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The Philippines elections 2004: issues and implications

In the Philippines national elections of 10 May 2004, President Gloria Macapagal-Arroyo (in office since 2001) secured re-election with a plurality of 40 per cent of the votes. Pro-Arroyo parties also gained majorities in both chambers of Congress, the House of Representatives and the Senate. The election results, and the six year term in office which President Arroyo now has, have raised expectations that the Philippines may now have enhanced prospects for productive change and reform.

The new Arroyo administration, however, faces formidable challenges, particularly in confronting institutional 'gridlock', pursuing economic reform and seeking to resolve ongoing insurgencies, some with links to international terrorists. This Research Note reviews the outcome and key implications of the elections.

President Arroyo and the 2004 elections

Gloria Macapagal-Arroyo (a former academic and senior government official with a doctorate in economics) was elected to the office of Vice President in the 1998 elections, which saw former film actor and public official Joseph Estrada elected as President. President Estrada was subject to impeachment proceedings in the Senate in 2000 amid allegations of economic mismanagement and corruption. The proceedings did not secure majority support in the Senate but after major protest demonstrations and a withdrawal of military support Estrada was forced to step down from office and Arroyo was appointed President in January 2001. Arroyo's political allies secured majorities in Congress in the May 2001 mid-term elections but Arroyo herself lacked an electoral mandate. Her administration had difficulties in pursuing its legislative agenda and also faced a military rebellion in Manila in July 2003. While the rebellion was quickly rebuffed, it added to the atmosphere of instability and uncertainty in Philippines politics.¹

Under the 1987 Constitution, Philippines presidents are permitted a single term of six years but since Mrs Arroyo was deemed to have continued the term of Joseph Estrada, she was eligible to run for re-election in 2004. Mrs Arroyo at first announced in December 2002 that she would not run for re-election but reversed this position in October 2003. In the elections Mrs Arroyo faced four other candidates: Raul Roco (a former Education Secretary), Panfilo Lacson (a controversial former police chief during the Estrada administration), Eduardo Villanueva (an educator and religious evangelist) and—most importantly—Fernando Poe Junior (the Philippines most popular action film star). Poe had no political experience but had a very wide recognition and appealed to poorer Filipinos: he also had considerable support from some business elements and from allies of former President Estrada.²

The campaign was focused heavily on the contending appeals of the major personalities, particularly President Arroyo and Poe. Although Poe had strong public opinion poll ratings in early 2004, his appeal rested almost entirely on his popular image as an incorruptible figure sympathetic to the disadvantaged: his speeches had little policy content.³ President Arroyo based her campaign heavily on her position as an incumbent with superior claims in economic management and was supported heavily by the country's business elite. The President was aided greatly by her popular Vice Presidential candidate, a nationally-known former television news host, Senator Noli De Castro. Poe ultimately proved unable to sustain his early lead amid concerns about his lack of political and administrative experience.⁴

The elections of 10 May attracted 35 million voters (a participation rate of 81.4 per cent) and were followed by a prolonged period of hand counting of the ballots.⁵ There were allegations of fraud, especially from supporters of Poe, although these were contested by the Arroyo camp and the influential Catholic Church endorsed the elections.⁶ Ultimately, the Congress on 23 June endorsed results which gave Mrs Arroyo a narrow victory with 40 per cent (a margin of 1.1 million votes): Poe received 36.5 per cent, Lacson 10.9, Villanueva 6.2, and Roco 5.5 per cent.⁷ After the Congressional elections, Mrs Arroyo's allies—the Koalisyon ng Katapatan at Karanasan sa Kinabudasan (or 'K4', Coalition of Truth and Experience for Tomorrow)—held 14 seats in the 24-member Senate and had won over 70 per cent of seats in the House of Representatives.⁸ The opposition KNP coalition (Koalisyon ng Nagkakaisang Pilipino—Coalition of United Filipinos) led by Senator Edgardo Angara was reduced to a minority status in both houses.

While Mrs Arroyo's allies have a strong position in Congress, her margin of victory over Fernando Poe was a narrow 3.5 per cent and it has been noted that the combined electoral support for the 'anti-establishment' candidates, Poe and Lacson (both identified with ousted President Estrada), exceeded that for the 'pro-establishment' candidates, President Arroyo and Roco. As a result, it has been argued that President Arroyo '... will have to tread carefully to balance pro-poor interests with an urgent need to effect painful economic reforms.'⁹ Both Poe and his vice presidential candidate Senator Loren Legarda have launched challenges in the Supreme Court to the results, a process which could take up to three years.¹⁰

Immediate aftermath

With a narrow victory and some ongoing allegations of fraud from the supporters of Poe, Mrs Arroyo has felt the need to be cautious in beginning her new term. This was reflected in her response to the kidnapping on 4 July of a

Filipino driver in Iraq, Angelo de la Cruz, whose captors demanded the immediate withdrawal of the small 51 person Filipino humanitarian military contingent. For many Filipinos, de la Cruz was a symbol of the sacrifices and potential vulnerability of the 8 million Filipinos who work overseas (ten per cent of the population) and whose remittances of almost \$US8 billion annually provide about 10 per cent of the country's GNP. Concerned to maintain her domestic support base, President Arroyo agreed to withdraw the component, despite strong criticism from the United States and Australia. The decision has been popular domestically and has appeared to enhance President Arroyo's credentials as a representative of poorer Filipinos.¹¹

While the first month of her new term was dominated by the hostage crisis, President Arroyo has also emphasised other major issues at stake for her government. In her inaugural address on 30 June, the President set out an ambitious ten point program for her six year term in office¹²:

- create 6–10 million new jobs and support 3 million new entrepreneurs with loans
- develop one to two million hectares of agribusiness land
- all school-age children to attend schools with uncrowded classrooms
- balance the budget through effective revenue collection and spending
- expand digital infrastructure to the whole country
- electricity and water to be provided for all *barangays* (villages)
- 'decongest' Metro Manila through decentralised development
- develop the 'Subic-Clark corridor' as a competitive service and logistic centre
- computerise the electoral process and ensure its integrity
- achieve peace in Mindanao.

The Arroyo administration: key challenges

Mrs Arroyo now has the prospect of serving for nine years as President; the longest term in office for any leader since the Marcos years (1965–1986). In pursuing the ambitious goals she has set out, President Arroyo's administration faces at least three major and (to a considerable degree) inter-related issues: political gridlock, economic reform and long-standing insurgencies.

Combating political gridlock

The Philippines' political structure is modelled on that of the United States, with three co-equal branches of government: a strong executive presidency, a bi-cameral legislature, and an independent judiciary. The tendency in the system for the President and Congress to be in conflict—since they can both claim popular mandates—is compounded by the dominance of political institutions by members of the country's wealthy elite families, many of whom operate as political clans¹³ (President Arroyo herself is the daughter of former President Diosdado Macapagal, in office from 1961–1965). Over 60 per cent of members of the outgoing Congress had relatives in elective office and Congressmen usually concentrate on mobilising support through patronage and 'pork-barrel' fund distribution rather than on public policy making. As a

result, Congress has often been highly resistant to proposals for economic and financial reform. *The Economist* recently observed that, 'On the whole, the Philippines ruling elite shows little interest in levying taxes they themselves might have to pay, or providing public services they themselves are unlikely to use'.¹⁴ The electoral system has been another area of difficulty: voters are required to write in the names of preferred candidates—often for dozens of elected offices—making vote counting cumbersome, prolonged and open to allegations of tampering.¹⁵

Proposals for constitutional reform or 'charter change' have been widely discussed and were supported during the 2004 campaign by both Arroyo and Poe. One major proposal is to introduce a parliamentary system. It is argued that such a system, with a prime minister chosen from among the ranks of the parties with the most seats in the legislature, would provide a more flexible and responsive mode of authority and would avoid the current danger of gridlock. Introduction of federalism has also been advocated, to help improve access to resources in poorer regions such as the south.¹⁶

Although the extent of support for change to a parliamentary system in Congress is not yet clear, the President is widely expected to make strong efforts to push it through.¹⁷ However, there is uncertainty about whether such a change would actually be an improvement. It is argued that the Philippines may not be suited to a parliamentary system as it has a weak party system with little voting discipline within either chamber of Congress, where members and senators frequently shift allegiances to seek power and patronage. If a full scale change to a parliamentary system does not eventuate, there are other measures which might be relevant, including a prohibition on switching between parties in mid-term, public funding of elections and reduction or abolition of the funds now allocated to members and senators which they can distribute personally (and which thus encourages 'pork-barrelling'). A more efficient, accessible and automated voting system would also improve the efficiency and accountability of the system.¹⁸

With her re-election victory and basis for support in Congress, President Arroyo has a new opportunity to draw more from the existing system while pursuing useful reforms to it. Whichever combination of measures is pursued, an improvement in the functioning of the national political system will be a key factor affecting President Arroyo's administration.

Economic reform

The Philippines has been hampered for many years by low rates of economic growth: over the past three decades growth has averaged 3.8 per cent, compared with 5.8 per cent in Malaysia and 6.5 per cent in Indonesia. One result is that over 45 per cent of Filipinos live on \$US2 per day or less. Another is that many people seek work overseas (8 million), a pattern which has drained the country's supply of skilled and professional workers in areas including health and education. The low economic growth rates are particularly serious given the Philippine high rate of population increase (2 per cent per annum, which is expected to lead to a doubling of the population size in thirty years).¹⁹ While birth control is promoted by non-governmental organisations, the Catholic Church opposes 'artificial' measures and the Arroyo administration has not

given governmental support to population control policies.²⁰

The Philippines faces a fiscal 'vicious circle'. The government's tax revenue is a modest 12.3 per cent of GDP but the raising of additional revenue has been stymied by tax avoidance, corruption and inefficiency in the Bureau of Internal Revenue (BIR) and reluctance by Congress to either reform the BIR or to approve tax increases. The country as a result has a high level of public debt (of about 120 per cent of GDP) and after the budget provides for interest payments and ongoing salary costs, there is little revenue to fund expansion of infrastructure, or to improve the capacity of essential services such as the police and the military.²¹ Poor infrastructure in turn inhibits economic growth and discourages badly needed foreign investment. Such investment is also constrained by provisions of the 1987 Constitution which restricts access to foreign investors in major sectors of the economy.²²

President Arroyo in her State of the Nation address on 26 July declared that 'Our most urgent problem is the budget deficit' and committed her administration to a series of policy measures.²³ These include particularly the privatisation of the generating stations and transmission lines of the national electric power company Napocor, which has suffered from chronic deficits, combating corporate corruption and tax evasion, improving efficiency and competitiveness in the public sector and raising more revenue (such as increasing taxes on tobacco and alcohol). Greater governmental efficiency is also an important factor because the widespread resistance to tax paying has been exacerbated by wasteful spending on high profile projects.²⁴ Attention is now focusing on whether the administration can move quickly (with Congressional support) to address the urgent fiscal problems: it intends to pursue at least eight new tax measures, with the overall goal of balancing the budget by 2009. International credit ratings agencies have warned that failure to secure progress on fiscal issues could see a downgrading of the Philippines's ratings.²⁵

Insurgency and terrorism

The Philippines long-term poor growth performance has compounded the problems arising from several simultaneous insurgencies which have cost thousands of lives in the past thirty years.

The Philippines has one of the world's longest running Communist insurgencies, pursued by the Communist Party of the Philippines (CPP) and its military arm, the New People's Army. The NPA (about 10000 strong) continues to draw support in rural areas (particularly in Luzon, the Visayas and parts of Mindanao), partly because of persistent socio economic disadvantage. The CPP/NPA has been classified as a terrorist movement by the United States and has become increasingly isolated. Its imposition of 'revolutionary taxes' have made it widely unpopular among many Filipinos. Talks have been pursued between the government and the Communist leadership (some based in exile) but so far without decisive result.²⁶

In the southern Philippines, longstanding tensions between Muslims and the central government have seen two groups pursuing armed resistance; the Moro Islamic Liberation Frost (MILF) and the smaller Abu Sayyaf Group (ASG).

Many Muslims in the south have never considered themselves fully integrated into the Philippines state: a process of transmigration of Christian Filipinos in the past century has also seen much Muslim ancestral land appropriated and the Muslims marginalised. The first major resistance group in the South in the post-1945 period—the Moro National Liberation Movement (MNLF)—negotiated an agreement with the government, which led to the establishment of the Autonomous Region of Muslim Mindanao. However, regional devolution has been implemented ineffectively and ongoing Muslim dissatisfaction has fuelled support for MILF (established in 1984) which continues armed resistance. MILF has a strength of possibly 12000 combatants and its activities have been aided by armed forces operations which have caused further alienation, by the lack of capacity of the Philippines navy to prevent outside assistance, and by corruption in some military ranks which has seen arms sold by military elements to MILF.²⁷ The smaller Abu Sayyaf Group (ASG—thought to be a few hundred strong) has also resisted the government, particularly through kidnapping for ransom.²⁸

Both the Philippines government and major partners, particularly the US and Australia, have been concerned at associations between both MILF and ASG with international terrorism, particularly al-Qaeda and Jemaah Islamiah.²⁹ While the MILF leadership disavows terrorism, MILF elements have hosted training facilities for JI and the ASG has also been linked to terrorism, including the attack on a ferry in February 2004 which cost over 100 lives.³⁰ The Philippines government has received assistance from the US in seeking to counter MILF and ASG. The government has also engaged in peace negotiations with MILF, but the process is complicated by internal divisions in the movement and MILF is still receiving additional supplies of weapons. Negotiations are being continued by the Arroyo administration and would need to include a program for enhanced autonomy, but it is not yet clear if a basis for agreement can be reached.³¹

Foreign relations

The Philippines is a founder member of major regional bodies including ASEAN and APEC and a treaty ally of the United States. Relations with the US cooled after the withdrawal (by mutual agreement) by 1992 from its former bases in Subic Bay and Clark Field but have expanded substantially in the aftermath of the 'September 11' terrorist attacks and growing concern about the activities of terrorist movements in the Philippines. The US has increased assistance to the Philippines armed forces and has conducted joint exercises in Mindanao: in 2003 the US designated the country a 'major Non-NATO ally'.³²

Relations with the US and Australia have been strained in mid-2004 by President Arroyo's accelerated withdrawal of the contingent in Iraq, in the face of threats to the life of Angelo de la Cruz. Criticism by the US and Australia (which came from both the Government and Opposition) that the Philippines had unwisely acceded to terrorist demands was rebutted by the Arroyo administration.³³ The longer term impact of this dispute is not yet clear and concerns have been expressed in the Philippines about the impact on relations with the US.³⁴

On 5 August, the US declared that the Philippines was now not considered to be a part of the 'coalition of the willing'. State Department spokesman Richard Boucher

said that the US was 'disappointed' at the withdrawal from Iraq but added that, 'The Philippines remains an ally, one with whom we have a long shared history and many common interests including defeating terrorism in the region.'³⁵ Australia, while criticising the withdrawal of forces from Iraq, is continuing cooperation in a range of counter-terrorism programs including assistance to the Philippines National Police and the Bureau of Immigration and support for improvement in port security.³⁶

Concluding comment

The Philippines faces some of the most serious challenges of governance, economic development and internal conflict of any country in Southeast Asia. The re-election of President Arroyo and her base of support in both houses of Congress offer a renewed opportunity for change and reform, but the problems and obstacles are great. If the country is not able to address its structural economic and fiscal problems and improve cohesion and cooperation in the political system there will be little chance of either improving economic growth or alleviating the problems of the ongoing insurgencies. Indeed, a continuation of the recent budget problems could see the country facing more serious economic problems in the next several years. These points underline the significance of President Arroyo's comments in her State of the Nation address on 26 July when she stated that 'the next six years we hope is when we finally get things right' and concluded by saying: 'The time for change is well past due. This time ... let's just do it'.

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2. R. J. May, 'Update on the 2004 Presidential Contest', *Asian Analysis*, ASEAN Focus Group, January 2004.
3. Amando Doronila, 'The end of the stardust trail to the presidency', *Philippines Daily Inquirer*, 2 August 2004.
4. James Hookway, 'The Deciding Vote', *Far Eastern Economic Review*, 6 May 2004.
5. The 10 May polls involved elections for the president and vice president (selected separately) for six year terms, for half of the 24 member Senate with Senators serving six year terms, for all of the House of Representatives with members serving three year terms, and also for provincial governors and city mayors.
6. 'The conduct of the May 10, 2004 National Elections', Fernando R. Capella, Archbishop of Davao, for the Catholic Bishops Conference of the Philippines, 1 June 2004.
7. 'Report of the Joint Committee of the Canvas of Votes for the Presidential and Vice-Presidential Elections in the 10 May 2004 Elections', Manila, 23 June 2004.
8. The House of Representatives currently comprises 212 members representing individual districts and 24 members selected by a party list system.
9. 'Arroyo needs reform success after victory', *Oxford Analytica*, 29 June 2004.
10. 'Philippine opposition contests poll', *BBC News*, 23 July 2004.
11. 'Iraq pullout raises terrorist pressures', *Oxford Analytica*, 27 July 2004; Connie Levett, 'Arroyo's choice dictated by her forgotten people's long memories', *Sydney Morning Herald*, 24 July 2004.
12. 'Inaugural Speech of Her Excellency President Gloria Macapagal-Arroyo', Luneta Grandstand, Manila, 30 June 2004.

13. Vinia M. Datinguino and Avigail Ovarte, 'Political clans make a comeback', *Philippines Center for Investigative Journalism*, Manila, 4 December 2001.
14. 'Democracy as showbiz', *The Economist*, 3 July 2004.
15. *ibid.*
16. Kimina Lyall, 'Arroyo's radical solution', *The Australian*, 19 July 2004; James Hookway, 'A president seeks a parliament', *Far Eastern Economic Review*, 22 July 2004.
17. Sammy Martin, 'Senate not too upbeat on Cha-cha', *Manila Times*, 3 July 2004.
18. 'Democracy as showbiz', *The Economist*, 3 July 2004.
19. *ibid.*
20. Margot Cohen, 'No prevention, no cure', *Far Eastern Economic Review*, 8 July 2004.
21. 'More than new president needed to rescue Philippines economy', *Agence France Press*, 4 May 2004.
22. James Hookway, 'Investors shun capricious Philippines', *Australian Financial Review*, 20 July 2004.
23. 'Her Excellency President Gloria Macapagal-Arroyo State of the Nation Address, House of Representatives, Manila, 26 July 2004'.
24. Margot Cohen, 'The six year plan', *Far Eastern Economic Review*, 3 June 2004.
25. Jeffrey G. Valisno and Iris Cecilia C. Gonzales, 'Latest deficit figures downplayed', *BusinessWorld (Philippines)*, 22 July 2004.
26. Rodell, *loc cit*, p. 197–199.
27. Rizal G. Buendio, 'The GRP-MILF Peace Talks: Quo Vadis', *Southeast Asian Affairs 2004*, Singapore, Institute of Southeast Asian Studies, 2004, p. 205–221.
28. For a detailed recent analysis see *Southern Philippines Backgrounder: Terrorism and the Peace Process*, ICG Asia Report No. 30, International Crisis Group, 13 July 2004.
29. *Transnational Terrorism: The Threat to Australia*, Australian Government, Canberra, 2004, p. 57.
30. Kit Collier, 'Mindanao peace talks remain in limbo', *Asian Analysis*, ASEAN Focus Group, July 2004.
31. *Ibid*; Manny Mogato, 'Philippines rebels talk peace, buy weapons', *Australian Financial Review*, 3 August 2004.
32. Satu P. Limaye, 'Minding the Gap: the Bush Administration and US-Southeast Asia Relations', *Contemporary Southeast Asia*, vol. 26, no. 1, April 2004, p. 73–93.
33. Mark Baker, 'Manila confirms early pullout of Iraq troops', *Sydney Morning Herald*, 17 July 2004.
34. Godofredo M. Roperos, 'Suffering the results of GMA's foreign policy shift', *The Manila Times*, 7 August 2004.
35. 'US embassy assures close ties with the Philippines', *Manila Bulletin*, 6 August 2004.
36. *Transnational Terrorism: The Threat to Australia*, Australian Government, Canberra, 2004, p. 94.

Dr Frank Frost Foreign Affairs, Defence and Trade Section Information and Research Services

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