

Though the MILF's leadership is reputed to be conservative – with many coming from the landowning class – one does not have to be fond of the MILF to acknowledge that the Moro people – just like any other people – have an inherent right to self-determination. Regardless of what one thinks of the MILF's politics, it cannot be regarded as unrepresentative of Moro aspirations. As an indicator of its support among Moros, who are estimated to number around 4-5 million people, the MILF has demonstrated its capacity to mobilize at least a million people – possibly more – for its assemblies. No other single political group in Mindanao – or even in the rest of the Philippines – can match this. And as the government has come to realize, no negotiated settlement with Moros will be possible and sustainable without the MILF's participation. According to MILF spokesperson Eid Kabalu, "The MOA-AD is the best of all agreements so far because it directly addresses the root of the problem: the homeland of the Bangsamoro people." [x]

Such enthusiasm is, of course, not necessarily shared by all Moros. Others within the MILF, particularly among the ulama, reportedly felt dissatisfied with some of the MOA's provisions, saying it doesn't go far enough. Some Moro leaders are reportedly not prepared to completely abandon the bid for independence. Though it is not clear how wide this view's support is within the MILF – given that such views have not been made public, it is expected to gather more adherents if the peace talks fail yet again. What is clear at this point

is that the MILF leadership and organization are committed to a negotiated settlement and only they – and not the government or any other Moro organization today – enjoy the legitimacy to be in the position to rally the majority of Moros behind any solution.

The other large – though increasingly marginalized and factionalized – Moro organization, the Moro National Liberation Front (MNLF), is seemingly divided on the question: Some of its key leaders have signified their support for the agreement; others, like MNLF founder Nur Misuari has gone on record to question it. The concern, however, appears not to be that the MOA-AD fails to advance Moro self-determination. Rather, the objection seems to spring from apprehensions about the future of the MNLF's earlier agreement with the government which – with the clipped autonomy it brought – is now widely seen as a failure.

Though the MILF will obviously be placed at an advantage in case the BJE comes to life, its officials have repeatedly stressed that the leaders of future governing entities will be decided by all Moros – and not just by the MILF alone. And though the MILF leaders have said that they want to establish an "Islamic state" in their homeland, the MILF's vision on how this state would look like remains vague; in fact, its position on this question has been inconsistent. The MILF's founder has signified that the question will only be decided on later.[xi]

Supposing the Moros do succeed in getting greater self-rule, how the Moros will govern themselves is to be a continuing contest among Moros: it could well be that the rich and landed Moros, many of them already with the MILF, will only be replacing – or conniving with – current Filipino rulers in oppressing the Moro people. But just as Filipinos – to quote former Philippine President Manuel Quezon – should be able to choose "a government run like hell by Filipinos than a government run like heaven by the Americans," so should the Moros.

This time though, given the way Filipinos have been running the country, it may well be a choice between a government run like hell by Moros than a government already run like hell by Filipinos. In any case, Moros are not doomed to perdition: they may actually be better

at running their own government if only they were given the chance. At this stage, those who seek to extend solidarity to Moros struggling for emancipation within Moro society can contribute most by supporting the Moro struggle for emancipation from Filipino domination.

### Self-interested pragmatism

A solution can be just not because it satisfies what the aggressor wants but because it addresses what the victims deserve. It is the Philippine government that annexed the Moro states without their peoples' consent; it is therefore not up to it to dictate the terms of the solution to the aggrieved party. Balance is not to be achieved by exacting equal concessions from two uneven sides; it is to be attained by seeking the required solution to bring about a desired balance that does not currently exist.

Having said that, the MOA is groundbreaking in demonstrating that the Philippine government can actually offer much more on the negotiating table than it has previously claimed it could. In an unprecedented break from its erstwhile unyielding stance, it turns out that creating a "state within a state" for Moros, for example, is within the realm of the possible – at least in the minds of some in the government. It is not the ridiculously outlandish demand that it has been made out to be in the past.

Such perceived "generosity" has prompted some to claim that the agreement was a trap: if it was "too good to be true," it could only be because it was "designed to fail."<sup>[xii]</sup> The government, the reasoning goes, deliberately agreed to promise things it had no intention of giving supposedly to cast itself as the magnanimous party that is willing but unable, as a result of constitutional hurdles and the predicted opposition that will follow, to give ground. This will then supposedly provide a backdoor to charter change and/or provoke large-scale fighting, boosting public support for a war against Moros — even a pretext for declaring martial law — thereby allowing her to extend her term.

Without granting that the government is actually being generous, this 'war' scenario is problematic because it takes for granted the following questionable assumptions: that the Philippines is in a

position to continue waging war against the Moros, that such a war will be to its benefit, and that such a war will not prove destabilizing to the President's own rule.

As it is, the war has already cost billions of pesos that a cash-strapped government could hardly afford; underpaid and demoralized soldiers are bogged down fighting a protracted war with other resurgent armed groups. Should a war escalate, the government will lose more billions that it could otherwise have spent on other expenditures. It will lose soldiers that it could otherwise send to fight other 'enemies' — all for a war that it is not assured of winning.

Moreover, government negotiators could not have been aware that giving ground on the issue of governance and territory could be an extremely risky gambit: in recognizing, and thereby according legitimacy, to the Moros' key demands, the government has paved the way for those demands being advanced as the Moros' minimum set of demands in future negotiations. If the government's game plan at the outset was really more fighting, then agreeing to the MOA-AD — just to lure the Moros — actually undermined its own — and not the Moros' — position. Intentionally or not, the government has pushed out the boundaries of what's acceptable.

An alternative explanation for the much-vaunted "generosity" could be this: more pragmatic, though no less self-interested, Filipino leaders — as well as their supporters in the US — have realized that they can't afford to continue the war without risking greater probability of defeat at the hands of 'enemies' they are fighting simultaneously; that they have assessed that the over-all benefits from a negotiated solution will ultimately outweigh the costs; and that they have accepted that a more stable Philippines, less distracted by war on one front and with its coffers bleeding less, could stabilize the rule of the President more.

In other words, it could well be that sections of the Philippine government have realized that it is in their larger interest to reach a compromise with the Moros — not because they support Moro self-determination but because they seek to protect their own interests. That the government subsequently abandoned the agreement does



not necessarily prove that doing so was the intention all along; only that other narrow interests – the rule of local politicians and landlords, the support of business groups worried about their investments, the loyalty of hawkish and right-wing generals, the need to prevent traditional opposition politicians from courting the support of jingoistic sections in the media, the church, and the public – prevailed.

With these interests stoking anti-Moro prejudice and Filipino chauvinism, it is no surprise that many Filipinos appear to have rejected the MOA-AD offhand. Conditioned by the media, the educational system, and the larger society to view Moros with suspicion, most Filipinos have been kept deliberately ignorant of the Moros' marginalization. And yet, informed of the stakes, aware of history, and empowered to have a say in the government's negotiating stance, the Filipino majority can potentially be the strongest advocates for a just resolution to the war. Unlike a number of hawkish military officials, they have no careers to build or military contracts to profit from; only better relations with their Moro sisters and brothers to gain. Unlike the Piñols and the Lobregats, they have no lands to protect; only a future of peace to win.

## Divided solidarity

While many Moros – presumably the majority who support the MILF – see in the MOA a step forward in their struggle for self-determination, those who already profess support for their struggle – in the left and in the peace movement – have had a harder time uniting behind it. A number of peace coalitions, leftist parties and left-leaning social movements, have dared to come out to counter the popular wave rejecting the agreement. Others have been more equivocal: they have neither categorically expressed their opposition nor support for the MOA but their pronouncements have had the effect of further discrediting the agreement. Whether this has been intended or not, it has contributed to the hostile public opinion against something that the Moro movements themselves want signed.

For the most part, the point of contention has not been whether the agreement sufficiently advances the interests of those that they claim to support; the concern, rather, has been that the agreement could

also benefit those that they oppose, with anticipated consequences and implications. President Gloria Macapagal-Arroyo, some fear, foisted the MOA-AD as a “Trojan horse” to extend her stay in power. The United States, for its part, pushed for the agreement to secure its geopolitical objectives in the region.

Even if one grants both premises, the conclusion – that the MOA, even if good, should therefore be rejected or, at least, not actively supported – is problematic. It burdens the Moros with impossible conditions for attaining their aspirations: First, that the parties they negotiate with should have only altruistic motives in their negotiations. Second, that the result of their negotiation should not only be good for them but be bad for the other side. Should the Moros wait until they find someone they can deal with who has only the purest of intentions? Is it their fault that the country they see as a colonial power happens to have a scheming President whom the opposition, which counts the left among it, has so far failed to remove? Must a final solution wait until the revolution is won?

Implicit in the conclusion is the evaluation that the Moros' self-determination is secondary to the goal of unseating the President or undermining US strategic objectives. Such a trade-off is unwarranted because it should, in fact, be the task of the left and the peace movements to both prevent GMA and the US from achieving their goals and to support the Moros' aims at the same time.

Not only is this stance more principled, it is also more strategic: Replacing the GMA administration with one that can mediate among different interests – and rally support around decisions that will advance the larger public interest rather than valuing only its survival by pandering to the hawks and the Lobregats – could be the first step in putting in place a negotiating side that would commit to and defend a just and peaceful settlement with the Moros. As the Moros strive to gain or have more power over their government, our task is to change ours without depriving the Moros of the chance to have theirs. Moro self-determination should not be made conditional on our success or held hostage by our failure.

Challenging the US' geopolitical thrust in the region entails supporting the many Moros who have been at the forefront of opposing US military presence in Mindanao. It is by supporting their demands for self-empowerment that we strengthen their capacity to oppose the Philippine-supported US agenda in the region. In doing so, we also help them isolate those Moros among them who have been sidling up to the US to promote their own interests or in the misguided belief that the US will champion their legitimate cause without a Faustian bargain.

The alternative – explicitly or implicitly rejecting or undermining the Moros legitimate aspirations – could end up assisting GMA and the US in securing their goals by leaving Moros with no choice but to succumb to their self-interested advances.

### **Not the Moros' struggle alone**

While the Moros form a large marginalized minority, they have not been the only ones who have been dispossessed and who have been resisting. The other indigenous peoples in the region have likewise been displaced from their lands, many evicted by logging companies, miners, plantations, and other corporate interests with the backing of the Philippine state. Driven to migrate to Mindanao because lands in the north remained in the grip of a few, many Christian settlers remain poor and landless – their misery and resentment fanned and unleashed against the Moros by the landlords and politicians who have grabbed the most lands and resources. No solution will be just if it does not address the injustice that has also been perpetrated against these IPs and Christians migrants.

As it is, the MILF through the MOA-AD has effectively given up their claims over areas they consider part of their homeland but which are now demographically dominated by migrants. It is the obligation of the Philippine government to ensure that lands – within and beyond Mindanao – are more equitably distributed to more Filipinos in order to dilute the concentration of lands in the hands of a few powerful families or corporations.

Within the BJE, no one is to be expelled. As mentioned earlier, all existing property rights will be respected and can only be revoked

with due cause. The MOA-AD explicitly states that IPs will be given “free choice” as to whether to be part of the BJE. The agreement also lists the Indigenous People's Rights Act, a Philippine law meant to protect IPs' rights to their ancestral domains, among its references. Though some have expressed their opposition to the BJE, it is telling that a number of other IP groups – particularly the ones living inside the territory to be covered by the BJE – have thrown their weight behind it. Given the way they have been treated by the Philippine government, some have even said that they are more confident of enjoying more harmonious relations with the Moros within the BJE.

The IPs' right to self-determination should not be subsumed under the Moros.' At the same time, self-interested parties should not be allowed to cynically appeal to one oppressed people's rights in order to deprive another oppressed people of theirs. Both oppressed peoples will lose. A solution must be found to ensure that all rights are simultaneously advanced. Though its provisions are reassuring, the MOA-AD – or subsequent agreements – could go farther. For example, it could explicitly state the following: that the IP's ancestral domains will not only be recognized but protected from encroachment through more specified measures; that the IPs and non-Moros will not be treated as second-class citizens within the BJE by stipulating that they will enjoy equal rights and will be entitled to the same privileges and services as the Moros; that the IPs will likewise enjoy self-determination through the establishment of political institutions that ensure their autonomy; and that the IPs, should they decide to be part of the BJE, can still subsequently withdraw from the BJE if they so desire.

### **Beyond nationalisms**

A world divided by ethnicity – with each group of people that claims its own identity fighting for its own piece of land – will be a world of endless wars. Instead of sub-dividing the world into more and more states based on constructed notions of ethnicity, race, or nationhood, we should move towards creating a world drawn together by our common humanity: The earth's lands and resources should belong to everyone – and not to whoever happens to have been accidentally born within the artificially and often arbitrarily drawn boundaries

that enclose them. Everyone should have equal rights regardless of their state or nationality.

Moving towards this post-nationalist, post-imperialist world should not, however, entail depriving the Moro people what other peoples now currently have: greater autonomy or their own independent state. In recognizing their right to have their own state within the Philippines, the MOA-AD is a step forward from the Moros' current subordination and marginalization within a country they did not choose to be a part of.

But while the MOA-AD does not go far enough, it also does not close the door towards more substantive sovereignty for Moros in the future. By providing an interval of time for the Moros to be empowered by having greater power over their society and their resources, the Moros – wearied by fighting and disadvantaged by dispossession – can have the opportunity to build their collective capacity as a people. Achieving this affords them a better position to exercise their democratic choice later: They can opt to remain within the Philippines as part of the BJE. Alternatively, they can choose to have their own state in a federal system which they would be able to jointly construct on more equal terms with the rest of the Philippines – instead of being forced into a federal system that they will have little role in designing, as current proposals go. What should also not be ruled out, however, is that Moros may actually opt to be part of a unitary Philippines if they freely and without any imposition reach the conclusion that they can do so on their own terms. The absence of coercion could be the basis of a stronger, more lasting – because less unequal – union.

Otherwise, the Moros can and should be able to choose to have their own independent state if they so wish. Recognizing this right would not only correct a historical injustice, doing so moves us one step closer towards a world with more equality and less domination, and hence, one step closer towards a post-imperialist post-nationalist world. (Focus on the Philippines August 2008)

#### Endnotes

[i] For a historical background, see W. K. Che Man, *Muslim Separatism: The Moros of Southern Philippines and the Malays of Southern Thailand* (Quezon City, Ateneo de Manila University Press, 1990); Cesar Adib Majul, *Muslims in the Philippines* (Quezon City: University of the Philippines Press, 1999); Kristina Gaerlan, and Mara Stankovitch (eds.), *Rebels, Warlords, and Ulama: A Reader on Muslim Separatism and the War in Southern Philippines* (Quezon City: Institute for Popular Democracy, 2000); Thomas McKenna, *Muslim Rulers and Rebels: Everyday Politics and Armed Separatism in the Southern Philippines* (Pasig City: Anvil Publishing Inc., 2000); Marites Danguilan Vitug and Glenda M. Gloria, *Under the Crescent Moon: Rebellion in Mindanao* (Manila: Institute for Popular Democracy and Ateneo Center for Social Policy and Public Affairs, 2000); Patricio N. Abinales, *Making Mindanao: Cotabato and Davao in the Formation of the Philippine Nation-State* (Quezon City: Ateneo de Manila University Press, 2000)

[ii] R.J. May, "The Wild West in the South: A Recent Political History of Mindanao," in Mark Turner, R.J. May, Lulu Respall Turner (eds.), *Mindanao: Land of Unfulfilled Promise* (Quezon City, New Day Publishers, 1992); Samuel K. Tan, "The Socioeconomic Dimension of Moro Secessionism," *Mindanao Studies Report 1995/ No. 1*; Aijaz Ahmad, "Class and Colony in Mindanao," in Kristina Gaerlan and Mara Stankovitch (eds.), *Rebels, Warlords, and Ulama: A Reader on Muslim Separatism and the War in Southern Philippines* (Quezon City, Institute for Popular Democracy, 2000); Eric Gutierrez and Saturnino Borras Jr., "The Moro Conflict: Landlessness and Misdirected State Policies," *East-West Center Policy Studies*, Number 8, 2000.

[iii] cited in Kit Collier, "The Theoretical Problems of Insurgency in Mindanao: Why Theory? Why Mindanao?", in Mark Turner, R.J. May, Lulu Respall Turner (eds.), *Mindanao: Land of Unfulfilled Promise* (Quezon City, New Day Publishers, 1992)

[iv] Eduardo C. Tadem, "The Political Economy of Mindanao: An Overview," in Mark Turner, R.J. May, Lulu Respall Turner (eds.), *Mindanao: Land of Unfulfilled Promise* (Quezon City, New Day Publishers, 1992); Samuel K. Tan, "The Socioeconomic Dimension of Moro Secessionism," *Mindanao Studies Report 1995/ No. 1*; Aijaz Ahmad, "Class and Colony in Mindanao," in Kristina Gaerlan and Mara Stankovitch (eds.), *Rebels, Warlords, and Ulama: A Reader on Muslim Separatism and the War in Southern Philippines* (Quezon City, Institute for Popular Democracy, 2000); Eric Gutierrez and Saturnino Borras Jr., "The Moro Conflict: Landlessness and Misdirected State Policies," *East-West Center Policy Studies*, Number 8, 2000.

[v] See Kristina Gaerlan, and Mara Stankovitch (eds.), *Rebels, Warlords, and Ulama: A Reader on Muslim Separatism and the War in Southern Philippines* (Quezon City: Institute for Popular Democracy, 2000)

[vi] Soliman M. Santos Jr. "BJE and the question of independent statehood," August 12, 2008

[vii] "Memorandum of Agreement on the Ancestral Domain Aspect of the GRP-MILF Tripoli Agreement on Peace of 2001"

[viii] "Memorandum of Agreement on the Ancestral Domain Aspect of the GRP-MILF Tripoli Agreement on Peace of 2001"

[ix] For example, the agreement is supported by the Anak Mindanao party-list, a secular left-leaning political party of Moros, as well as the Philippine Council for Islam and Democracy, a group that includes moderates and conservatives, plus peace groups such as the Mindanao Peoples Caucus, a broad grouping that includes Christians and indigenous peoples in its membership, to name a few.

[x] Public forum, August 11, 2008

[xi] Patricio N. Abinales and Donna J. Amoroso, *State and Society in the Philippines* (Pasig City: Anvil Publishing Inc, 2005); Joseph Chinyong Liow, "Muslim Resistance in Southern Thailand and Southern Philippines: Religion Ideology and Politics," *East-West Center Policy Studies* Number 24, 2006

[xii] See for example the editorial "Designed to Fail," *Philippine Daily Inquirer*, August 9, 2008, which articulates a popular theory.

Herbert Docena (herbert@focusweb.org) wrote Focus on the Global South's special report on the US military presence in the Philippines, 'At the Door of All the East': The Philippines in US Military Strategy.

## On the botched MOA-AD: **LESSONS NEVER LEARNED**

RUFA CAGOCO-GUIAM

History is repeating itself in the current uproar generated by the Memorandum of Agreement on Ancestral Domain (MOA-AD). It is the history of never learning lessons from a previous peace process. The MOA-AD was supposed to have been signed by both Government of the Republic of the Philippines (GRP) and the Moro Islamic Liberation Front (MILF) panels on the first week of August – a significant breakthrough in the more than decade-old peace process between the two parties.

In the protracted peace and conflict processes in Mindanao, the MOA-AD stands as a progressive document that has elevated the Bangsamoro aspirations for self-determination via "associative" governance of their ancestral domain, something that has been glaringly absent in the previous peace process with the Moro National Liberation Front (MNLF). For the first time, a Philippine government administration seemed to be opening the door toward the recognition of the reality of a significant other identity in the Filipino nation – the Bangsamoro. For them, it was more than a pyrrhic victory – it was a gesture, albeit a delayed one, of finally coming to terms with a significant other in the ethnically diverse Philippine society.

But it was a milestone that was too good to be true – and indeed, its promulgation was marked largely by vociferous protests telling all and sundry that the Philippines, its state mechanisms and processes are still under the control of a vast majority that likes to imagine the country as one solid and integrated "Filipino" nation. Such a nation is built on a core of basically Christian Filipino values that largely negates

identities that contravene or do not belong to these core values. When the GRP announced a MOA granting “extraordinary” rights to a group that does not hold the same core values, the majority group reacted negatively, even violently.

In 1996, the GRP signed the first ever peace accord with the Moro National Liberation Front(MNLF), hoping to end decades of sporadic fighting in many parts of Central and Western Mindanao, including the Sulu archipelago. The signing was considered a major benchmark in the process that started with the discredited Marcos regime. In December, 1976, President Marcos, through his emissaries signed the Tripoli Agreement with the MNLF, granting the latter some semblance of autonomy. More than two decades later, the new Philippine president at that time, Fidel V. Ramos, signed the Final Peace Agreement (FPA) with the MNLF.

The signing of the FPA also led to the establishment of the Southern Philippines Council for Peace and Development (SPCPD) in Mindanao that was tasked, among others, to oversee the implementation of development projects for the MNLF members who were to be “mainstreamed” in the Philippine democratic bureaucracy. When SPCPD’s creation was announced, it was met with loud protests, rallies and mobilizations that denounced government’s failure of informing the larger public – the majority Christian Filipino population – about the rationale of the FPA, and of the peace process as a whole.

In any peace process, the state that engages a rebel group in negotiations and dialogues is expected to set in motion a parallel process of information dissemination and public education about why such a process has to take place. In a country that has been divided along religious fault lines, such a process is imperative for both protagonists: for the state to secure the “consent” from its majority constituents on a deal with a group that is perceived by the majority as the cause of all the “trouble.” The leadership of the rebel group also needs to explain the *raison d’être* of their armed struggle to the majority, not necessarily to win them over, but to open lines of dialogue with them and eventually prevent demonization of the group and its cause.

But no such information dissemination processes took place – in both the previous and the current peace processes in Mindanao. The first peace process now goes down history as a dismal failure. A major evaluation of the 1996 Final Peace Agreement (FPA) implementation has concluded that there were many things the FPA lost – in the transition from war to peace, in the haste to sign an agreement, many opportunities for the MNLF to become the vanguard for pushing the right of self-determination among the Bangsamoro were squandered. But more importantly, its failure was attributed to the lack of information dissemination among the various Philippine constituents – both its majority and minority populations.

As many pundits have written, there was nothing “final” in the FPA: instead, it was just a brief detour in the rocky road to peace in Mindanao.

The massive outburst of protests against the MOA-AD is a consequence of the lack of information dissemination and consultative processes on the very rationale why it needs to be signed. This also happened in the signing of the FPA and in the creation of government bodies to implement some provisions in it. Being steeped in anti-Muslim literature, folklore and prejudices, the larger community of majority Christian Filipinos felt that the Philippine government has done them a disservice in granting some favors to the MNLF, whom many perceive as having sowed violence in Mindanao.

Despite its flaws and omissions (especially on more inclusive processes in social development for the BJE) the MOA-AD stands as a powerful instrument that can move the peace process forward. A series of dispassionate, rational and level-headed community-level discourses on it can pave the way toward forging peace in a region that has seen so much bloodshed throughout more than three decades of sporadic fighting. Sadly, discussions on it have been emotionally charged, triggering hard-line positions on both sides. Some spoilers have exacerbated the situation by using it to foment disinformation, especially in resuscitating deep wounds wrought during the height of the armed conflict in the 1970s.



One of the latest reports from the Lanao areas bespeaks of the articulation of deep-seated animosities among Christians against their Muslim neighbors. Some Christian communities have allegedly barricaded the highways toward the mountainous areas where the Muslim Maranaws are currently staying to evade conflict. The reason: to prevent aid agencies to deliver food assistance for them. There is also a report that after the siege in Kolambugan, Lanao del Norte, no less than a Cabinet secretary of Pres. Arroyo went to the town to distribute shotguns to civilians. Allegedly, civilian local government officials in Kolambugan requested the cabinet secretary because the military has been inefficient in coming to their rescue during times when they are attacked by MILF rebels. Using the inefficiency of the military as a pretext for arming civilians is a flimsy excuse to absolve government of its responsibility in ensuring the security and safety of its constituents. More importantly, this act is downright condemnable – the Philippine government has once again affirmed its monopoly of violence and worse, that whatever violence it engenders is legitimate. This situation eerily repeats the intense state of insecurity of people during the dark ages of Martial Law under President Marcos.

Clearly, the present crisis wrought by the botched MOA-AD needs to be addressed so we do not add to the growing number of casualties reported everyday. But for the long term, the MOA-AD needs to be resuscitated because it holds the key to exploring possibilities of rectifying age-old injustices against the Bangsamoro and other indigenous populations in the Philippine nation-state. These injustices have been wrought from colonization to the unilateral annexation of the ancestral domain areas of the Bangsamoro and indigenous peoples by the Philippine central government. Coming to terms with these injustices is crucial to start forging a livable peace for all the diverse populations that consider Mindanao their home.

The long trek toward peace in the strife-torn areas in Mindanao starts with careful, although painful small steps that are guided by tolerance and mutual understanding. More importantly, there is a need for openness to new possibilities rather than being fixed within

certain boxes and rigid legal instrumentalities, like the Philippine Constitution. (Focus on the Philippines September 2008)

Rufa Cagoco-Guiam is a Senior Asian Public Intellectual (API) Fellow of The Nippon Foundation (2008-2009), and is affiliated with the Center for Southeast Asian Studies, Kyoto University, Japan. On leave from her post as Associate Professor and Director of the Center for Peace and Development Studies, Mindanao State University, General Santos City, Philippines, Prof. Guiam is a cultural anthropologist by training (Silliman University and University of Hawaii) and has written and published widely on the Mindanao peace processes, gender empowerment among Bangsamoro women, child soldiers in Central and Western Mindanao, and on various other socio-political issues in Mindanao.

## The MOA is dead! **LONG LIVE THE MOA!**

ATTY SOLIMAN M. SANTOS

The ground is laid for a return to the ancestral domain aspect and other substantive matters of peace negotiation when these become more viable, even if in the next administration already.

The initialed but unsigned final draft of the Government of the Republic of the Philippines (GRP)-Moro Islamic Liberation Front (MILF) Memorandum of Agreement on Ancestral Domain (MOA-AD), the subject of much current controversy at the national level and of fighting in Central Mindanao, has been “set aside for all intents and purposes” by the Philippine government, at least by its Executive Department (we have to be clear these days which of the three departments is actually acting). The matter is still pending in the Supreme Court but the Executive has announced that “No matter what the Supreme Court ultimately decides, the government will not sign the MOA... in its present form or in any form.” In so many words, the MOA is dead. Those who were so worried about what they thought as the MOA giving away national sovereignty and territory to a new Bangsamoro state, in grave violation of the Constitution, need not worry anymore. The MOA is dead. What they should perhaps worry about now is whether the peace process with the MILF is also dead or at a dead end, where the detour taken could lead to a full-blown war.

The peace negotiations were meant to resolve the armed conflict on the Moro front through a negotiated political settlement for a just, lasting and comprehensive solution of the Bangsamoro problem. The ancestral domain aspect of that problem was lined up as the

penultimate substantive agenda heading before finally working out the political solution and the legal modalities in a Comprehensive Compact. But this mutually agreed process has reached a dead end of sorts with the non-signing of the MOA, as far as the MILF is concerned. It remains to be seen whether this deadlock can be unlocked. The logic of the whole process would seem to dictate that, since the peace negotiations cannot proceed for the MILF, then it can be expected to consider “alternative means to achieve freedom and justice for the Bangsamoro people” (from an official statement of MILF chief peace negotiator Mohagher Iqbal). These other options include a return to armed struggle which the Moro liberation fronts had waged in the first place to achieve political objectives. And when this rebellion is met by the Armed Forces of the Philippines (AFP) in order to suppress it, then you have an armed conflict. This could go back in some ways to the situation during the early years of martial law before the 1976 Tripoli Agreement with the Moro National Liberation Front (MNLF).

The Executive Department had announced that it will not sign the MOA due to “changed circumstances” like the ongoing controversy at the national level and the precarious ground situation in Central Mindanao, in effect saying that the MOA issue had become more political than legal. Stated otherwise, the MOA has become politically untenable to sign as far as the government’s own Christian majority constituency is concerned. The non-signing of the MOA was calculated to give the Executive some space to engage in various political efforts to defuse the political situation as well as address the ground situation. As for the peace process, the Peace Adviser and the GRP Peace Panel Chairperson have mulled continuing this through “further negotiations” that already “move towards a Comprehensive Compact,” of course coupled with “consultation with various stakeholders” – the major lesson from the aborted MOA experience.

But there are strong indications that the MILF will not entertain any GRP proposal for “further negotiations” even towards a final peace agreement with the Arroyo administration after its firmed-up decision not to sign the MOA. For them, never mind if there is another indefinite impasse, they will just wait for the next President, “if we get there.” In the meantime, they will consider other options. Let

me try to share my understanding of this likely MILF view of rejecting “further negotiations” with the Arroyo administration. They take what happened to the MOA (including but not just the Executive’s decision of non-signing) as the GRP having negotiated in bad faith, and thus the basic trust built by years of peace talks has been seriously eroded. The bottom line is that the Arroyo administration cannot deliver after all. This whole experience hurts for them but at least they now know the real score and where they stand vis-à-vis the whole Philippine side — Executive, Legislative, Judiciary, Local Governments, Business Sector, Media, General Public, etc. all ganged up on the MOA. The widespread and loud rejection of the MOA by the whole Philippine side is like a rejection of the Moros and their aspirations for recognition of their identity, way of life and longing for self-rule. The truth hurts but it sets us free.

The MOA is now an already closed chapter as far as the MILF is concerned, even as it remains an important document for them. The MOA had at least placed Moro aspirations on the national agenda, discourse and consciousness. They say that it has even become a rallying point for Moro unity. So, there is already with them some sense of moral ascendancy or even victory with the MOA issue. They cannot for their own self-respect go into “further negotiations” which would not be on the basis of a signed MOA. This was already the product of difficult but successful negotiations up to its final draft with the “Government of the Republic of the Philippines” (that’s what the MOA says, not just “Executive Department”) for more than three years starting 2005. They cannot defend doing this (“further negotiations” without first signing the MOA) to their own forces and constituency. They themselves do not see the viability of “further negotiations” for a final peace agreement which may end up just like the MOA. To use an Islamic expression, it would be like “getting bitten by a snake twice in the same pit.”

Still, the MOA should be seen an important document, and not just for the MILF and the Bangsamoro people. It is also an important document for the peace process, for history, for eventual understanding between two peoples, and no less for the Filipino people in addressing their various nation-building problems, not just the Bangsamoro problem.

Notwithstanding the admittedly unfamiliar and difficult language and concepts in the MOA, Cotabato Archbishop Orlando B. Quevedo, OMI, says it “is a remarkable document. It is a very serious attempt to balance national sovereignty and Bangsamoro aspirations for self-determination and freedom. For this reason, I believe that the MOA can bring lasting peace.... The balancing act... may be seen in the concepts on governance, concretized in such terms as ‘associative relationships,’ ‘shared authority,’ the idea of ‘central government,’ and its responsibility for external defense, etc. For the GRP, the balancing continues with two fundamental democratic safety values – acts of Congress and referendum [or plebiscite].” In this sense, long live the MOA — as a landmark or watershed exercise in exploring the possibilities of a just, lasting and comprehensive peace between the Philippine and Moro sides, after decades of armed conflict with long historical roots and complex dimensions.

The MOA shows that at least some Filipinos and Moros can compromise or find a middle ground for a proposed Bangsamoro Juridical Entity (BJE) which would be something between the existing Autonomous Region of Muslim Mindanao (ARMM) and independent statehood, the original common aspiration of the Moro liberation fronts. This aspiration is based on the historical sovereignty of the Moro sultanates which were once sovereign independent nation-states several centuries before there even was a Philippine State and Constitution. Thus, also a compromise or middle ground between a man-made Constitution with its sovereignty of the people, and a God-made Qur’an with its sovereignty of Allah. The MOA idea is for “shared sovereignty” between the Central Government and the BJE in an “associative relationship” where it is the former, not the latter, which represents the sovereign independent State.

Then, there is also a compromise or middle ground between the present ARMM territory and that of the original historical Bangsamoro homeland covering the whole of Mindanao, Sulu and Palawan. This was their homeland which was annexed to the Philippine Islands ceded by Spain to the United States by way of the 1898 Treaty of Paris, and then incorporated in the Republic of the Philippines granted its independence by the U.S. in 1946, in both cases without

the plebiscitary consent of the Bangsamoro people. This was the same homeland in Mindanao which was 76% Moro in population in 1903 but which had become just 19% Moro by 1990 as a result of government resettlement programs which systematically brought Christian settlers from the Visayas and Luzon into Mindanao over several decades. The MILF to its credit is seeking as territory for the BJE basically those geographical areas which the Moros still actually occupy or where they are the majority per present reality on the ground, and still subject to plebiscite. In any case, this BJE territory would remain part of, not be dismembered from, the national territory.

If there is one thing that the MOA issue has opened up, aside from a deeper sense of Moro aspirations, it is the need to “think out of the box” of the Constitution. Newspaper columnist and Sociology Prof. Randy David pointed out, as early as 1999-2000, the need for “the readiness on the part of government to allow a wide latitude for institutional experimentation in the region, instead of the constant invocation of constitutional limits as a warning against insolent initiatives.” He also wrote of a certain “constitutional pragmatism” which is necessary to overcome “constitutional obstacles that that have needlessly prevented the exploration of more creative approaches to the Mindanao problem.” He is reminded of John Dewey’s insight: “The belief in political fixity, of the sanctity of some form of state consecrated by the efforts of our fathers and hallowed by tradition, is one of the stumbling blocks in the way of orderly and directed change; it is an invitation to revolt and revolution.”

There is, of course, so much more subject matter involved in the MOA. There is still much to learn in further studying and discussing the concepts found therein as well as the issues which have emerged in the controversy about it. After an adequate period of dispassionate, informed and intelligent discussion of these concepts and issues by all concerned — “after some sanity is restored,” says Fr. Eliseo R. Mercado, Jr., OMI — the time should come when the parties can viably continue their peace negotiations, presumably from where they left off. Much depends on how an expected interregnum or hiatus or

what the MILF’s Iqbal calls “purgatory” is handled by both sides in the coming weeks and months.

Given that prospect of no “further negotiations” as well as the danger of military options on both sides, the best bets for the remaining period (one year and ten months) of the Arroyo administration are to somehow maintain the ceasefire, enhance rehabilitation and development work and projects, and pursue the three-part imperatives suggested by Archbishop Quevedo. The premise for the first two “bets” is that the prior agreements on the security and rehabilitation aspects should not to be derogated or set aside. The Quevedo imperatives refer to: “consultation and dialogue, information and education, and building of a constituency supportive of the general goals and specific objectives as well as the processes and contents of peace negotiations.”

In these various ways, the ground is laid for a return to the ancestral domain aspect and other substantive matters of peace negotiation when this become more viable, even if in the next administration already. The time for the MOA will come but then in another form. (Focus on the Philippines September 2008)

Atty Soliman M. Santos is a Bicolano human rights lawyer, peace advocate, legal scholar; author of several books on the peace process, including *The Moro Islamic Challenge: Constitutional Rethinking for the Mindanao Peace Process* (UP Press, 2001) and *Dynamics and Directions of the GRP-MILF Peace Negotiations* (AFRIM, 2005).

## WHAT MUSLIM MINDANAO Really Means to Arroyo

NATHAN GILBERT QUIMPO

Ever since the Arroyo government reopened peace negotiations with the Moro Islamic Liberation Front, I've been having a lot of misgivings about these talks.

In the first place, past Philippine governments had signed peace agreements with the Moro National Liberation Front, and they were never fully or substantially implemented. Although the MNLF did have a lot of mistakes and shortcomings in doing its part, I'd put the greater part of the responsibility for the non-implementation on the Philippine government, which, after all, is the entity in power and has much, much more resources at its command.

That Malaysia - a third party acceptable to both parties - was brokering the talks was not reassuring to me at all. I do not doubt the good intentions of Malaysia at all, but I believed then - as now - that it lacks clout. What is badly needed in the Mindanao peace process is not just a peace broker that gets the warring parties to sign a peace pact but one that is able to make sure that the peace is truly implemented. The Organization of the Islamic Conference (with the special roles of Libya and Indonesia) was the peace broker in the 1976, 1987 and 1996 peace pacts. Was it able to do much to try to ensure the implementation of these peace pacts? No. How could Malaysia, which is just one of the member countries of the OIC, possibly fare any better in ensuring that a GRP-MILF peace pact (if one did get signed) would be implemented?

Gloria Macapagal Arroyo didn't strike me as a president who was really all that concerned about peace and development in Muslim Mindanao. For all her opposition to Estrada's "all-out war" against the MILF in 2000, her government fought pitched battles with the MILF in 2003. Moreover, I could not see any sign that her government was truly undertaking major development initiatives in the Autonomous Region in Muslim Mindanao (ARMM). The usual patronage would be passed off as "development projects." Much was being said in the international media about her government's gains and successes in fighting the Abu Sayyaf, but we all know that much of the credit does not really belong to her government. Besides, as I learned through a trip to Jolo earlier this year, the Abu Sayyaf is very much alive and kicking, thanks to rampant corruption in government and human rights abuses by the military.

My misgivings about the GRP-MILF talks deepened after Madame Arroyo, members of her family and her cronies became enmeshed in a series of mind-boggling corruption and fraud scandals, and after scores of disappearances and extra-judicial killings of activists and journalists were exposed by human rights groups and the media. How could a government that had become widely perceived as being the most corrupt, most repressive and most unpopular since the Marcos regime possibly rally public support for any peace deal that it could forge with the MILF?

In 2005, amid all the corruption and fraud scandals, Muslim Mindanao was very much in the news. There were two developments that particularly appalled and galled me: the Hello Garci scandal and the ARMM elections. I was somewhat surprised that news analysts did not really go deeper into the implications of these two events on Muslim Mindanao and on the Mindanao peace process. To me, these two events provided valuable insights into the thinking of Arroyo and those around her as regards Muslim Mindanao.

The Hello Garci scandal and the ARMM elections have to be viewed within the context of the country's politics. Political scientists have come up with various characterizations of Philippine politics, many of which emphasize the theme of elite or oligarchic domination: elite democracy, cacique democracy, patrimonial oligarchic state,



boss-democracy, clientelist regime, anti-development state, etc. All the major parties are controlled by powerful political families and factions of the elite. The dominant forces in these parties are traditional politicians (trapos) that resort to patronage, huge electoral spending (including vote-buying), and not too seldomly, other forms of corruption, fraud, coercion and violence. Elite rule has managed not only to survive but also to entrench itself despite “people power” uprisings, insurgencies and military revolts.

What does the Hello Garci scandal tell us about Muslim Mindanao? It tells us that the so-called “autonomous region” has been transformed by the dominant trapo coalition into the national center for committing electoral fraud and stealing elections at the national level. As never before in post-Marcos Philippines, Muslim Mindanao now plays a stellar role in national politics, that is, national trapo politics. That its position as the national center for electoral fraud has been somewhat consolidated is shown by the shenanigans of the 2007 senatorial elections.

And what about the 2005 ARMM elections? Simply, that, with full presidential backing, Muslim Mindanao has been turned over from the MNLF to the powerful political clans and warlords. Zaldy Ampatuan, the son of Muslim Mindanao’s top warlord, Maguindanao Governor Andal Ampatuan, is the current governor of the ARMM, a position formerly occupied by top MNLF leaders. He was recently reelected ARMM Governor by a wide, wide margin. For all the shortcomings and failings of the MNLF, I just cannot imagine how a turnover from the MNLF to the political clans can possibly promote peace and development in Muslim Mindanao. According to the PNP, Muslim Mindanao is the region which has the most private armies and the biggest number of unlicensed firearms. And then you deliver it to the warlords? In the patronage game, the ARMM has become the reward to valuable services provided to the Great Patroness in Imperial Manila, especially those who served her well in the 2004 and 2007 elections.

After the signing of the 1996 GRP-MNLF peace agreement, the Ramos and Arroyo governments backed the candidacies for ARMM governor of MNLF leaders Misuari and Hussin, respectively. I think that the

MNLF made the mistake of not building a strong electoral party; it became too dependent on the ruling trapo coalition. Trapo politics of patronage and corruption corroded a number of the MNLF cadres who were in the ARMM. Some have been swallowed up by the trapo parties and a few, who have unexplainable wealth, have now built powerful political clans and dynasties.

One can imagine just how the whole game with the MILF would play out if a GRP-MILF peace pact gets signed and the so-called “Bangsamoro Juridical Entity” (BJE) would take the place of the ARMM. As in the case of the MNLF, Imperial Manila would let the MILF win the first two BJE elections or so. Then it would lure the MILF cadres into the trapo politics of patronage and corruption. Once enough corrosion had been achieved, the ruling trapo coalition would then let the political clans devour the BJE.

Even if the MILF were to set up its own electoral party, it would be no match whatsoever to the powerful political clans and warlords who have mastered all the tricks of the electoral game – flying voters, vote-buying, dagdag-bawas, “guns, goons, gold”, etc. Even with his enormous popularity and the full backing of opposition trapo parties, Fernando Poe, Jr., could not get even 1 per cent of the votes as counted – or rather miscounted – in seven municipalities of Maguindanao in 2004. Would another electoral neophyte (the electoral party of the MILF) fare any better?

Despite all my misgivings about the GRP-MILF peace negotiations, I nonetheless supported the talks. As far as implementation of an eventual peace agreement was concerned, I did not trust Arroyo at all. But I was hoping that a peace pact could be signed just before the end of her term, and that the actual implementation would be done by the new government. Perhaps Arroyo would want something to crow about after her term, some sort of dramatic end, or crowning achievement for posterity. I was hoping that despite Arroyo’s terrible record, a good peace pact could still be worked out. I knew the background of some of the members of the government panel, and I knew them to be men and women of integrity, who truly desired a just and enduring peace in Mindanao.

After five long years of negotiations, the GRP and the MILF panels recently came up with a Memorandum of Agreement on Ancestral Domain (MOA-AD). It's not even a comprehensive peace agreement yet. And what does Arroyo do? She throws it into the dust bin.

One does not have to study the annals of war and peace to know that that's utterly foul – treachery of the highest order.

Arroyo should have known that peace negotiations are serious business and not her usual game of patronage. If the Arroyo government did not conduct proper consultations with all sectors concerned, it should take responsibility. If there are provisions in the MOA that are indeed unconstitutional, it should take responsibility. It cannot simply wash its hands and walk away.

I'm very much saddened to say not that my misgivings about the GRP-MILF talks have been proven right. It's clear what Muslim Mindanao truly means to Arroyo and the ruling trapo coalition.

Muslim Mindanao has been wracked for almost four decades now by armed conflict between the government and Moro "liberation" forces. Due in good part to this armed conflict, there is great disorder and lawlessness, where you find all sorts of armed groups moving about – military, rebels, extremists, criminal elements, private armies, goons, vigilantes, etc. Corruption is rampant. I have written elsewhere that Muslim Mindanao has become a boggy ground in which various parties in conflict have sunk deeper and deeper and found it difficult to extricate themselves – a quagmire. If Muslim Mindanao were a state, it would easily qualify as a failed state, as some political scientists have pointed out.

But it is precisely because of this situation that Muslim Mindanao has become most valuable – a land of opportunity – to Arroyo and the ruling trapos. It serves as a national center for electoral fraud and stealing elections. Posts in the ARMM serve as a reward for powerful political clans and warlords who have delivered the most to the National Patroness. In addition, Muslim Mindanao serves as a hideout for Comelec officials who wish to run away from investigations and inquiries into election anomalies.

Muslim Mindanao has been so valuable, so useful. Why change all that?

Peace? That's too complicated. It is much too difficult and irksome to satisfy all those pesky parties involved. Pushing the MOA-AD could even get one impeached. Piss on your peace!

Arroyo's legacy to Muslim Mindanao and what Muslim Mindanao truly means to her are fully reflected in two simple words: Hello Garci! (Focus on the Philippines September 2008)

A long-time political activist in the Philippines before turning to an academic career, Nathan Gilbert Quimpo has taught at the University of the Philippines (Diliman) and the University of Amsterdam and is currently an associate professor of political science and international relations at the University of Tsukuba, Japan. Quimpo, who finished his Ph.D. at the Australian National University, has authored *Contested Democracy and the Left in the Philippines after Marcos* (Yale University Southeast Asia Studies and Ateneo de Manila University Press, 2008) and co-edited *The U.S., the War on Terror and the Philippines* (Anvil Press, 2008).

## WHAT NOW and Where To?

PROF. OCTAVIO DINAMPO

Eleven years of a long and arduous journey exploring peace. Three presidents were involved, each performing a different role and with a different perspective regarding peace in Muslim Mindanao. President Fidel Ramos opened the ceremonial search for peace barely a month before the signing of the 1996 Final Peace Agreement with the Moro National Liberation Front (MNLF). Later, President Joseph Estrada, a former actor who played tough guy roles in his movies and later portrayed a similar rough impatience for a long peace process as president, tried to take a detour by smashing the peace process with an all-out war against the Moro Islamic Liberation Front (MILF). With the use of US-supplied gadgets and superb intelligence networks, the government took many of the MILF's major camps and the MILF's venerated leader, Chairman Salamat, subsequently died. But the MILF did not lose its lethal force. On the other hand, Erap – who feasted on pork and liquor on the very graveyard of Moro martyrs – was removed from office and became a true-to-life ex-convict.

President Gloria Macapagal-Arroyo (GMA) came next. The journey to peace became a road of exploratory talks and pitched battles. In 2003, she even tried to ape Erap by coming up with her own version of an all-out war, followed by a pronouncement about the “primacy of the peace process.” In 2006, the much-feared outbreak of an “all-out war” finally happened. Then, there was a serious impasse in 2007 and finally, the controversy brought about by the aborted signing of the Memorandum of Agreement on Ancestral Domain (MOA-AD) last August 5.

For while exploratory in nature, the GRP-MILF peace panel facilitated by Malaysia did achieve some milestones such as the Agreement for the General Cessation of Hostilities on July 18, 1997, its Implementing Administrative and Operational Guidelines, as well as the General Framework of Agreement of Intent achieved on August 27, 2001. With the Tripoli Agreement of Peace on June 22, 2001, the Parties agreed and acknowledged some concepts and principles and adopted the three major talking strands on territory, resources and governance.

Through these talks and agreements, the parties recognized that the Bangsamoro is a nation separate and distinct from the Filipino nation. This nation had a traditional homeland consisting of territories under the domain and control of the Moro sultanate of Mindanao and Sulu but is now reduced into the ARMM domains, with 737 barangays scattered all over Regions 9 and 12 and Palawan whose residents shall be given the voice whether to join or not in a plebiscite called forth twelve months after the supposed signing of MOA-AD. Likewise, the parties recognized that the Moro people and their homeland should be governed by the Bangsamoro Juridical Entity (BJE) with a juridical personality of its own and that would seek to fully fulfill the Bangsamoro right to self-determination (RSD).

In other words, the MOA-AD contemplates the institutionalization of the Moro RSD. Its scheduled formal signing in Kuala Lumpur on August 5 was aborted as a result of the temporary restraining order issued by the Supreme Court acting on a joint petition of Governor Emmanuel Piñol of North Cotabato, Mayor Lobregat of Zamboanga City, Mayor Lawrence Cruz of Iligan City and several other politicians with senatorial or presidential ambitions.

The petition, which is made to appear as an honest attempt to stop the GRP panel from dismembering some parts of the Philippines, is actually a feeble ploy to mask politicians' fears of losing vast estates grabbed from Moro ancestral land. It is the tyranny of the majority, if not an indication that peace in Mindanao can only be achieved through having the peace of the cemetery. Thus, gains achieved from 11 years of negotiations were trashed by a deceitful petition and a masterful legal stroke supposedly calling for “restraint.” MILF Commander Kato's participation and the ensuing skirmishes with militias complicated the

matter further. Commander Bravo's reaction in Lanao del Norte also fanned a towering inferno of rage. Along with calls to arm civilians for "community defense," passion and obfuscation sealed the fate of the MOA-AD before the Supreme Court could decide on it.

Finding a convenient excuse in Kato's and Bravo's unconventional rebellion, GMA arbitrarily buried the MOA-AD. She dissolves the GRP panel as a way of evading government obligations under the MOA-AD. A paradigm shift is also in the making: instead of talking to the MILF, she calls for grassroots consultation to be undertaken by NGOs specifically by the Bishop-Ulama Conference. There would be no talk with the rebels for as long as they do not agree to the framework of Disarmament, Demobilization, and Rehabilitation (DDR). There would be no talk specifically with the MILF until it surrenders Kato and Bravo or until the two are neutralized.

In short, military punitive campaigns against Kato, Bravo and their men shall be pursued without let-up parallel to the soft-punch of the so-called community consultations. Military offensives shall be made to appear as "law enforcement" by the Philippine National Police (PNP). This is sort of saying that instead of resolving the political controversy, this government is converting it into a humanitarian crisis that can be likened to the early 70s. With hundreds of casualties, more than half a million evacuated, the military on a rampage, economic activities disrupted, Muslims and Christians deeply divided, it is not difficult to reckon that indeed we are in deep shit, in a manner of saying.

The provinces of North Cotabato, Maguindanao, Sharief Kabunsuhan, Lanao del Sur and Lanao del Norte shall be thrown back to where they were four decades ago. Soon, too, when the International Monitoring Team's term ends and there is no more referee to cry foul, this rumble will definitely spill over to nearby provinces and regions. Indeed, the current war in Central Mindanao shall not only be for Mindanaons but for those in the Visayas and Luzon and for all those who have a stake in Mindanao.

Warmongers can easily dash to Luzon and Visayas on their own convenient time. But for us living in Mindanao, our choice is between life with peace or death with war. Our human security should be

tied more to peace, justice, economic sufficiency and peaceful coexistence rather than to armaments, weaponry, and military solutions. Therefore, today more than ever, there is an urgent need to double all efforts to restrain the escalation of existing conflict. Today, not later, initiatives for peacemaking and peace-building should be intensified. Today or else never, reconciliation should be achieved; hollow consultations should be avoided. This is so because this violent armed conflict is rooted in the tyranny of the dominant Christian majority over the underprivileged Moro minority, thrown together into unhealthy coexistence. If they could not live in harmony, why not separate them?

For whether we like it or not, one major lesson learned in peace-building all over the globe is that "peoples' sufferings, dire poverty, political marginalization, aspiration for right to Self-determination, respect, participation or inclusion" are breeding grounds for dissent, insecurity, insurgency and war. All these things are rife in the Philippines and either we settle this now or be mired with these problems for the years to come. (Focus on the Philippines September 2008)

Professor Octavio Dinampo is currently chair of the Mindanao Peoples' Caucus, a network of around fifty organizations in Mindanao. He teaches at the Mindanao State University in Jolo, Sulu.

## SOUTHERN PHILIPPINES CONFLICT: Violence to Intensify as Land and Territorial Disputes Worsen

ERIC GUTIERREZ

The failure of peace negotiations is expected to intensify violence in the southern Philippines, not just between government troops and separatist Muslim rebels, but moreso between armed civilians from different sides, private militias, armed politicians, and plain bandits – all digging in to stake their claims on contested land and territory in restive Mindanao.

After Manila suspended peace talks with the Moro Islamic Liberation Front (MILF) last August, skirmishes between government troops and the rebels have spread, killing over 200 combatants and civilians, and displacing over half a million inhabitants, according to the International Committee of the Red Cross. The rebel leadership has ordered its field commanders to actively defend its base areas and “revive the struggle for self-determination”. The Manila government, in response, intensified ground and air assaults on known rebel lairs, vowing not to surrender an inch of territory to the separatists. Meanwhile, private militias are equally starting to square off again with each other, significantly increasing the stakes in the conflict.

Ironically, this new round of fighting was triggered just as a breakthrough was achieved in the peace negotiations. Government and rebel negotiators finally agreed on a draft, under a Malaysian-brokered deal, on what will constitute the “territory” that the Moro separatists can regard as their ancestral domain. This is a

prelude towards setting up a judicial system that can work to settle conflicting land and resource claims among natives and settlers, as well as historical grievances that are the root causes of the decades-old conflict. But settler-politicians, worried about the implications of the deal on their land claims, questioned the draft agreement’s constitutionality and asked the Supreme Court to intervene. The Court responded last August by restraining government negotiators from entering any agreement, just a day before the document was to be signed in Kuala Lumpur. Embarrassed by the turn of events, Manila subsequently disbanded its peace panel and called off all negotiations indefinitely. Expectedly, fighting immediately ensued on the ground.

### A land conflict more than a religious war

Conflict over land, more than religious or even ethnic issues, has proven to be the more important driver of the southern Philippines conflict. At the core of this complex conflict is a highly skewed distribution of ownership and control over land – brought about since the early 1900s by a series of state-directed land development policies that effectively “minoritized” and impoverished the original indigenous communities. These indigenous communities are not exclusively Muslim – many are Christian as well as lumad (animists). What poisons any fundamental solutions to the conflict are the political maneuvers over land, oftentimes dressed up in religious or ethnic terms to rally around the targeted support. It was the land question that the government and MILF peace panels were finally starting to settle, until they were blindsided by those opposed to any settlement — the ‘usual suspects’ that have used the same tactic before of inviting Supreme Court intervention to political negotiations that they have effectively chosen to ignore and undermine. More than anything else, national and international attention need to be focused on these political maneuvers over land, and the behaviour of the key players understood. Two earlier peace agreements – the 1976 Tripoli Agreement brokered by Libya and 1996 Peace Agreement brokered by Indonesia – have similarly unravelled due to the same disputes as to what constitutes the Moro area of autonomy as well as over the conflicting property claims of natives and settlers.



In 1976 at the height of the war, the Moro leadership – as yet still united under the Moro National Liberation Front (MNLF) – were forced by the diplomacy of Islamic countries (themselves concerned about their own secessionist movements) to drop the call for independence and accept autonomy instead. They signed a peace agreement in Tripoli, Libya, with the understanding that a single autonomous area under a unified administration will be declared immediately for the original 14 provinces and nine cities covered by the deal. But the Marcos government, at that time a dictatorial regime ruling by presidential decree, maneuvered to “tie its hands” by constitutional requirements – a fake constitutionalism that it wantonly disregarded whenever convenient. Marcos instructed the chief government negotiator, Defense Undersecretary Carmelo Barbero, at the last minute, to include one last text in the agreement – “that the Philippine government shall take all necessary constitutional processes for the implementation of the entire agreement.” This last-minute amendment meant that all decisions entered into would be subject to ratification by plebiscite. This was Marcos’ ace in his gamble during the negotiations. With his control of the state machinery and near-perfect electoral manipulation, any commitment or promise to the MNLF could be reversed with ample legal justification.

Thus, no sooner had the ink dried on the document that the MNLF started to protest the implementation of Manila’s version of autonomy. Over MNLF objections and its effective pullout from the agreement, a plebiscite was still held in April 1977. Only 10 provinces ratified the agreement, which were further subdivided by Manila into two autonomous regions. By this time, Manila has regained diplomatic footing and appeased conservative Islamic capitals by approving the Code of Muslim Personal Laws that established Shariah courts in the Philippines’ national judicial system.

Having lost the momentum and political initiative, the Moro leadership split into two. One wing went on to carry the name Moro National Liberation Front under the secular leadership of Nur Misuari, the key rebel negotiator of the Tripoli Agreement. The other wing, led by Islamic scholar Hashim Salamat and other religious leaders, called itself the “New MNLF”, but later on in 1984 consolidated into

a separate organization that called itself the Moro Islamic Liberation Front. The MILF had a nationalist as well as a religious agenda, years before militant Islamic fundamentalism became well known.

When Marcos was deposed in Manila in 1986, the new government of Corazon Aquino immediately conducted peace negotiations with the Moros. The MNLF and MILF initially agreed to negotiate jointly, but eventually parted ways after the Aquino government chose to recognize only Nur Misuari as the rebel spokesperson. Like Marcos, the Aquino government had its own unilateral autonomy plan. It created a Mindanao Regional Consultative Commission in 1987, and submitted a new autonomy bill to Congress. In 1989, Congress passed Republic Act 6734, which created the Autonomous Region of Muslim Mindanao (ARMM). In the plebiscite for the new law held in November 1989, only four provinces opted for autonomy. The bitter denunciations from the MNLF and MILF remained unheard and their boycott of the plebiscite was ignored. The rebels were handed a fait accompli by Manila: negotiate on these terms or face war. With waning political support for their struggle, the MNLF chose to negotiate anew, while the MILF went on to focus on rebuilding its mass base.

In 1996, a new Peace Agreement brokered by Indonesia was signed by the MNLF and the Ramos government, with the MILF quietly observing from the sidelines. This agreement met similar complications on territory and property issues. As the executive branch of government negotiated with the rebels, Congress and local politicians took the lead in opposing any settlement with the Moros. Congressional hearings were convened, and political ‘roadshows’ were held particularly in those areas of Mindanao where settler restiveness was highest. The underlying concern expressed in the public hearings and court petitions was how property disputes were to be settled in a Moro-administered autonomous government.

In August 1996, weeks before the new Peace Agreement was to be signed, politicians that included six senators and over 50 Mindanao congressmen and governors petitioned the Supreme Court to nullify any agreement to be entered into with the rebels. But the executive was able to avoid Supreme Court intervention by maintaining that no new law or budgetary allocation has been created. The executive

branch merely recognised, through an “executive order”, the so-called Special Zone of Peace and Development (SZOPAD) – the name given to the original 14 provinces and nine cities claimed as the Moro homeland. Any expenditure was to be charged exclusively to the Office of the President – budgetary allocations that have already been approved by Congress and which the President has the prerogative to dispense with.

But soon, the expenses for three bodies created took its toll on the executive. First was the five-member quasi-executive Southern Philippines Council for Peace and Development (SPCPD) which oversaw the implementation of development projects in the SZOPAD. The second body was the 81-member quasi-legislative Consultative Assembly (CA), which was to provide the policy guidance. And the third was the administrative workhorse called the secretariat. Seven months into the implementation of the new agreement, the three bodies remained essentially powerless and unable to make any impact. The 1996 deal quickly entered a state of political and administrative stalemate. Meanwhile, Misuari who took over the regional government of the much-diminished ARMM, saw himself outmaneuvered again for a second time. Out of frustration at having been effectively marginalized, Misuari and his primarily Tausog base eventually staged a pocket revolt in their home province of Sulu. Misuari was subsequently arrested and put in jail.

Also, the commitments of the Ramos government were simply ignored when a new administration under President Joseph Estrada was elected in 1998. The bodies established to start the long and tedious process of peace settlement were quietly abolished. Within a year, Estrada declared all-out war against the MILF – which has decided consistently not to lock itself into any agreement with Manila, and which concentrated its efforts on grassroots base-building.

### **Building the Substantive Agenda for a Settlement**

The MILF has taken a long-term approach in its negotiations with Manila. They see themselves more as a movement than an insurgent army; as such their efforts are focused on building mosques and consolidating the communities around it; they train teachers for

their madrasah schools as much as they train guerrillas for combat; they seek to strengthen Islamic values and understanding of the Koran. They have implemented agricultural extension programs, as well as food trading schemes. They are in no particular hurry or face any deadline. Their program of struggle is a 50-year comprehensive plan adopted in 1980 that includes, for the most part, political and social institution-building in a fragmented Mindanao society. Despite being painted as ‘fundamentalists’, the MILF has actually displayed more flexibility in discussing short-term issues like ceasefire and de-escalation of conflict. It has chosen to discuss disarmament and demobilization, because it remains confident that in the long-term, its grassroots approach to Islamization and an independent Bangsamoro state will eventually bear fruit.

It is to the MILF’s credit that a more substantive agenda – one that goes beyond the short-term cessation of hostilities and disarmament – has been discussed in its series of on-off negotiations with government that started in 1996 after the agreement with the MNLF was signed. As early as 1997, before the Estrada administration took over, it sent government a position paper that enumerated nine substantive issues that need to be discussed and resolved if a fundamental settlement to the Mindanao conflict is to be found. The nine are:

- The ancestral domain claims of Muslims and highlanders in Mindanao
- The displacement of landless Bangsamoro peoples
- The destruction of properties and assistance to war victims
- Human rights violations
- Social and cultural discrimination
- Corruption
- Economic inequality
- Exploitation of natural resources
- Agrarian reform.

Since it decided to engage Manila in negotiations, the MILF has faced a military that appears to be pre-empting a political solution through an aggressive but well-calculated containment. But the peace panel of the Arroyo administration – led by a retired general Rodolfo Garcia, and recently overseen by a peace adviser who was once the AFP Chief of Staff, Hermogenes Esperon – appears to have now opened itself to

a negotiated settlement. The conflict has taken long enough – some two generations now, and the practicality of seriously resolving the root issues was just common-sensical. Unfortunately, war-mongering settler politicians and opponents of the extremely unpopular Arroyo resorted to the standard tactic of stalling any agreement. They went again to invite Supreme Court intervention, and this time, they got their restraining order. Yet again, what could have been the beginning of a tedious, longer-term but nevertheless substantive process for settlement has been destroyed by interests whose idea of peace seem to be only that which grows out of superior firepower.

### A tedious process of settlement

The peace panels were on their way towards laying down the first of many stones for the foundation-building of an effective state in the war-torn areas of Mindanao. The biggest and longest-running fiction in Mindanao is the existence of effective state institutions. True, there are politicians periodically elected, budgetary allocations passed, and a live bureaucracy in existence. But what is not being said is that state functions remain only inside capital towns behind military barricades. More mayors, for example, conduct their business of government inside the relative safety of the capital towns – Cotabato City, Jolo, Zamboanga City, Marawi, even in Iligan City. Civil registries are maintained in their private houses in these capitals for the simple reason that in-site municipal halls and local government offices could not be secured.

But the most important component of such situation is the fictional justice system. Despite the best efforts of government to establish and make it work, the justice system in the war-torn areas remains at best a façade. Judges have been kidnapped, hence no right-minded justice of the peace would accept being assigned to the troubled spots – ironic because that is exactly where they are needed to resolve disputes. No credible land registry exists – an authentic, officially numbered land title can be secured for the right price in downtown Marawi or Cotabato. Hence, no property right is ever secure. Life and liberty are protected not by state apparatuses, but by the capacity of local people to strike back and retaliate. Where the state is absent, what passes off

as ‘government’ are essentially privately-run enterprises. It is in this context that the modern-day entrepreneur in violence emerges.

Entrepreneurs in violence are the characters of Mindanao’s troubled history whose capital is not money or any other asset but a capacity for violence. They can be bandits, like the infamous Norberto Manero (Kumander Bucay) – a Christian cannibal; or the diminutive Galib Andang (Kumander Robot) who became a multimillionaire Muslim and local Robin Hood from his earnings from kidnapping. They can be politicians too – former bandits like Manero and Andang – who decide to seek the formality of being officially “elected”. They can even be military commanders, out to make the most from their short-term tour of duty in the various areas. Or they can be former rebels too who get burned out with their lofty ideals and use their capacity for violence to be private players.

The peace panels were on their way towards re-building a more credible justice system. First, they have resolved to settle what would comprise the territory. Then, they discussed the setting up of juridical entities. The first task of these juridical entities could be the reconstitution of land titles. Wherever there is a dispute, they can start a process for hearing each case, square meter by square meter. Original land claims will be honoured, along with claims of settlers who have invested time, labour and resources on those lands. The bottom line is – a functional not fictional justice system is necessary to resolve the root disputes and conflicts in Mindanao. This functional justice system is what the opponents of the peace agreement have just torpedoed. Without it, the enforcement of property claims will continue to be the private enterprise of entrepreneurs in violence. (Focus on the Philippines October 2008)

Eric Gutierrez has written extensively on the southern Philippines conflict in academic journals, books, and newspapers.

# Trade

## THE ROAD TO JPEPA: How the Philippine government negotiated the controversial trade deal with Japan

JOSEPH PURUGGANAN

Two years after it was signed in Helsinki, Finland in September 2006, the Japan-Philippines Economic Partnership Agreement or JPEPA, the controversial trade and investment deal with Japan, continues to hang in the balance. What happens in the Senate in the next few weeks will determine whether the deal would go full speed ahead or make a dramatic U-turn back to the negotiating table. The agreement takes effect after the final process of ratification by the respective parliaments of both parties. The Japanese Parliament swiftly approved JPEPA in December 2006. Ratification has taken longer for the Philippines. An exchange of side notes between Japan and the Philippines boosted the hopes of proponents of JPEPA that the deal could be ratified by October 2008. A number of Senators however have pushed for the renegotiation of the agreement arguing that the Senate is already in effect re-negotiating with Japan on account of the side notes. [1]

The call for renegotiation, which has gathered momentum recently, shows that there does not seem to be, as Senator Benigno 'Noy' Aquino III, put it, "enthusiastic support" for JPEPA among the Senators[2]. There seems to be consensus however that JPEPA was poorly negotiated, prompting calls to reform the way the Philippine

government negotiates trade agreements in light of the dismal JPEPA outcome.[3]

How did the Philippines negotiate JPEPA? Could we have had a better deal or gotten more out of the agreement had we negotiated better? Or were the odds stacked up against us from the start?

### FULL SPEED AHEAD

#### Political and Economic Diplomacy

For all intents and purposes, the JPEPA negotiations started in January 2002 when Japanese Prime Minister Junichiro Koizumi visited the Philippines in the first leg of his ASEAN tour aimed to gather support from ASEAN leaders for his "Initiative for Japan-ASEAN Comprehensive Economic Partnership."

This visit is significant because it reflected the shift in Japanese trade policy from a purely multilateral approach to trade, to adopting a "dual approach" with its pursuit of regional and bilateral agreements alongside its push for its agenda in the WTO.

Having secured the nod from the Philippines and the rest of ASEAN, Japan went full steam ahead in trying to actualize these commitments in a series of formal and informal meetings.

In May 2002, in her first visit to Japan after having already expressed support for Koizumi's ASEAN initiative, Philippine President Gloria Macapagal Arroyo proposed the setting up of a working group in order to study the possibility of establishing an economic partnership agreement with Japan and put in place a mechanism for bilateral discussions on JPEPA.

The Working Group on JPEPA was formed composed of representatives from concerned government agencies of both parties. The task of the working group was to study the possible content, substance, and coverage of a mutually beneficial economic partnership between the two countries, including the possibility of forming a free trade agreement (FTA).[4]

By April 2003, with strong indication from the Working Group of the common desire of both parties to proceed, separate independent studies to assess the sustainable impact of JPEPA were initiated.

## Research

By May, Arroyo through Executive Order 213 established the Philippine Coordinating Committee (PCC)[5] to study the feasibility of JPEPA. The PCC is an interagency committee co-chaired by the Undersecretary for International Economic Relations of the Department of Foreign Affairs (DFA) and the Undersecretary for International Trade of the Department of Trade and Industry. The PCC was tasked to represent the country in meetings, consultations and negotiations, come up with the formulation of the recommended Philippine positions, conduct consultations with other government agencies and private sector representatives (as necessary), and draft a proposed framework for JPEPA and its Implementing Agreements (IA).

From June to December 2003, the Philippine Institute for Development Studies (PIDS)[6] initiated a research project to study the feasibility and desirability of JPEPA. The overall aim of the project was to address the fundamental question — should the Philippines enter into a Japan-RP Economic Partnership Agreement? PIDS proposed to answer this by conducting specific researches guided by the basic principles of first, the Philippines' agenda and reform objectives and second, the issue of multilateralism versus bilateralism.

The feasibility of JPEPA was judged by the PIDS studies against the principal objectives of reforms defined as (1) global competitiveness, (2) sustainable growth, (3) efficiency in allocation, and (4) poverty alleviation.

A total of seventeen (17) research projects were undertaken under the Japan-Philippines Economic Partnership Research Project, including Two (2) impact analysis on the whole economy, nine (9) analysis on specific sectors and concerns (agriculture, manufacturing, services trade, tourism, movement of natural persons) and six (6) special studies on such topics as Japanese ODA, rules of origin, and human resource development among others.

At least 14 out of these 17 studies were prepared for, or in coordination with, the Philippine APEC Study Center Network (PASCN)[7] and PIDS. The Japan International Cooperation Agency (JICA) funded at least seven (7) of these studies, while Japan's Ministry of Economy, Trade and Industry funded at least four (4).[8]

A report of the Joint Coordinating Team (JCT)[9] cited the PIDS studies conclusion that the JPEPA would provide positive impact both on the Philippine economy and on poverty reduction on the whole, while the impact is differential among sectors. The studies also pointed the need for adjustment measures to maximize benefits of JPEPA, including mutual recognition, the promotion of movement of natural persons between the two countries and various cooperation programs.[10]

The Japanese studies[11] on the other hand projected positive but very minimal effects on Japan's GDP of 0.01-0.03 % (Kawasaki) and 1.7-3.03% increase for Philippine GDP in the long run.[12]

## Formal Negotiations

Very little information on what transpired in the formal negotiating sessions is available to the public. We do know that the formal sessions commenced in February 2004 and had at least eight (8) formal sessions in Manila and Tokyo from February- October 2004.

From here, at least three working level sessions took place in Manila from November 2004 to February 2005.[13] Consultations/hearings on tariffs followed, then the completion of the text, legal review, and processes leading to mutual acceptance of the text, completion of other legal requirements and the joint signing of JPEPA by leaders. [14]

## Consultations

The PCC is mandated to conduct consultations with private sector representatives but only as it deems necessary. The conduct of sector specific consultations became the discretion of the lead national government agencies. The government however reported that public consultations were indeed conducted at least three (3) times in a span



of two years (2002-2004) and cited at least three (3) more occasions, in working group and JCT meetings that involved the private sector.

In at least one occasion, one member of civil society was present in a formal negotiating session. In the second round of talks in April 2004 in Tokyo, a researcher from Tambuyog Development Center (TDC) [15] joined the Philippine negotiating panel as an adviser on fisheries issues of Undersecretary Segfredo Serrano of the Department of Agriculture (DA). It was the first and last time that Tambuyog or any other civil society organization was invited to participate as part of the Philippine negotiating panel in the JPEPA negotiations.

### Senate Concurrence

After the signing of the deal in September 2006, the Executive set its sights on securing the mandatory approval of the Senate.[16] JPEPA was officially transmitted to the Senate on August 17, 2007. To prepare for this process the Philippine government created through Administrative Order 198 an interagency task force for JPEPA Senate ratification. The multi-agency JPEPA task force (JTF) was tasked to put forward to the Senate the benefits, advantages and opportunities to the Philippine economy of a bilateral agreement with Japan[17]

Hearings on JPEPA were first conducted by the Committee on Trade and Commerce chaired by Senator Manuel Roxas II in November 2006 before joint hearings of the Committees of Trade and Commerce and Foreign Relations were conducted, under the leadership of Senator Miriam Santiago. Santiago conducted a total of nine hearings from September to December 2007 with each hearing focusing on specific issues (economics, environment, movement of natural person, constitutional issues, and agriculture).

The committee report calling for “conditional concurrence” was completed by April 2008. Santiago however backtracked and deferred her sponsorship speech on JPEPA opting to secure a side agreement with Japan first. The side agreement was secured in late August 2008. The deal is set for plenary debates in the Senate. As of this writing, 12 Senators have signified their intention to approve the deal while at least five are still toying around with the idea of giving the agreement

### Senators and the JPEPA<sup>[18]</sup>

Senator	Position on JPEPA	Notes
Edgardo Angara	Signed Committee Report	
Juan Ponce Enrile	Signed Committee Report	
Manuel ‘Lito’ Lapid	Signed Committee Report	
Francis Pangilinan	Signed Committee Report with Reservations (without prejudice to sec 24, par 4)	Leading call for Renegotiation
Mar Roxas	Signed Committee Report with Reservation	
Richard Gordon	Signed Committee Report With Reservation	
Ramon Revilla, Jr	Signed Committee Report	
	With Reservation	
Rodolfo Biazon	Signed Committee Report With Reservation	
Miguel Zubiri	Signed Committee Report With Reservation	
Jinggoy Estrada	Signed Committee Report With Serious Reservation	
Benigno ‘Noynoy’ Aquino III		Leading call for Renegotiation
Jamby Madrigal		Leading call for Renegotiation
Antonio Trillanes IV		Leading call for Renegotiation
Panfilo Lacson		Leaning towards Renegotiation
Pia Cayetano		Leaning towards Renegotiation
Gringo Honasan		Leaning towards Renegotiation
Aquilino Pimentel	Signed Committee Report with Reservations	Leaning towards Renegotiation
Francis Escudero		Leaning towards Renegotiation
Joker Arroyo	Signed Report but withheld concurrence	Leaning towards Renegotiation

Source: Information drawn from reports, include report here: (<http://ph.news.yahoo.com/star/20080906/tph-miriam-assailed-senators-jpepa-541dfb4.html>)

back to the executive for re-negotiation. 16 votes are needed to ratify the deal.

## Japanese Lessons

Being the first bilateral agreement concluded by the Philippines, JPEPA sets a precedent for future bilateral trade negotiations. The JPEPA negotiations raised a number of critical questions, which are worth examining closely if we are to learn from this process and reform the way we negotiate such agreements.

The first issue is defining the national agenda. In the case of JPEPA, at least three elements were instrumental in defining the substance of the agreement. The first is the use of the Japan-Singapore Economic Partnership Agreement (JSEPA) as a template for JPEPA. JSEPA, the very first bilateral EPA forged by Japan is considered a springboard or catalyst for promoting Japan's economic relations with other ASEAN countries.[19]

The second element, which was evident early on, was the commitment of both parties to push for an ambitious agreement that is not just a free trade agreement but covers other areas like services, investment, human resources development and other forms of economic cooperation.[20] Through five meetings of the Working Group — four in Manila and one in Tokyo — between October 2002 and July 2003, both parties tossed around proposals for possible elements of the agreement.

For Japan, its negotiators were clearly pushing for greater liberalization of the investment regime, market access for Japanese manufactures and improvements in the business environment. For the Philippines, the main agenda included market access for our agricultural and fisheries products, and movement of natural persons, particularly targeting market access opening for the healthcare sector.

The third crucial element is research, which provided the empirical justification to the claims of gains and benefits and which fuelled the negotiations forward. The PIDS played a central role in the research part of the negotiation process. While the government recognizes the

area of research as an area of strength for the Philippines, a number of issues and concerns should be levied against the JPEPA studies.

The JPEPA research project of PIDS was clearly guided by a trade policy that is supportive of a more liberal regime for trade and investment. These studies were conducted after a political decision at the highest level has already been made—a decision to proceed and see the negotiations through — thereby raising the question of the real role of these studies. Are they meant to provide empirical basis for decisions on whether to proceed with the negotiations or are these studies meant simply to provide the justification for decisions that have already been made?

And lastly, how independent are these studies? Of particular concern with the JPEPA researches is the extent of Japanese influence both directly (through funding) and indirectly (through the framework of addressing what Japan needs rather than what the Philippines wants) into the outcomes of the researches.

The level of people's participation in the process is another critical issue related to the agenda building process. The JPEPA negotiations have been characterized by critics as a non transparent and secretive process with minimal space for people's participation. While the government claims transparency in the negotiations with a "structured, step-by-step negotiations process consisting of both formal and informal meetings, extensive consultation and public hearings, including attendance in hearings called by the House of Representatives,"[21] critics rightly point out the non-disclosure of the text during the negotiations process and the absence of a clear mechanism for people's participation as clear indicators of a democracy deficit in the JPEPA process.

After having identified our aggressive and defensive interests, the next issue in the whole process is the conduct of the formal negotiations themselves. Here the concerns are more administrative. Because this was the Philippines' first bilateral agreement of this nature and scope, the process was largely ad hoc. Inter-agency task forces were created specific for JPEPA alone. The formulation of specific chapters was delegated to specific national government agencies with the

PCC mandated to bring all of these together into a coherent national agenda.

### **Toxic Waste and the Constitution: Falling Through the Cracks**

The two most critical issues that stand out today as major arguments against the agreement– the dumping of toxic waste from Japan and the un-constitutionality of JPEPA– which were oddly enough left unresolved after the formal negotiations process, give us a glimpse into the level of coherence and coordination (or the lack thereof) in the process.

The Magkaisa Junk JPEPA, a broad multi-sectoral coalition campaigning against the deal, reported that during the negotiations, upon the advice of the Department of Environment and Natural Resources (DENR) to DTI, toxic wastes were stricken out of the list of trade-able goods in the 2003 working draft of JPEPA only to be re-inserted later to comply with the Harmonized System (HS).[22]

On the legal and constitutional issues, DTI reported a process of legal review to address these concerns towards the end of the formal negotiating process. Two members of the government’s legal review team– Justice Florentino Feliciano and Atty. Ma. Lourdes Sereno in their testimonies before the House Special Committee on Globalization– raised serious concerns over the nature and scope of the agreement and the implications on existing legislation as well as administrative and resource requirements.[23]

Furthermore, Atty. Sereno already raised a red flag on the role of (the executive) department on trade policy setting and treaty execution. This is one area of concern levied against JPEPA by Constitutional expert, Atty. Mervin Magallona when he noted that several provisions in the JPEPA indicate a blatant usurpation of Congressional Power. [24]

So while indeed a review process was conducted, there are serious doubts whether the recommendations of the review panel were even considered in the final agreement.

The third issue is oversight. What role did Congress play? A House Resolution calling for an inquiry on JPEPA,[25] led to Congressional hearings conducted under the House Special Committee on Globalization. To a large extent, the congressional hearings on JPEPA became the main platform for public debate on the proposed deal. These hearings compelled the DTI to provide updates on the negotiations to Congress and gave groups critical of JPEPA an opportunity to present their positions.

The Congressional hearings however failed to compel the Executive to provide Congress with a copy of the negotiating text, which remained inaccessible to public scrutiny until the deal was signed in 2006. In December 2005, Akbayan et al filed a petition before the Supreme Court to compel the government to publicly disclose the full text of JPEPA. The Supreme Court however ruled in July 2008 against the petition for disclosure, upholding the exercise of executive privilege in the case of JPEPA[26].

The Supreme Court decision on JPEPA does not invalidate however the need for oversight on deals entered into by the Executive especially because of their far reaching implications on development.

### **Way forward**

Examining the JPEPA process leads us to a number of policy options in reforming the trade negotiation process in the Philippines. We should start with an honest to goodness assessment of Philippine trade policy and how our adherence to this policy has impacted on development. We should also examine the way the Philippine government works within ASEAN. There should also be closer coordination in ASEAN not just in terms of the ASEAN-wide FTAs that are being negotiated but in relation to the bilateral efforts of its Member states as well.

There are proposals in Congress for the creation of the Philippine Trade Representative Office (PTRO), which could pave the way for a more coherent trade negotiating agenda and a more coordinated and systematic way of negotiations where inputs from academic and research institutions, from private sector, and from civil society organizations and social movements are heard and integrated into the

national agenda. Consultations should be made mandatory rather than discretionary on the part of the national government agencies.

An important element of participation is access to information. The enactment of the Freedom of Information Act is an important step towards ensuring that people have access to crucial documents including copies of the negotiating texts and become informed participants in the negotiating process.

The role of Congress in trade negotiations is another area that must be re-examined seriously in light of the JPEPA experience. Congress could play a crucial role in addressing the issue of oversight particularly in light of the Supreme Court Decision upholding the use of executive privilege in the JPEPA negotiations.

With the Philippines and ASEAN engaged in a number of FTA negotiations there is an urgent need to get our act together fast to establish a more systematic, coherent, participatory and more critical negotiations process if we are to prevent a repeat of JPEPA. (Focus on the Philippines September 2008)

Joseph Purugganan is a research associate of Focus on the Global South working mainly on trade issues. He is the coordinator of the Stop the New Round Coalition in the Philippines and co-coordinator of the EU-ASEAN FTA regional campaign network.

#### Endnotes:

- 1 Senate Eyes Tossing back JPEPA to Palace for Renegotiation. GMA News TV. 06 September 2008
- 2 Pangilinan: Some senators considering JPEPA renegotiation by Maila Ager. Inquirer.net . 04 September 2008
- 3 Roxas: Reforms Trade Negotiations Now Create Trade Rep Office To Avoid Problems Re: JPEPA. Press Release from the Office of Senator Roxas. 09 August 2008
- 4 Japan-Philippines Economic Partnership Agreement Joint Coordinating Team Report. December 2003
- 5 E.O 213: Creation of a Philippine Coordinating Committee to Study the Feasibility of JPEPA. 28 May 2003.
- 6 PIDIS is a policy research institution attached to the National Economic Development Authority (NEDA) created by virtue of Presidential Decree 1201 in 1977.
- 7 PASCN created by virtue of Administrative Order No. 303 which was issued on 23 November 1996
- 8 PIDIS Project Monitoring and Information System (<http://psd.pids.gov.ph/>)
- 9 The Joint Coordinating Committee (JCT) was created in 2003 to usher in the new stage of the negotiations.
- 10 As cited in the JCT Report. December 2003
- 11 Kawasaki: 2003 ; and Urata and Kiyota 2003
- 12 As cited in the JCT Report. December 2003
- 13 Presentation made by DTI Undersecretary Tomas Aquino in a Forum on JPEPA organized by the Stop the New Round Coalition. 25 February 2005
- 14 *ibid*
- 15 a non-government organization working on the fisheries sector
- 16 Upon the determination of the Department of Foreign Affairs that "JPEPA partakes of the nature of treaty that would require Senate concurrence" as cited in *Akbayan vs Aquino*. December 2005
- 17 Administrative Order (AO) 198. September 2007
- 18 Information drawn from reports: (<http://ph.news.yahoo.com/star/20080906/tph-miriam-assailed-senators-jpepa-541dfb4.html>)
- 19 Toward a Philippines-Japan Economic Partnership. PIDIS Research Proposal
- 20 *ibid*
- 21 DTI presentation to the Senate Committee on Trade and Commerce. November 2006
- 22 JPEPA: Too Much for Too Little. Summary of JPEPA Objections. Magkaisa Junk JPEPA Coalition. July 2008
- 23 Testimonies cited in *Akbayan vs Aquino*.
- 24 From Notes from Prof. Merlin Magallona's August 14 Senate Lecture on the Constitutional and Legal Implications of the JPEPA compiled by IDEALS for Magkaisa Junk JPEPA Coalition.
- 25 Cong. Lorenzo R. Tanada III and Cong. Aguja jointly filed House Resolution No. 551 on 25 January 2005, calling for an inquiry into the bilateral trade agreements currently being negotiated by the Philippine government, particularly the JPEPA
- 26 Supreme Court decision (G.R. No. 170516) promulgated July 16 2008.

## HOW DOHA DIED: A Ringsider's View

WALDEN BELLO

*Interview with Riza Bernabe, volunteer consultant to the Philippine delegation to the World Trade Organization Mini-ministerial meeting in Geneva, July 21-29, 2008*

(Regarded as one of the leading experts on Philippine trade and agriculture issues, Riza Bernabe was for a long time a researcher at the Philippine Peasant Institute [now Centro Saka Institute] and currently consults for various organizations. She was interviewed by Focus senior analyst Walden Bello on the latest collapse of the trade negotiations known as the "Doha Round.")

### The Agricultural Subsidies Issue

**Focus:** You have varying reports on how much agreement there was before the Doha Round talks collapsed on July 29. Some press reports said that countries had agreed on 90-95 per cent of the issues. Some said that only the Special Safeguard Mechanism (SSM) stood between failure and success. What do you think?

**Riza:** Well, let me speak only on the agriculture negotiations. I don't think that the subsidy issue was resolved. Sure, the US offered to cap its domestic subsidies at \$15 billion. But Brazil and other countries said that while that was good starting offer, it needed to be improved on. So the \$15 billion offer of the US is not viewed by members as the final figure.

**Focus:** What did you think of the US offer?

**Riza:** Well, it seemed like the US was conceding a great deal in coming down to \$15 billion from what it was prepared to offer in Potsdam in June 2007. It seemed that it was serious about meeting [WTO Director General Pascal] Lamy's proposal to have a cap on domestic subsidies that would range between \$13 to \$16 billion. But, in fact, its notifications on the size of the domestic support were much lower than \$15 billion during each of the last three years. So if it was actually shelling out much less in subsidies than \$15 billion, there was room for more reduction, as the other countries pointed out. But, you have to grant it to the US negotiators: by announcing the \$15 billion cap at the very beginning of the talks, they made the US look good and put other countries on the defensive. Image is as important as substance in the WTO talks: no one wants to be seen as being responsible for the collapse of negotiations.

### Why the US did not press SPs

**Focus:** I was surprised that the US did not make an issue of Special Products (SP's) this time around when it was partly on SP's that the G4 meeting in Potsdam foundered last year.

**Riza:** The maximum flexibility allowed under SP is exemption from tariff reduction. I am sure the US knows that, when it comes to SP's, developing countries are more concerned about the issue of preserving policy space, and that some of them use low applied tariffs even if they have high bound rates. So in a sense, Special Products do not really block trade as the US has always argued. I think the US used its position on SP's more as a bargaining chip rather than as a real negotiating point in the trade talks. It is definitely more concerned about the SSM (Special Safeguard Mechanism) because this has the potential of allowing developing countries to increase tariffs beyond the bound rates. The US does not want developing countries to have full access to SSM even though this will only be used during times of import surges or price declines.



## SSM: The Breaking Point

*Focus:* Let's move to the issue on which the Mini-ministerial broke down, the SSM. Who do you think was at fault?

*Riza:* Clearly, the US. As I mentioned earlier, the US wanted to emasculate the effectiveness of the SSM for developing countries. It wants to limit the opportunities when developing countries can increase tariffs beyond the pre-Doha bound rate in cases of import surges. The G33 has always insisted that remedies or additional tariffs should exceed the pre-Doha bound rate if SSM's are to be genuinely useful to developing countries, especially those with low tariff bindings. The US insisted that a 150% trigger should be breached before this maximum remedy can be used. This means that imports would have to surge by 50% before a developing country is allowed to increase tariffs beyond the UR [Uruguay Round] bound rate.[1] The G33 had earlier rejected the Lamy text, which set this trigger at 140%, so the US proposal was clearly unacceptable. Their proposals (both the US and Lamy's) meant that local farming industries in developing countries would already be dead before they could sufficiently increase tariffs to protect their local farmers!

The US also insisted on the "cross check," which essentially requires developing countries to show that once imports breach a volume trigger, it should also have an impact on prices, and conversely, once imports breach price triggers, it should also have an impact on volume. It is a roundabout way of saying that developing countries should have two sets of triggers – both price and volume – for SSM. This is a clear revisionist view of the Hong Kong Ministerial Declaration, which requires developing countries to meet either price or volume trigger for SSM.

*Focus:* What about on the level of protective tariffs that could be imposed, what were the disagreements here?

*Riza:* Well, even before the Mini-ministerial the G33 had already gotten the concession that countries could raise tariffs by at

least 15 percentage points beyond the Uruguay Round bound rates. Coming into the latest negotiations, Indonesia wanted no cap on the tariff hike. Some in the G33 wanted a cap of 50 to 70 per cent. The Philippines proposed capping tariff hikes at 30 per cent. The US knew that it had already lost the debate on whether or not remedies should exceed the pre-Doha bound rate, so its strategy was to limit developing countries' access to these remedies by insisting on a 150% trigger.

## The G33 and the Philippines

*Focus:* The 30 per cent cap the Philippines proposed, how was that arrived at?

*Riza:* That was based on simulations conducted by the Department of Agriculture.

*Focus:* We have it on good authority that there were a number of countries that were disappointed with this position, including Indonesia. Is this true?

*Riza:* I understand that there are differences in position regarding the extent to which remedies should go beyond the bound rate. Some members of the G33 maintain that there should be no cap on remedies, But the G33's main basis of unity – that remedies should exceed the UR bound rate – remains and it was able to win this debate in the trade talks.

*Focus:* There are some who say that the Philippines is no longer a part of the political core group of the G33. I thought we were seen as one of the leaders of the G33?

*Riza:* The Philippines was indeed regarded as one of the key leaders of G33 especially during the Cancun and Hong Kong Ministerial Meetings. I know that it is still a very active part of its technical core group. However, after the "Walk in the Woods,"[2] in which the Philippines was not able to participate, I am not sure if it is still seen as part of the coalition's political core.

*Focus:* Was the Philippines invited?

*Riza:* As far as I know, yes.

*Focus:* Do you think we did not attend so we would not have to bear the burden of carrying the G 33 position of high protective tariff rates while our position was only 30 per cent?

*Riza:* During a meeting with Philippine civil society groups in Geneva, Ambassador [Manuel] Teehankee, when asked by NGOs why the Philippines was not part of the Walk in the Woods, explained that the Mission decided to negotiate through the G33 and G20 rather than participate directly in the Walk in the Woods. What I can say though is that Indonesia's position on SP's and SSM's, especially insisting that there should be no caps on remedies was an indication that it took seriously its position as the leader of the G33.

*Focus:* We also heard that there was some friction between the delegation from Manila and our Geneva-based negotiators—that is, that the Manila delegation was more circumspect and was willing to sign on to an agreement only if our interests were not clearly compromised and the Geneva people placed more emphasis on a successful conclusion to the negotiations. Is this true?

*Riza:* It was precisely to better coordinate our negotiating strategy that Secretary of Agriculture [Arthur] Yap wrote up a memo specifying our bottom line in the negotiations before the Mini-ministerial. But in the case of many developing countries, people have noted that there is this constant tension between the capital and the negotiators. It is said that pressure from the capital is constantly needed to ensure your Geneva people do not agree to a bad deal. There is a diplomatic culture in Geneva that emphasizes compromise, for that is what diplomats do: to work out compromises. With its resources, the US does not face this problem, since the capital closely coordinates every move by its Geneva-based negotiators.

*Focus:* Do you think the Doha talks will resume soon?

*Riza:* I doubt this. I don't think it can resume until after the US elections. People are, in fact, talking about a freeze in the negotiations of at least two years. (Focus on the Philippines September 2008)

Endnotes:

[1] Also referred to as Pre-Doha bound rates.

[2] This refers to the crucial meeting called by Agriculture Committee Chairman Crawford Falconer on July 22, 2008, to iron out the differences between the US and the G33.

Walden Bello is a senior analyst at and former executive director of the Bangkok-based research and advocacy institute Focus on the Global South. In March he was named Outstanding Public Scholar for 2008 by the International Studies Association. He is also president of the Freedom from Debt Coalition. He can be contacted at [waldenbello@yahoo.com](mailto:waldenbello@yahoo.com).

# Meltdown

## A Primer on the **WALL STREET MELTDOWN**

WALDEN BELLO

Flying into New York, I had the same feeling I had when I arrived in Beirut two years ago, at the height of the Israeli bombing of that city—that of entering a war zone. The immigration agent, upon learning I taught political economy, commented, “Well, I guess you folks will now be revising all those textbooks?” The bus driver welcomed passengers with the words, “New York is still here, ladies and gentlemen, but Wall Street has disappeared, like the Twin Towers.” Even the usually cheerful morning shows feel obligated to begin with the bad news, with one host attributing the bleak events to “the fatcats of Wall Street who turned into pigs.”

This city is shellshocked, and most people still have to digest the momentous events of the last two weeks:

- \$2.3 trillion dollars of investor wealth went up in smoke last week as the Dow Jones Industrial Average registered its worst week ever, plunging 18 per cent as investors panicked and kept on unloading stock despite various US government plans to bail out the banks;
- The collapse of one of the Street’s most prominent investment banks, Lehman Brothers, followed by the largest bank failure in US history, that of Washington Mutual, the country’s largest savings and loan institution;
- Wall Street effectively nationalized, with the Federal Reserve and the Treasury Department making all the major strategic

decisions in the financial sector and, with the rescue of the American International Group (AIG), the amazing fact that the US government now runs the world’s biggest insurance company;

- Over \$8.4 trillion in total market capitalization has been wiped out since October of last year, with over a trillion of this accounted for by the unraveling of Wall Street’s financial titans, and now banks are beginning to totter in Europe as the “American financial virus” spreads.

The usual explanations no longer suffice. Extraordinary events demand extraordinary explanations. But first...

### Is the worst over?

No, if anything is clear from the contradictory moves of the last week—allowing Lehman Brothers and Washington Mutual to collapse while taking over AIG, and engineering Bank of America’s takeover of Merrill Lynch—there is no strategy to deal with the crisis, just tactical responses, like the fire department’s response to a conflagration. (Some say this description is an insult to the fire department.)

The moves of the US and European governments amount to desperate efforts to shore up confidence in the system, to prevent the erosion of trust in the banks and other financial institutions and prevent a massive bank run such as the one that triggered the Great Depression of 1929.

The financial crisis has now spread to Europe and Asia, and it is no longer something that only affects banks that hold subprime securities they bought from US institutions. It is now a question of fear overcoming trust. Banks don’t want to lend to corporations because they want to hold on cash and other secure assets to defend themselves from an unpredictable conflagration, and depositors have growing fears about whether their money is safe in the bank. In this crisis, no bank, even the seemingly most impregnable, is safe from a run such as that which triggered the Great Depression in 1929. In a run, no bank is solvent.

## **What caused the collapse of global capitalism's nerve center? Was it greed?**

Good old fashioned greed played a part. This is what Klaus Schwab, the organizer of the World Economic Forum, the yearly global elite jamboree in the Swiss Alps, meant when he told his clientele in Davos earlier this year: "We have to pay for the sins of the past."

## **Was this a case of Wall Street outsmarting itself?**

Definitely. Financial speculators outsmarted themselves by creating more and more complex financial contracts like derivatives that would securitize and make money from all forms of risk—including exotic futures instruments as "credit default swaps" that enable investors to bet on the odds that the banks' own corporate borrowers would not be able to pay their debts! This is the unregulated multitrillion dollar trade that brought down AIG.

On December 17, 2005, when International Financing Review (IFR) announced its 2005 Annual Awards — one of the securities industry's most prestigious awards programs—it had this to say: "[Lehman Brothers] not only maintained its overall market presence, but also led the charge into the preferred space by ... developing new products and tailoring transactions to fit borrowers' needs...Lehman Brothers is the most innovative in the preferred space, just doing things you won't see elsewhere."

No comment. But Warren Buffett, a grand speculator who eliminated derivatives from his investment fund long before the recent crisis, called derivatives in 2003 "financial weapons of mass destruction" devised by "madmen" whom he recently defined as "geeks bearing formulas." The truth is that the top graduates of the US business schools like Harvard and Stanford brought us this crisis.

## **Was it lack of regulation?**

Yes—everyone acknowledges by now that Wall Street's capacity to innovate and turn out more and more sophisticated financial instruments had run far ahead of government's regulatory capability, not because government was not capable of regulating but because the dominant neoliberal, laissez-faire attitude prevented government

from devising effective mechanisms with which to regulate. The massive trading in derivatives helped precipitate this crisis, and the man who did the most to prevent the regulation of derivatives was Alan Greenspan, the former chairman of the Federal Reserve Board, who believed that the derivatives market would regulate itself.

The US Congress agreed with Greenspan and passed a law excluding derivatives from being regulated by the Securities Exchange Commission in 2000. Deregulation, it must be noted, was not just a Republican initiative. It was bipartisan. Led by Wall Streeter Robert Rubin, Bill Clinton's Treasury Secretary, the Clinton administration and Congressional Democrats were also strong supporters of another law that helped father the current crisis, the repeal of the Glass-Steagall Act, which prevented commercial banks from also being investment banks.

## **But isn't there something more that is happening? Something systemic?**

Well, George Soros, who saw this coming, says what we are going through is the crisis of the "gigantic circulatory system" of a "global capitalist system that is...coming apart at the seams."

To elaborate on the arch-speculator's insight, what we are seeing is the intensification of one of the central crises or contradictions of global capitalism which is the crisis of overproduction, also known as overaccumulation or overcapacity.

This is the tendency for capitalism to build up tremendous productive capacity that outruns the population's capacity to consume owing to social inequalities that limit popular purchasing power, thus eroding profitability.

## **But what does the crisis of overproduction have to do with recent events?**

Plenty. But to understand the connections, we must go back in time to the so-called Golden Age of Contemporary Capitalism, the period from 1945 to 1975.

This was a period of rapid growth both in the center economies and in the underdeveloped economies—one that was partly triggered by the massive reconstruction of Europe and East Asia after the devastation of the Second World War, and partly by the new socio-economic arrangements that were institutionalized under the new Keynesian state. Key among the latter were strong state controls over market activity, aggressive use of fiscal and monetary policy to minimize inflation and recession, and a regime of relatively high wages to stimulate and maintain demand.

### So what went wrong?

Well, this period of high growth came to an end in the mid-seventies, when the center economies were seized by stagflation, meaning the coexistence of low growth with high inflation, which was not supposed to happen under neoclassical economics.

Stagflation, however, was but a symptom of a deeper cause: the reconstruction of Germany and Japan and the rapid growth of industrializing economies like Brazil, Taiwan, and South Korea added tremendous new productive capacity and increased global competition, while social inequalities within countries and between countries globally limited the growth of purchasing power and demand, thus eroding profitability. This was aggravated by the massive oil price rises of the seventies.

### How did capitalism try to solve the crisis of overproduction?

Capital tried three escape routes from the conundrum of overproduction: neoliberal restructuring, globalization, and financialization.

### What was neoliberal restructuring all about?

Neoliberal restructuring took the form of Reaganism and Thatcherism in the North and Structural Adjustment in the South. The aim was to invigorate capital accumulation, and this was to be done by 1) removing state constraints on the growth, use, and flow of capital and wealth; and 2) redistributing income from the poor and middle classes to the rich on the theory that the rich would then be motivated to invest and reignite economic growth.

The problem with this formula was that in redistributing income to the rich, you were gutting the incomes of the poor and middle classes, thus restricting demand, while not necessarily inducing the rich to invest more in production. In fact, what they did was to channel a large part of their redistributed wealth to speculation.

The truth is neoliberal restructuring, which was generalized in the North and South during the eighties and nineties, had a poor record in terms of growth: global growth averaged 1.1 per cent in the nineties and 1.4 in the eighties, whereas it averaged 3.5 per cent in the 1960's and 2.4 per cent in the seventies, when state interventionist policies were dominant. Neoliberal restructuring could not shake off stagnation.

### How was globalization a response to the crisis?

The second escape route global capital took to counter stagnation was “extensive accumulation” or globalization, or the rapid integration of semi-capitalist, non-capitalist, or precapitalist areas into the global market economy. Rosa Luxemburg, the famous German revolutionary economist, saw this long ago as necessary to shore up the rate of profit in the metropolitan economies. How? By gaining access to cheap labor, by gaining new, albeit limited, markets, by gaining new sources of cheap agricultural and raw material products, and by bringing into being new areas for investment in infrastructure. Integration is accomplished via trade liberalization, removing barriers to the mobility of global capital, and abolishing barriers to foreign investment.

China is, of course, the most prominent case of a non-capitalist area to be integrated into the global capitalist economy over the last 25 years.

To counter their declining profits, a sizable number of the Fortune 500 corporations have moved a significant part of their operations to China to take advantage of the so-called “China Price”—the cost advantage deriving from China's seemingly inexhaustible cheap labor. By the middle of the first decade of the 21st century, roughly 40 to 50 per cent of the profits of US corporations were derived from their operations and sales abroad, especially China.



### Why didn't globalization surmount the crisis?

The problem with this escape route from stagnation is that it exacerbates the problem of overproduction because it adds to productive capacity. A tremendous amount of manufacturing capacity has been added in China over the last 25 years, and this has had a depressing effect on prices and profits. Not surprisingly, by around 1997, the profits of US corporations stopped growing. According to another index devised by economist Philip O'Hara, the profit rate of the Fortune 500 went from 7.15 in 1960-69 to 5.30 in 1980-90 to 2.29 in 1990-99 to 1.32 in 2000-2002. By the end of the 1990's, with excess capacity in almost every industry, the gap between productive capacity and sales was the largest since the Great Depression.

### What about financialization?

Given the limited gains in countering the depressive impact of overproduction via neoliberal restructuring and globalization, the third escape route became very critical for maintaining and raising profitability: financialization.

In the ideal world of neoclassical economics, the financial system is the mechanism by which the savers or those with surplus funds are joined with the entrepreneurs who have need of their funds to invest in production. In the real world of late capitalism, with investment in industry and agriculture yielding low profits owing to overcapacity, large amounts of surplus funds are circulating and being invested and reinvested in the financial sector—that is, the financial sector is turning on itself.

The result is an increased bifurcation between a hyperactive financial economy and a stagnant real economy. As one financial executive notes, "there has been an increasing disconnect between the real and financial economies in the last few years. The real economy has grown...but nothing like that of the financial economy—until it imploded."

What this observer does not tell us is that the disconnect between the real and the financial economy is not accidental—that the financial

economy exploded precisely to make up for the stagnation owing to overproduction of the real economy.

### What were the problems with financialization as an escape route?

The problem with investing in financial sector operations is that it is tantamount to squeezing value out of already created value. It may create profit, yes, but it does not create new value—only industry, agricultural, trade, and services create new value. Because profit is not based on value that is created, investment operations become very volatile and prices of stocks, bonds, and other forms of investment can depart very radically from their real value—for instance, the stock of Internet startups that keep on rising, driven mainly by upwardly spiraling financial valuations, that then crash. Profits then depend on taking advantage of upward price departures from the value of commodities, then selling before reality enforces a "correction," that is a crash back to real values. The radical rise of prices of an asset far beyond real values is what is called the formation of a bubble.

### Why is financialization so volatile?

Profitability being dependent on speculative coups, it is not surprising that the finance sector lurches from one bubble to another, or from one speculative mania to another.

Because it is driven by speculative mania, finance driven capitalism has experienced about 100 financial crises since capital markets were deregulated and liberalized in the 1980's.

Prior to the current Wall Street meltdown, the most explosive of these were the Mexican Financial Crisis of 1994-95, the Asian Financial Crisis of 1997-1998, the Russian Financial Crisis of 1996, the Wall Street Stock Market Collapse of 2001, and the Argentine Financial Collapse of 2002.

Bill Clinton's Treasury Secretary, Wall Streeter Robert Rubin, predicted five years ago that "future financial crises are almost surely inevitable and could be even more severe."

## How do bubbles form, grow, and burst?

Let's first use the Asian Financial Crisis of 1997-98, as an example.

- First, capital account and financial liberalization at the urging of the IMF and the US Treasury Department;
- Then, entry of foreign funds seeking quick and high returns, meaning they went to real estate and the stock market;
- Overinvestment, leading to fall in stock and real estate prices, leading to panicky withdrawal of funds—in 1997, \$100 billion left the East Asian economies in a few weeks;
- Bailout of foreign speculators by the IMF;
- Collapse of the real economy—recession throughout East Asia in 1998;

Unfortunately, despite massive destabilization, efforts to impose both national and global regulation of financial system were opposed on ideological grounds.

## Let's go to the current bubble. How did it form?

The current Wall Street collapse has its roots in the Technology Bubble of the late 1990's, when the price of the stocks of Internet startups skyrocketed, then collapsed, resulting in the loss of \$7 trillion worth of assets and the recession of 2001-2002.

The loose money policies of the Fed under Alan Greenspan had encouraged the Technology Bubble, and when it collapsed into a recession, Greenspan, to try to counter a long recession, cut the prime rate to a 45-year-low of 1 per cent in June 2003 and kept it there for over a year. This had the effect of encouraging another bubble—the real estate bubble.

As early as 2002, progressive economists such as Dean Baker of the Center for Economic Policy Research were warning about the real estate bubble. However, as late as 2005, then Council of Economic Adviser Chairman and now Federal Reserve Board Chairman Ben Bernanke attributed the rise in US housing prices to “strong economic

fundamentals” instead of speculative activity. Is it any wonder that he was caught completely off guard when the subprime crisis broke in the summer of 2007?

## And how did it grow?

Let's hear it from one key market player himself, George Soros: “Mortgage institutions encouraged mortgage holders to refinance their mortgages and withdraw their excess equity. They lowered their lending standards and introduced new products, such as adjustable mortgages (ARMs), “interest only” mortgages, and promotional teaser rates.” All this encouraged speculation in residential housing units. House prices started to rise in double-digit rates. This served to reinforce speculation, and the rise in house prices made the owners feel rich; the result was a consumption boom that has sustained the economy in recent years.”

Looking at the process more closely, the subprime mortgage crisis was not a case of supply outrunning real demand. The “demand” was largely fabricated by speculative mania on the part of developers and financiers that wanted to make great profits from their access to foreign money—lots of it from Asia — that flooded the US in the last decade. Big ticket mortgages or loans were aggressively made to millions who could not normally afford them by offering low “teaser” interest rates that would later be readjusted to jack up payments from the new homeowners.

## But how could subprime mortgages going sour turn into such a big problem?

Because these assets were then “securitized” with other assets into complex derivative products called “collateralized debt obligations” (CDO's) by the mortgage originators working with different layers of middlemen who understated risk so as to offload them as quickly as possible to other banks and institutional investors. These institutions in turn offloaded these securities onto other banks and foreign financial institutions. The idea was to make a sale quickly, make a tidy profit, while foisting the risk on the suckers down the line.

When the interest rates were raised on the subprime loans, adjustable mortgages and other housing loans, the game was up. There are about six million subprime mortgages outstanding, 40 per cent of which will likely go into default in the next two years, Soros estimates.

And five million more defaults from adjustable rate mortgages and other “flexible loans” will occur over the next several years. But securities whose value run into trillions of dollars have already been injected, like virus, into the global financial system. Global capitalism’s gigantic circulatory system has been fatally infected. And, as with a plague, we don’t know who and how many are fatally infected until they keel over because the whole financial system has become so non-transparent owing to lack of regulation.

### **But how could Wall Street titans collapse like a house of cards?**

For Lehman Brothers, Merrill Lynch, Fannie Mae, Freddie Mac, and Bear Stearns, the losses represented by these toxic securities simply overwhelmed their reserves and brought them down. And more are likely to fall once their books—since lots of these holdings are recorded “off the balance sheet” — are corrected to reflect their actual holdings of these assets.

And many others will join them as other speculative operations such as credit cards and different varieties of risk insurance seize up. The American International Group (AIG) was felled by its massive exposure in the unregulated area of credit default swaps, derivatives that make it possible for investors to bet on the possibility that companies will default on repaying loans. Such bets on credit defaults now make up a \$45 trillion market that is entirely unregulated. It amounts to more than five times the total of the US government bond market. The mega-size of the assets that could go bad should AIG collapse was what made Washington change its mind and salvage it after it let Lehman Brothers collapse.

### **What’s going to happen now?**

We can safely say then that there will be more bankruptcies and government takeovers, with foreign banks and institutions joining

their US counterparts, that Wall Street’s collapse will deepen and prolong the US recession, and that in Asia and elsewhere, a US recession will translate into a recession, if not worse. The reason for the last point is that China’s main foreign market is the US and China in turn imports raw materials and intermediate goods that it uses for its exports to the US from Japan, Korea, and Southeast Asia. Globalization has made “decoupling” impossible. The US, China, and East Asia are like three prisoners bound together in a chain-gang.

### **In a nutshell...?**

The Wall Street meltdown is not only due to greed and to the lack of government regulation of a hyperactive sector. The Wall Street collapse stems ultimately from the crisis of overproduction that has plagued global capitalism since the mid-seventies.

Financialization of investment activity has been one of the escape routes from stagnation, the other two being neoliberal restructuring and globalization. With neoliberal restructuring and globalization providing limited relief, financialization became attractive as a mechanism to shore up profitability. But financialization has proven to be a dangerous road, leading to speculative bubbles that lead to the temporary prosperity of a few but which ultimately end up in corporate collapse and in recession in the real economy.

The key questions now are: How deep and long will this recession be? Will it tip over into a depression? Does the US economy need another speculative bubble to drag itself out of this recession. And if it does, where will the next bubble form? Some people say the military-industrial complex or the “disaster capitalism complex” that Naomi Klein writes about is the next one, but that’s another story. Focus on the Philippines October 2008)

Walden Bello is the president of Freedom from Debt Coalition, Senior Analyst at Focus on the Global South, and Professor of Sociology at the University of the Philippines.

## PROTECTING THE POOR

LEONOR MAGTOLIS BRIONES

“How will the US financial meltdown affect the Philippines? What are the implications of the crisis on the 2009 national budget? How will it impact on the Filipinos”? These were the questions which Congressman Rolio Golez and his colleagues raised when the Alternative Budget Initiative convened by Social Watch Philippines, presented its alternative budget for education, health, agriculture and the environment to the Appropriations Committee of the House of Representatives. These very same issues were likewise raised by Minority Floor Leader Ronaldo Zamora when ABI/Social Watch made a similar presentation later in the afternoon. How relevant are the macroeconomic assumptions in the 2009 budget in the light of the rapid global escalation of the crisis?

As early as May, ABI/Social Watch already engaged the first version of the macroeconomic assumptions. These did not take into account the double tsunami of rising rice and fuel costs, as well as increase in poverty and hunger. The submission of the 2009 budget on August 30 was followed by the collapse of the US financial markets, rendering the second version of the macroeconomic assumptions downright ridiculous and absurd.

Uncertainties about the \$700 billion rescue package from the US government further rendered the third version of the assumptions submitted last week by the economic team of the government even more tenuous.

It is important to bear in mind the combined impacts of external crisis and bad governance, including graft and corruption.

I mentioned the fact that while concern was immediately expressed about the banks and the stock market, risks and dangers threaten the entire Philippine economy as well as the social system. The government has stoutly maintained that they are ready to come to the rescue of the private financial system.

The slowdown in the US economy will surely impact on trade and tourism. This is unfortunate since trade is the best source of foreign exchange for the economy, and not debt.

The Philippine economy is kept afloat by remittances from overseas workers. Filipino Americans have assimilated the credit culture of the American system. They are in debt for houses, cars, appliances and even for their trips home. They have made bad investments. This is also true for European Filipinos. Remittances as well as balikbayan expenditures might be reduced.

### Who needs government protection?

The ones who need the most protection are those who have the least capacity to protect themselves, namely the lower middle class and the poor.

The slowdown in trade and tourism will surely impact on employment and incomes. The continued increase in prices of consumer goods will surely affect expenditures for food, health and education.

Worse, the fabric of society will be threatened as criminality rises. The poor will prey on their fellow poor. They are the ones who will be held up; their purses and cell phones will be stolen; their homes will be burglarized. They will even be killed for a few pesos. The rich might be safe in their enclaves and fortresses but not the lower middle class and the poor who are surrounded by the poorest.



Photo by Carlos Paredes

### How can the budget serve as an instrument for protecting the poor?

Since the government claims that the financial sector is fairly safe, public financial resources should be utilized to strengthen the real economy and its productive forces. Focus should be on the sectors which produce what we need to survive: food and basic necessities.

ABI/Social Watch recommended that expenditures in education, health, agriculture and environment should be increased by at least P34 billion. An additional P18.697 billion was recommended for education—for the creation of new teaching positions, teachers' training, scholarship and fellowship grants, benefits for teachers under the Magna Carta, and development of alternative learning systems. For higher education, P536.72 million was recommended for capital outlay and tuition subsidy.

It was also proposed that the health budget be augmented by P 3.352 billion. Among others, this will cover implementation of doctors to the barrios programs to induce physicians to go to the provinces, and provisions for pools of resident physicians. ABI/Social Watch also proposed intensified rabies control programs and mercury-free thermometers for hospitals.

As for agriculture, it was proposed that additional allocations of P9.680 billion be made for organic fertilizers; strengthening of irrigation and infrastructure, dryers and post harvest facilities, and agricultural education .

Additional allocations were proposed for environment at P2.586 billion for community based forestry programs, operations against toxic substances and waste management, pollution control and other projects.

### Where will the money be coming from?

ABI/Social Watch identified more than P82 billion in proposed allocations which are vague, don't contain special provisions and are highly vulnerable to manipulation.

The budget for 2009 should be a budget for the real economy and for the people who produce this country's output by the sweat of their brow. (Focus on the Philippines October 2008)

Prof. Briones is co-convenor of Social Watch Philippines. This article was first released October 6, 2008 in her Business of Governance column at [www.abs-cbnnews.com](http://www.abs-cbnnews.com).



## The Need for **A DEBT MORATORIUM:** Increasing Fiscal Spending, Ending Fiscal Dictatorship

FREEDOM FROM DEBT COALITION

This FDC position paper on the Crisis and Budget was submitted to the House of Representatives. This paper and related articles can be found at [www.fdc.ph](http://www.fdc.ph)

### The Economic Crisis

Much has been said of the global economic crisis brought about by the collapse of the US financial market. Yet, little has been said and discussed about the real effects of the crisis on a small developing nation such as the Philippines. The few who have taken the challenge to present an alternative scenario concerning the magnitude of the crisis to a fledging economy like the Philippines were branded as doomsayers and pessimists. This was in tandem with the government's pompous brandishing of our so-called strong economic fundamentals like a talisman, which would purportedly withstand the test of the anticipated "economic winter."

This continuing denial from our government coupled with misplaced optimism was further motivated by the recent signing by US President George W. Bush of the historic \$ 700 billion Wall Street bailout which was billed as the largest and most expensive US government intervention since the 1930s. However, confidence in the international financial market is still pretty much held in reserve as the US government admitted that the scheme would not be an

instant fix for the broad financial crisis and is in fact adopting a "wait and see" approach on the said debacle.

In fact, many developing nations in the Asian region are preparing for the worst. For example, economists in Malaysia are asking their government to increase investment in the country while China is considering increasing its wages so as growth can be boosted by higher domestic consumption instead of relying solely on exports.

Proposals to finance the investment of new productive capacity sourced from domestic resources are also being strongly recommended with governments having a stronger role in providing credit sourced from local financial institutions.

Simply put, the general attitude towards the crisis is for developing nations to increase state spending relying on self-financing directed to social services as well as the productive sectors to pump blood to their local economies.

One of the reasons for this is the assumption that foreign credit will be harder to access next year as foreign interest rates are expected to jack up, with the U.S. government set to borrow \$700 billion for financial bailout, and with foreign banks tightening credit in an effort to ward-off inflation.

Actually, finance secretary Margarito Teves himself announced that the government will be "pre-funding" its financial requirements for 2009, due to a more inaccessible credit next year.

Another factor is the strong economic links which have been developed between the US and the Asian market particularly China. China's main market is the US which in turn imports raw materials from neighboring nations such as Korea, Japan and Southeast Asia. As US faces uncertainty, China and its neighbors confront the same economic dilemma.

Increasingly, developing nations appear to be developing their own version of "decoupling" so as to mitigate the onslaught of the crisis. They are not only increasingly relying on their resources but are also reflecting on the merits and disadvantages of financial deregulation

and liberalization while pondering the difficult question of whether the old development model is in fact viable in the first place.

### **The 2009 National Government Budget**

However, the same cannot be said of how our government is preparing for the crisis. The proposed National Expenditure Program for 2009 is a case in point.

In the proposed P1.415 trillion 2009 national government budget, The Budget of Expenditures and Sources of Financing for 2009 states that the proposed budget measure would be funded by P1.393 trillion worth of revenues thus, creating a deficit of P21.66 billion. Of the P1.415-trillion budget, P302.650 billion will go for interest payments of outstanding debts.

However, the budget does not count the principal amortization for outstanding debt, which is pegged at P378.866 billion. In truth, this makes the real deficit to be at P400.53 billion pesos instead of P21.66 billion.

To cover the deficit, the government will be borrowing a total of P437.086 billion pesos. This is on a period of tightening global credit as the U.S. government borrows massively to weather its financial crisis. Yet, the “gross borrowings” will not go to pump-up the budget or to stimulate the economy. It would automatically go to “rolling over” the payment made for the principal amortization.

In effect, while other countries are preparing for self-reliance and are institutionalizing mechanisms for capital and resources to stay within their respective economies, we are doing the opposite. We are virtually helping rich countries such as the US bail themselves out of the crisis while we make our economy more vulnerable.

Obviously, the 2009 budget as it is will not prepare us for the global financial crunch.

The budget is still heavily dependent on the availability of foreign credit. Proof of this, we are still reeling from a serious financial outflow as large chunks of the debt we are paying for are in dollars, and we are still paying for loan agreements which are blatantly illegitimate.

Furthermore, we are still not spending enough on social services to prepare our labor force and the real economy to survive the crisis while meeting the challenges in the future.

### **Increasing Fiscal Spending, Ending Fiscal Dictatorship**

While we duly identify with certain sectors calling for a radical slash of the budget, subjecting it to a resource diet to lessen the fat and to narrow the maneuverability in using it as an election campaign kitty, we believe that a mere slashing of the budget without alternative reallocation is detrimental in the long run. Such measure is blind to the economic crisis, as it would run contrary to the need to spur needed economic mobility as well as provide socio-economic protection to the ordinary people.

We also believe calling for such a measure without demanding serious reforms in the budget to effectively address the democratic deficit and to curb the executive’s preeminent fiscal powers is tantamount to the perpetuation of such powers which were the autocratic legacy of the deposed Marcos dictatorship.

Thus, given the international economic climate, the government should in fact realize the dual task of increasing fiscal spending on social and economic services and in ending the embarrassing yet enduring legacy of the dictatorship so encroached in the budget process.

### **Debt Moratorium**

The common question asked concerning alternative allocation and augmentation of specific social spending is where to source its financing. While there are numerous sources of financing such as a recommendation to reduce allocations to non-performing programs and agencies whose absorptive capacities are below par in order to augment basic services and infrastructure development, we also believe the biggest and the most underutilized source of financing are debts claimed from us that are being serviced by our annual budget.

Instead of allowing our resources to go to waste in servicing questionable debts, the legislature should immediately call for a moratorium on external debt payments amounting to P 200 billion and the transformation of the said funds into an “economic stimulus package” which will help shield the Philippines from the global fallout through boosting spending for social and economic services.

However, our call for a moratorium is not only based on the deepening economic crisis, it is also fundamentally grounded on serious questions challenging the legitimacy of the said debts and the continuing injustice being committed due to the payments of these false obligations.

### Implementing the Moratorium

Hence, the moratorium should be until an official comprehensive investigation and audit of all public debt and contingent liabilities is completed while archaic policies such as the Automatic Debt Servicing Provision of the Revised Administrative Code of 1987 which perpetuate our debt problem is overhauled.

This can be done with the creation of a Congressional Debt Audit Commission which while will audit all public debt will also review all laws and policies on borrowings and payments, leading to an overhaul of the said laws to effectively address fundamental flaws that have contributed to our debt problem.

Loan agreements, proposed loans and other debts found to be illegitimate, grossly unfair and onerous, fraudulent, wasteful and odious, and have caused serious negative impacts, should be repudiated and payment immediately discontinued.

The government should also call on lenders to cancel these debts, demand reparations and/or restitution from lenders and other parties if necessary. Furthermore, there should be immediate steps for the revision of contracts for debts with lesser irregularities.

On the other hand, we also know for a fact that measures such as moratorium in the past have only caused the ballooning of debts after the end of the said measure. As a result, we demand that there should

be no interest accruing on these debts during the moratorium period. We also deem it necessary that the accumulated principal payments of these debts should not be paid immediately after the moratorium is lifted. Rather, it should be spread out over time.

More than ever, the international economic crisis has forced the government to choose between the interest and welfare of its people or the interest and greed of lending institutions. Yet we assert, with or without the crisis, the Philippine government must once and for all resolve our long incarceration to debts illegitimately claimed from us by lenders.

### Legislative Proposals on the 2009 Budget

The call for an external debt service moratorium is buttressed by the fact that the Congress itself recognized the existence of “fraudulent, wasteful and useless” debts being serviced in the budget. In fact, they decided to suspend interest payments for such loans in the 2008 budget and reallocated the funds to social and economic services. The debt service reduction, however, was vetoed by Malacañang.

FDC maintains its proposal to reduce debt service in the 2009 budget. Specifically, we propose the non-allocation of interest payments worth \$317.88 million or P14.30 billion earmarked for:

- loan payments for illegitimate debts – a total of \$80.14 million or P3.61 billion.
- proposed loans which doubled for 2009 – amounting to \$237.74 million or P10.698 billion.

As in the 2008 budget, the freed-up debt service funds should be re-channeled to an economic and social “stimulus package” to shield the Philippines from the US financial fallout, mitigate the current price crisis, and serve as counter-cyclical measure in a period of global economic downturn.

- Priority should be given to social and economic services and other productive expenditures. The Alternative Budget Initiative (ABI) already proposed increases of P34.85 billion.
- The stimulus package should also include a tax cut, in particular the suspension of Value Added Tax (VAT) on oil and power as a source of financing for the 2009 budget through a General

Provision. This would in effect free a total of P92.77 billion for the public to spend. The proposed tax cut includes the following:

- VAT on Petroleum Products as collected by BIR, P770 million.
- VAT on Raw Materials for Petroleum Products as collected by BIR, P1 million.
- VAT on Electric Power Industry, P15.42 billion.
- VAT on Electric Cooperatives, P894 million.
- VAT on Petroleum Products as collected by BoC, P30.09 billion.
- VAT on Raw Materials for Petroleum Products as collected by BoC, P45.59 billion.

### Legislative Proposals towards Fiscal Democracy

One of the best ways to correct the huge democratic deficit in the budget process is for Congress to reclaim its lost constitutional power of the purse by curbing the executive department's unregulated fiscal powers.

Thus, we in FDC call for the following:

- Amendment of the Revised Administrative Code of 1987 as instituted by Executive Order 292 so as to remove the executive powers of impoundment (Section 38), realignment of savings (Section 39) and automatic debt servicing (Section 26 B).
- Amendment of the Foreign Borrowings Act of 1966 (as amended by PD 1939) and the Official Development Act of 1996 to place more Congressional limits and parameters on the unilateral contracting of loans
- Legislation of parameters for the line-veto and reenactment.
- Passage of House Joint Resolution No. 4 mandating Congress to create a Congressional Debt Commission which will audit all public debt and contingent liabilities.

Likewise, to ensure transparency, accountability and budget responsiveness to people's needs, we call for the institutionalization of grassroots people's participation and involvement in all stages and levels of budget development. (Focus on the Philippines October 2008)

The Freedom from Debt Coalition (FDC) – Philippines is a nationwide multi-sectoral coalition conducting advocacy work in the national, local and international arenas, to realize a common framework and agenda for economic development. The main task of the Coalition is advocacy, which is the process of promoting alternatives and working for change in policies, programs, structures and relations.

# Migration

## ARE OFWS FALLING THROUGH THE CRACKS?: Between Unwieldy Regulation and the Middle Men of Migration

JULIE DE LOS REYES

Even as the economy benefits from remittances from Filipino workers abroad, another beneficiary of the steady stream of workers leaving the country is the thriving recruitment industry back home. In a given day, nearly 3,000 Filipinos leave the country for overseas employment, almost all of whom go through private recruitment agencies. Not surprisingly, the growth of the recruitment industry over the past three decades was nothing short of spectacular: from 44 agencies in 1974 to 3,168 agencies in 2007. [1]

While the Philippine Overseas Employment Administration (POEA) recognizes the contribution of the private sector in sending one million Filipinos abroad each year, regulating the industry has been a challenge.

### Looking back

Temporary labor migration in the Philippines started in the 1950s, but it was not until the period 1974 to 1983 that the recruitment industry came into full swing. It was only in 1974 that the labor migration program of the Philippines was officially institutionalized, with the issuance of Presidential Decree 442, also known as the Labor Code of the Philippines. Prior to this, private recruitment agencies facilitated small-scale migration almost exclusively to the United States.

With the increased demand for manpower in the Middle East as a result of the oil boom in the 1970s, overseas employment was explored by the government as a temporary measure to address unemployment and to improve the national balance of payment position of the country. In the view of then President Ferdinand Marcos, “if these problems are met or at least partially solved by contract migration, we [can] expect an increase in national savings and investment levels”. [2]

In 1974, the number of recruitment agencies stood at a mere 44. But with the sustained demand for overseas work over the years, this figure grew exponentially, leading to an equally exponential growth in migration flows. From the period 1974 to 1982 alone, the number of deployed workers increased from 14,366 to 314,284. [3] By 1982, there were a total of 1,100 recruitment agencies in existence.

During this period of accelerated growth in deployment, the government abandoned its initial plan of centralizing the recruitment and placement of workers in the Overseas Employment Development Board, the National Seaman Board, and the Bureau of Employment Services, the three administrative bodies which were established to first regulate and later replace private recruitment agencies. These institutions were later merged in 1982 with the establishment of the Philippine Overseas Employment Administration (POEA) under the Department of Labor and Employment (DOLE).

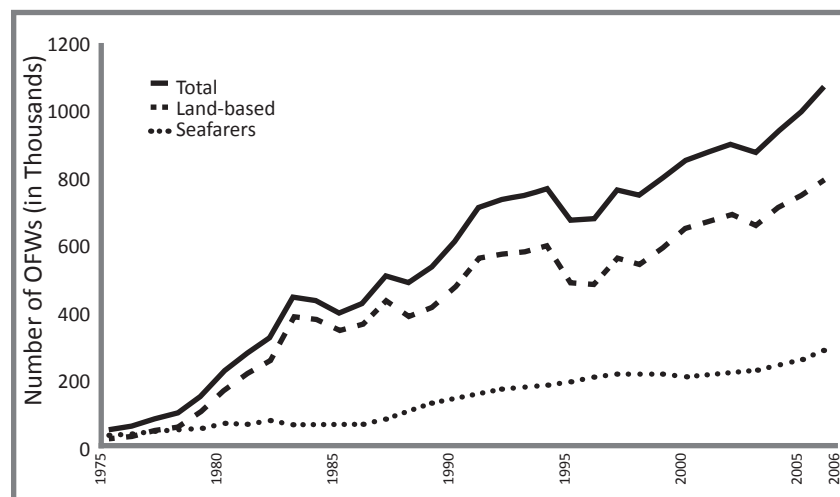
But by 1995, before it was amended, a provision in the Migrant Workers and Overseas Filipinos Act, a piece of legislation that explicitly aims to “establish a higher standard of protection and promotion of the welfare of migrant workers”, sets out a comprehensive deregulation plan on the DOLE’s recruitment activities and a gradual phase-out of its regulatory functions.

### Managing migration

The POEA is primarily mandated to manage the country’s overseas employment program, including the regulation of private sector participation in recruitment and overseas placement. In practice, this saw the POEA taking charge of issuing licenses to recruitment agencies, monitoring their compliance with the rules and regulations



## Deployed Overseas Filipino Workers, 1975-2006



Source: Aguinas and Ruiz, 2007 [4]. Basic data taken from the Philippine Statistical Yearbooks, 1984 to 2006.

governing overseas employment, hearing and arbitrating cases and complaints, and imposing disciplinary actions when necessary.

The amendment of the Labor Code[5] in 1978 heralded greater private sector participation in the recruitment and placement of overseas workers. Today, these tasks fall almost completely on private recruitment agencies. While the POEA to a limited extent directly facilitates the deployment of workers to foreign government clients (through government-to-government arrangements), private agencies still account for nearly all deployment. In 2007, 94 per cent of the total workers deployed are through the private sector.[6]

The POEA's regulation of private recruitment agencies is best summed up by its "hard to enter, easy to go" policy. Under the POEA's Rules and Regulations, recruitment agencies are required to show sufficient capital, post bonds and escrow deposit, and satisfy nationality requirements: only Filipino citizens or corporations, partnerships or entities which are at least seventy-five per cent (75%) owned and controlled by Filipino citizens are permitted. This ensures that Philippine authorities can easily assume jurisdiction in cases of

violation, while the surety bonds and escrow deposit guarantees available resources in case of valid and legal claims.[7] Depending on the nature of the violation, penalty can range from suspension to revocation of license.

Yet, despite stiff entry requirements, there are still over one thousand licensed recruitment agencies[8] in the country.

### Regulating the private sector

A clear consequence of the involvement of the private sector is the growth in deployment figures. The POEA admits that given its limited resources, it would not have hit its one million mark without the help of the private sector. In 2007, there were a total of 1,077,623 OFWs deployed[9] making the Philippines the highest migrant-sending country in Asia.

The basic function of recruitment agencies is to match the requirements of the foreign employer to the worker and, ideally, vice versa. Given the continuing demand for labor abroad and with nine out of ten Filipinos willing to work abroad[10], recruitment agencies are thrust an important role in bridging the pull and push factors of Filipino migration.

But like in other Asian countries, the recruitment industry in the Philippines has been responsible for a number of malpractices and infractions. In fact, majority of cases filed at the POEA are against recruitment agencies. In 2007 alone, 59 per cent of complaints are against recruiters.[11]

The most common violations by recruitment agencies involved placement fees. This includes such irregularities as illegal exaction of fees, excessive collection of fees[12], and non issuance of receipts. Of cases pending before the POEA, roughly 78% were due to excessive placement fees.[13]

A survey report by the Mission for Migrant Workers shows that in the case of domestic workers in Hong Kong, majority of those employed via recruitment agencies had to pay three to four times the legal amount for placement fees[14] in the POEA guidelines. Even after the

placement fee on domestic workers was abolished in 2007, exorbitant placement fees are still being collected.

Aside from cases of overcharging, illegal recruitment cases are also high, with 1,624 cases handled by the POEA in 2007.[15]

## Monitoring compliance

While the POEA managed to put in place stringent entry conditions for recruitment agencies, its monitoring of licensed and illegal agencies remains weak.

A Sectoral Performance Audit report by the government's own Commission on Audit (COA) finds that the POEA "may not be considered effective" in regulating the recruitment industry.[16] While the POEA attributes this failure to its limited human and financial resources, the COA report noted that the POEA does not even maintain a database of recruitment agencies that are to be subjected to inspection in the first place.

A paper by the Migration Policy Institute illustrates the constraint faced by the POEA in, ironically, manpower. It was reported that there were only "six full-time inspectors for the country's 1,422 active agencies and the 479 agencies that applied for new licenses – a ratio of about one inspector for every 317 agencies." That same year, the POEA conducted only 264 annual inspections.[17]

Status of Illegal Recruitment Cases		
	2006	2007
Cases Handled	1504	1624
Pending Cases at the beginning	992	1154
Cases Received	512	470
Number of Complainants Involved	1135	1057
Cases Acted Upon/Disposed	350	339
Cases Pending at the end	1154	1285

Source: POEA 2007 Annual Report

At the off chance that an agency is upheld for violations, POEA allows the payment of fines in lieu of suspension. But with the ease by which the fine can be recouped, the rule ceases to serve as deterrent. The COA report warns that "allowing recruitment agencies to merely pay fines ranging from P20,000 to P190,000 that could easily be recovered from prospective applicants in lieu of serving suspensions of 2 to 19 months...did not compel recruitment agencies to abide with existing rules and regulations as manifested in their recorded repeated violations."

Incidentally, the total revenue collected by the POEA between 2001 and 2007 from these agencies amounted to 64 million pesos.[18]

## Promoting labor migration

The importance of recruitment agencies in the migration process is evident in the role they play as brokers between workers and prospective employers: agencies must find the best match and ensure that the employment contract is kept by both parties. A precondition to a successful placement however is the integrity of the agency acting as mediator, and the effectiveness of existing regulations to keep agencies in place.

While the Philippines is lauded for putting in place legislation that provide for comprehensive protection of its OFWs, the implementation of the provisions are constantly challenged by the government's interest in sustaining migration flows. Comparing the POEA's accomplishments in deploying over one million workers abroad and its performance at ensuring the protection of overseas workers leads one to conclude that the POEA is a more successful labor exporter than a regulator.

Three decades and five presidencies later, labor migration remains a key tenet in the country's economic agenda, perhaps more openly in the current administration. Like previous administrations, balancing between promotion and protection continues to pose a big challenge. Unlike previous administrations however, labor migration is no longer seen as a stop-gap measure but rather actively pursued as an alternative to domestic employment and as a development strategy.

President Gloria Macapagal-Arroyo's statement in a televised phone interview is illuminating:

Jobs here are difficult to find and we are depending on the people outside the country. If you can find work there, and send money to your relatives back here, then perhaps you should stay there.[19]

To date, remittances constitute more than ten per cent of the country's GDP. Given this over-reliance to overseas employment, the fear that protection of OFWs might in the end be sacrificed in trying to sustain the deployment figures may not be completely unfounded.

The contribution of Filipino overseas workers in propping up an otherwise stagnant economy is widely recognized. As one government official quips, "Overseas employment has built more homes, sent more children of the poor to college and established more business enterprises than all the other programmes of the government put together". [20] For a policy that has salvaged the Philippine economy for over thirty years, the least the government can do is to provide the best protection possible for its modern-day heroes. [21] (Focus on the Philippines November 2008)

Julie Delos Reyes is a research associate of Focus on the Global South and Coordinator of the Development Roundtable Series.

#### Endnotes:

- [1] The total number of licensed recruitment and manning agencies as of June 2007. <http://www.coa.gov.ph/GWSPA/GWSPA.htm>
- [2] Nana Oishi. *Women in Motion: Globalization, State Policies, and Labor Migration in Asia*, (California: Stanford University Press, 2005), 63.
- [3] Bureau of Labor and Employment Statistics. "The Philippine Overseas Employment: Understanding its Trend and Structural Change", Labstat Updates, Vol 10 No. 5, May 2006.
- [4] Dovelyn Rannveig Aguinas and Neil Ruiz. "Protecting Overseas Workers: Lessons and Cautions from the Philippines", *Insight*, (Washington DC: Migrant Policy Institute, 2007), 3.
- [5] As amended by Presidential Decree 1412 on June 9, 1978.
- [6] POEA, "2007 Overseas Employment Statistics".
- [7] Based from the 2002 Revised Rules and Regulations of the Philippine Overseas Employment Administration (POEA)
- [8] Number in good standing.
- [9] POEA, 2007 Annual Report.
- [10] [http://www.manilatimes.net/national/2008/nov/23/yehey/top\\_stories/20081123top4.html](http://www.manilatimes.net/national/2008/nov/23/yehey/top_stories/20081123top4.html).
- [11] Dovelyn Rannveig Aguinas. "Managing Temporary Migration: Lesson from the Philippine Model", *Insight*, (Washington DC: Migrant Policy Institute, 2008), 19.
- [12] [http://globalnation.inquirer.net/news/news/view\\_article.php?article\\_id=66462](http://globalnation.inquirer.net/news/news/view_article.php?article_id=66462)
- [13] Aguinas, 19.
- [14] The legal amount is equal to a worker's one month salary. The collection of placement fees household service workers (HSWs) was abolished as part of a package of reforms introduced by the POEA in December 2006. See POEA Governing Board Resolution No. 4, 5 and 6.
- [15] POEA, 2007 Annual Report, 19.
- [16] Commission on Audit, Sectoral Performance Audit Report on the Overseas Workers' Welfare Program of the Government (CYs 2005 and 2006), 2007.
- [17] Aguinas, 17.
- [18] Aguinas, 23.
- [19] Oishi, 68.
- [20] Philippe Legrain. "Waves of Fear", *The Economist*, 11 January 2007.
- [21] In a statement issued by President Gloria Arroyo in celebration of Bonifacio day, she referred to OFWs as modern-day heroes "who sacrifice family ties for the chance to earn more". <http://www.news.ops.gov.ph/archives2007/nov30.htm>

## Did the Global Forum on Migration and Development

# REALLY ADDRESS MIGRANTS' ISSUES?

MARY LOU MALIG

Last October 27-30, 2008, the 2nd Global Forum on Migration and Development (GFMD) was held in Manila to discuss the nexus between migration and development. Two major themes in the agenda were how to “maximize the development benefits of migration” and how to “further maximize remittances and the benefits of migration.”

Hosted by the Philippine government, the GFMD was open to all 192 United Nations Member States but as the first forum held in Belgium in 2007, it remains simply a forum and not a decision-making or policy-making body. Participation is voluntary and the objective is mainly to promote cooperation and dialogue among countries in relation to migration and development.

### What is the GFMD?

The GFMD stemmed from a High Level Dialogue on migration and development convened by the United Nations General Assembly in September 2006. The Dialogue raised the complex relationship between migration and development and how development policies affect migration and vice versa. One could not be discussed without the other. This connection was critical especially as the numbers of migrants increase every year. Then UN Secretary General Kofi Annan believed the Dialogue was a step in the right direction and proposed the creation of an inter-governmental Global Forum to continue the

discussions and spur new policy ideas and an integrated approach to migration and development.

The first GFMD was held in Brussels, Belgium on July 10-11, 2007 and it was decided that the Forum be held alternately between sending and receiving countries. However, there was no written agreement on the participation of civil society and social movements and it was left to the hosting government to decide on the level of participation of civil society organizations.

### GFMD and the Peoples' Global Action on Migration, Development and Human Rights

When it was announced that the 2nd GFMD would be held in Manila, Migrant Forum in Asia (MFA), a regional network of NGOs, migrants associations, trade unions of migrant workers, called for a meeting in Manila to all civil society organizations, social movements and migrants organizations to discuss how to prepare for the GFMD.

After a series of meetings, the Philippine Working Group was formed which included a wide array of Philippine based movements and organizations from trade unions to women's groups to NGOs and groups working on trade and development issues. An International Working Group was also formed, which included civil society organizations and migrants associations around the globe that were following the GFMD and struggling for migrants' rights. Since civil society participation in the official GFMD process was limited, it was decided that it would be critical to organize a parallel forum to give voice to the migrants and social movements. Thus came about the Peoples' Global Action on Migration, Development and Human Rights, which was held parallel to the official GFMD process.

A Global Call to Action was issued inviting all movements to join in the struggle for migrants' rights and for issues that were important to migrants to be addressed at the GFMD. The Call to Action criticized the focus of the past Dialogue and GFMD on “maximizing the development benefits of migration”, talking about remittances rather than focusing on the human rights of migrants, the failed development policies which have impacted negatively not only on migrants but on people the world over and on the root causes of labor migration. The call

to action demanded real development that put people first and not development for corporations – the “development” model espoused by institutions such as the World Trade Organization, the World Bank and the International Monetary Fund, which reduce migrants as commodities or sources of income.

The Call to Action made explicit the demand “to make the GFMD a genuine forum among governments, migrants and people’s movements to discuss models of migration policy that respects migrants’ and all people’s human rights, which will require exploration of the full range of issues involved in migration, including the underlying problems of development, poverty, joblessness, and how we can collectively address these.”

According to Migrant Rights International, over 250 million people worldwide are migrants and the remittances to their home countries amount to 300 billion USD a year, more than triple all international aid and yet, policies remain discriminatory against migrants and in this Global Forum, they are excluded from the discussions. In this GFMD for example, corporations were seen to have more access to the official process than the migrants themselves.

And so during the Peoples’ Global Action on Migration, Development and Human Rights, space was given to migrants and social movements to air their experiences, grievances and demands. These demands were taken to the streets with almost daily protests outside the GFMD venue. Inside-outside meetings were also continuously held with the few who were accredited to join the official process reporting back to the rest of the groups outside.

In the end however, the GFMD was a forum between governments and line agencies and businesses. Migrants and civil society participation was minimal and there was no real engagement among those accredited to the official process with the governments.

There remains a real challenge on how to make governments more accountable to its people, especially the migrant workers and how to make the GFMD a genuine forum that includes the real stakeholders in the table. Taking the lessons learned from this last GFMD, migrants, social movements and civil society organizations are preparing for

next year’s GFMD, which will be held in Athens, where hopefully, finally, migrants will actually be the real topic.

(Focus on the Philippines November 2008)

Mary Lou Malig is a Research Associate of Focus on the Global South. She coordinates the Focus trade campaign. Mary Lou is co-author of *The Anti-Developmental State: The Political Economy of Permanent Crisis in the Philippines* and has also written several articles on the World Trade Organization (WTO) and free trade agreements (FTAs).



## IN THE SERVICE OF FILIPINO WORKERS

KANLUNGAN CENTER FOUNDATION

Since its ratification in 1995, Republic Act (RA) 8042, also known as Migrant Workers and Overseas Filipino Act, gave the Department of Foreign Affairs (DFA) the constitutional mandate – and the public trust that comes with it – of providing legal assistance to Filipino migrants facing criminal cases and involved in labor-related disputes abroad. Under its wing, the Office of the Undersecretary on Migrant Workers Affairs (OUMWA), in coordination with other migrant-oriented government agencies like Overseas Workers' Welfare Administration (OWWA) and Philippine Overseas Employment Agency (POEA), was tasked to act as the legal assistant for OFWs in "distress". According to Article VI of the Act, DFA will operate on the principle of "Country-team Approach" which cites "the protection of the Filipino migrant workers and the promotion of their welfare, in particular, and the protection of the dignity and fundamental rights and freedoms of the Filipino citizen abroad, in general,... [as] the highest priority concerns of the Secretary of Foreign Affairs and the Philippine Foreign Service Posts."

### A parallel history

What should be a proud history of service for the DFA is haunted by a parallel history of hardships and violence for our OFWs.

The execution of Flor Contemplacion in Singapore in 1995 caused enough international noise to break the silence on our migrant workers' plight. One would think that her death, along with countless of others who have remained nameless and have been reduced to

statistics, should have served as sufficient learning experiences for our government officials to get their act together. However, more than a decade has passed and reports of labor and human rights violations against our OFWs still persist and as of late, have even intensified, indicating that our government officials have been remiss in doing their homework.

Among such cases involved Rosebelle Yu, a domestic worker in Kuwait, who miraculously endured four months of inhumane working conditions in 2007. She was forced to work from 4 a.m. up to 2 a.m. everyday with no day-offs; only ate when there was leftover food; and was verbally and physically abused by her employers. When she finally had the chance to escape, she ran to the Philippine embassy for help. Imagine then how hopeless and betrayed she felt when embassy personnel – people who swore to protect the rights of OFWs like her – only told her to go back to her employer.

Angel, an assumed name, suffered a similar ordeal in the hands of four employers in the 11 months of her working in Kuwait. Although she was not beaten up physically, she was overworked, deprived of food and cut off from any communications with her family. No longer able to take the abuse, she used a blanket to climb out a window of her employer's house. She was also able to make a call to the Philippine embassy. However, the personnel on the line, oblivious to the seriousness of her situation, told her to go to the embassy and then callously hung up the phone. With the absence of support, Angel's escape, not surprisingly, was unsuccessful. She was then sent to jail for 20 days under the charge of running away. In the duration of her ordeal, government officials, specifically from Overseas Workers Welfare Administration (OWWA), were only able to extend assistance by escorting her to jail.

While in prison, she met May Vecina and Marilou Ranario, also domestic workers. Both were convicted of murder and sentenced to death. Vecina sustained injuries when she tried to escape and jump from the window of her employer's house. As a result, she is carried by her fellow OFWs whenever police interrogate her and sometimes suffers from bleedings. Meanwhile, Ranario has become all but catatonic from depression, seemingly neither having the will to talk

nor to live. In the time Angel spent in jail, she noted that not one doctor came by to check on them.

Recently deported OFWs from Saudi Arabia likewise decried negligence. Forced to leave their employers due to underpayment of salaries, Armando Navarro and fellow OFWs went to the Philippine consulate in Jeddah to be repatriated. They were tossed from one deportation center to another, making Navarro a witness to the sufferings of his fellow OFWs. He recalled that there was an OFW who vomited blood, another who suffered a stroke in the deportation center, and still another with bruises on his body and whom they suspect has lost his mind. Inhospitable as the deportation cells were, two women gave birth in these premises.

By April 12, 2008, Navarro, along with the first batch of returnees, were repatriated. However, the relief and joy of coming home were marred by the death of a fellow OFW, Ryan Castillo, who was kept in a prison cell by Saudi immigration authorities. In a phone call, Navarro was informed that Castillo contracted a disease in the cell and later died of a heart attack.

### **An appeal for urgency**

In all of the cases recounted, the presence of the national government was palpably lacking and the intervention that our distressed OFWs were counting on never came. In fact, there are reportedly still hundreds of OFWs wanting to return home from the Middle East, and that is only on the issue of repatriation.

The government's knee-jerk response is the filing of resolution no. 248 by Senate President Manuel Villar Jr., which endorses a senate inquiry to the allegations of negligence. He has also called for the enactment of Senate Bill 1879, which if ratified, will penalize Philippine consular officials and other government personnel who fail to assist migrant workers and address their complaints and concerns.

However, the realization of the Senator's legal initiatives, assuming they see passage in the Senate, will be too little and too late an

action for many of our OFWs who at this very minute are having their bones and spirits broken by their abusive foreign employers. What good would these legislative remedies do for those already in deportation and prison cells, their isolation quickly extinguishing what little hope they have of reuniting with their families?

A drastic appeal comes from Navarro who urged, "Palitan n'yo na lahat ng nakaupo mula sa ibaba hanggang sa itaas. Imbes na sila ang makatulong sa amin, sila pa nagpapahirap sa amin." (Change all those who are in the position, from the bottom to the top. Instead of being a help to us, they are the ones who are making it more difficult for us.) The testimonies of these OFWs should indeed be reason enough to move for the outright expulsion of identified negligent DFA officials. However, if "due process" shall be observed, as is characteristic of government bureaucracy, the senate investigation on the complaints must be done in swift and purposive terms. There should be no room for tokenism or fanfare. It must result in the prompt removal of DFA officials proven to be neglectful of their sworn responsibilities and more importantly, their replacement with competent and compassionate (and rare) public servants. This is the least of what our government owes to our "heroes".

### **The lost shepherd**

But it should not end there. The flock goes only where the shepherd leads it.

The detached orientation of our government institutions with regards to migrants' welfare is only a consequence of our national government's remittance-driven labor export program. Since the introduction of labor migration to Philippine society in the 1970s, our government has prioritized installing legislative mechanisms as well as creating government agencies to facilitate labor migration. Although it is high time for our government to move past that phase, decades later we still have our legislators cooking up bills to fast-track labor migration outflow from the country. On the other hand, we have yet to see a credible protection program for our OFWs.

It is no surprise then that negligent foreign-service officials have been tolerated despite the overwhelming and sufficiently incriminating complaints from our OFWs. Their misguided orientation reflects on the criminally flawed character of our national leadership. Ultimately, the issue to be resolved is: if the sheep is being led to the wolves, it is time to replace the shepherd.

(Focus on the Philippines November 2008)

Kanlungan Center is a non-government, non-stock, non-profit organization. KANLUNGAN, Filipino for “sanctuary” was born in July 17, 1989 to help Overseas Filipino Workers (OFWs), especially women, and their families.

## A CLIMATE JUSTICE DEAL in Copenhagen?

ISAGANI SERRANO

Difficult but not impossible.

Fairness and justice as implied in the principle of common but differentiated responsibilities remains contested till now. Rich and high-emission countries (so-called Annex 1 countries) stubbornly insist that this principle unduly favors advance developing countries whose emissions are rising fast, eg China, who I think are being unfairly treated here. Now there’s even a suggestion to drop this principle for being an obstacle to negotiations.

The other reasons have to do with implementing that “fair share” principle. There are proposals on the table (eg green development rights, common but differentiated convergence, contraction and convergence by 2050, etc). Negotiators have to decide what’s a politically acceptable justice formula that can best meet the formidable challenge of climate stabilization in a short time.

The case of China is tricky and problematic. It is true China’s emissions are rising for its reliance on dirty coal and high growth levels. But it’s equally true China’s emission level on average is still way below that of the US on a per person share. China is chalking up the world’s raw materials, accepting mountain of wastes foreign countries reject in their own backyards but is also recycling the wastes of the world and doing sustainable agriculture and massive tree planting. Who’s crediting China for having probably the highest carrying capacity anywhere on this planet — which means housing, feeding, educating, taking care of one of every six of humanity in a comparatively small

space? China produces cheaply for all of us but absorbs most of the carbon shit for it. Who's paying for that? But you may also ask why can't China shift at once to clean production and produce long-lasting goods? If it can help bail out the global economy with its surplus money, why can't it spend for eradicating its own poverty and cleaning up its own backyard?

There are no easy answers to these questions.

Climate justice demands that countries act "on the basis of equity and in accordance with their common but differentiated responsibilities and respective capabilities" (UNFCCC, Art. 3.1). This means the effort sharing in stabilizing greenhouse gas (GHG) concentrations at whatever emission stabilization scenarios (450ppmv, 550ppmv, 650ppmv of carbon concentration in the atmosphere) must be based on differentiated share of responsibilities for what happened and continues to happen and on differentiated levels of development.

Paraphrasing Durning's conception of ecological classes, we could classify countries and peoples of the world into overconsumers or high emitters, underconsumers or underemitters, and sustainers or those living within sustainable limits. These may correspond to the three levels of development of Baer et al — (a) industrial countries which are all of OECD; (b) advance developing countries like China, India, Brazil and other East and Southeast Asian countries; and (c) least developed countries like most of Africa.

In every country, rich or poor, we would find these classes sharing basically similar circumstances. A rich Filipino in Forbes Park must have the same lifestyle and level of CO<sub>2</sub> emission as his counterpart in an OECD country. The 600 or so million of non-poor, middle class, and rich Chinese and Indians would be a mix of sustainers and high consumers.

The excluded underconsumers or underemitters would be over 2 billion poorly fed, poorly educated, jobless, voiceless, lacking access to health care, water and sanitation, and living in degraded environments. They suffer more from the impact of climate change although they contributed little to it. They must have primacy in the

right to development and should be the main beneficiaries of resource transfers between and within countries.

The 'global deal' to avert catastrophe seems simple enough: the rich in rich and poor countries must give up much more so that the poor and all of us may live sustainable lives.

High-emission countries must commit to drastic, deep and binding cuts on their GHG emissions from their 1990 levels and help developing countries with 'soft' money and clean technology. The contraction required of them is huge whatever the agreed emission stabilization scenario. This ranges between 20 to 50 per cent by 2020 up to 2050. The reduction covers all six Kyoto Protocol gases — carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), hydrofluorocarbons (HFC), perfluorocarbon (PFC), and sulphur hexafluoride (SF<sub>6</sub>) — which are translated into CO<sub>2</sub> tons equivalent (CO<sub>2</sub>teq) in each country's GHG inventory.

Developing countries have a right to development, a right that should not be taken as license to pollute the environment. Right to development under the CDR principle is not only about growing the economy, more important is satisfaction of basic needs leading to a decent level of security and well-being for all. Baer et al, authors of the greenhouse development rights (GDR) approach, suggest an income of \$9,000 per person per year, a level all countries could converge into as they realize their mitigation commitments. Non-Annex countries who all fall below that should be entitled to transfers (ODA, technology, etc) and are allowed to increase their emissions as they strive towards that income goal.

Income as a measure is debatable but probably cannot be helped. And what's the equivalent carbon footprint of \$9,000 GDP per capita? Probably about 9 tons of CO<sub>2</sub> per person. Can that level be reached by developing countries without despoiling the environment and destabilizing the climate system? Considering world population projections of 7.6 billion for 2020 and 9.1 billion for 2050, you can imagine how much energy and carbon that would mean.

The Millennium Development Goals (MDG) is a flea hop from that suggested income target but should be a step forward if met by 2015. Unfortunately that's not likely to happen considering the global financial, food and fuel crises, which undermine the capability of many governments to deliver on their commitments.

The G77 and China can offer something rich countries cannot refuse. Stabilizing population at sustainable levels should be a big deal. It would be a big offer from countries like the Philippines who's projected to reach over 100 million in 2020 and nearly 150 million by 2050. Non-Annex 1 countries are spared from binding mitigation commitments but they can help, say, by levying a progressive carbon tax on their own rich overconsumers and by moving early on towards soft energy and low-carbon or zero-carbon pathways to development. It won't do to continue harping on emission allowances and transfers without giving something big in return.

Non-Annex 1 countries must avoid the unsustainable path taken by industrial countries. This should be their part of the bargain. The earlier they shift to clean production and consumption the better for our planet and for all of us. Sustainable agriculture and fisheries, and forest conservation and renewable energy and delivering on their MDG commitments by 2015 can be their best bets in climate change mitigation and adaptation. A truly green revolution in both agriculture and fisheries and avoiding deforestation can contribute hugely to carbon capture and reducing carbon footprint. All these deserve to be compensated by way of financial and technology transfers which G-77 and China have been pounding on ever since.

It's but fair for developing countries to ask for a bailout for eradicating world poverty and rehabilitation of environment that's equivalent to that given to big banks and others. This demand should be forcefully raised in the UN financing for development conference in December in Doha and all the way to the climate negotiations in Poznan and Copenhagen.

But whatever comes out of the negotiations in Poznan in December and in Copenhagen next year, all the contraction and convergence efforts must result in keeping the aggregate global emission down

to the desired emission stabilization scenario. Which means 450 parts per million of CO<sub>2</sub> or CO<sub>2</sub> equivalent that hopefully could keep average global temperature below the dreaded 2-degree Centigrade — the threshold we are advised to respect, or we're dead.

It's a tall order. At the rate aggregate global emission is going—an increase of two parts per million per year—we're only three and a half decades away. We're in deep trouble even before our collective efforts could meet the 2050 target convergence.

Something's got to give here. Otherwise no deal, and no deal in Copenhagen means back to business as usual (BAU) scenario. But let's take a look at what it takes.

In 1990 — the reference baseline for both the climate convention and the MDGs — the UN interagency panel on climate change suggested that if we are to succeed in stabilizing the global climate system each individual then living would be 'entitled' to only 1,500 kilograms of CO<sub>2</sub> emission. That's the allowable carbon footprint per person, his/her 'rightful' share of the skies, or right to shit the environment, if you like. That time an American was already doing about 20,000 kilograms of CO<sub>2</sub> while a poor Filipino or Afghan only about 600 or less.

More, the 1,500 kg norm assumed that (1) existing forests are left alone and (2) not one more soul added to the then 5.3 billion inhabitants of this planet. Of course, the two assumptions turned out to be impossible.

Annual global CO<sub>2</sub> emissions increased from 23 billion metric tons in 1990 to 29 billion metric tons in 2004. Some would welcome this as a sign of prosperity, meaning an indication that economies are growing. Others see this as ominous — every increase in the economy corresponds to a certain increase in CO<sub>2</sub> emissions.

US carbon emissions, about a quarter of the world's total, are simply unacceptable and destabilizing to the global climate system. Its per capita CO<sub>2</sub> emission level has seen little or no reduction at all since 1990. Europe, Japan and other industrialized nations may have succeeded in cutting down but their collective achievement does not even come up to the Kyoto Protocol's minimalist benchmark. From

a climate justice perspective these are far too short of the required deep cuts, to say nothing about paybacks to under emitters and the environment.

But the chances of negotiating a just deal could be much better now than ever before. The climate scare is a big driver and very few would contest its basis in science and the rise in alarming indicators.

Recession, though it cuts in multiple ways, may be a big blessing. The deeper it cuts and the longer it lasts perhaps the better for all of us. Less growth less emission. Less materials input less stress on the environment. Cleaner production and universal reduction in per capita consumption means less carbon footprint and healthier living. Involuntary cut down will happen even without the Poznan and Copenhagen negotiations.

The situation compels the US and other rich countries to slow down and rethink and adjust their economies and lifestyles. For instance, the US government can just let its three auto giants go down. It could reduce its dependence on private cars, and revive its train and public transport system. It can support the community movements in different states that have already shifted to organic farming and sustainable production and consumption. This time around it must do its own version of MDGs to help its growing number of poor, hungry, homeless, jobless attain a decent standard of living. Unlike in all previous climate negotiations the US should put its lifestyle on the chopping block, as it were. There's much, much more the US must and can do to keep its fair share of the deal.

There's no quick fix to climate change, obviously. Let's hope the global crisis could be a better educator this time around, meaning that finally we shall have realized there's a limit to growth in this our finite planet.

Global warming will continue even when we had done our collective best because of the time lag. And it's payback time. Let it not be said, though, that we didn't do enough for climate justice.

(Focus on the Philippines November 2008)

#### References:

- Durning, Alan. Asking how much is enough in Lester R. Brown et al. The State of the World 1991. New York: W.W. Norton, 1991.
- ESCAP/ADB/UNDP. The Millennium Development Goals: Progress in Asia and the Pacific 2007. Asia-Pacific MDG Study Series. Bangkok.
- Hohne, Niklas and Moltmann, Sara. Distribution of emission allowances under the Greenhouse Development Rights and other effort sharing approaches. Heinrich-Boll-Stiftung, Germany, 13 October 2008.
- McKibben, Bill. Carbon's New Math. National Geographic, October 2007.
- Oxfam International. Oxfam Briefing Paper on Adapting to climate justice , 20 March 2007 draft.
- Serrano, IR. Report on Participation in COP-9 in Milan as part of the Netherlands Climate Change Studies Assistance Project. December 2003.
- \_\_\_\_\_. ADB and poverty in Asia in Bankwatch, NGO Forum on ADB (<http://www.forum-adb.org>) May 2006. Quezon City, Philippines.
- \_\_\_\_\_. ADB and food security in Bankwatch, NGO Forum on ADB, vol. VI no.2, second quarter 2008. Quezon City, Philippines.
- United Nations. The Millennium Development Goals Report 2007. United Nations. New York.
- United Nations. UN Framework Convention on Climate Change (UNFCCC). 1992. New York.
- [Http://esa.un.org/unpp/pk0data.asp](http://esa.un.org/unpp/pk0data.asp).
- [www.census.gov.ph/data/sectordata/popprojtab.html](http://www.census.gov.ph/data/sectordata/popprojtab.html)

Isagani R. Serrano is acting president of the Philippine Rural Reconstruction Movement (PRRM). He is the editor of PRRM's journal 'Community and Habitat'.



# Agrarian Reform

## Standing on Tenuous Grounds: The Battle for

## CARP EXTENSION AND MEANINGFUL REFORMS

MARY ANN MANAHAN

"I left my husband and nine children," says Tessie Opeña during song practice inside a makeshift tent outside the Department of Agrarian Reform. She and 20 more choir members tirelessly rehearse a spoof of a popular Filipino Christmas carol amid one of the biggest struggles of their lives, one that has made them walk hundreds of miles and leave their families behind.

It has been a month since more than 300 farmers journeyed from their homes to seek land equality and justice from Congress, if only through extension of funding for and meaningful reforms in the Comprehensive Agrarian Reform Program (CARP).

Still, no hope is in sight with only two days before Congress takes a break for Yuletide. The House of Representatives and the Senate seem busy scuffling over another issue of extension; that of Arroyo's term, through Charter Change. Without legislative action before the December 31 deadline, CARP may die at year's end and put a sad note on the song of 52 year-old Ka Tessie, who came on foot all the way from the sprawling Hacienda Yulo in Canlubang, Laguna. She and fellow farmers would have to retrace their steps, back to farms they could never call their own.

## Land is Life

Why the farmers braved the treacherous road to the seat of the government comes as no surprise. The absence of an effective land redistribution program spells doom for Filipinos relying on agriculture for livelihood. Land is their only means of survival. No less than the 1996 World Food Summit in Rome, which was attended by representatives of governments, recognized that access to land and security of tenure are critical to rural poverty alleviation and a hunger-free world.

Current statistics on the country's rural conditions paint the farmers' bleak situation. Rural folk, majority of whom are women, comprise three out of four poor Filipinos. Poverty incidence is particularly high among landless agricultural workers and farmers cultivating small plots of lands and in areas where the concentration of land ownership remains with a few prominent clans. Highest poverty incidence is found among corn farmers (41%); rice and corn workers (36%); sugarcane farm workers, coconut farm workers, forestry workers (33%); and fisherfolk (31%).

## Agrarian Reform: An Unfinished Business

The agrarian reform challenge facing the country today is how to finish CARP's land acquisition and distribution (LAD) phase, ensure economic viability and political empowerment of its beneficiaries, and usher a lasting era of social justice. At the heart of CARP, as enshrined in the 1987 Constitution, is the redistribution of land, wealth, income, and power to millions of Filipino families who have long labored under unequal relations with their landlords. Under CARP, eight million hectares or 83 per cent of total agricultural lands are to be given to more than six million landless farmers and farmworkers.

LAD's extension, however, depends on the definite determination of intended beneficiaries, the land for acquisition and distribution, the resources for ownership transfer, and the historical record of the pace by which land transfer is undertaken. The Department of Agrarian Reform (DAR), primarily responsible for distributing private agricultural lands, has failed considerably in these requirements. Figures from the National Statistics Office's 2002 survey show that

348,297 household members engaged in agricultural activity still worked in landholdings not their own.

In 2007, after 20 years of program implementation and with 140 billion pesos in total budget allotment, CARP boasted of a partial accomplishment of distributing nearly six million hectares of land and a million hectares in leasehold areas to around four million peasant households.

This seeming feat, the accuracy of which is still under question, looks sizeable. What is missing, however, are 1.2 million hectares of private lands deemed as the “meat” of the program. DAR estimates that the remaining balance is composed of the most contested landholdings (see figure), which are in the Visayas and Mindanao. The Negros island, known as the country’s bastion of landlordism, has 182,780 hectares or 15.6 per cent of private agricultural lands still to be redistributed. Bicol and Western Visayas, covering almost 34 per cent of the balance, are considered agrarian hotspots, where landlord resistance is most severe and marked with intense agrarian-related violence and conflicts. If the government is serious with real redistributive reforms, LAD in these two regions will serve as its litmus test.

## Beyond Land Redistribution

CARP is a product of a compromise to accommodate competing interests, resulting in tensions and inconsistencies in implementation. For the program to finally see completion, it needs both political will and an overhaul of the government’s economic policies.

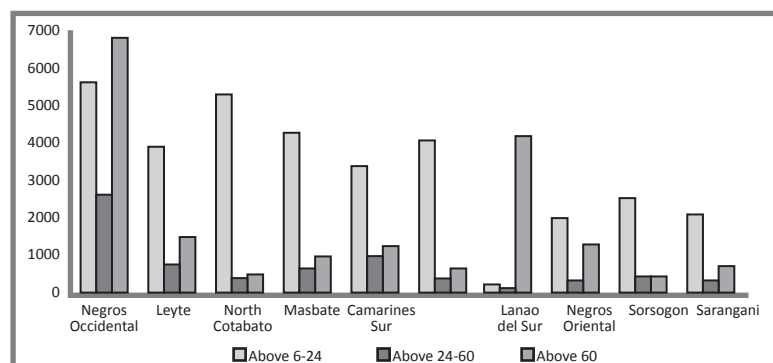
Provision of support services is an inseparable component in the success of CARP’s development objective. DAR’s own experience with Agrarian Reform Communities (ARCs) cancels out claims of CARP extension opponents who insist that land distribution be abandoned in favor of focusing assistance to agrarian reform beneficiaries (ARBs).

Launched in 1993 under secretary Ernesto Garilao, the creation of ARCs is DAR’s strategy of concentrating available funds for support services to an area cluster of a threshold number of both farmer and non-farmer beneficiaries. Although outreach has been constrained by limited resources, the ARCs proved that agrarian reform works when adequate, sustained, and systematic assistance is delivered to ARBs. Based on DAR’s 2007 accomplishment report, there are 1,959 ARCs/ Special ARCs confirmed nationwide covering 995,114 beneficiaries (not including leasehold areas).

Further, CARP fails to fulfill its Constitutional mandate to promote social justice and development due to contradictory economic policies. Economically vulnerable ARBs lacking support services are unable to compete in an environment of liberalized entry of agricultural products. Also, the Department of Agriculture has prioritized the agribusiness sector leaving DAR, with its limited funds and technically-challenged personnel, with the task of transforming ARBs into a competitive sector.

Still, the major obstacle for CARP’s extension is the low priority given by the president herself. Arroyo’s performance is the worst since 1988 with a mere 13.86% share in land reform output compared to Ramos’s 52.34% and Aquino’s 22.51%. Arroyo’s was slightly higher than Estrada’s 9.24% share but Estrada stayed in office for only 2.5 years compared to her 7 years. If Arroyo is concerned about protecting the legacy of her father, who is the “father of land reform”, it is high

## Top 10 Provinces with LAD Balance



Source: DAR Planning Service

## CARP's Changing Land Distribution Scope and Accomplishment

1972-2007 (in million hectares, rounded figures)

	DAR	DENR	CARP Total
Original Scope 1988-94	3.8	6.3	10.1
Revised Scope 1997	4.3	3.8	8.1
Inventory of CARP Scope 2006	5.1	3.8	8.9
June 2007	5.16	3.84	9.0
LAD Accomplishment	3.96	3.05	6.91
% Accomplishment	76.7	79.4	84.5
Beneficiaries Accomplishment	2.3	1.99	4.29
Balance	1.2	.79	1.99

Source: DAR Planning Service

time she rethinks the government's unilateral trade liberalization program.

### Meaningful Reforms

The gamut of problems embattling CARP is primarily due to bureaucratic inefficiencies, policy lapses, and landlord resistance. A recent Supreme Court's ruling captures the essence of CARP's woes:

"... To Our mind, part of the problem lies with the CARP law itself. As crafted, the law has its own loopholes. It provides for a long list of exclusions. Some landowners used these exclusions to go around the law. There is now a growing trend of land conversion in the countryside suspiciously to evade coverage under the CARP law.

...The dubious use of seemingly legal means to sidestep the CARP law persists. Corporate law is resorted to by way of circling around the agrarian law. As this case illustrates, agricultural lands are being transferred, simulated or otherwise, to corporations which are fully or at least predominantly controlled by former landowners, now called stockholders. Through this strategy, it is anticipated that the corporation, by virtue of its corporate fiction, will shield the landowners from agricultural claims of tenant-farmers.

...The continued employment of the scheme in agrarian cases is not only deplorable; it is alarming. It is time to put a lid on the cap (Sta. Monica vs. DAR, GR 164846, June 18, 2008)."

Examples of ploys undermining right of farmers and farmworkers to own lands they cultivate are non-redistributive schemes of Stock Distribution Option (SDO) and leaseback arrangements. Last year, the Presidential Agrarian Reform Council (PARC), the highest policy making body on CARP, issued an order revoking Hacienda Luisita's SDO. Now, it is reviewing 13 more SDOs due to non-compliance of big landowners with the required benefit package for ARBs.

In leaseback and other alternative venture arrangements (AVAs), a cooperative of worker-beneficiaries or individuals leases land to a multinational agribusiness corporation or former landowners. These deals have been found to circumvent the agrarian reform program by becoming a precondition to land redistribution—the landowner will only allow coverage under CARP if potential beneficiaries enter into an AVA with them.

Clearly, CARP has to be extended but not in its present construct. Meaningful reforms should be introduced and this requires an act of Congress. Currently, House Bill (HB) 4077, which harmonizes proposals from the House of Representatives' Committee on Agrarian Reform, awaits attention of the lawmakers. The bill proposes:

- provision of subsidized credit for agrarian reform beneficiaries (ARBs),
- recognition of women as program beneficiaries and the provision of gender-responsive support services,
- upholding the legal standing and interests of ARBs,
- the indefeasibility of Certificate of Land Ownership Awards (CLOA) and emancipation patents (EPs) after the lapse of one year to arrest the alarming trend of CLOA and EP cancellations and strengthen the titles of the farmers over their land,

- upholding the DAR's exclusive jurisdiction on agrarian-related disputes, and
- creation of a Joint Congressional Oversight Committee.

HB 4077 is a product of the Committee's extensive process of consultations with farmers, farm workers, rural women, and other stakeholders. All of their regional meetings have ended with overwhelming support for the bill even amid clamor for further reforms such as compulsory acquisition as the primary mode of land transfer, stoppage of land use conversion of irrigable and irrigated lands and tighter regulations on land conversion, revamp of DAR, improved process of identification and selection of beneficiaries, and removal of non-redistributive schemes.

### DAR Needs to Step Up

Curiously, DAR's top officials led by Sec. Nasser Pangandaman, show no effort to pursue a future for CARP. This speaks volumes about their low regard for proposed measures pending in Congress. Pangandaman could not even answer basic questions the Senators posed during their deliberations on CARP.

This is alarming considering that even with the extension of a reformed CARP, its effective, equitable, and efficient completion is equally, if not more, important. Right now, what is needed from DAR is transparency and accountability so as to build the public's trust in the implementing agency's capacity to make agrarian reform succeed during the extension period.

There is a need for confidence-building measures such as providing people more access to information and allowing effective monitoring of key aspects of implementation—budget and expenditures for land acquisition and distribution, support services and credit facilities; identification of target beneficiaries; and the status of land ownership disputes. This may also prove as a counterweight to corruption in DAR.

### Expressive Demands

During its 20-year implementation, CARP has worked because of tremendous efforts of peoples' organizations, NGOs and ARBs, and some reform-minded government officials. Farmers groups have pushed the boundaries of law, and oftentimes, went beyond it to claim their rights. The plight of Sumilao farmers, who walked more than 1,700 kilometers from Bukidnon to the capital to reclaim their ancestral lands, is a constant reminder that while grounds have been gained and pockets of improvements achieved, more remains to be done.

Just last December 3, on what was deemed as the National Day of Action for CARP Extension with Reforms, thousands of farmers all over the country held simultaneous activities to urge Congress to act. From Hacienda Bacan, Banasi, Sumalo, Macabud, Canlubang, Bondoc Peninsula, Calatagan, Sumilao, and various parts of Mindanao, the demand rang for the extension and reformation of the agrarian reform program.

However, considering the current administration's preoccupation with self-preservation, there is a narrow window to make CARP work. Congress can choose to renew its commitment to CARP and the landless farmers or abandon them at a time of global food and financial crises; a sure recipe for rural unrest.

The throngs of farmers who have walked kilometer after kilometer in their struggle for genuine agrarian reform have now arrived at crossroads. Whatever happens, Ka Tessie and her fellow farmers will certainly know who will be accountable.

(Focus on the Philippines December 2008)

Mary Ann Manahan is a research associate with Focus on the Global South (Focus), Philippines Programme. She works on the reclaiming and defending the commons program, particularly on land and water issues. She can be contacted at [mbmanahan@focusweb.org](mailto:mbmanahan@focusweb.org).

## SUBVERTING REFORM by Raising Wrong Development Policy Choices

RENE E. OFRENEO, PH.D.

### Dangerous anti-reform legislative measures

Some Congressional legislative measures meant to weaken and whittle down the Comprehensive Agrarian Reform Program (CARP) are being justified in the name of food security and agricultural productivity. The authors of these measures are doing the nation a great disservice by articulating poor or wrong development policy choices and renewing social divisions in the countryside.

The reform challenge facing the country today is how to complete the land-acquisition-and-distribution (LAD) phase of CARP and transform the agrarian reform beneficiaries (ARBs) into modern agribusiness farmer-leaders. As the President remarked in her State of the Nation Address this year: “Former tenants must be empowered to become agribusinessmen”. And yet, the development paradigm of the anti-CARP legislators is the exact opposite – let the big corporations manage the farms and transform the small farmers and ARBs into land lessors, growers and workers (or mere development spectators). Worse, they even want to gift the big corporations with unlimited access to public lands, a virtual attack on CARP which is likely to fuel conflicts with the country’s ethnic and cultural minorities and the numerous informal land settlers already occupying and farming these lands throughout the archipelago.

Some of the dangerous legislative initiatives:

- Under the proposed bill “Promoting Corporate Farming” by Speaker Prospero C. Nograles and Congressman Abraham Mitra, the big corporations “may purchase or lease on a long term basis public or private agricultural land” with “full management and production control” and “may enter into contractual arrangements or joint ventures with landowners, farmers’ organizations and agrarian reform communities”.
- Under the proposed bill extending the “Land Acquisition and Distribution of Agricultural Lands” under CARP but also “Defining the Scope of the Extended Coverage”, Congressman Luis Villafuerte and other legislators are limiting the coverage of the LAD program only to those offered by landowners under the voluntary offer to sell (VOS) scheme on or before December 31, 2008 and those given a notice of coverage by the Department of Agrarian Reform (DAR) on or before June 30, 2008. Further, the bill seeks to lift the prohibition on the conversion of agricultural lands into “aquaculture, poultry, swine and other livestock projects”. The objective and eventual effect of such conversion will be the exemption of these lands from CARP. Further, like the Nograles-Mitra bill, the Villafuerte bill tries to promote corporate farming in public lands. The bill also seeks higher land valuation based on “fair market value” (thus transforming CARP into a real estate business) and use of farmland as collateral (forgetting that iniquitous land concentrations in the past were due precisely on land mortgaging by poor indebted farmers).
- Proposal of Speaker Nograles and Congressman Pablo Garcia exempting compulsory acquisition of “plantations which are under labor administration and cultivated and developed for exports such as, but not limited to coconut plantations, sugar plantations, pineapple and banana plantations”. Such a sweeping exemption clause will virtually reduce the scope of CARP coverage to the scope of land reform under Presidential Decree No. 27 issued by President Ferdinand Marcos in 1972. This proposal can only come from politicians who have no sense of the history of



land injustices in the country and the reason why CARP became a major reform measure after EDSA I.

- Proposal of Speaker Nograles to amend Sections 2 and 3 of Article 12 of the Constitution “to allow the acquisition by foreign corporations and associations and the transfer of conveyance thereto, of alienable public and private lands”. Not content with the above measures watering and whittling down CARP’s coverage and substance, the leadership of the lower house of Congress even wants to open up the country for foreign land developers. As it is, there are thousands of hectares of agricultural and coastal lands that are being converted into resorts, golf courses, high-rise condominium sites and other swanky but fenced-off land projects by Korean and other foreigners using Filipino dummies.

### Corporate farming and food security in the 1970s

The proponents of the above Corporate Farming bills have reportedly drawn inspiration for their proposal from the Corporate Farming scheme under General Order No. 47 issued by President Ferdinand Marcos in May 1974. In the said GO 47, corporations employing 500 workers or more were encouraged to go into rice and corn corporate farming by linking up with farmers and by allowing them to lease or purchase public lands so that the country would become self-sufficient in its cereal requirements. GO 47 was one of the emergency measures adopted by the Marcos regime in response to the severe rice shortage crisis in 1973-74.

However, with the notable exception of the then government-controlled San Miguel Corporation and Meralco, there were very few corporations who took up the GO 47 challenge. For the reality was that the martial-law government, through PD 27 (land reform) and Masagana 99, succeeded in a relatively short period (1973-77) in transforming small rice farmers into better and more productive rice producers. The Philippines became self-sufficient in rice in 1997 and was even able to export rice surpluses in 1978-80, after a century of chronic rice importations.

How did the martial-law government do it? The answer was the empowerment of the rice farmers – through a combination of

asset reform (land transfer and leasehold reform under PD 27) and an integrated package of services (propagation of high-yielding varieties with credit support, irrigation development, farm-to-market infrastructures, price support services of a newly-formed National Food Authority, etc.).

### World Bank on the Leadership Role of Small Farmers

The Philippine experience in the transformation of small rice farmers into modern and productive rice farmers is somewhat echoed in the 2008 World Bank’s World Development Report (WDR) focused on Agriculture for Development. With asset reform and the right support incentives and policy governance, small farmers can be the leaders in agricultural development for they “use their resources more efficiently than larger farmers” and can have an advantage in terms of less “labor supervision problems” (p. 91). China’s shift from the commune system to the family-based self-responsibility system, which increased Chinese agricultural production several fold, is a dramatic illustration of this. And so were the examples of Japan, South Korea and Taiwan after these countries implemented a thoroughgoing or no-nonsense land reform in the 1940s and 1950s.

The World Bank wrote:

“...The record on the superiority of small-holder farming as a form of organization is striking. Many countries tried to promote large-scale farming, believing that small-holder farming is inefficient, backward, and resistant to change. The results were unimpressive and sometimes disastrous. State-led efforts to intensify agricultural production in Sub-Saharan Africa, particularly in the colonial period, focused on large-scale farming, but they were not sustainable. In contrast, Asian countries that eventually decided to promote small family farms were able to launch the green revolution. They started supporting small-holder farming after collective farmers failed to deliver adequate incentives to produce, as in China’s farm collectivization, or on the verge of a hunger crisis, as in India and Indonesia. Countries that promoted small-holder agriculture – for various political reasons, used agriculture as an engine of growth and the basis of their industrialization.”



The challenge really is how to transform the small farmers in the Philippines into modern farmer-leaders, or more bluntly, how to make the small farmers become modern agribusiness leaders capable of meeting the food and other agricultural requirements of this country. For this, we need to strengthen, not weaken, CARP. For this, we need, an integrated package of support services for the small farmers, not piecemeal and incoherent set of programs. For this, we need a trade and governance policy regime supportive, not destructive, of agriculture.

### Role of Agribusiness Corporations

Is there then a role for agribusiness corporations?

Yes. As shown again in the experiences of Japan, Korea, Taiwan and now China, agribusiness corporations can be partners of the ARBs and small farmers in adding values to agricultural products through productive agri-processing activities and the packaging and marketing of the resulting products. In short, in the promotion of agri-based industrialization, which is an underdeveloped and neglected area in agricultural development.

Agribusiness corporations need not take over large tracts of land and run feudalistic haciendas or plantations. And they need not be enemies of ARBs and small farmers. Figaro Coffee has shown in the case of coffee farming in Amadeo, Cavite that mutually beneficial and productive relations between small farmers and agribusiness corporations can be developed, with the corporations sharing better seed technology and providing profitable market with the small coffee farmers while the corporations enjoy stable supply of quality coffee.

In its 2008 WDR Report, the World Bank even pointed out the danger of land and production monopolies in agriculture as a killer of competition, which penalizes everyone. A partnership between agri-processing corporations and productive ARBs secure in their lands is the ideal system for the Philippines.

To sum up, therefore, two major development challenges in agriculture are:

- how to transform the ARBs and small farmers into modern agribusiness farmers and leaders of an agribusiness revolution in the Philippines, and
- how to develop value-adding and beneficial linkages between the ARBs/small farmers and the agri-processing corporations. (Focus on the Philippines December 2008)

Dr. Rene Ofreneo, former dean of the UP School of Labor and Industrial Relations, heads the Center for Labor Justice.