

Battered but not beaten

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“Tumultuous” probably best describes the Philippine economic and political situation from the time President Joseph Estrada, the actor-turned politician, was elected President in July 1998, to the time Vice President Gloria Macapagal Arroyo took over as the new president in January 2001. The whole world knows—albeit this time with varied reactions—that the Filipinos did it again.

Fifteen years after a bloodless revolution toppled the 20-year Marcos dictatorship, the Filipino people ousted President Estrada, a corrupt and incompetent President. But unlike People Power 1, which was seen as a civilian-supported military uprising, People Power 2 was widely viewed as a military-supported civilian uprising.

Worsening plight of the poor

The poor were badly affected by these tumultuous times. Poor people, who have not yet recovered from the 1997 Asian currency turmoil, the drought and the government’s failure to implement promised safety nets when it acceded to the GATT-WTO, were once more battered by internal strife that engulfed the nation.

Thanks to prodding by UNDP and funding from Europe, poverty indicators became available on an annual basis starting 1998 through the Annual Poverty Indicators Survey. Comparative figures for 1999 and 1998 were not encouraging. In the poorest 40% of families, there was a decline in the proportion of pregnant women who were provided with iron and iodine supplements and who were given tetanus injections. There was also a disturbing decline in the proportion of children of the poorest 40% who were getting basic education (See Table).

The exchange rate, the economy and employment

Estrada’s bad governance and venality exacted a heavy toll on the economy. The markets reacted negatively. The Philippine peso fell from P40:USD1 in January 2000 to P49:USD1 in November. This was the month when the full-blown national discussion of the so-called *jueteng*² scandal rocked the Estrada presidency. Worse, the global increase in oil prices coupled with the peso plunge and the volatility arising from market sentiments against the Estrada administration triggered price increases.

By November 2000, the Asian Development Bank (ADB) was already predicting that the Philippines would be the second slowest growing economy in the Asian region. GDP growth rate was -0.6% in 1998, 3.3% in 1999 and 3.9% in the first half of 2000. This may appear appreciable, but it was hollow growth, for the growth was confined to only a few sub-sectors of the economy, namely electronics and semiconductors. Moreover, it was jobless growth:

- Despite higher GDP growth rates, employment levels decreased in the agriculture and industrial sectors, from 29.1 million in July 1999 to 28.3 million in July 2000. This is a year-on-year reduction of 877,000 jobs.

- The pool of unemployed (July 2000 data) increased by a phenomenal 32% from 645,000 to 852,000. The unemployment rate of 11.1%, up from 8.4% in July 1999, was a record of sorts in the past 13 years.
- The number of employed people decreased by 25,000 while the working-age population increased by over 1.2 million people, which explains the growing hopelessness among the working-age population of finding jobs.

“Job destruction” is how former Economic Planning Secretary Solita Monsod aptly calls it.

Poverty-driven war and a war-driven poverty

In late 1999, former President Estrada decided to wage an all-out war in Central Mindanao. This war made no distinction between the 32-year old Islamic rebellion led by the Moro Islamic Liberation Front (MILF)³ and the bandit, kidnap-for-ransom gang, Abu Sayyaf.⁴ While Estrada’s macho posturing in the war raised his sagging popularity level—as people got fed up with the Abu Sayyaf’s kidnappings—the people paid the price of the war’s staggering economic and social costs.

Six months into this war, 206 government soldiers had been killed in action along with an undetermined number of MILF forces. Over 500,000 civilians were displaced. A representative of the Mindanao Business Council estimated that the economic costs to Mindanao reached a staggering P1 billion a day (approximately USD 24 million). Up to 90 young children died of disease—mainly measles—in refugee centers.⁵

Despite the popularity of Estrada’s decision, many policymakers and progressive non-government organisations (NGOs) saw no rhyme or reason for his all-out war policy.⁶ The 32-year old Islamic rebellion had historical, cultural

1 The author is a member of the management collective of Action for Economic Reforms. The author wishes to acknowledge the suggestions and comments of Filomeno Sta. Ana III, coordinator of Action for Economic Reforms.

2 *Jueteng* is an illegal numbers game played in most parts of the country. Its operators give protection money to local officials. A governor and well-known *jueteng* operator in the North revealed that President Estrada and his relatives were getting a huge chunk of this protection money.

3 The MILF is the vanguard of the Islamic movement in the Bangsamoro homeland in Mindanao and the neighboring islands. The MILF was formed in 1977 when Hashim Salamat, supported by ethnic Maguindanaos from Mindanao, split from the Moro National Liberation Front (MNLF). Salamat advocated a more moderate and conciliatory approach toward the government. In January 1987, the MNLF signed an agreement relinquishing its goal of independence for Muslim regions and accepting the government’s offer of autonomy. The Moro Islamic Liberation Front, the next largest faction, refused to accept the accord. The Mindanao-based Moro Islamic Liberation Front fields around 2,900 troops.

4 Abu Sayyaf is an Islamic extremist group led by Abdurajik Abubakar Janjalani that operates in the southern Philippines. This is a lost command that originated from the Moro National Liberation Front in 1991. Reports indicate that there are about 200 members, mostly younger Muslims, many of whom have studied or worked in the Gulf states, where they were exposed to radical Islamic ideology. Abu Sayyaf’s activities include bombing, assassinations, kidnappings for ransom, and extortion payments from companies and businessmen. It has deteriorated into a bandit group.

5 Jose M. Galang Jr. “It only just began”. *BusinessWorld*, 14 August 2000.

6 Rep. Wigberto E. Tañada. “Welcome Remarks” presented in the First Regional Consultation on the Philippine Human Rights Draft Declaration, 10 May 2000, Baguio City

1999 Annual Poverty Indicators Survey (APIS)				
SURVIVAL INDICATORS	PERCENTAGE OF THE POOREST (LOWEST 40%) FAMILIES		PERCENTAGE OF THE POOREST (LOWEST 40%) FAMILIES	
	1999	1998	1999	1998
Food, Nutrition and Health				
Families with pregnant, lactating family members				
a. who were provided with iron supplements	59.0	66.1		
b. who were provided with iodine supplements	52.8	57.0		
c. who were given at least two doses of tetanus toxoid injections	58.4	71.1		
Families with married women				
d. with access to family planning services in the last six months	89.1	85.2		
e. who practiced family planning	33.7	40.5		
Electricity, Water and Sanitation				
a. with access to safe drinking water	69.1	66.2		
b. with sanitary toilet	67.7	65.7		
c. with electricity in the house/residential building	47.3	46.3		
SECURITY INDICATORS	1999	1998		
Shelter				
a. with housing unit (roof and outer walls) made of strong materials	29.8	29.1		
b. with owned/ownerlike possession of house/lot	65.7	65.6		
c. availed house/lot through assistance of government housing or financing program	2.9	3.3		
d. with lands other than residence availed of through Comprehensive Agrarian Reform Program (CARP)	0.8	0.8		
			Employment	
			a. with family head who is gainfully employed	57.6 89.1
			b. with family members aged 18 and over who are gainfully employed	94.7 94.8
			c. engaged in agricultural activities and received agricultural and extension services	8.1 5.4
			ENABLING INDICATORS	1999 1998
			Basic Education	
			a. with children 6-12 years old...	53.0 52.0
			b. ... in elementary school	82.1 89.6
			c. with children 13-16 years old	31.8 31.2
			d. ... in high school	45.0 56.3
			Tertiary Education	
			a. with children in tertiary school and received scholarship from government or private sector	12.6 10.9
			People's Participation/Community Development	
			a. with at least one family member involved in people's organisation or community development association	24.5 19.4
			b. with membership in any cooperative	12.2 9.3
			Availment of Loan for Entrepreneurial Activities	
			(% of total number of families engaged in entrepreneurial activities)	23.2 22.8

Note: The survey period in 1999 covered the second and third quarters which, according to the National Income Accounts, showed GDP growth rates of 3.6% and 3.4%, respectively. It included 41,000 sample households all over the country.

Source: Solita C. Monsod, "The bottom 40% and how they fared," *BusinessWorld*, 23 November 2000.

and economic roots, which called for deep participatory reform measures rather than war. Indeed, nowhere are basic reforms more urgent than in Mindanao where 12 of 14 provinces are among the 20 poorest provinces in the country. The poorest of the lot are the Autonomous Regions of Muslim Mindanao (ARMM) provinces of Maguindanao, Lanao del Sur, Sulu and Tawi-Tawi.

As the late Senator Jose Diokno, one of the country's foremost human rights advocates said: "Because militarisation is inherently repressive, it breeds dissent and resistance. Militarisation is a self-fulfilling prophecy: it creates the very conditions which 'justify' it."

The growing budget deficit

The budget deficit has grown to alarming levels and is a major concern of economists and policymakers. From P 50 billion in 1998, it grew to P 136 billion in 2000. As a percentage of GNP, it has gone from 1.8% in 1998 to 3.9% in 2000. The main reason for this burgeoning problem is the drop in revenue collection, which fell from 18.66% of GNP in 1997 to 14.43% in 2000. This drop in revenue collection was largely because of Estrada's failure to go after big-time tax evaders and Congress' penchant for horse-trading with big lobbyists. Only the Bureau of Treasury, not principally in charge of revenue generation in the first place, earned more than its target through the sale of Treasury Bills. The lack of revenues largely impinged on government's flexibility to finance basic social services.

The new presidency

"We must be bold in our national ambitions: our challenge must be that within this decade, we will win the fight against poverty," said Gloria Macapagal-Arroyo when she took her oath as President.⁷

President Arroyo has yet to be specific on how she intends to win the fight against poverty. Governance was the key issue that eroded investor confidence and toppled the Estrada administration. Thus it is expected that President Arroyo's administration and civil society will focus their energies on seeing to it that the basic principles of accountability, transparency, predictability and participation inform and inspire her governance.

The Filipino people have matured politically. We have been battered, but—with the inspiration and lessons drawn from the Second People Power—we have not been beaten. ■

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⁷ Gloria Macapagal-Arroyo, "Inaugural Speech" delivered on 20 January 2001, EDSA Shrine, Mandaluyong, as cited in *Philippine Daily Inquirer*, 21 January 2001.