DISCUSSION PAPER 11/2018

Beware Big Men (or Women)

The lesson of the Philippines

Greg Mills

Strengthening Africa's economic performance

THE BRENTHURST FOUNDATION

Beware Big Men (or Women)

The lesson of the Philippines

Contents

About the Author

Dr Greg Mills heads the Johannesburg-based Brenthurst Foundation, established in 2005 by the Oppenheimer family to strengthen African economic performance. He holds degrees from the Universities of Cape Town and Lancaster, and was the National Director of the SA Institute of International Affairs from 1996 to 2005. He has directed numerous reform projects in more than a dozen African governments (including in 2017 for example with the governments of Ghana, Lagos State, the five states of SE Nigeria, Lesotho and Mozambique), sat on the Danish Africa Commission and on the African Development Bank's high-level panel on fragile states, and has served four deployments to Afghanistan with NATO. A member of the Advisory Board of the Royal United Services Institute, he is the author, *inter alia*, of the best-selling books *Why Africa Is Poor*, *Africa's Third Liberation* (with Jeffrey Herbst), and most recently, together with the chairman of the Foundation, President Olusegun Obasanjo, Dr Herbst and Major-General Dickie Davis, *Making Africa Work: A Handbook for Economic Success*. He is currently working on a book-length study on democracy in Africa due out at the start of 2019.

Published in October 2018 by
The Brenthurst Foundation

The Brenthurst Foundation
(Pty) Limited

PO Box 61631, Johannesburg 2000,
South Africa

Tel +27-(0)11 274-2096

Fax +27-(0)11 274-2097

www.thebrenthurstfoundation.org

Layout and design by
Sheaf Publishing, Benoni.

Executive Summary

Bad governance is a function of leadership. That's the lesson from the Philippines. Despite considerable wealth in natural resources and population size, the second-largest in Southeast Asia after Indonesia, the economy consistently performed below the levels of its region during the 20th century. Slow growth has been a function of consistent mismanagement and congenital corruption, reflecting weak leadership in a powerful presidential system. Things have picked up since then, particularly through the services sector and a manufacturing boom in more than 360 Special Economic Zones, with the economy among the top-three regional performers. But politics remains snared between family dynasties and the populism represented by President Rodrigo Duterte – one consequence being that nearly one-quarter of 107 million Filipinos live in poverty.

'*Weather-weather lang ang buhay.*'

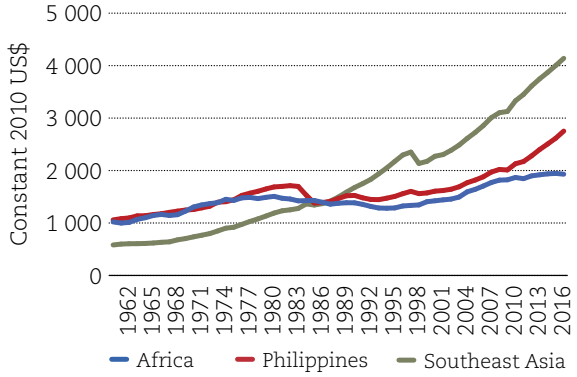
President Rodrigo Duterte[1]

Introduction

General Douglas MacArthur made his home in the Philippines in 1937. When President Manuel Quezon had invited the retiring Chief of US Army Staff to oversee the creation of a new armed forces, before MacArthur accepted the offer, the General asked to stay in Malacañang Palace, the official presidential residence. Instead Quezon commissioned a penthouse suite for the MacArthur family at the luxurious marble and mahogany Manila Hotel.[2]

Promoted to Field Marshal, MacArthur was tasked with building a Filipino army as a regional American surrogate, Washington being concerned (correctly, as it turned out) by the rise of Japanese militarism. MacArthur's tenure was cut short by the Japanese invasion of the Philippines in December 1941 when he was recalled to active service as commander of the US Army Forces in the Far East. Never a man lacking self-confidence, and a master of grandstanding, but whose inspirational leadership was viewed as being, as Dwight Eisenhower wrote, 'worth five army corps', MacArthur decamped from the Philippine capital to the fortified, if tiny, tadpole-shaped island of Corregidor at the mouth of Manila Bay, where he fought on until ordered to safety in Australia.

Figure 1: Rising Tiger? The Philippines in Perspective



Washington oversaw independence in the Philippines in July 1946, the deal permitting long-term leases for American military bases and protection for US products.

Despite, and perhaps because of this dependency, the Philippines' economy performed well below the average of its Southeast Asian tiger counterparts until the 21st century. Viewed as the 'sick man of Asia', despite also considerable wealth in natural resources and population size, the second-largest in Southeast Asia after Indonesia, its slow growth was a function of consistent mismanagement and congenital corruption, reflecting weak leadership in a powerful presidential system. And in a vicious cycle, the Philippines was overly reliant on commodity income, given the unfriendly environment for foreign investment and domestic crony capitalism. Indeed, the term 'crony capitalism' originated in the archipelago, 'where,' as Joe Studwell has written in *How Asia Works*, 'the political class has been the most selfish and culpable among all the major states in East Asia.'[3]

The way to get rid of crony capitalism is, it seems, to excise the system that provides economic rents, setting an example at the top. But this is not easy, given the risks to undermining short-term political stability in removing certain incentives for entrepreneurs and politicians alike. What is the lesson in this regard from the Philippines?

The Roots of Bad Governance

Bad governance is a function of leadership.

MacArthur was not the only big man whose ego darkened the Filipino archipelago. The 22-year dictatorship of Fernando Marcos and the *shoeaholic* Imelda – who it is claimed owned not fewer than 3 000 pairs – defined a combination of Latino influence and American-style executive presidency, but one where the 'grand spoils' are dispatched by the leader virtually unhindered by institutional checks and balances.

Following a pattern of regular elections and a turnover in leadership from 1946, a 'brilliant young lawyer', Marcos was elected president in 1965. In September 1972 he suspended the constitution, curtailed press freedom and imposed martial law, citing communist subversion.

S'joe! Imelda Marcos at 90.

Known as the 'Steel Butterfly' during her husband's reign, the 90-year-old Imelda is today a more benign version, more a forgetful grand dame than fierce consort. Still she brooks no criticism of her husband's regime. Still a Congresswomen in 2018, she argues that 'for all the bad publicity we received,' Marcos brought the country 'freedom, justice and democracy. We could not have had freedom while we had US bases with 99-year leases, which Marcos cut off. We could not have had justice if 60% of our lands and wealth belonged to foreigners. He changed this. And,' she says, 'we did not have a democracy since feudal lords were ruling the country. Marcos anchored democracy on the family, the *barangay* [settlement].'

Marcos declared martial law on 21 September 1972. Within five years, over 60 000 Filipinos had been arrested for political reasons. *Desaparecidos*, an exhibition at the Diliman Campus of the University of the Philippines, is intended to represent the missing.

While some see the Marcos period as a 'golden age' for the economy, by the end of the Marcos era in 1986, the country was deep in debt, with widening poverty and unemployment amidst extensive corruption and human rights abuses. Notable businessmen and connected families swirled around the Marcos elite. Large-scale international borrowing was not used, as in Taiwan or Korea, to drive industrialisation, but for elite plunder who borrowed heavily on preferential terms and failed to repay these loans. The political system enabled them to take the money and run without suffering the consequences.

Marcos lifted martial law in 1981. But his main political opponent Benigno 'Ninoy' Aquino was assassinated at Manila International Airport upon his return after exile in the United States. Under pressure from Washington, among others, Marcos held a snap election in February 1986. Although he was declared the winner, the process was marred by violence and reports of vote rigging, including a claim by 35 government election commission computer technicians about such malfeasance. When the head of the Philippine Constabulary, General Fidel Ramos, and Defence Minister Juan Ponce Enrile withdrew their support for 'Macoy', as Marcos was nicknamed, the die was cast, 'People Power' public protest under the 'EDSA Revolution' (so-named after the main highway in Manila) forcing the long-time president out and into exile in Hawaii.

Corazon 'Cory' Aquino, widow of Benigno, became the 11th President of the Philippines on 25 February 1986. Yet her 'indecisiveness, inexperience, and ineptness as a political leader were no match for the challenges of democratic governance' and she failed to measure up to perhaps unrealistically high expectations.[4] 'There was chaos around her,' says one former senior member of her government, 'perhaps reflecting that she was more comfortable with NGO types than those with experience in government.'

Things started to improve with the election of retired General Ramos as president in 1992. Ramos opened up the economy to encourage private investment and reduce corruption under his vision of 'Philippines 2000'. This included the development of the Special Economic Zone (SEZ) concept. As one measure, over the last 20 years growth in the economy has averaged 5 per cent.

Ramos was succeeded in 1998 by his deputy, Joseph 'Erap' Estrada, a veteran and popular film actor. In 2000 Estrada declared an 'all-out-war' against the Moro Islamic Liberation Front. But he didn't do the same on corruption. Instead he was undone by a 2001 Senate impeachment trial for taking US$80 million from the government

coffers. His deputy, Gloria Macapagal Arroyo (widely known as 'GMA'), a former professor of economics, stepped in, and was re-elected in 2004, serving as president until 2010. She had originally entered government in 1987 in the Department of Trade and Industry.

Figure 2: Consumer Spending

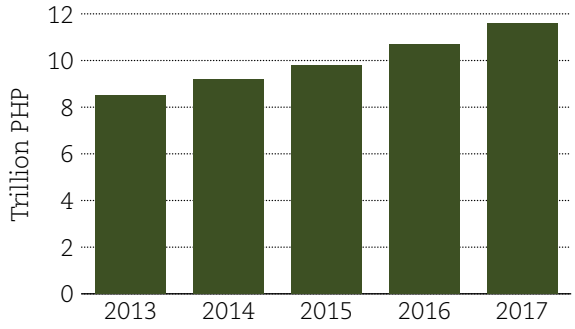
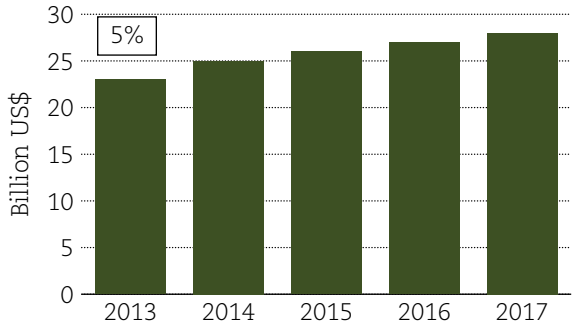
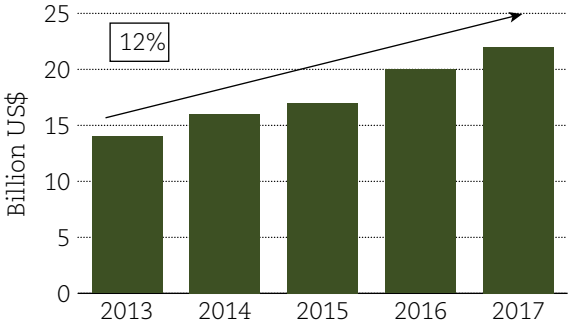


Figure 3: Overseas Remittances



Under GMA's leadership the economy picked up with some gusto. Two-thirds of growth was, according to the Asian Development Bank (ADB), driven by domestic demand among the 107 million-strong population. This has increased as per capita income reached the US$3 000 level in 2017. Growth has been fuelled, too, by continued remittances. More than 11 million Overseas Filipino Workers (OFWs) labour in the diaspora, sending home over US$28 billion in 2017, or just under 10 per cent of GDP, doubling over the last decade.[5] Tourism, too, has been a significant growth sector, arrivals more than trebling from 2000 to number 6.6 million in 2017.

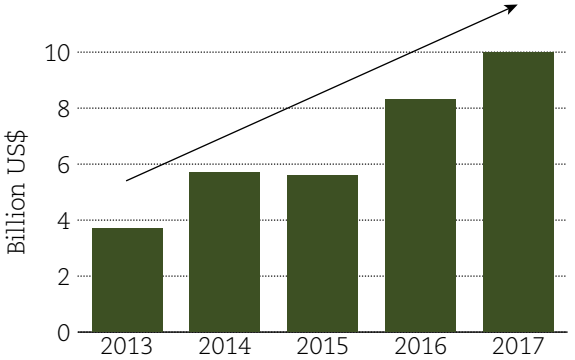
Figure 4: Offshoring Revenues



The ADB estimates that services are responsible for creating between 60 per cent and 70 per cent of all new jobs in the Philippines, with as many as three million in the IT sector alone. Increasing consumerism is also driven by a change of employment. The Philippines economy has been revolutionised in this regard by the drive to Business Process Outsourcing (BPO), with more than 1.3 million working in an industry worth US$22 billion to the economy, or as much as 15 per cent of the global total, and which has enjoyed consistent double-digit growth.[6] Over the last ten years, growth in the Philippines economy has averaged 5.6 per cent, twice that than in the 1970s for example, and from 2013 to 2017 was over 6.5 per cent, the highest in Asia after China and India.

Much growth is linked to the establishment of Special Economic Zones (under the Philippines Economic Zone Authority – PEZA), such as those in the former US air base at Clark Field and naval port at Subic Bay. By 2017 there were 366 SEZs across the country, including 74 manufacturing zones.[7] As figure 5 illustrates, this has driven up FDI. More than 40 per cent of FDI in 2016 went to the manufacturing sector in such zones.

Figure 5: FDI Inflows



Comparative Asian FDI inflows

	FDI, in US$000		FDI, % of GDP	
Country	**2010**	**2017**	**2010**	**2017**
China	114 734	136 320	1.9	1.1
India	27 397	39 916	1.7	1.5
Singapore	55 076	62 006	23.3	19.1
Indonesia	13 771	23 063	1.8	2.3
Vietnam	8 000	14 100	6.9	6.3
Malaysia	9 060	9 543	3.6	3.0
Thailand	14 568	7 635	4.3	1.7
Philippines	1 298	9 524	0.7	3.0
Myanmar	6 669	4 341	14.6	6.3
Cambodia	1 342	2 784	11.9	12.6
Laos	279	813	3.9	4.8
Brunei	481	–46	3.5	-0.4

Source: World Investment Report 2017. World Bank WDI

Some of this is the reward from cleaning up government. As Benigno Simeon 'Noynoy' Cojuangco Aquino III, president between 2010 and 2016, put it in his last State of the Nation address, 'a significant portion' of growth was, during his predecessor's term, 'fuelled by remittances from Filipinos who had lost hope in our country'. As a result, 'We went after the corrupt and we cleaned the systems, which redounded to confidence in our markets. Businesses came into the country, opportunities expanded … This is a cycle: justice, trust, economic growth, the creation of opportunities, progress. Boss, this is the very spirit of, "Where there is no corruption, there is no poverty".'[8] Or as he noted on a different occasion, 'good governance is good economics'.[9]

Overall, the biggest accomplishment of the last generation, reflects Delia Albert, a former Foreign Secretary, is that 'we have been able to improve social mobility, as a result of which people feel more optimistic, that there is more of a future here.' The thanks for this improvement, however, has a lot to do with the (literally) get up and go of Filipinos, especially the OFWs, rather than politicians.

Getting Rid of the Rent-Seekers?

Leaving with his family from the jetty at Corregidor's Lorcha Dock in March 1942, MacArthur reached Australia after a risky 600km journey through the Japanese blockade by torpedo boat to Mindanao, and from there by B-17 bomber. A bitter guerrilla and liberation struggle against Japanese militarism ensued, followed by clamours for independence. The latter was gained, controversially, on 4 July 1946, initially fraught with American conditions on its sovereignty, as noted above.

MacArthur famously declared on arrival in Australia after leaving Corregidor that, 'I shall return', which he did at the war's end three years later, wading purposefully ashore behind ubiquitous aviator sunglasses.

He was, again, not alone. Many Filipino politicians do, over-and-over again.

In 2007 Estrada was sentenced to a life sentence for corruption. Pardoned by his one-time deputy (and automatic successor) Gloria Arroyo, he ran for president in 2010. Defeated resoundingly by Benigno Aquino III, son of Cory, Estrada was elected

The ego has landed. MacArthur returns. (Corregidor Museum)

Mayor of Manila in 2013. In July 2018 Arroyo was elected Speaker of the House of Representatives. Both she and Ramos have enjoyed something of a political renaissance given their support for the current president, Rodrigo Duterte.

Yet most Filipino presidential careers end badly, it seems. Estrada's dismal presidential conclusion was not unique, sadly. General Ramos is one of the few whose career has not been embroiled in some form of post-presidential scandal. For example, in November 2011, Arroyo was arrested on charges of electoral fraud and later arrested again on charges of the misuse of state lottery funds, both of which she was later acquitted on after four years under 'hospital arrest'. Her oldest son, Mikey, is a former congressman (2004–10) and actor, who has run into scandal over a failure to declare earnings. His younger brother, Dato, who worked as one of his mother's speech writers, won election as Representative of the First District of Camarines Sur province.

Arroyo was succeeded by Benigno Aquino. Keeping things among families, his vice president was Mar Roxas, son of a Senator and grandson of Manuel Roxas, the first President of the Philippine Republic (1946–48).

The persistence of such dynasties and corruption controversies reflects the weakness of government institutions over personalities in the Philippines. Politics, put differently, is a family business where personalities and their networks are more important than ideas, ideology or parties.

Imelda, unsurprisingly, does not see anything particularly problematic about this. Her oldest son Ferdinand 'Bongbong' Marcos Jnr, is a Senator and Vice-Presidential candidate, having first been elected to the Philippine House of Representatives at the age of 23 and succeeding as Governor of the Province of Ilocos Norte, his father's power-base, from 1983 to 1986. His sister María Imelda 'Imee' Marcos is the Governor of Ilocos Norte. Before that, she served three terms as Representative of the 2nd District of Ilocos Norte in House of Representatives from 1998 until 2007. 'Bongbong was only six and a half years old,' reminds Imelda without a hint of irony, 'when we got into the palace. He has all the ingredients [to run the country].'

There are other more extreme examples. Also in the province of Camarines Sur, the sitting governor Miguel Luis Villafuerte, 29, defeated no less an opponent than his grandfather, Luis, in the last (2018) election, who had been a Congressman from 2004 to 2013 and Governor of the same province from 1995 to 2004. His father had earlier, too, served as Governor, while his grandmother is a former member of the Philippines' Monetary Board.

It's not only politicians who are affected though. The Chief Justice (of the Supreme Court) Maria Lourdes Sereno, a key opponent of President Duterte, was under charges of impeachment in 2018 for failing to declare assets.

Senator Gregorio 'Gringo' Honasan, who led several failed coups as a Special Forces officer against Ferdinand Marcos and, then, Cory Aquino says that 'we are a product of our limited choices. Political parties do not exist in this country. It's all about personality choice,' says the retired Colonel, 70 in 2018. 'When you cast your ballot, you think it's a tragedy that we have these slim choices before us.' Honasan, who stood unsuccessfully for vice president in 2016, says this is worsened by the funding regime for parties which receive no money from the state. As a result, whoever funds the party is usually its leader; a patronage principle exacerbated by the 30 000 or so jobs the president can immediately, upon assuming office, dispense.

An estimated 25 million Filipinos live in poverty.

This, too, relates to the relative absence of ideology as an organising principle in elections.

While the political divide is ostensibly between the 'liberals' (represented by the Aquino and Roxas dynasties) and the 'nationalists' (Marcos, Arroyo, Duterte, Ramos), in practice this means little. Where, to cite one former senior government official, 'allegiances can be bought and where it

is the politicians and not the state than provides social services from paying for schools to funerals, political dynasties flourish.' And elitism plays into other areas, including the weak institutional basis of government, centralism over federalism, and a dismissive attitude towards poverty. Hence the term '*Padrino* Cycle', a sense that 'nothing really changes in Philippine government except for the rotation of a handful of politically powerful families whose heads, *i.e.*, *padrinos*, take turns either taking up residence at the Presidential Palace or falling from grace.'[10]

Another consequence is that economic policies and plans suffer from a lack of continuity, where it does not suit the personalities to honour previous commitments. The pliability of state institutions which undercuts the effectiveness of Philippines' democracy suits these elites, with a resultant democratic fatigue, where citizens have come to prefer an authoritarian, tough-talking alternative.

Managing Divides

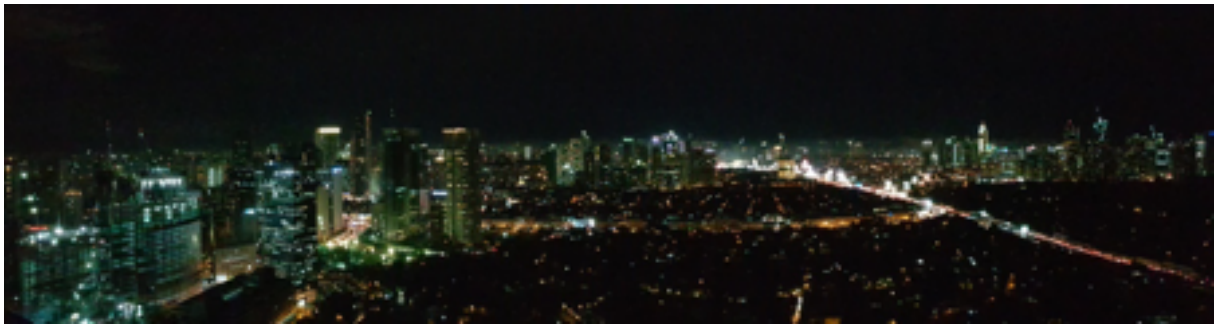
Skipping puddles of sewerage is a main preoccupation in the muddy alleys of Manila's 'Helping Land' slum. Sandwiched between two container depots at the capital's port, its inhabitants process rubbish for their living. *Sari-Sari* 'hole-in-the-wall' convenience shops ply their penny packet wares and women wash pots where children and mangy dogs and cats splash their way. The purpose is to separate rubbish from income, one corner devoted to plastic, another to paper, and the most overpowering to the production of *Pag-Pag* from fast-food waste, then recooked and sold.

Manila Bay it may be, but the reality of Tondo is a long way from the Manila Hotel and the wealth of the capital's Mataki business district. While the average Gini co-efficient in Southeast Asia is 37.7,[11] in the Philippines it is 44.4 and rising.[12]

Manila is the most densely populated city in the world, with 42,857 per km^2, while its wider National Capital Region (NCR), where 40% of GDP is generated, accommodates an estimated 13 million people. The slums of Tondo, including Helping Land and Happy Land, contain not fewer than 73,000 per km^2.

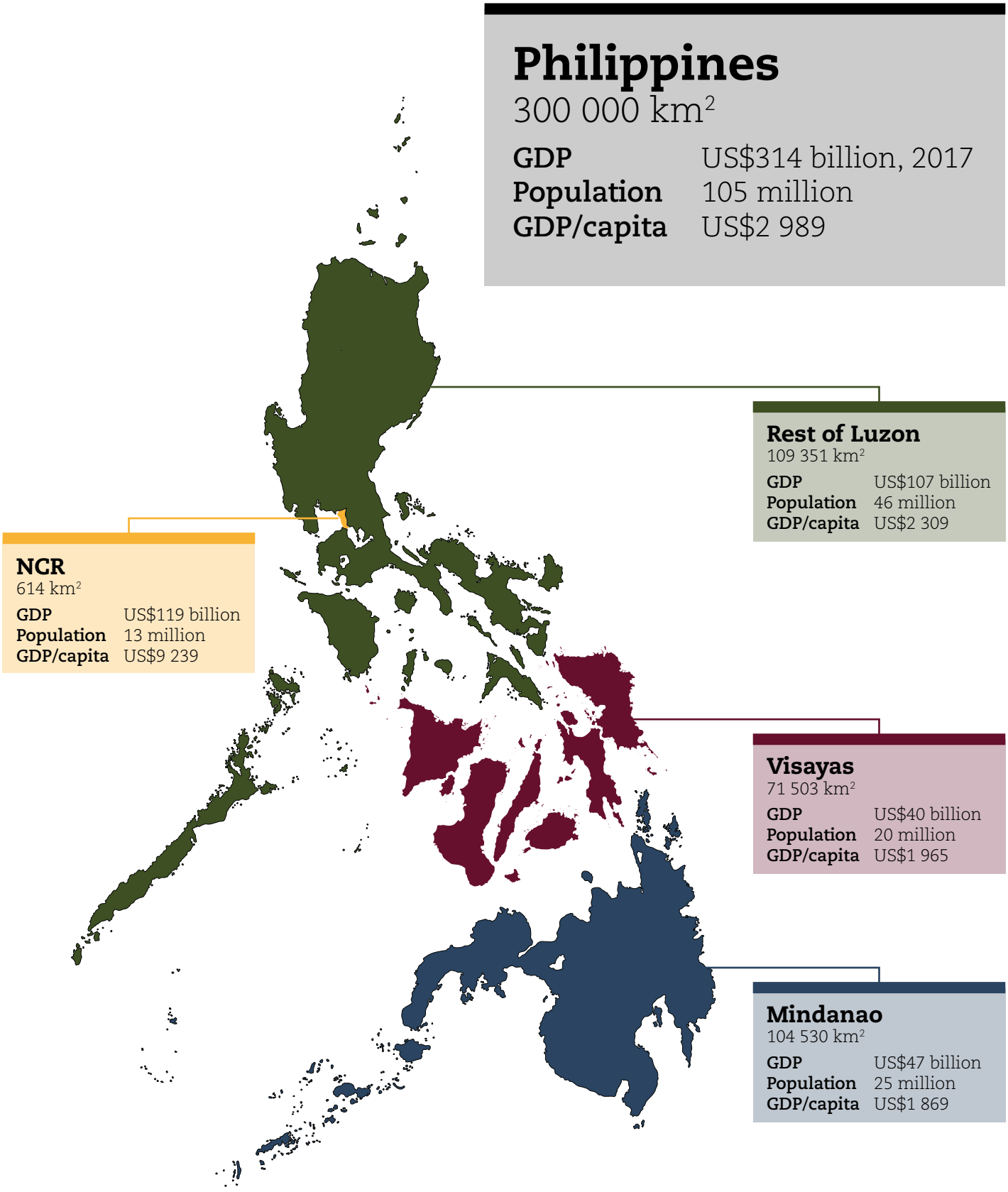
Manila's Metro enjoys three times the average national income of US$3 000, but not everywhere.

Inhabitants of the 'Helping Land' slum in Tondo, Manila, search through fast-food waste for food, which they recook at *Pag-Pag* – literally, 'to shake'.



The Makati business district at night. While growth has risen, inequality has steadily increased this century, the main drivers being a failure of land reform, corruption and access to education.13

Figure 6: Average per capita income



Source: PSA National Accounts April 2018

Problems with logistics and infrastructure are linked to lifting the quarter of Filipinos who are currently in poverty. This has a clear rural dimension. Agriculture employs a third of the population, yet the sector comprises just 10 per cent of GDP. The protectionist deals with the US kept the country focused on agriculture (which made up 80 per cent of exports in the 1930s, for example), which remained inefficient. Poverty in the rural areas is also linked to a failure of land reform. A plethora of plans ran up against vested interests: most politicians were from or supported by land gentry. As a result, by the time of Marcos' fall from power, he had achieved less than a quarter of his limited targets, while the subsequent Comprehensive Agrarian Land Reform Law of 1988 did little to accelerate change.[14]

But all poverty is not rural. Far from it. The divides are regional – and, as the plight of those in the slums of Tondo illustrates, within regions.

Politics and economics in the Philippines are shaped by criss-crossing fault-lines, the extent to which partly relates to the distance from the national capital region (Manila), in which religion, ethnicity, and the presence of economic opportunities and investment from the central government all play a part. As is illustrated, below, while the average per capita income across the Philippines touches US$3 000, citizens in the NCR enjoy three times this amount, and those in some outlying provinces just half.

Whereas the NCR, for example, is the commercial and financial centre with minimal agriculture and predominantly a services and manufacturing economy enjoying the majority of government spending (80 per cent of which runs through central government currently, even though there are 18 regions, 81 provinces, 135 cities and 1 500 municipalities), Mindanao in the south is overwhelmingly dependent on fishery and agriculture exports. Incomes correspond, thus, in part with the country's 80 ethno-linguistic groups and also to religion, with the Muslim minority clustered in Mindanao. There are also divides between generations on ends and means, with the youth finding it increasingly difficult to 'talk politics' with their more conservative elders.[15]

Between dynasties and dysentery. Dearth and excess side-by-side lends itself, perhaps inevitably, to populism.

Enter Rodrigo Roa Duterte, also known as 'Digong' or 'Rody', the winner (with 39 per cent of the vote) of the 9 May 2016 election, the first president from the southern island group of Mindanao, projecting himself as an agent of change against the elites and 'imperial Manila'.

A lawyer by training, Duterte worked as a prosecutor for Davao City, before becoming vice-mayor and, subsequently, mayor of the city for 22 years following the 1986 revolution. Famously foul-mouthed and described as a 'populist' and a 'nationalist' on account of his support for radical crime fighting measures, including the extra-judicial killing of drug users and other criminals, anti-Americanism and outspoken criticism of the church, Duterte has both confirmed and denied his involvement in Davao death squads. During his presidential campaign, he promised to reduce crime by killing tens of thousands of criminals.

Former president Aquino says that the rise of Duterte is 'a complete opposite of what we tried to achieve.'[16] Yet perhaps because of that, Duterte has offered a popular message for Filipinos, tired of worn promises from the political status quo. Even though they had come off their peak, two years into his presidency Duterte still had approval ratings of 65 per cent.[17]

While his promises may be popular, perhaps inevitably they are, too, dangerous.

The Dangers of Duterteism

High logistical and infrastructure costs add considerable premiums to doing business in the Philippines, estimated to be perhaps as much as

8 per cent of GDP in lost productivity and wasted energy. The Japanese International Co-operation Agency for example estimates that US$70 million is lost every day to Manila's gridlock.[18] With a weak mass rapid transport system, the roads are paralysed with 2.2 million buses, cars, and antiquated, if vivid and cheap (US$0.20c per 4km) 600 000 *jeepneys*.[19] 'It takes longer,' laughs Senator Honasan, 'to travel across Manila City than it does to reach Hong Kong.' He's not joking though.

An estimated US$70 million is lost every day to Manila's gridlock.

The paradox of Duterte is that it, apart from the rhetoric, is a commitment, so far, to sound macro-economic policies and a focus on delivering infrastructure. The central plank of his administration is a US$150 billion 'Build-Build-Build' strategy, involving 18 flagship projects from highways to airports, ports, bridges, water pipelines and container depots. This is to be funded by TRAIN – Tax Reform for Acceleration and Inclusion – which seeks to rationalise incentives, reduce corporate (from 30 per cent to 20 per cent) and personal income tax and broaden the tax base through extending VAT. (The current tax/GDP ratio is at 16 per cent, compared to the OECD member-country average of 34 per cent.) Tax revenue increases are to be offset by widened plans for unconditional cash transfers to the poorest, with the aim of reaching half of the 20 million Filipino households. Already, during Beningo Aquino's presidential term, some 4.1 families benefitted from CCT (conditional cash transfer).

But populism worries, not just because of extra-judicial issues, but because it threatens to undermine the system of government and already fragile institutional checks and balances.

The Philippines ranks 111th out of 180 countries surveyed by Transparency International in 2017, with a score of 34 out of 100, tagged among Asia's worst offenders, among the likes of India and Pakistan, and dropping ten places on the previous year's placing.[20] Freedom House estimates that Duterte's war on drugs has led to more than 12 000 extra-judicial killings, ranking Philippines as 'partly free' in 2018 with a score of 62/100 (where 100 is most free).[21] The country ranked as 'free' between 1997 and 2005.

This would suggest that democracy is not to blame for poor governance; to the contrary, worsening democratic conditions have corroded institutions and the rule of law. Transparency International, for example, places the Philippines alongside India and the Maldives as 'among the worst regional offenders' when it came to threats against or murder of journalists, activists, opposition leaders and even staff of law enforcement or watchdog agencies. 'These countries score high for corruption and have fewer press freedoms and higher numbers of journalist deaths,' reports TI.[22]

The median age of Filipinos is 22.5 years, with 55 per cent under the age of 24 and the population increasing at nearly two million per year.

While he has presented himself as a fresh alternative – in Honasan's words, 'representing a rejection of the political system' – Duterte is not immune either to concerns about political nepotism. His daughter, Sara, has taken over from him as mayor of Davao City, having previously served as his deputy when both faced corruption charges. His oldest son, Pulong, resigned as the deputy mayor of Davao in January 2018, his name having come up in Senate investigations into *Shabu* (crystal meth) smuggling along with his sister's husband.

The question is not only if Duterte can replicate his 'Davao model' across the Philippines, but whether this model has delivered public goods in Davao itself?

Upsides and downsides …

From the outside, Duterte's policies would seem to hardly deserve the approval and trust of the Filipino people, whether this be his flip-flopping on the South China Sea, attacks on not only the Catholic Church (in a country where 90 per cent are members), support for extra-judicial killings, or his bloviation. But they do, for now, for two reasons:

First, whatever the divides of wealth and concerns about rising inflation and a widening trade deficit, the economy continues to boom, benefitting from a stable macro-economic environment of low inflation and low debt-to-GDP ratio, maintaining a healthy domestic demand, and from regional growth, too, in exports.

And second, Duterte's popularity also reflects ongoing fatigue with politics as usual in the Philippines, where his brand of populism presents an alternative to business-as-usual practices, an appeal to people over the political elite. The emergence of such 'hybrid regimes', which combine elements of electoral democracy with autocratic governance, centring around strong, populist personalities and thrive off the absence of strong, functioning state institutions, is not of course limited to the Philippines.[23] Autocratic China has become the world's second largest economy, without recourse to basic liberties or free elections. Russia's Vladimir Putin, Turkey's Recep Tayyip Erdogan, and the late Venezuelan leader Hugo Chavez have all developed playbooks for anti-democratic control. While they won power through elections, each quickly moved to undermine institutional constraints on executive power and ensure loyalty through the deployment of partisans to key positions, including the judiciary.

The gap between social expectations on the one hand and state capacity and promises on the other is at the crux of this phenomenon. The cost is to liberal constitutionalism. Forgetting the cost to international relations of the president's outspokenness, for a country already weak in checks and balances, this is unlikely to ultimately be a productive path.[24] For the conditions that lend themselves to success in the Philippines, experts agree, is improving efficiency in the public service, institutional oversight, policy inclusiveness and predictability, a healthy relationship between government and business, and the reduction of various social schisms.[25] And to align politics with these requirements, and to deal with poverty requires a batch of local government and electoral reforms, including around campaign financing, in which few politicians would see immediate benefits for themselves.

These are lessons, it seems, for others beyond the Philippines.

Endnotes

1. Meaning 'life's ups and downs are seasonal' – or that in Filipino politics, rainfall and sunshine will come eventually to all groups. One must simply take cover during the worst of times.
2. This is based on two research trips to the Philippines, in February 2017 and September 2018. Unless otherwise cited, the interviews were conducted during this time. Thanks are expressed to the SA Embassy in Manila and especially to Ambassador Martin Slabber and his staff for their kind assistance in this regard. Thanks are also due to Archie Muzenda and Nicola Doyle for their assistance with this Discussion Paper.
3. Joe Studwell, *How Asia Works: Success and Failure in the World's Most Dynamic Region*. London: Profile, 2014, p. 88.
4. AB Villanueva, 'Post-Marcos: The State of Philippine Politics and Democracy during the Aquino Regime, 1986–92', *Contemporary Southeast Asia*, Vol. 14, No. 2 (September 1992), pp. 174–187.
5. This was, in 2015, eclipsed only by India, the leading recipient country which received US$72 billion, and China, US$64 billion. See https://news.abs-cbn.com/business/01/12/16/which-countries-receive-the-highest-remittances.
6. At http://www.magellan-solutions.com/blog/whats-the-number-analysis-of-the-latest-statistics-of-the-bpo-industry/.
7. See https://www.sunstar.com.ph/article/142793 and http://m.hktdc.com/business-news/article/Research-Articles/The-Philippines-Special-Economic-Zones/rp/en/1/1X000000/1X0AAKZD.htm.
8. With thanks to his office for providing this information.
9. At https://www.rappler.com/nation/77094-aquino-legacy-good-governance.
10. See http://www.newmandala.org/philippine-chief-justice-serenos-undemocratic-ouster/.
11. At https://data.worldbank.org/indicator/si.pov.gini.
12. At https://www.cia.gov/library/publications/the-world-factbook/rankorder/2172rank.html.
13. For example, see http://www.ideasforindia.in/topics/poverty-inequality/how-income-gains-from-globalisation-are-distributed1.html; and https://papers.ssrn.com/sol3/papers.cfm?abstract_id=882360.
14. Studwell, op cit, p. 29.
15. Interview, Professor Maria Atienza, University of Manila, September 2018.
16. Correspondence with his office, 12 October 2018. See also https://joeam.com/2018/03/14/a-letter-to-president-aquino-and-his-response/.
17. See www.sws.org.ph/swsmain/artcldisppage/?artcsyscode=ART-20180710155308.
18. At http://cnnphilippines.com/transportation/2018/02/23/JICA-P3.5-billion-traffic.html.
19. At http://www.nytimes.com/2014/08/04/business/international/strained-infrastructure-in-philippines-erodes-the-nations-growth-prospects.html?_r=0.
20. See http://cnnphilippines.com/news/2018/02/22/ph-drop-2017-world-corruption-rankings.html.
21. At https://freedomhouse.org/report/freedom-world/2018/philippines.
22. At https://news.abs-cbn.com/news/02/22/18/ph-score-in-world-corruption-index-falls-to-lowest-in-5-years.
23. See, for example, https://www.washingtonpost.com/news/theworldpost/wp/2018/03/20/duterte/?noredirect=on&utm_term=.36c51dc0a782.
24. See https://tribunecontentagency.com/article/understanding-dutertes-mind-boggling-rise-to-power/.
25. Interview, SGV, Manila, September 2018.