UNIVERSITY OF THE PHILIPPINES
CENTER FOR INTEGRATIVE AND DEVELOPMENT STUDIES
PUBLIC POLICY MONOGRAPHS

Heightened Development and Persistent Distress in Mindanao

A Political Economy Overview

EDUARDO C. TADEM

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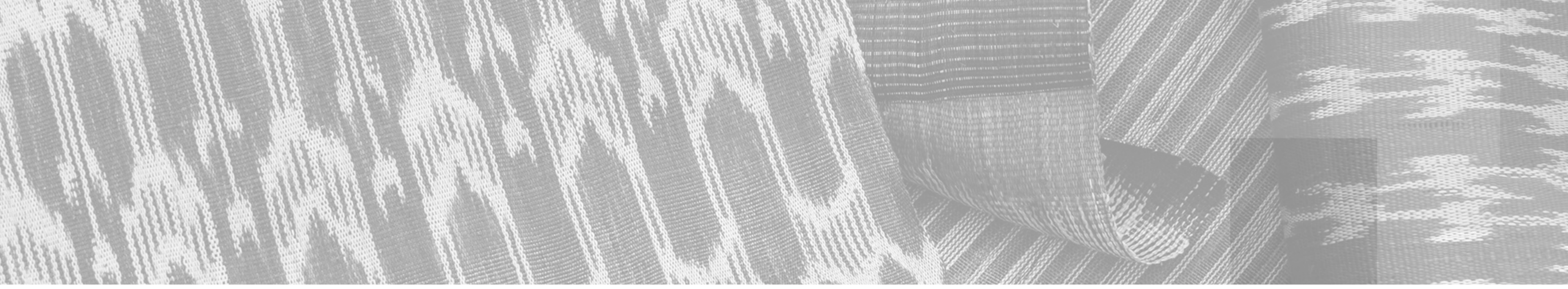

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A Political Economy Overview[1]

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Abstract

It is often believed that economic growth and development have bypassed Mindanao because it has not been a major participant in the country's economic activities due to the lack of government and private development projects. This "neglect" is then seen as the cause of the serious political problems that now plague Mindanao, including armed insurgencies, rebellions, and various other conflicts. A closer look at the Mindanao economy, however, paints a picture of a region that has been a major performer and a primary contributor to the country's productive capacities. Large government infrastructure projects coupled with the island's abundant natural resources have attracted local and foreign business concerns which have invested capital and technology that have generated enormous profits for the few. But the wealth and income created by the extraction of Mindanao's resources have not benefited majority of its peoples. Poverty and other social indicators are more depressed than the national average. What emerges is the typical paradox of economic growth and a marginalized and impoverished working population. In the Mindanao case, this enigma is exacerbated by the effects of internal colonialism—the transfer of wealth from the southern regions to the nucleus of economic and political power in the north. Furthermore, inequalities also exist between Mindanao's wealthier regions and the less developed ones.

[1] This is a revised, updated, and expanded version of the article "Development and Distress in Mindanao: A Political Economy Overview," published in *Asian Studies: Journal of Critical Perspectives on Asia* 48, no. 1–2 (2012) which, in turn, was updated from the chapter "The Political Economy of Mindanao: An Overview" in *Mindanao: Land of Unfulfilled Promise*, eds. Mark Turner, et al. (Quezon City: New Day Publishers, 1992). The current version was written for the *Mindanao Reader* project of the School of Social Sciences, Ateneo de Manila University funded by the Commission on Higher Education and to be published in 2021 by the Ateneo University Press.

[2] The author is Convenor of the Program on Alternative Development at the University of the Philippines Center for Integrative and Development Studies (UP CIDS AltDev), retired Professor of Asian Studies at the University of the Philippines Diliman, and has a Ph.D. in Southeast Asian Studies from the National University of Singapore.

Introduction

Casual and official observers often hold the view that economic growth and development have bypassed the southern regions of the Philippines.[3] It is thought that the Mindanao provinces have not been major participants in the country's economic activities and that the central government has not been initiating enough development projects in the south. This "neglect" is then seen as the cause of the serious political problems that now plague Mindanao. Foremost of these problems are the armed insurgencies, which range from communist to ethnic separatist movements.

In taking a closer look at the Mindanao economy and examining the activities of its various sectors, however, a different picture emerges. Far from being isolated from the mainstream of the national economy, southern Philippines has been a major performer and a primary contributor to the country's productive capacities. Large-scale government infrastructure projects, many of them funded by foreign loans, have greatly improved communications, transportation, irrigation, and power facilities.

Lured by Mindanao's vast reserves of natural resources, business concerns (both local and foreign) have invested capital and technology and established ventures that have generated enormous profits for their owners and executives. These corporate "intrusions," spurred on by favorable government policies, began slowly during the early part of the 20th century, escalated in the 1960s and 1970s, and continued into the new millennium. Substantial growth rates have been registered, as reflected in consistent increases in the gross regional domestic product.

But the wealth and income created by the ceaseless exploitation of the south's resources have not benefited a great majority of its people. Poverty indicators are higher than the national average. Other social indicators point to a more distressed condition for Mindanao residents than for the nation as a whole.

This paradox of high growth rates and the simultaneous existence of impoverished working classes, common in many developing countries, has challenged scholars and development planners for many years. In the Mindanao case, this enigma is exacerbated by the effects of internal colonialism—the transfer of wealth from the southern regions to the nucleus of economic and political power in the north. Furthermore, inequalities also exist between Mindanao's wealthier regions and the less productive ones.

Background Information

Situated in the southern part of the Philippines, the island of Mindanao, together with the Sulu archipelago, occupies a land area of 10.2 million hectares or slightly more than one-third of the country's total area of 30 million hectares. Following Rudy B. Rodil's classification, Mindanao's estimated 2018 population of 25.5 million may be divided into two major categories—the indigenous peoples and the migrant settlers.[4] The indigenous population can be further classified into three groups (see Table 1). The first group is the Islamized peoples (also known as Moros) who number an estimated 5.1 million or 20 percent.[5]

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3 No less than Finance Secretary Carlos Dominguez III was quoted as referring to this presumed neglect of Mindanao: "For many years, the people of Mindanao complained of neglect by Imperial Manila. The many decades of neglect will end now. The island of great promise will be in the front and center of the massive infrastructure project being rolled out by the Duterte administration." Department of Finance, "Mindanao among Biggest Beneficiaries of 'Build, Build, Build,'" February 27, 2018, https://www.dof.gov.ph/mindanao-among-biggest-beneficiaries-of-build-build-build/.

4 Rudy B. Rodil, "Achieving Peace and Justice in Mindanao thru the Tri-People Approach," *Mindanao Horizons* 1, no. 2010-01 (2010).

5 The succeeding population estimates of the Mindanao population categories are based on percentage shares in the official 2000 Census conducted by the National Statistics Office (NSO).

TABLE 1 • Mindanao population estimates, 2018

Category	Population	% Share
Indigenous		
Muslim	5.10 million	20
Lumad	2.04 million	8
Pre-colonial settlers	1.28 million	5
Migrant settlers of 20th century	17.1 million	67
Total	25.5 million	100
Philippines	106.7 million	
Mindanao share of PH		23.9

Sources: Philippine Statistics Authority, Rodil 2010

The second indigenous category is composed of the Lumad population who comprise about eight percent of Mindanao's population or 2.04 million persons. They are composed of 35 tribes and sub-tribes; some of these are the Manobo, Bagobo, Talaingod, B'laan, Higaunon, Mamanwa, Mansaka, Mandaya, Subanen, T'boli, and Teduray. Numbering around 1.28 million (five percent), the third indigenous category is composed of the Visayan-speaking population of Northern and Eastern Mindanao and the Chavacano speakers of Zamboanga City and Basilan. They were already in Mindanao when the Spanish arrived in the 17th century and were converted to Christianity.

Approximately 67 percent of the Mindanao population are settlers who arrived in the 20th century from Luzon and the Visayas. Predominantly Christian, most were part of government resettlement programs. Together with the third indigenous category, this group constitutes about 18.4 million people (72 percent). Mindanao's 2018 population is 24 percent of the national total.

There are, currently, six administrative regions in the island: Region IX (Zamboanga Peninsula), Region X (Northern Mindanao), Region XI (Davao Region), Region XII (Soccsksargen), Region XIII (Caraga Region), and the Autonomous Region in Muslim Mindanao (ARMM).[6] A total of twenty-seven provinces and nine chartered cities belong to the six Mindanao regions.

Natural Resources

About 59 percent of Mindanao, or 6.06 million hectares, is forest land. This comprises 41 percent of the country's vegetative cover and 42 percent of Philippine established timberland. Fifty-six percent of total Philippine commercial forest land is in Mindanao. Its agricultural area of 3.73 million hectares (37 percent of Mindanao) comprises 36 percent of the country's total farm area.

Rice and corn alone occupy 71 percent of food crop area. Mindanao rice lands account for 23 percent of the national total while its corn lands occupy a 53 percent share as of 2018. Commercial and export crops are planted in about 51 percent of farm area and include coconut, tobacco, rubber, sugar, export bananas, palm oil, coffee, abaca, and fruits. Commercialized agriculture, however, has been on the rise

[6] The Autonomous Region in Muslim Mindanao (ARMM) has been officially abolished as of March 29, 2019 to pave the way for a new region, the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM). Pending the holding of elections for the ARMM Parliament scheduled for March 2022, a Bangsamoro Transition Authority (BTA) administers the region. The BARMM territory is composed of the old ARMM plus Cotabato City and 63 villages in North Cotabato. This paper, however, will still use ARMM as the basis for comparing data and accomplishments over the years prior to 2019.

with its land utilization and growth exceeding that of food crops. In addition, some food crops, such as rice and root crops, are becoming more commercialized and even export-oriented.

Mindanao also has extensive mineral deposits in nickel, copper, gold, laterite iron ore, lead, zinc, magnesite, chromite, coal, manganese, limestone, and marble. The world's largest nickel reserves are in northeastern and southern Mindanao. Copper reserves amount to 227 million metric tons, gold and silver have 218 million tons, and iron has 315 million tons. Limestone reserves are 1.8 billion tons, marble has 128 million tons, and coal has 31 million tons.

Regional Economies

Examined through a breakdown per region, Mindanao offers a rich and highly attractive trove of natural resources in land and waters.[7]

Region IX (Zamboanga Peninsula). The region's coastline gives it easy access to some of the country's richest fishing grounds, i.e., Sulu Sea, Moro Gulf, Sindangan Bay, and Celebes Sea. Zamboanga is thus the number one fish producing region in the Philippines accounting for 16.5 percent of national production, including 75 percent of canned sardines and 70 percent of the country's dried fish requirements. There are eight fish canning factories in Zamboanga City alone and 34 bottled sardine processors in the region. The fish processing industry employs 35,000 workers as of 2004.

It is also a major seaweeds (carageenan) producer, ranking third in the country with 12 percent of total national output. Coconut-based products such as virgin coconut oil and edible oil are major exports with 364,000 hectares planted to the crop. The region's mineral deposits include gold, silver, copper, chromite, coal, clay, asbestos, limestone, quartz, silica, phosphate rock, marble, iron, lead, and manganese.

Region X (Northern Mindanao). Known as Mindanao's industrial corridor, the region's top export products include canned and fresh pineapple; coconut-based products such as oleochemicals, coconut oil, desiccated coconut, shell charcoal, and copra meal/cake; processed abaca fiber; sintered ore; and raw cane sugar. The Phividec Industrial Estate has locators involved in manufacturing, steel/metal processing, food processing, and port logistics.

The northern coast is highly industrialized with an iron ore sintering plant, cement plants, and coconut oil mills. Misamis Oriental alone has 37 major industrial and manufacturing firms. Its vast coastline produces aquamarine products such as shrimps, shellfishes, crabs, and prawns. The country's two biggest pineapple firms, Dole and Del Monte, operate in Bukidnon. The region is also the country's third largest producer of corn and banana.

Region XI (Davao Region). The region has a large land area—20 percent of Mindanao and almost seven percent of the country's total. It posted a remarkable growth rate of 11 percent in 2017 and registered an investment growth rate of 90 percent between 2015 and 2017. Its resources include chromite, iron, nickel, manganese, gold, copper, and other non-metallic minerals.

Five of the major fishing grounds of the Philippines are located here. Its declared competitive advantage is in agri-industry as its products, bananas, pineapples, fresh asparagus, and fish products, are exported abroad. Within Mindanao, it has the best infrastructure and telecommunication facilities

[7] Data from this section on "regional economies" have been culled from the various reports issued by the Mindanao regional offices of the National Economic Development Authority (NEDA).

[8] The East ASEAN Growth Area, also known as BIMP-EAGA, covers provinces and regions in the least developed areas of the Philippines, Brunei Darussalam, Indonesia, and Malaysia.

making it a popular transshipment hub, convention center, and gateway to the East ASEAN Growth Area (EAGA).[8]

Region XII (Soccsksargen). The region's major industries include processing facilities for coconut, cassava, oil palm, bamboo, coffee, sugarcane/muscovado, fruits and vegetables, rubber, marine products (milkfish, pangasius-catfish, grouper-lapu-lapu, flying fish, crabs, and shrimps), banana, cotton, honeybee, and green energy (hydro and biomass). Its rich mineral resources are gold, copper, iron, chromium, silver, zinc, limestone, and phosphate.

Major earners are fishing, agriculture, and forest-related products. Steel, cement, and coconut oil are some of the region's important products. Coconut, pineapple, rubber, sugarcane, rice, corn, Cavendish export bananas, and other fruits are the region's main agricultural products.

Region XIII (Caraga Region). The region's wood-based economy, particularly plantation-species lumber, is a top performer with high gross value added (GVA) that is the highest in the country. It also has extensive mineral deposits such as nickel, iron, gold, silver, chromite, manganese, limestone, silica, guano, phosphate, and copper. The Caraga region is the country's main nickel area, with the Philippines being the world's second largest nickel producer (after Indonesia) with 16 percent of global production in 2018. Major agricultural and marine products are palay, corn, coconut, banana, rubber, abaca, soybeans, oil palm, coffee, calamansi, vegetables, seafoods (prawns, milkfish, crabs, seaweeds), and mango.

ARMM (Autonomous Region in Muslim Mindanao). The Sulu Sea is one of the richest fishing grounds in the country where the much sought-after yellow fin tuna abounds. Other marine products are pearls (natural and farmed) and seaweed (agar agar). Sulu and Tawi-Tawi produce 72 percent of the country's seaweed. Also produced are exquisite handicrafts, bladed weapons, bronze and brassware, pis cloth, embroidered textiles, shellcraft, traditional house carvings, and carved wooden grave markers. Agricultural products include mangosteen, lanzones, durian, mango, banana, rubber, coconut (copra), pepper, coffee, palm oil, palay, corn, cacao, vegetables, and cassava. A thriving barter trade exists between the Sulu Sea areas and Sabah province. Lake Lanao is a major source of hydroelectric power for Mindanao.

Role in the National Economy

Mindanao's large productive base enables it to contribute significantly to the country's economic output (see Table 2 on next page).[9] The island produces 33 percent of the national value added in agriculture, hunting, and forestry, and 31 percent of fishery products (2018). Agriculture, fishery, and forestry in Mindanao combine for 33 percent of value added for these three sectors of the country. Rice harvests account for one-fourth of the national total while corn's share is about 60 percent. Overall, Mindanao supplies 40 percent of the country's food requirements and 30 percent of the national food trade. In the minerals sector, Mindanao's share of the national total is about 25 percent.

Mindanao is also the main producer for other crops such as rubber (100 percent of the national output), banana (83 percent), coffee (81 percent), and coconut (60 percent). In the livestock industry, 28 percent of the country's livestock comes from Mindanao. In addition, Mindanao contributes more than 46 percent of national fish production, including the processing of marine products.

The Philippines is the world's leading producer of coconut and coconut products and more than half of the country's coconut area is in Mindanao. Almost 90 percent of nuts gathered in Mindanao

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[9] National Economic and Development Authority, *Medium-Term Philippine Development Plan 2004–2010* (Manila: National Economic and Development Authority, 2004).

TABLE 2 • Major agricultural products of the Philippines and Mindanao, 2008

Agricultural products	Philippines (in MT)	Mindanao (in MT)	% share of Mindanao
Rubber	411.00	411.00	100.0
Pineapple	2,909.80	1,950.80	88.3
Banana	8,687.60	7,045.80	81.1
Coffee	97.40	72.70	74.6
Coconut	15,319.50	9,230.70	60.3
Corn	6,928.00	3,670.00	53.0
Palay	16,816.00	3,835.00	22.8
Mango	884.00	199.80	22.6
Sugarcane	26,601.40	4,981.00	18.7

Source: NEDA

are processed into copra compared to the national average of 86 percent. This implies that Mindanao's coconut industry is more commercialized than the industry in the country as a whole.[10] More than 60 percent of Philippine copra and coconut oil exports come from Mindanao. Most of the country's coconut oil mills are also based in Mindanao.

Mindanao is the country's most important producer of wood and wood products. More than half of timber licenses issued in the country are granted for Mindanao operations. Mindanao wood products such as plywood, veneer, and lumber comprise over 90 percent of the country's total production. Mindanao's exports account for 70 percent of logs, 52 percent of lumber, over 90 percent of plywood, and 92 percent of veneer.

In the 1980s, the government encouraged and provided incentives for the development of industrial tree plantations under an agroforestry program.[11] More than 100,000 hectares were allotted for the planting of the fast-growing falcata and ipil-ipil trees to be used for fuel and pulpwood products such as paper. Giant firms invested in these tree farms. The World Bank provided funds, and foreign investors such as Kawasaki have formed joint ventures with local partners.

Gold, copper, nickel, chromite, and coal are the major mining products of Mindanao, with silver, zinc, and lead produced in lesser quantities. The southern regions contribute around one-fourth of the Philippine output of mineral products.[12] Nickel operations in Surigao del Norte are among the largest in Asia. Gold and copper are extensively mined in the Agusan and Davao provinces.

The waters around Mindanao and Sulu are home to abundant quantities of fish species. More than half of the country's total commercial fish catch comes from Mindanao.[13] Tuna fishing has become the country's number one fishery sector with major export markets in Japan and the US. Thirteen Mindanao fishing firms based in the cities of General Santos and Zamboanga export about 80 percent of the country's tuna.

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10 Eduardo Tadem, "The Coconut Industry of Mindanao," *Mindanao Focus* (December 1986): 12.

11 J. Reyes, "The Plunder of the Earth: Mining Industry in Mindanao," Mindanao Focus (March 1984): 13.

12 Ibid.

13 Eduardo Tadem, "Issues in the Underdevelopment of Mindanao," in *Showcases of Underdevelopment: Fishes, Forests, and Fruits*, eds. Eduardo Tadem, Johnny Reyes, and L. Susan Magno (Davao City: Alternate Resource Center, 1984).

Rice and corn lands in Mindanao total 2.9 million hectares, almost equally divided between the two crops. Mindanao rice lands account for 30 percent of the national total while corn lands occupy a 59 percent share. In terms of production, Mindanao *palay* (unhusked rice) harvests are 23 percent of the Philippine total, while corn production is about 53 percent. Mindanao is a palay surplus producing area with the Soccsksargen region considered as the traditional "rice bowl" and one of the top two rice producing regions in the country.

Rubber plantations in the Philippines are exclusive to Mindanao with some 225,000 hectares in planted area. Sugar lands in Mindanao total 99,000 hectares with three large sugar mills in Bukidnon, North Cotabato, and Davao del Sur. The Bukidnon Sugar Milling Corporation (BUSCO) has an ultra-modern Marubeni-supplied mill funded by the Japan Import-Export Bank. The country's biggest cement manufacturer, LaFarge Holcim, has large manufacturing plants in Misamis Oriental and Davao City.

Agribusiness ventures have been expanding rapidly in Mindanao. According to a 2013 report, in 2009, at least 310,000 hectares of land were slated for agro-fuel cultivation, which constituted "around 82 percent of land developed for agribusiness in that year for the entire country."[14] In 2011, around 54,748 hectares were cleared for oil palm plantations with an additional one million hectares projected to be allotted for the crop from 2011-2022 in the country with half located in Mindanao. The same 2013 Report noted that:

> For food crops, the Philippine Government has entered into joint venture, lease or corporate farming agreements with Middle East countries including Qatar, Saudi Arabia, Brunei, Oman and Kuwait to produce rice and corn covering a total land area of 340,000 ha between 2008 and 2009. Most of these lands are located in the conflict areas of Mindanao since the farmers are also Muslims and their agricultural practices conform to the standards of these countries.[15]

In terms of gross regional domestic product (GRDP), however, Mindanao's contribution appears less significant. In the ten-year period from 2009 to 2018, Mindanao's total GRDP of Php 18,270 billion was only 14.9 percent of the country's total GRDP of Php 122,507 billion for the same period (See Table 3). Mindanao did increase its GRDP by 123.3 percent from Php 1,185 billion in 2009 to Php 2,646 billion in 2018. The national GRDP, on the other hand, had a slightly slower growth rate, i.e., by 117.12 percent from Php 8,026 billion in 2009 to Php 17,426 billion in 2018. Interregional disparities remained within Mindanao. In 2009, three regions alone (Davao, Northern Mindanao, and Soccskargen) had 72 percent of Mindanao's GRDP while the rest (Zamboanga, Caraga, and ARMM) shared only 28 percent. This situation deteriorated further by 2018 when the same top three regions took in 75 percent of Mindanao's total GRDP while the last three took in only 25 percent.

Mindanao's growth rate, in recent years, has been on par with the national rate but behind that of Luzon. Between 2009 and 2018, Mindanao grew by 55.2 percent, virtually equal with the national rate of 53.9 percent. Between 2010 and 2013, Mindanao's average GDP growth rate of 5.79 percent was only slightly less than the national average rate of 6.26 percent and of Luzon's 6.36 percent. From 2013 to 2018, Mindanao's average growth rate rose to 6.75 percent, with the 2018 growth rate alone rising to 7.06 percent.

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[14] Juan M. Pulhin and Mark Anthony M. Ramirez, "National Updates on Agribusiness Large Scale Land Acquisitions in Southeast Asia: Brief #4 of 8: Republic of the Philippines," in *Agribusiness Large-Scale Land Acquisitions and Human Rights in Southeast Asia*, ed. Sophie Chao (Moreton-in-March, England: Forest Peoples Program, 2013), 46.

[15] Ibid., 47.

TABLE 3 • Gross regional domestic product of Mindanao regions (in billion pesos), 2009–2018

Region	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
IX	170.4	183.9	197.6	222.7	235.3	256.9	277.2	295.1	312.6	342.3
X	302.2	344.4	379.6	407.7	436.6	485.5	517.6	576.8	625.6	691.7
XI	336.5	375.2	406.7	421.3	459.8	518.7	565.2.	641,246	727.4	816.9
XII	218.6	248.3	273.0	286.5	320,546	351.0	356.0	386,408	426.5	472.7
XIII	87.2	98.2	108.5	125.0	133.6	154.0	159.0	167,565	180.5	194.0
ARMM	70.3	83.7	88.1	93.2	99.3	104.8	99.6	105,247	119.3	128.7
Mindanao	1,185	1,333	1,453	1,556	1,685	1,871	1,975	2,172	2,392	2,646
Philippines	8,026	9,003	9,708	10,561	11,538	12,634	13,322	14,480	15,808	17,426
% Mindanao	14.77	14.81	14.97	14.74	14.61	14.81	14.82	15.00	15.13	15.19

Total Mindanao (2009–2018): Php 18,270 billion **Total Philippines (2009–2018):** Php 122,507 billion

Source: PSA

The Export Sector

Mindanao's export sector plays a significant role in the country's total export thrusts with one-fourth of the country's total export receipts. Its coconut products account for 43 percent of the country's coconut exports, while wood products corner 60 percent of the national total. The country's fruit export industry is composed almost entirely of bananas and pineapples. One hundred percent of banana and pineapple exports, which comprise 90 percent of Philippine fruit exports, come from Mindanao with total planted area of just under 60,000 hectares.[16]

By 2018, Mindanao continued to lead the country in agricultural exports with seven of the top product exports grown mostly in its regions.[17] Coconut oil alone accounted for 60 percent of total national export volumes. The regions of Davao, Northern Mindanao, and Soccskargen accounted for 75 percent of banana exports. Other agricultural exports where Mindanao performed well were fish products from South Cotabato and General Santos; canned pineapples from Bukidnon and South Cotabato; other coconut products from Southeastern Mindanao especially Davao Oriental; seaweed from Sulu Sea, Moro Gulf, and Davao Gulf; rubber from North Cotabato, Basilan, and Zamboanga Sibugay; and sugar from Bukidnon and Davao del Sur. Additionally, mangoes from the Zamboanga Peninsula will soon be exported to Malaysia. While the Philippines, as a whole, continues to be a perennial rice importer, Mindanao has been surprisingly exporting rice to other countries.[18] This includes organic black rice to the Middle East and an initial 5,000 metric tons to Papua New Guinea.

Dating back to pre-colonial times is the thriving barter trade between the Sulu Sea islands of Tawi-Tawi, Sulu, Basilan as well as the coastal Zamboanga City on one hand, and Sabah in Borneo on the

16 L. Susan Magno, "Harvests for a Few: Profits and Poverty in the Mindanao Export Fruits Industry," in *Showcases of Underdevelopment: Fishes, Forests, and Fruits*, eds. Eduardo Tadem, Johnny Reyes, and L. Susan Magno (Davao City: Alternate Resource Center, 1984).

17 Manuel Cayon, "Mindanao Produces Agri Export Winners," *Business Mirror*, July 29, 2019, https://businessmirror.com.ph/2019/07/29/mindanao-produces-agri-export-winners/.

18 Mindanao Development Authority, "Mindanao Exports Organic Rice to the Middle East" (Press Release), *Official Gazette*, May 9, 2013, https://www.officialgazette.gov.ph/2013/05/09/mindanao-exports-organic-rice-to-the-middle-east-market/ (inaccessible as July 2020); Marifi S. Jara, "Mindanao to Export Rice to Papua New Guinea," *Business World*, September 6, 2019, https://www.bworldonline.com/mindanao-to-export-initial-5000-mt-of-rice-to-papua-new-guinea/.

other. There has been little research and documentation of this centuries-old practice, and the national and local governments have not been monitoring or regulating (via taxation) its activities.[19] Goods "bartered" include clothing (Yakan and Tausug attire and *batik*), primary commodities (rice, sugar, and palm oil), food items (noodles, canned goods, and chocolate drinks) and household items (bath soap, medicines, and cigarettes), seaweeds, pearls, wines and liquors, and perfumes. An Asia Foundation 2019 study reveals that, on a monthly basis, barter traders rake in from Php 5.4 million to Php 13.5 million in profits.

The informal and relatively autonomous nature of Mindanao cross-border trade will soon change with the issuance by President Duterte of Executive Order No. 64 in October 2018 creating the Mindanao Barter Council (MBC) to "supervise, coordinate, and harmonize policies, programs on barter in southern Philippines" and to formalize the illicit economy and collect the proper taxes.[20]

The "Shadow" Economy

The cross-border (barter) trade described above is part of what sociologist Francisco Lara, Jr. calls Mindanao's "shadow economy"—one that "exists outside state-regulated frameworks."[21] The informal nature and largely overlooked character of this economy and the economic exchanges undertaken "hint at different degrees of circumvention, secrecy, bribery, illegality, rule breaking and corruption…, occur on a daily basis…, and derive their real economic value and power from the aggregate of numerous exchanges and their proximity to official state institutions."[22] The case studies depicted in the Lara and Schoofs edited volume provide prominent examples of the shadow economy and include, on one hand, "harmless" activities like informal land markets, cross-border trade in consumer goods, and informal credit systems (*pagsanda*), and on the other, more insidious operations like the illicit gun trade, the drug economy, and kidnapping for ransom.

At the same time, the analyses presented point to the connection between the shadow economy and violent conflicts in Mindanao, the context of the process of state formation, a weak sub-regional state system coupled with strongman/warlord politics, the role of local elites and rent-seeking behavior, and the often blurred boundaries between the formal and the informal economies of Mindanao. It is also argued that "a nuanced understanding of Mindanao's shadow economies can contribute to building an inclusive and durable peace"[23] in Mindanao.

The size of the shadow economy cannot be precisely ascertained, of course, but can be roughly gleaned from official figures on the informal economy itself. While the share of the informal economy has been declining at the national level, its share of the Mindanao economy has been higher than the

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19 Two notable exceptions are The Asia Foundation, *Trade in the Sulu Archipelago: Informal Economies Amidst Maritime Security Challenges* (San Francisco: The Asia Foundation, 2019) and Starjoan Villanueva, "Cross Border Illicit Trade in Sulu and Tawi Tawi: The Coexistence of Economic Agendas and Violent Conflict," in *Out of the Shadows: Violent Conflict and the Real Economy of Mindanao*, eds. Francisco Lara, Jr. and Steven Schoofs (London: International Alert, 2013).

20 Antonio Colina, "Barter Trade Resumes Next Month," *MindaNews*, July 3, 2019, https://www.mindanews.com/top-stories/2019/07/barter-trade-resumes-next-month/.

21 Steven Schoofs and Francisco Lara, Jr., "Introduction," in *Out of the Shadows: Violent Conflict and the Real Economy of Mindanao*, eds. Francisco Lara, Jr. and Steven Schoofs (London: International Alert, 2013), 10.

22 The editors distinguish "shadow economy" from "informal economy" in that, while both take place outside state-regulated frameworks, the former "refer to activities that take place under conditions of violent conflict and emerges as a result of the economic problems and opportunities emanating from the erosion of state capacity and legitimacy" (ibid., 19).

23 Ibid., 11.

national figures.[24] For instance, the share of workers in Mindanao's informal sector was more than 50 percent in 2009 (except for the Davao region) with ARMM registering at 83 percent.

Capital Formation and Investments

The Securities and Exchange Commission (SEC) reported that a total of 12,682 corporations in Mindanao were newly-registered between 2011 and 2018 (see Table 4). The total paid-up capital of these firms amounted to Php 26.5 billion. The leading Mindanao region was Davao with 7,887 firms (62.2 percent) and Php 14.1 billion in paid-up capital (53.7 percent), followed by Northern Mindanao (Region X) with 1,685 firms (13.3 percent) and paid-up capital of Php 4.22 billion (16 percent). The Zamboanga Region (IX) was third with 1,089 firms (8.59 percent) and paid-up capital of Php 3.24 billion (12.24 percent); fourth is Caraga with 975 firms (7.6 percent) and paid-up capital of Php 1.8 billion (6.9 percent); fifth is Region XII (Soccsksargen) with 794 firms (6.2 percent) and paid-up capital of Php 2.4 billion (9 percent); and sixth was ARMM with 252 (2 percent) firms and paid-up capital of Php 593 million (2.2 percent).

TABLE 4 • Number and amount of paid-up capital investments/contributions (in Php million) of newly-registered domestic stock corporations in Mindanao, 2011–2018

Year	Region IX (Zamboanga)		Region X (N. Mindanao)		Region XI (Davao)		Region XII (Soccsksargen)		Region XIII (Caraga)		ARMM	
	Firms	Capital	Firms	Capital	Firms	Capital	Firms	Capital	Firms	Capital	Firms	Capital
2011	109	172	165	141	723	732	65	27	92	132	5	5
2012	112	89	165	664	880	860	67	46	103	120	18	39
2013	141	192	171	479	961	1,059	91	114	111	326	18	165
2014	102	161	175	750	973	1,318	94	81	125	232	25	88
2015	132	426	184	605	1,091	1,832	90	126	118	211	32	48
2016	161	379	193	465	1,234	3,229	101	159	126	286	25	64
2017	217	1,098	206	415	1,358	2,488	106	267	160	245	109	160
2018	115	721	426	705	667	2,673	180	1,559	140	274	20	24
Total	1,089	3,238	1,685	4,224	7,887	14,191	794	2,379	975	1,826	252	593
Total Mindanao new firms (2011–2018)							12,682 firms					
Total Mindanao new investments (2011–2018)							Php 26,451,000 million					

Source: SEC

Regions XI and X had a disproportionate share with 76 percent of firms and 70 percent of paid-up capital. But for the entire country, Mindanao's share was only 6.63 percent of new firms in the Philippines and 6.02 percent of paid-up capital for the same period (2011–2018). This was, however, an improvement over SEC figures for 2002 to 2008 where Mindanao's share was 3.46 percent of the total number of new firms and 2.61 percent of paid up capital.

24 Francisco Lara, Jr. and Nikki Philline de la Rosa, "Robustness in Data and Methods: Scoping the Real Economy of Mindanao," in *Out of the Shadows: Violent Conflict and the Real Economy of Mindanao*, eds. Francisco Lara, Jr. and Steven Schoofs (London: International Alert, 2013), 35–48.

For 2018–2019, the Philippine Statistics Authority (PSA) calculates total investments in Mindanao at Php 355 billion (see Table 5).[25] The 2019 figure, however, represented a huge decline of 90.23 percent over the 2018 total. While Mindanao's investments of Php 317.6 billion in 2018 was 29 percent of the national total, this share went down to only three percent in 2019. Thus, the two-year (2018-2019) share of Mindanao investments relative to the national total fell to 15 percent.

TABLE 5 • Total approved investments (local and foreign, in million pesos) in Mindanao by region, 2018 and 2019

Region	2018	2019
IX (Zamboanga Peninsula)	1,689.4	165.0
X (Northern Mindanao)	230,695.2	15,859.3
XI (Davao Region)	20,344.2	7,468.9
XII (Soccsksargen)	4,412.7	6,818.5
XIII (Caraga Region)	58,248.0	3,130.2
BARMM	2,254.6	3,130.2
Mindanao Total	317,644.1	37,596.5
Philippines Total	1,084,152.4	1,309,099.4
% Share Mindanao	29.3%	2.87%

Source: PSA

With the possible exception of the 2019 downturn, Mindanao's investment growth has been consistent through the years. In 2014, the Mindanao Development Authority (MinDA) reported that investment projects valued Php 73.2 billion were registered with the Board of Investments (BOI). This constituted a 23 percent growth from the 2013 figure. Regional distribution, again, was highly uneven with Northern Mindanao taking in 71 percent share and the Davao region accounting for 17 percent. For 2008, MinDA reported that local investments increased by 96 percent—from Php 6.124 billion in 2007 to PHP 12.004 billion in 2008. This surpassed the record set in 1998 of Php 9.5 billion.

The Securities and Exchange Commission reports that for 2014, of the country's top 1,000 corporations, only 39 were based in Mindanao with total revenue of Php 252 billion (see Table 6 below). This amount was only 2.6 percent of the total revenue of all the top 1,000 Philippine corporations. The Davao Region led with 15 corporations and a revenue of Php 92 billion (37 percent); second was Northern Mindanao with 10 firms and a revenue of Php 62 billion (25 percent); a close third was Soccsksargen with seven corporations and Php 61 billion in revenue. The last three placers (Zamboanga, Caraga, and ARMM) had only seven firms and a combined revenue of Php 9.43 billion (3.7 percent).

TABLE 6 • Performance of Mindanao-based top 1000 Philippine corporations by region, 2014

Region	Number of firms	Revenue	
		in Php '000	Percent
IX (Zamboanga Peninsula)	2	4,428,296	1.75
X Northern Mindanao	10	61,999,333	24.6
XI Davao Region	15	92,725,929	36.9

[25] This figure would be taken to refer to both new paid up capital investments as reported by the Security and Exchange Commission and reinvestments. In this regard, new capital investments for 2018 of Php 6 million would only be 16 percent of reinvestments of Php 38 million.

TABLE 6 • Performance of Mindanao-based top 1000 Philippine corporations by region, 2014 *(continued)*

Region	Number of firms	Revenue	
		in Php '000	Percent
XII (Soccsksargen)	7	61,000,998	23.2
XIII (Caraga)	4	27,240,054	10.7
ARMM	1	4,613,224	1.80
Total Mindanao	39	252,007,834	100
Philippines	1,000	9,658,356,477	
% Mindanao	3.9%	2.6%	

Source: SEC

The 2014 figures were an improvement over the 2008 record where, in the *Business World* list of top 1,000 corporations, only 19 Mindanao-based firms were included. These corporations were engaged in the following businesses: mining, fishing and fish canning, power generation and distribution, fruit growing and canning, rubber manufacturing, banana growing and export, coconut products, rural banking, property development, wholesale and retail consumer goods selling, automotive fuel selling, and selling of passenger vehicles.

Overall, 2018 investments in Mindanao were predominantly made by Filipino business entities (see Table 7). This totaled Php 231 billion or 78 percent compared with foreign investments of Php 67 billion or 22 percent. This could be indicative of either one of two developments: (1) the increasing role of an indigenous Filipino capitalist class, or (2) foreign capitalists have long been entrenched in the region that they saw no need for new investments. A third factor, however, is that the Filipino investors may actually be tied to and dependent on foreign partners through equity sharing and marketing and management contracts.

TABLE 7 • Investments in Mindanao (in million pesos), 2018

	Total	% share	Filipino	% share	Foreign	% share
Philippines	1,084,152.4	100	905,185.1	100	178,967.3	100
Mindanao	297,299.4	27.4	230,745.1	25.5	66,555.4	37.2

Source: PSA

An informal and preliminary survey conducted in 2016 shows that, of the top 60 companies in Mindanao, only 17 were foreign investors. Conversely, however, only 17 "have true Mindanao progenies."[26] Twenty-six of the 60 firms were involved in agribusiness; 12 were in mining, power, manufacturing and services; 11 were diversified; and 11 were into property and retailing. The agribusiness sector, however, is dominated by foreign and foreign-affiliated firms such as Del Monte, Dole/Stanfilco, Sumitomo Fruits, Unifrutti, and Tadeco.

According to a 2015 research, the mining industry in Mindanao covers up to 948,209 hectares and is dominated by 15 firms with an area coverage of 131,775 hectares.[27] Eight of these firms are wholly foreign-owned, two are joint ventures between Filipino and foreign firms, and eight are wholly Filipino-

[26] Rolando T. Dy, "Mindanao Elite Investors," Mapping the Future, *Philippine Daily Inquirer*, October 31, 2016, https://business.inquirer.net/217898/mindanao-elite-investors.

[27] IBON Foundation, "15 Biggest Mining Operations in Mindanao," IBON Foundation, November 1, 2015, https://www.ibon.org/15-biggest-mining-operations-in-mindanao/.

owned. The foreign investors come from China, Canada, Germany, Great Britain, the United States, Japan, Australia, and Switzerland. All but one of the mining operations are in areas that are part of ancestral domain lands belonging to Mindanao indigenous peoples (*lumad*) such as the Manobo, Banwaon, Subanen, T'boli, B'laan, Matigsalug, Mandaya, and Mamanwa peoples.

Foreign Investments

Despite the secondary role directly played by foreign investors *vis-à-vis* domestic investors in Mindanao, the Philippine Statistics Authority reports that for 2018 and 2019, total foreign investments in Mindanao amounted to Php 71.6 billion or 18.01 percent of the national total (see Table 8). In 2018, Mindanao's total foreign investments of Php 66.6 billion was a significant 37.19 percent of the national total. A significant feature of Mindanao's foreign investments data for 2018 was that Northern Mindanao was the top recipient in the whole country with Php 65 billion or 36 percent of the national total. In that year, Northern Mindanao cornered an astonishing 97.1 percent of Mindanao's foreign investments. This development, however, was due to a single investment by a state-owned Chinese firm, HBIS Group, to construct an integrated iron and steel plant in Cagayan de Oro that would eventually cost USD 4.4 billion.[28] In 2019, however, foreign investments in Mindanao fell by 92.5 percent to only Php 5 billion compared to 2018.

TABLE 8 • Total approved foreign investments (in million pesos) in Mindanao by region, 2018 and 2019

Region	2018	2019
IX (Zamboanga Peninsula)	308.9	—
X (Northern Mindanao)	64,605.3	2,606.3
XI (Davao Region)	1,274.7	1,823.1
XII (Soccsksargen)	106.3	280.1
XIII (Caraga Region)	26.4	—
BARMM	235.1	306.9
Mindanao total	66,556.7	5,016.4
Philippines total	178,967.3	218,382.4
% Mindanao	37.19	2.3

Source: PSA

Data from earlier studies show that foreign and foreign-affiliated firms (FFCs) in Mindanao operated in 21 categories of product and industry lines.[29] The wood products industry had the most number of participating FFC firms, with 16; followed by manufacturing with 13; fishing and fish products (12); banana production (9); mining (7); and coconut products, coffee, and cacao (cocoa) with 6 firms each.[30]

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[28] *Xinhuanet*, "Chinese Steelmaker to Build USD4.4 billion Integrated Steel Plant in Southern Philippines," December 14, 2018, http://www.xinhuanet.com/english/2018-12/14/c_137675092.htm. The HBIS Group's investment is, so far, the biggest Chinese investment in the Philippines by a firm that was the world's fourth largest steelmaker in 2018.

[29] See *Socio-Economic Factbook of Mindanao* (Davao City: Alternate Resource Center, 1985) and *Directory of TNCs in the Philippines* (Manila: IBON Databank Philippines, 1989) for full listings of TNCs in Mindanao. This includes only those corporations based in Mindanao or whose major activities are in Mindanao. TNCs or TNC-affiliated corporations that operate in Mindanao but whose activities are distributed throughout the country such as banks, insurance companies, drug firms, and communications firms are excluded. Foreign affiliation is defined as taking the form of equity investments, technical, marketing, and financial arrangements, equipment supply, growers' contracts, management contracts, or other forms of tie-up.

[30] These data on TNCs in Mindanao are based on studies conducted in the 1980s and still need to be updated for changes that have taken place, particularly in the plantations which have since been placed under the 1988 Comprehensive Agrarian Reform Program. The general picture, however, remains valid.

American transnational corporations (TNCs) led all other nationalities with exclusive affiliation with 41 corporations and 21 others in joint affiliation with other foreign firms. The Japanese had 22 corporations as exclusive partners and 10 others in joint affiliations. The British were a poor third with six exclusive affiliates and eight others in joint affiliations.

In terms of regional and provincial distribution, the FFCs operated in 119 locations in Mindanao. Many firms were present in several provinces and even several towns in one province. The Davao region was the major host of FFC operations with 50 locations (42 percent) followed by Northern Mindanao with 30 locations (25 percent) while the Zamboanga region had 28 locations (24 percent). Although most firms concentrated on only one product line, some were diversified. The Dole/Stanfilco combine, for instance, engaged in the production of bananas, pineapples, fish products, and rice. Philippine Packing Corporation (PPC) was in both the banana and pineapple businesses.

Infrastructure Development

Trillions of pesos in infrastructure projects comprising of bridges, power plants, seaports, airports, road networks, and integrated area development projects have been poured into Mindanao by the Manila government. During the tenures of Presidents Ferdinand Marcos, Corazon Aquino, Fidel Ramos, and Joseph Estrada, the biggest of these was the Cotabato-Agusan River Basin Development Project (CARBDP) which was implemented from 1975 to 2000 with a then projected cost of P15.7 billion.[31]

CARBDP covered 11 provinces, constituting one-third of Mindanao's land area. Most of its components were funded by foreign loans from the Asian Development Bank, the World Bank, and Japan. Project costs, however, ballooned to Php 331 billion (or 21 times the original estimates) due to the devaluation of the peso, inflation, and higher construction and incidental expenditures. For 1998 and 1999 alone, total budgetary allotments for the project reached Php 173 billion. Begun in 1998, the Lower Agusan Development Project was the newest component of the CARBDP and consisted of two phases with a total project cost of Php 2.18 billion with foreign loans from Japan's 14th Overseas Economic Cooperation Fund and the Japan International Cooperation Fund. With the latter, the CARBDP extended into the tenure of Gloria Macapagal Arroyo.

In her 2009 State of the Nation Address (SONA), President Gloria Macapagal-Arroyo announced the completion of several major infrastructure projects in Mindanao, including the Php 2.1-billion 882-meter Diosdado Macapagal Bridge in Butuan City, the 210 MW Clean Coal-Fired Power Plant, the one-megawatt Solar Power Plant in Cagayan de Oro City, the Php 572.87-million Cagayan de Oro Port, and the Php 420.22-million Davao Port.

Airport projects include the Php 700-million Butuan Airport Upgrading Project, the Php 600-million Cotabato Airport Rehabilitation Project, the Php 478-million Dipolog Airport Improvement Project, Php 215-million Ozamis Airport Development Project, the Php 545-million Pagadian Airport Development Project, and the Php 423.50-million Zamboanga Airport Improvement Project.

At the time of Macapagal-Arroyo's 2009 SONA, still under construction were the Php 8.01-billion Abaga-Kirahon-Maramag-Bunawan 230 kV Transmission Line, Php 688-million lligan City Circumferential Road, the Php 2.24-billion Lebak-Maguindanao Road, the Php 3.94-billion Zamboanga West Coast Road, the Php 500-million Dinagat Island Road, the Hawilian-Salug-Sinakungan Barangay Road, the Dapitan-Dakak Road, and Surigao-Davao Coastal Road. The total cost of Macapagal-Arroyo's projects was Php 12.8 billion.

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[31] Eduardo Tadem, *Mindanao Report: A Preliminary Study on the Economic Origins of Social Unrest* (Davao City: Alternate Resource Center, 1980).

During Benigno Aquino III's administration (2010–2016), the total cost of Mindanao infrastructure projects reached Php 36.31 billion. These included the Agus VI Hydroelectric Power Plant (Units 1 and 2; Php 2.59 billion); the Umayam River Irrigation Project (Agusan del Sur; Php 1.5 billion); the Mindanao Roads Improvement Project (MRIP; Php 1.71 billion); the Mindanao Rural Development Project II (MRDP II; Php 7.39 billion); and the Davao Sasa Port Modernization (Php 18.91 billion). It also included the Basic Education Assistance for Muslim Mindanao (BEAM-ARMM), which costs Php 3.93 billion.

Mindanao projects were further expanded upon the assumption into the presidency by Rodrigo Duterte, who hails from Davao City. Total costs of infrastructure projects reached the highest level of Php 150 billion. These projects include the M'lang Central Mindanao Airport (Php 2.6 billion); Sindangan-Bayog-Lakewood Road (Zamboanga del Sur and Zamboanga del Norte; Php 4.251 billion); Davao City Coastal Road (Php 26.350 billion); Cagayan de Oro Coastal Road (Php 3.433 billion); Surallah-T'boli-San Jose Road (South Cotabato; Php 3.2 billion); New Zamboanga International Airport (Php 13.938 billion); Samal Island-Davao City Connector Bridge (Php 16 billion); Tawi-Tawi Interlink Bridges (Php 1.8 billion); Davao City Bypass Construction Project (Php 37.159 billion); Guicam Bridge (Zamboanga Sibugay; Php 1.175 billion); Kabulnan-2 Multipurpose Irrigation and Power Project (Php 31.221 billion); Reconstruction and Development Plan for Marawi City (Php 0.970 billion); Emergency Assistance for Marawi Reconstruction and Recovery (Php 6.835 billion); and Marawi Rehabilitation (China grant), Bridge and Bypass Project, and Pagadian Market and Sports Complex (Php 0.999 billion).

Official Development Assistance (ODA)

Since the September 11, 2001 attacks in the US, Mindanao has been given increased attention by foreign donors under the assumption that the Moro separatist movements in the area were somehow linked to a global Islamic militant movement. This is not to say that donors have not paid attention to Mindanao in the past. The World Bank had in 1998 committed USD 10 million for the Special Zone of Peace and Development (SZOPAD) Social Fund Project following the signing of a peace agreement between the Philippine government and the Moro National Liberation Front (MNLF) in 1996.

From 2001 to 2010, however, "there was a dramatic increase in aid programs explicitly focused on addressing conflict," so that by 2012, "nearly 50 percent of aid programs claimed to address conflict" even if these were rural infrastructure and service delivery projects or even community development.[32] Thus, in the same period, 78 percent (USD 318 million) of ODA was justified on the basis of supporting peace in Mindanao's conflict areas.

The US Agency for International Development (USAID) has, since 1996, provided grants under various programs in Mindanao that, as of 2006, totaled USD 292 million. Following the post-9/11 pattern, USAID assistance almost tripled after 2001, from USD 90.6 million in 1996 to 2001 to USD 242 million in 2002 to 2006. In 2007, the US signed a Mindanao Peace and Development Assistance Agreement with the Philippine government for "economic, infrastructure, governance, and peace programs in Mindanao."[33]

In April 2003, President Macapagal-Arroyo launched what has been termed a "Mini-Marshall Plan" for Mindanao called "Mindanao Natin" worth P5.5 billion in government funds and USD 1.3

[32] Fermin Adriano and Thomas Parks, *The Contested Corners of Asia: Subnational Conflict and International Development Assistance: The Case of Mindanao, Philippines* (San Francisco: The Asia Foundation, 2013), 34.

[33] U.S. Embassy in the Philippines, "U.S. Commits Php 595 Million to Extend U.S.-Philippines Partnership for Advancing Peace and Stability in Mindanao," November 15, 2018, https://ph.usembassy.gov/us-commits-php595-million-to-extend-us-philippines-partnership-for-advancing-peace-and-stability-in-mindanao/. According to the U.S. Embassy, total assistance to this fund has reached Php 7 billion as of November 2018.

billion in ODA funds for the next three to five years. Targeting 5,000 Muslim villages in Mindanao's regions, the program was actually a repackaging of ongoing and previously committed ODA projects and therefore did not involve any new funds. Moreover, the figures as of December 2006 show that not all of Macapagal-Arroyo's announced projects got off the ground. For example, the World Bank's announced ODA commitment of USD 279 million for four projects was eventually pared down to one project worth only USD 34 million.

Aside from the "Mindanao Natin" initiative, a multi-donor Mindanao Trust Fund-Reconstruction and Development Program (MTF-RDP) was established in 2005 with the World Bank as the lead donor and Secretariat Coordinator. This was undertaken in support of the peace negotiations between the Philippine government and the Moro Islamic Liberation Front (MILF) and to prepare for the eventual assumption into a governing body of the rebel group of a reconstituted autonomous region. Other participating donors were the European Commission, Canada, New Zealand, Sweden, Australia (AusAID), and UNDP.

Also known as the Peace Fund, MTF-RDP followed the recommendations of a Joint Needs Assessment (JNA) conducted in 2004 to identify the rehabilitation needs of Moro Islamic Liberation Front (MILF) combatants, MILF communities, and indigenous peoples (IPs), which were estimated to cost USD 400 million. The fund's objectives were "to promote inclusive and effective governance processes, and to assist in the economic recovery in the conflict-affected areas in Mindanao," primarily the provinces of Maguindanao, North Cotabato, Lanao del Sur, Lanao del Norte, Sultan Kudarat, Sarangani, Basilan, and Sulu.[34]

By September 2006, there were 21 ODA active loan projects in Mindanao totaling USD 917.75 million. Ten of these were Japan Bank for International Cooperation (JBIC) projects, with loans amounting to USD 473.04 million or 52 percent of the total for the area. From a national perspective, however, the total loan amounts allocated for Mindanao comprised a mere 10.61 percent of total ODA loan amounts as of September 2006. All these projects, plus the grants program of USAID are ostensibly meant to advance the peace building process in Mindanao. Japan had earlier launched in December 2002 a "Support Package for Peace and Security in Mindanao."

By 2018, total USAID grants under the Mindanao program had reached Php 7 billion, which included specific grants of Php 595 million in 2018 for the rehabilitation of war-torn Marawi City.[35] Not to be outdone, in 2018, the Asian Development Bank (ADB) provided three loans totaling USD 780 million for Mindanao as follows: (1) Improving Growth Corridors in Mindanao Road Sector (USD 380 million), (2) Emergency Assistance Loan for Marawi Reconstruction and Recovery (USD 300 million), and (3) Marawi Reconstruction and Recovery (an additional USD 100 million).

In June 2019, Japan signed an agreement with the Philippine government to provide USD 202.04 million in loans for road construction and development in Mindanao's "conflict-affected areas," including Marawi City. During the signing ceremony, Japanese officials reaffirmed their country's "commitment to enhance assistance to Mindanao and expressed willingness to provide additional aid for the rehabilitation and reconstruction of the Most Affected Area (MAA) in Marawi City."[36]

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[34] World Bank, *Joint Needs Assessment for Reconstruction and Development of Conflict-affected Areas in Mindanao (English)*, Integrative Report, Vol. 1 (Washington, D.C.: World Bank Group. 2005), ix.

[35] Sofia Tomacruz, "U.S. Commits P595 Million More for Mindanao Development Programs," *Rappler,* November 16, 2018, https://rappler.com/nation/united-states-commits-aid-mindanao-development-programs.

[36] Chino S. Leyco, "Japan Gives $202.04-M Loan for Marawi Rehab, Mindanao Roads," *Manila Bulletin*, June 19, 2019, https://mb.com.ph/2019/06/19/japan-gives-202-04-m-loan-for-marawi-rehab-mindanao-roads/.

Altogether, a total of USD 670 million (about Php 36 billion) in foreign aid had been pledged for Marawi City's rehabilitation and reconstruction.[37] This includes USD 236 million in loans for road development and social services from Japan; Php 6.835 billion for emergency loan assistance from the Asian Development Bank; USD 400 million in grants including two Cessna aircrafts from the United States; USD 20 million for child protection and counseling from Australia; and USD 1.5 million for relief operations from China.

Under the Duterte administration, of the fourteen major infrastructure projects for Mindanao outlined above, eight of these will be supported by ODA funds. Of the total infrastructure development cost for Mindanao of Php 150 billion, 73 percent or Php 110 billion will come from ODA loans and grants. The biggest of these are the Davao City Bypass Road (Php 37.2 billion), Kabulnan Multipurpose Irrigation and Power Project (Php 31.2 billion), Davao City Coastal Road (Php 26.4 billion), and Samal Island-Davao City Connector Bridge (Php 16 billion). Note that Duterte's hometown of Davao City alone will receive 72 percent (Php 80 billion) of total ODA funds for Mindanao.

The distribution of foreign assistance in the Philippines shows wide disparities in geographical allocations (see Table 9). The most developed regions and provinces had the largest shares of ODA while less-developed regions with higher poverty levels got smaller allotments.

TABLE 9 • Distribution of official development assistance by island group (as of 2017)

Island group	Amount (USD million)	% share	Number of projects
Luzon	2,296.21	53.38	106
NCR	919.29	21.29	26
Central Luzon	563.93	13.06	15
Visayas	1,040.99	24.11	60
Mindanao	975.50	22.51	62
Total	4,312.70	100.00	269

Source: NEDA, *ODA Portfolio Review* (2017)

The 2017 data is representative of these disparities. Mindanao, with its six regions (including three of the country's poorest regions), lags behind even the Visayas group's 24.1 percent with only 22 percent of total ODA. In contrast, Luzon's share of total ODA was 53 percent. Within Luzon, the National Capital Region (NCR), which includes the Metropolitan Manila area, cornered 53.4 percent of total ODA in 2017. Nevertheless, the 2017 data was a marked improvement in the pre-9/11 years. Mindanao's ODA share was then only seven percent in 2000 and in 2001, and 7.9 percent in 2002.

ODA in Mindanao essentially follows the Manila government's aim of integrating the southern regions into the national project without regard for the unique and diverse features of the southern regions. An Asia Foundation study in 2013 pointed out that:

> The evolution of donor assistance to Mindanao reveals that aid was closely aligned with the state-building agenda of the central government. Aid programs generally supported the government's priorities in its official development plan. Unfortunately, most of the new assistance programs neglected the needs of ethnic minorities and instead supported the assimilationist agenda of the central government.[38]

[37] Mark Manantan and Dahlia Simangan, "Tokyo Report: Japan's Peacebuilding Prowess: The Case of Marawi City," *The Diplomat*, June 1, 2019, https://thediplomat.com/2019/06/japans-peacebuilding-prowess-the-case-of-marawi-city/.

[38] Adriano and Parks, *The Contested Corners of Asia*, 25.

Development Strategies

Mindanao development strategies are driven essentially by the Philippine state's objective of integrating the southern economy into the national mainstream with little or no regard for the actual needs of Mindanao's peoples. The focus is on large-scale infrastructure development to attract investments in export-led and market-driven growth industries. The aim is to further lay bare Mindanao's natural resources to exploitation and extraction with the private sector of big foreign and local business interests as the prime movers.

During Ferdinand Marcos' authoritarian rule (1972–1986), such strategies were formulated in the midst of increasing social tensions, the rapid depletion of the land frontier, increasing land concentration and agrarian conflicts, and further marginalization and impoverishment especially of the Moro and Lumad peoples. Compelling factors were the rise of the Moro separatist movements and the inroads made by the Communist New People's Army's guerrilla war.

The post-Marcos development strategies of Corazon Aquino, Fidel Ramos, Joseph Estrada, Gloria Macapagal-Arroyo, Benigno Aquino III, and Rodrigo Duterte did not differ essentially from the Marcos years. The only change was in the character of the Philippine state which had now shaken off its authoritarian cloak and taken on a democratic façade. Whether these be Aquino's regional industrial centers, Ramos' Mindanao Investment Development Authority (MIDA) and Brunei-Indonesia-Malaysia-Philippines East ASEAN Growth Area (BIMP-EAGA), Macapagal-Arroyo's "Mindanao National Initiatives" ("Mindanao Natin"), Benigno Aquino's "Peaceful and Socially-Inclusive Mindanao" through Public-Private Partnerships (PPP), or Rodrigo Duterte's "Mindanao Regional Corridors," the basic premises, principles, and thrusts have remained unchanged.

In Muslim Mindanao, development agencies created in the wake of the 1996 peace agreement have floundered due to lack of funds, corruption, weak mandates, and traditional politics. The Autonomous Region for Muslim Mindanao had been mainly prevented from exercising meaningful autonomy and had little control over its own affairs. Due to the armed conflicts in the region, economic development programs had been put on a standstill with most government and foreign funds going to relief and emergency assistance and rehabilitation. The full implementation of the USD 50 million multi-donor Mindanao Trust Fund-Reconstruction and Development Program (MTF-RDP) was put on hold for several years pending the signing of a final peace agreement between the MILF and the Manila government.

In 2006, President Macapagal-Arroyo launched what she called the Super Regional Development Strategy, which was meant to "harness the common competitive advantages of a cluster of regions and provinces, building on their economies of scale, linking up developing production areas with established centers of growth, and attracting investments."[39] The country was then divided into five Super Regions with "Agribusiness Mindanao" being one of them.[40] As the name implies, Mindanao is to focus on agribusiness as its "competitive edge," particularly in the cultivation of "high value crops." The motto coined for the Mindanao super region is "agribusiness towards peace and development."

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39 Republic of the Philippines, Executive Order No. 561, "Formation of the Super Regions and Mandate of the Superregional Development Champions," August 19, 2006.

40 The other four super regions as identified in Executive Order 561, s. 2006 are: North Luzon Agribusiness Quadrangle (NLAQ) "whose development thrust is agribusiness and tourism"; Luzon Urban Beltway (LUB), "aimed at transforming the area into a globally competitive industrial and services hub"; Central Philippines, which "serves as the nation's center of tourism"; and Cyber Corridor "aimed at linking up the nation's countryside with its growth centers through Information and Communication Technology (ICT).

In January 2010, Congress passed a law creating a Mindanao Development Authority (MinDA) which sought to accelerate growth and development in Mindanao by putting in place a central planning agency for Southern Philippines. MinDA replaced and strengthened the Mindanao Economic Development Council (MEDCo) and "provided the strategic direction for Mindanao by formulating an integrated development framework; prioritize, integrate, and implement inter-regional and/or Mindanao-wide development programs and projects; and act as the Philippine Coordinating Office for the Brunei-Indonesia-Malaysia-Philippines East Asean Growth Area."[41]

As to what Mindanao development would be focusing on, MinDA points to agribusiness as a major area for economic development.[42] It is doubtful, however, whether Mindanao's hope lies in agribusiness, which, at the moment, already occupies a central place in the island's economy. Agribusiness activities have caused more problems than solutions for Mindanao's people, through environmental degradation, human rights violations, corruption, health problems, and wealth transfers.

The agribusiness strategy of alternative venture agreements (AVAs) between agrarian reform beneficiaries' (ARBs) organizations and private corporate investors have bred a host of social and political ills "as the state virtually abandons its legal mandate to provide adequate support services to ARBs, surrendering this to the private sector."[43] The contracting ARBs are reduced to a state of "ownership without control" as they are "subjected to onerous arrangements that constitute a virtual reversal of agrarian reform goals such as non-transfer of control of land and production as well as unfair contracts … and relegating the farmers back to being workers in their own land, driving them back into a vicious cycle of debt and poverty."[44]

The national government's Mindanao development strategy pays little or no attention to redistributive programs such as wealth and income transfers, land redistribution (i.e., agrarian reform), higher wages, and other social justice issues and concerns. There is only nominal effort to directly address issues of poverty and inequality which are the principal causes of social unrest and rebellion. Development planners hope that once robust economic growth is achieved, the benefits will redound to the rest of the population.

This mindset is reflected in the foreign aid projects solicited by the government for Mindanao. While ostensibly addressing peace and armed conflict issues, foreign assistance, in the form of ODA, "is primarily focused on expanding infrastructure and improving delivery of basic services" and assumes that "improved economic outcomes or improved service delivery will contribute to peace building (but without) any explanation of causality for this claim (nor) actually monitor transformative outcomes."[45] In short, the Mindanao development strategy is nothing more than the old, discredited, and illusory "trickle-down" effect in economic theory.

An attempt was made to move away from the framework described above with the release in 2011 of *Mindanao 2020: Peace and Development Framework Plan (2011–2030)* by the Mindanao

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[41] Bernard Allauigan, "New Mindanao Development Body Gains Ground," *Business World*, January 19, 2010; Tina Arceo-Dumlao, "Fulfilling the Promise of Growth in Mindanao," *Philippine Daily Inquirer*, January 24, 2010.

[42] This focus on agribusiness for Mindanao development was also earlier reflected in the country's Updated Medium-Term Development Plan (MTDP) 2004–2010 produced by the National Economic and Development Authority.

[43] Mary Ann Manahan and Eduardo C. Tadem, "Going Bananas," *Rappler*, May 17, 2017, http://www.rappler.com/thought-leaders/169926-going-bananas-agribusiness-mindanao.

[44] Ibid. Cases have been filed against two agribusiness operations in Mindanao—the Marsman Estate Plantation and the Tagum Agricultural Development Company, Inc.—both located in the Davao region.

[45] Adriano and Parks, *The Contested Corners of Asia*, xviii–xiv.

Development Authority.[46] It frames the Mindanao problem in terms of "historical injustice as the underlying root of the Mindanao challenge" and recognizes that "Mindanawons suffer the consequences of environmental degradation caused by unsustainable management and use of resources by enterprises introduced and owned by outsiders." The document also identifies dams, mining activities, extractive industries, and monoculture plantation agriculture as culprits that cause environmental degradation.

Unfortunately, the Mindanao 2020 document also repeats the popular and misguided view that "slash and burn" (*kaingin*) agricultural practices by "upland populations" exacerbate forest destruction. This view has long been invalidated by numerous scholarly studies which show that indigenous farming practices such as *kaingin* actually "fosters local self-sufficiency and plays a fundamental role in the livelihoods and worldviews of indigenous societies" and "involves the intermittent clearing of small patches of forest for subsistence food crop production, followed by longer periods of fallow in which forest regrowth restores productivity to the land."[47] The Coalition Against Land Grabbing instead points to boom crops, oil palm and rubber plantations, tree farms, mining, industrial logging, agribusiness, and livestock production as the major causes of forest destruction.

The mindset accompanying the bias against indigenous agricultural systems is reflected in the Mindanao 2020's attempt to ostensibly please all of its stakeholders who had a hand in the crafting of the framework plan. Thus, it calls for "an optimum balance between large plantation agriculture and smallholder farming and organic food production," promotes "high value crops" while staple food production continues, rejects "logging of old growth forests" but proposes the equally environmentally problematic "commercial tree farms," is silent on marine resource depletion by large fishing companies, and espouses the myth of "responsible mining" to which the document begs its stakeholders to keep an open and sincere mind in order for a "win-win" outcome to take place.

In its final report, the Mindanao 2020 Plan emphasizes agribusiness as part of "a dynamic and sustainable agriculture" and merely proposes "a range of light, medium, and heavy industries appropriate to the particular endowments and requirements of the Mindanao regions" without elaborating on the sharing mix of these types of industries. Furthermore, the Plan treats "economic and ecological integration" on an equal footing, thus paying lip service to the severe environmental damage that has taken place in Mindanao which requires economic integration to be downplayed in relation to ecological integration.

The Mindanao 2020 Plan bandies about the mantra of "inclusive wealth creation" and talks of "equal access by men and women, Muslims, Christians and Lumad; and rich and poor from all corners of Mindanao to various opportunities for harnessing the various forms of capital in the island region." But there is no vision or plan of redistribution, asset reforms, and sharing of wealth and resources, the absence of which renders hollow any talk of "inclusive wealth creation."

A redistribution strategy is crucial to addressing the fundamental issues of poverty, disempowerment, and social exclusion. Official data from the Department of Agrarian Reform show that "areas with high land distribution accomplishments showed significant positive changes in terms of rural poverty and farm productivity [while] … the top 15 provinces with high poverty incidences also have the highest land

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46 This document was the result of numerous focus group and roundtable discussions and workshops convened by the Mindanao Development Authority in 2009 to 2010 with various Mindanao stakeholders including business groups, legislators, local governments, NGOs, indigenous peoples, religious groups, the military, media, academe, etc. Funding support was from the Australian Agency for International Development (AusAid).

47 Coalition Against Land Grabbing, "Stop Blaming Indigenous People's Farming Practices (Kaingin) for Deforestation," *Intercontinental Cry*, April 28, 2015, https://intercontinentalcry.org/palawan-stop-blaming-indigenous-peoples-farming-practices-kaingin-For-deforestation/.

redistribution backlog."[48] An earlier 1988 study by Hayami, Adriano, and Quisumbing comparing family-held farms and plantations reveals the absence of the much-vaunted "economies of scale" conventional economic theory, as small farms tend to be more productive than big farms in coconut, coffee, cacao, and rubber cultivation while in the commercial banana and pineapple sectors, "there is no significant difference in yield per hectare … between plantations and small growers."[49]

Bangsamoro Development Plan

In 2015, the Bangsamoro Development Agency (BDA) released its *Bangsamoro Development Plan*, subtitled *Promoting Just, Honorable and Lasting Peace and Sustainable Development in the Bangsamoro*.[50] The BDP is premised on the following principles: inclusiveness, sustainability, accountability, cultural sensitivity, self-reliance, and self-determination. The Plan acknowledges the "development gaps" that need to be addressed between the Bangsamoro region and the rest of Mindanao, as well as the whole country with respect to per capita GDP, poverty incidence, education, health, sanitation, energy, and housing. In terms of the regional economy, the BDP identifies low productivity employment, low labor participation, and unemployment and underemployment as priority concerns in attaining poverty reduction.

The economic strategies adopted by the BDP are: (1) the promotion of agricultural development and (2) promoting the development of the manufacturing sector. Under agricultural development, the following "growth paths" are to be undertaken: (1) harnessing the potentials of small farmers, agricultural workers, and fishers; (2) promoting private-sector-led growth through enhancement of agricultural value chains; (3) promoting the *halal* food industry; and (4) fostering integrated area development.

Under the manufacturing sector, the BDP aims to "ensure the security of investors and their investments and provide the policy environment conducive for greater private sector participation." The Plan supports the promotion of the extractive industry, i.e., mining,[51] and the expansion of export processing zones as "natural locations for new manufacturing industries." The BDP also focuses on what it sees as the authority of the Bangsamoro government to pass measures that "will facilitate the entry of private sector investors, ranging from *giving appropriate land rights and access arrangements to offering incentives to potential investors*" (emphasis supplied).[52]

At this point, it is apparent in the BDP's economic analyses and corresponding proposals that, while some are reflective of genuine Bangsamoro concerns and priorities, others are more the products of foreign donor and national government interventions. Big private investors' concerns seem to take precedence over that of communities and the Bangsamoro peoples. Emphasis is laid on promoting commercial crop production and guaranteeing the interests of investors, especially their access to land and other natural resources. Finally, the priority on economic growth models and fostering the autonomy of the private sector *vis-à-vis* government appear to mimic the national strategic framework with only token gestures on the specific characteristics and concerns of Bangsamoro society and peoples.

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48 Eduardo C. Tadem and Mary Ann Manahan, "Perils of an Unrestricted Rural Land Market," *Philippine Daily Inquirer*, June 7, 2017, https://opinion.inquirer.net/104583/perils-unrestricted-rural-land-market.

49 Yujiro Hayami, Lourdes S. Adriano, and Ma. Agnes R. Quisumbing, "Agribusiness and Agrarian Reform: A View from the Banana and Pineapple Plantations" (working paper, UP Los Banos Agricultural Policy Research Program, 1988), 38.

50 Bangsamoro Development Agency, *Bangsamoro Development Plan: Promoting Just, Honorable and Lasting Peace and Sustainable Development in the Bangsamoro* (Cotabato City: Bangsamoro Development Agency, 2015). The making of the BDP was supported by the Mindanao Trust Fund, the multi-donor facility led by the World Bank with additional support from the European Union, ADB, and JICA.

51 The BDP, nevertheless, acknowledges "the inherent risks of environment degradation and social displacement by large-scale resource development" (ibid., 51) without, however, making concrete proposals on how to address these concerns.

52 Ibid., 48.

It is therefore not surprising that the Bangsamoro Transition Authority (BTA) organized in 2018 has basically rejected the 2015 Bangsamoro Development Plan in favor of a new regional development agenda that is scheduled to be finalized by the end of 2019 after a series of workshop-consultations with the different BARMM local government units, civil society organizations (CSOs), non-government organizations (NGOs), business partners, and other stakeholders.[53] The crafting of the new Bangsamoro Regional Development Plan (BRDP) 2020–2022 was supervised by the newly-created Bangsamoro Planning and Development Authority (BPDA) and will be approved by the Bangsamoro Economic and Development Council (BEDC), the highest policy-making body of BARMM.[54]

As of this writing, the new BRDP has yet to be released to the public. It is instructive, however, to examine the speech of Interim Chief Minister Ahod Balawag Ebrahim (better known as Murad Ebrahim) at the inauguration of the Bangsamoro Transition Authority on March 29, 2019. In the speech, the Chief Minister did not dwell on the role of the private business sector and advocated instead an economic strategy that emphasizes social protection by "designing programs on livelihood, micro-finance, skills and technology transfer, self-employment assistance, food and cash subsidy for poor and disadvantaged families, low-cost housing, electrification and water projects."[55] And in contrast with the World Bank-influenced 2015 Strategic Plan, Ebrahim focused on agriculture and fisheries, given the dependence of 60 percent of the region's population on these two sectors, and called for increased investments in agriculture and agrarian reform.

It should be noted that under the 2019 Bangsamoro Organic Law (BOL), the new regional government is granted an annual block grant equivalent to five percent of the net national internal revenue collection of the Bureau of Internal Revenue and of the Bureau of Customs as well as a Special Development Fund (SDF).[56] In the 2020 national budget, this will amount to Php 68.6 billion (Php 63.6 billion block grant and Php 5 billion in SDF). Additionally, the BARMM will have access to its own internally generated funds such as retained tax earnings (Php 1.4 billion annually), allocations from national government agencies (Php 15 billion), and Internal Revenue Allotment (Php 25 billion). Thus, the total funding for the BARMM will amount to Php 110 billion for 2020.

Additional funds could still be generated given the BOL provision on "Sharing in Exploration, Development and Utilization of Natural Resources" (Section 34) which prescribes that

> Government revenues generated from the exploration, development, and utilization of all natural resources in the Bangsamoro Autonomous Region, including mines and minerals, shall pertain fully to the Bangsamoro Government. In the case of uranium and fossil fuels such as petroleum, natural gas, and coal, the same may be co-managed and the revenues shared equally between the National Government and Bangsamoro Government, subject to the limitations provided in the Constitution.[57]

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[53] BARMM Office of the Chief Minister, "Memorandum Order No. 014 Series of 2019: Provincial/City Consultation-Workshops on the Draft 1st Bangsamoro Development Plan (BRDP) 2020–2022," October 7, 2019.

[54] Bureau of Public Information-ARMM, "BARMM to Consult LGUs on Regional Development Plan Formulation," *Philippine Information Agency*, last modified October 3, 2019, https://pia.gov.ph/news/articles/1028101.

[55] Murad Ebrahim, "Interim Chief Minister's Speech during the Bangsamoro Transition Authority (BTA) Inauguration," Bangsamoro Autonomous Region in Muslim Mindanao, April 1, 2019, https://bangsamoro.gov.ph/photo-news/interim-chief-ministers-speech-during-the-bangsamoro-transition-authority-bta-inauguration/.

[56] Paolo Romero, "Bangsamoro Region to Get P70.6 Billion Budget Next Year," *Philippine Star*, August 24, 2019, https://www.philstar.com/headlines/2019/08/24/1945919/bangsamoro-region-get-p706-billion-budget-next-year.

[57] Republic of the Philippines, Republic Act No. 11054 ("Organic Law for the Bangsamoro Autonomous Region in Muslim Mindanao"), approved July 27, 2018.

Socio-economic Issues and Concerns

Mindanao's achievements in economic ventures mask serious problems in its relationships with the rest of the country, especially Metro Manila, and in the conditions of its working and farming classes and ordinary residents. The Mindanao 2020 Peace and Development Framework Plan, despite its inadequacies with respect to strategies and projects, correctly observed that:

> Mindanao is endowed with rich natural resources, highly diverse cultures, and strategic location in a complex and rapidly growing region. Its economy has traditionally been based on primary resource-using production activities, dominated by agriculture and agribusiness. While there are pockets of industrial development, these are also mostly based on exploiting primary resources especially forests and minerals, often located within ancestral domains. Large numbers of Mindanawons, especially indigenous peoples (IPs), live in abject poverty and substantially rely on natural resources for subsistence and livelihood. In many instances, they find themselves in a losing competition with large investors for use of their own resources. Mindanawons also suffer the consequences of environmental degradation caused by unsustainable management and use of resources by enterprises introduced and owned by outsiders. This development path is clearly unsustainable due, among other things, to the social and environmental tensions it creates and exacerbates through time.
>
> [...]
>
> Mindanao's human and ENR base has faced serious challenges over decades of resource-using economic activities that had brought substantial gains to a relatively narrow segment of the population. While certain business interests prospered, the wider majority of Mindanawons were left behind, evidenced by high levels of poverty that are among the worst in the entire country. At the same time, the welfare of future generations of Mindanawons had also been compromised in the course of reaping present gains from extracting wealth out of a rich but fragile environment.[58]

Despite the major role of Mindanao in the coconut industry, prices received by local farmers are generally lower than in other parts of the country. Large amounts of copra are also shipped to Cebu City and Metro Manila where they are processed into coconut oil. About 20 percent of copra arrivals in the Cebu port come from Mindanao. For Manila, the figure is about 14 percent. While small farms predominate, ultimate control over the industry resides in the big corporations who engage in domestic copra trade, dictate copra prices, undertake processing activities, and dominate the export of various coconut products.

Coconut owner-farmers face different challenges depending on the size of their farms. Small farmers (with less than 10 hectares) are barely able to survive with their low farm yields, but those in the upper middle category (with above 20 but less than 100 hectares) as well as the big farmers profit handsomely from their operations. The big capitalist farmers are also the copra traders, owners of other businesses, and hold important positions in government. The 90,000 farm workers, especially those in small farms are worse off as a result of minuscule wages, insecurity of tenure, lack of organization, and limited periods of work (averaging seven months in a year). Health hazards, such as the dust produced by copra processing, also cause serious lung ailments.

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58 Mindanao Development Authority, *Mindanao 2020: Peace and Development Framework Plan (2011–2030)* (Davao City: Mindanao Development Authority, 2012), 16–17.

Thirty percent of Mindanao's logging area is controlled by only 14 firms while 188 other companies share the remaining area. Among all other industries in Mindanao, the wood industry has the highest number of foreign and foreign-affiliated corporations. The industry has over 50,000 workers, comprising about 52 percent of the national total for the industry. Half of Mindanao wood workers are in logging operations, one-fourth are in plywood production, and the rest are in sawmills and veneer mills. The deplorable conditions of workers in the industry have sparked major strikes and other types of worker-management conflicts.

The fruit export industry is under the control of foreign and foreign-affiliated firms—giant agribusiness TNCs such as Del Monte (PPC), Castle and Cooke (Dole/Stanfilco), Sumifru, and Unifrutti (formerly United Fruit). Domination is exercised by leasing thousands of hectares of land, providing technical assistance, entering into growers' contracts and alternative venture arrangements (AVAs), marketing and management contracts, and controlling the international market. Furthermore, TNCs and local agribusiness concerns are able to sidestep the 1988 agrarian reform law mandating the transfer of the land to worker's cooperatives by entering into leaseback, joint venture agreements, and contract farming arrangements with the workers' organizations or with individual agrarian reform beneficiary families, in effect essentially retaining control over huge areas of prime agricultural land.

Most mining industry workers in Mindanao are migrants who face difficult, sometimes hazardous, conditions and experience substandard housing and health facilities. Low wages have forced workers to sneak out small quantities of gold from the mining site, a practice known as "high grading."[59] Northern Mindanao hosts the controversial iron ore sintering plant, Philippine Sinter Corporation (PSC), a wholly-owned subsidiary of Kawasaki Steel. It was the single biggest Japanese investment in the Philippines at the time it was set up during the Marcos martial law regime. Environmentalist groups in Japan and the Philippines objected to the sinter plant's operations due to its highly polluting nature.

A major issue in the fishing industry is that almost 80 percent of Mindanao's catch is landed in the ports of Iloilo and Metro Manila. The officially reported share of Mindanao fish production in the national total is thus grossly underreported at only 20 percent. The entry of TNCs like Del Monte, Dole, and B.C. Packers in the tuna business in 1976 was opposed by Filipino tuna producers as violating a constitutional provision prohibiting foreigners from engaging in the exploitation of local natural resources. The Justice Ministry, however, ruled in favor of the TNCs.

Despite Mindanao's large share of total Philippine rice and corn production, deficits have been reported in regions outside of the island's "rice bowl." Productivity is lower than in Luzon and the Visayas, and prices received by Mindanao rice and corn farmers are lower than those earned by their northern counterparts.[60] Commercialized grains farming has been introduced in various ways. The extensive utilization of chemical-dependent high yielding variety seeds (HYVs) has increased the need for hired farm labor even for small farms.

Although the country's entire rubber production is in Mindanao, industrial processing through tire production takes place in manufacturing plants based in Metro Manila that are owned by corporations which operate plantations or contract small rubber growers. There are small-scale rubber farms in rubber-growing areas, but all of them sell their raw rubber to the big corporate farms through exclusive growers' contracts.

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59 Reyes, "The Plunder of the Earth."

60 L. Angeles, "Mindanao Rice and Corn Farmers: More Grains, Lesser Grains," *Mindanao Focus* (March 1987), 13.

The country's dependence on the global export market was severely tested by the 2008–2009 global economic crisis.[61] Mindanao's export commodities suffered critical downturns as a result. In 2009, coconut exports fell by 21.5 percent in 2009, nickel exports contracted by 58 percent, and iron ore export revenues by 23 percent. In Agusan del Sur, traders stopped buying abaca fiber as the commodity's price plunged by as much as 42 percent. In coconut producing areas in Mindanao such as the Caraga region, the buying price of copra fell by 60 percent.

In sum, and to quote another unlikely source, i.e., the World Bank, the following assessment is offered of the Mindanao development strategy through the past years:

> In Mindanao, the weakness of the economy is the result of decades of not only armed conflict but also a narrow growth strategy. Economic growth is necessary but not sufficient for good job creation and poverty reduction. What also matters is how broad-based and pro-poor the growth is. Unlike Luzon and the Visayas, which had a more diversified, innovative, and labor-intensive economic structure, Mindanao's economy was driven by plantation crops, forestry, mining, and heavy manufacturing to support an import substitution regime.[62]

Human Development Pitfalls

Apart from the economic disparities engendered by the unequal economic relations between Mindanao and the rest of the country, basic human development indicators reveal that economic growth has not benefited Mindanao's peoples. Using the human development index (HDI) developed by the United Nations Development Program (UNDP), Mindanao regions fared badly compared to other Philippine regions (see Table 10).[63] Mindanao's average HDI in 2017 at 0.649 was 7.2 percent lower than the national average of 0.699. Among the 17 administrative regions in the country, all Mindanao regions placed in the bottom seven.

TABLE 10 • Human development index for Mindanao regions, 2017

Region	HDI (2017)
IX (Zamboanga Peninsula)	0.670
X (Northern Mindanao)	0.661
XI (Davao Region)	0.676
XII (Soccsksargen)	0.650
XIII (Caraga)	0.671
ARMM	0.563
Mindanao Average HDI	0.649
Philippines Average HDI	0.699

Source: United Nations Development Programme (UNDP)

[61] Jude Esguerra, "Global Transmission Mechanisms and Local Policy Responses Philippine Cases" (paper for the Policy Coherence Forum, "Overcoming the Jobs Crisis and Shaping an Inclusive Recovery: The Philippines in the Aftermath of the Global Economic Turmoil," Makati City, Philippines, March 11–12, 2010).

[62] World Bank, *Philippines Mindanao Job Report: A Strategy of Mindanao Regional Development* (Washington, D.C.: The World Bank Group, 2017), viii.

[63] The HDI is a summary measure of human development based on three basic dimensions of human development, namely *longevity,* measured by life expectancy at birth; *knowledge*, measured by basic enrollment ratio, high-school graduate ratio, and functional literacy rate; and *standard of living,* measured by real income per capita.

Among the country's 75 provinces in 2012, 11 Mindanao provinces were in the bottom 15 of the HDI list. Five of the last seven rated were Mindanao provinces (Lanao del Sur, Sulu, Maguindanao, Tawi-Tawi, and Basilan). Twenty out of 25 Mindanao provinces were situated in the bottom half of the national list. Worse, six of the bottom ten provinces were all located in Mindanao. The bottom three provinces were all Muslim-dominated provinces. Only one Mindanao province, Misamis Oriental, placed in the upper twenty percent. The only bright spot in this otherwise dismal picture was Davao de Sur which was the top gainer in human development and ranked 20th nationwide.

Official government statistics ostensibly show an improvement in both Mindanao's and the country's poverty situation from 2015 to 2018 (see Table 11). Serious questions, however, have been raised about the use of unrealistic poverty thresholds for both years which were used to uncover seemingly drastic declines in poverty incidences.[64] Mindanao's official poverty incidence of 32.5 percent in 2015 thus fell to 26.1 percent in 2018, or a decline of 19.7 percent. Nevertheless, even if we take at face value the official statistics, they would still show that Mindanao's 2015 poverty rate of 32.5 percent was 45 percent higher than the Philippine average of 17.9 percent. In 2018, the island region's poverty incidence deteriorated by 54 percent of the national poverty incidence of 12.1 percent. Furthermore, disparities within Mindanao saw the ARMM region lagging behind the other regions and even increasing its official poverty rate.

TABLE 11 • Annual per capita poverty threshold and poverty incidence in Mindanao, 2015 and 2018

Region	Poverty threshold in pesos		Poverty incidence among families (%)	
	2015	2018	2015	2018
IX (Zamboanga)	22,510	25,593	29.6	25.4
X (North Mindanao)	22,899	24,798	32.0	17.2
XI (Davao Region)	23,115	25,912	18.0	13.7
XII (Soccscskargen)	21,323	24,999	31.3	22.3
XIII (Caraga)	22,719	25,335	30.9	24.1
ARMM	22,590	27,556	53.3	53.6
Mindanao (average)	22,526	25,699	32.5	26.1
Philippines	22,685	25,744	17.9	12.1

Source: PSA

When another measure of poverty is used, higher poverty rates result. Surveys by the Social Weather Stations using self-rated poverty indicators reveal a sharp deterioration for Mindanao compared to the Philippines as a whole even as the national poverty level declined slightly (see Table 12 on next page). Self-rated poverty in Mindanao rose to 64 percent in 2019 compared to 54 percent in 2018—a 19 percent increase. Self-rated food poverty, on the other hand, also increased to 50 percent in 2019 compared to 40 percent in 2018—a 25 percent rise.

64 The 2018 national poverty threshold of Php 25,744 translates to Php 2,145/month or Php 72 a day. The Mindanao 2018 poverty threshold of Php 25,699 translates to Php 2,142/month or Php 71 a day. These daily per capita allocations were deemed extremely inadequate for basic survival according to legislators, labor groups, and charitable institutions. NEDA Director General Ernesto Pernia himself opined that "an average Filipino family would actually need an aggregate income of Php 42,000 to live above the poverty line." See Marvin Sy, Evelyn Macairan, and Emmanuel Tupas, "NEDA: Family of 5 Needs P42,000 a Month to Survive," *Philippine Star*, June 8, 2018, https://www.philstar.com/headlines/2018/06/08/1822735/neda-family-5-needs-p42000-month-survive. For a more incisive critique of the official Philippine poverty line, see Michel Chossudovsky, "Poverty in the Philippines: The Official Figures Have Been Manipulated," *Global Research*, February 7, 2018, https://www.globalresearch.ca/world-bank-on-philippines-economy/5628035.

TABLE 12 • Average poverty indicators for Mindanao and the Philippines

	Self-rated poverty		Self-rated food poverty	
	2018	2019	2018	2019
Philippines	48%	45%	33%	31%
Mindanao	54%	64%	40%	50%

Source: Social Weather Stations

On the inequality issue as a whole, Mindanao has been registering high Gini indices, reflecting wide disparities in income distribution and consumption patterns among its population and in relation to the national data (see Table 13). Since 2006 up to 2018, Mindanao has actually registered better numbers compared to the national indices. The 2006 index of 0.4276 improved to 0.3983 by 2008, a modest 8 percent improvement. This twelve-year trend contrasts with the 2000–2003 data where Mindanao Gini ratios deteriorated from 0.364 to 0.408.

TABLE 13 • Mindanao Gini index by region, 2006–2018

Region	2006	2009	2012	2015	2018
IX	0.5054	0.4915	0.4592	0.4359	0.4231
X	0.4806	0.4860	0.4844	0.4633	0.4059
XI	0.4225	0.4339	0.4330	0.4294	0.4108
XII	0.4006	0.4462	0.4570	0.4624	0.4303
Soccsksargen	0.4452	0.4732	0.4397	0.4336	0.4383
ARMM	0.3113	0.2991	0.2882	0.2800	0.2819
Mindanao	0.4276	0.4383	0.4269	0.4174	0.3983
Philippines	0.4506	0.4484	0.4605	0.4438	0.4276

Source: Philippine Statistics Authority, *Family Income and Expenditures Survey* (various editions)

Compared to the Philippine index, Mindanao was better by 5.4 percent in 2006 and by eight percent in 2018. Within Mindanao itself, the poorest region, ARMM, also registered the best index, improving from 0.3113 in 2015 to 0.2819 by 2018 with the latter better by 40 percent over the Mindanao average and by 52 percent over the national index. This points to the lack of direct positive correlation between poverty incidence and inequalities in income distribution. While improvements in Mindanao's indices have been registered in recent years, the absolute numbers still reflect high levels of inequality.[65]

Another measure of poverty is the population's capacity to satisfy food requirements or the subsistence incidence. For the country as a whole, 8.1 percent of the population were living below the subsistence food threshold and were thus unable to meet their food requirements in 2015. For Mindanao, however, all its regions except for Davao Region registered lower capacities than the national average. The ARMM and Soccsksargen regions had the worst record as the two landed at the bottom of the list of the 17 Philippine regions with 21.1 percent (17th) and 20.4 percent (16th) respectively. Taking all six Mindanao regions, the subsistence incidence was 16 percent, or 7.9 percentage points higher

[65] A Gini index of less than 0.2 represents perfect income equality, 0.2 to 0.3 relative equality, 0.3 to 0.4 adequate equality, higher than 0.4 to 0.5 reflects a big income gap, and above 0.5 represents severe income gap. A Gini index of 0.40 means that 60 percent of the population has all the income, while the remaining 40 percent has nothing.

than the national figure. This is an ironic situation given Mindanao's reputation as the Philippines' food basket, supplying 40 percent of the country's food requirements and 30 percent of the national food trade.

The third HDI category relating to education shows Mindanao typically lagging behind the national status (see Table 14). With respect to net enrollment rates in secondary schools, all Mindanao regions registered lower numbers than the national average. The Mindanao average was 63.4 percent or only 83 percent of the national average of 76 percent. The same was true for net completion rates where all Mindanao regions scored lower than the national average with an average rate of 77 percent, or lower by nine percent compared to the national rate of 84.3 percent.

TABLE 14 • Secondary education statistics in Mindanao

Region	Net enrollment rates	Net completion rates
IX	65.0	78.2
X	68.0	79.0
XI	74.3	80.2
XII	68.1	79.9
XIII	74.5	82.4
ARMM	30.4	62.1
Mindanao	63.4	77.0
Philippines	76.0	84.3

Source: Department of Education

Perils of Development

Infrastructure Development

Massive infrastructure projects in Mindanao pose a number of problems for the people, generating social costs that erupt into conflicts. Land acquisition for large-scale irrigation projects causes small farmers to lose substantial areas of their already small holdings. Site selection takes place often without the participation of the affected population and, in some cases, the selected sites have been wrongly identified as uninhabited lands.

In the case of tribal communities, the issue is the loss of their ancestral lands and their cultural heritage that endangers their existence as a people. More often than not, compensation for the loss of lands is not given. But how does one compensate for the loss of cultural heritage? Disruptions of cultural and religious practices by hydroelectric projects have been denounced by the Muslim population around Lake Lanao whose religious and cultural practices are tied in with the lake's water levels.

The emphasis on massive large-scale projects has also been criticized for high construction and maintenance costs. It is claimed that smaller irrigation systems and scaled-down hydroelectric units can do the job just as well with lower costs and less disruptions to people's lives. Large-scale irrigation projects are also major pollutants as several irrigation systems discharge their return flows to only one major river, thus depriving families living on riverbanks of safe water supply. In addition, huge dams also cause reduced soil fertility.

Inefficient implementation procedures sometimes result in low availment and non-utilization of budgeted funds by the relevant agencies. A case in point is the rehabilitation and reconstruction of the severely war-damaged Marawi City.[66] A total of Php 3.44 billion was budgeted in the 2019 General Appropriations Act for infrastructure projects under the Marawi Recovery, Rehabilitation and Reconstruction Program (MRRP). But as of February 29, 2020, only Php 80.3 million has been released for an availment rate of only 2.33 percent. In the 2018 budget for MRRP, Php 406.5 million in funds lapsed its validity despite a mandated two-year period for fund utilization.

Resource Extraction and Depletion and Ecological Backlash

The major industries in Mindanao are of the extractive type which exploit and deplete natural resources. The rate of depletion of forests and fishing grounds is alarming and unfortunate because these are, after all, renewable resources. On the other hand, industries dependent on non-renewable riches such as minerals may require elaborate alternative livelihood programs for the dependent populations, once total depletion occurs. In the tuna fish sector, lack of supply sometimes forces canneries to import fish.

The extensive monocropping patterns of agribusiness firms dependent on high levels of chemical applications cause depletion of soil nutrients. In the case of the banana and pineapple industries, it is feared that if their operations ceased, the badly damaged soil would not be able to sustain any other crop for many years. The cultivation patterns of pineapple plantations erode the soil, adversely affecting neighboring farmlands. The rapid expansion of palm oil plantations also contributes to ecological problems. Under President Aquino III, one million hectares of palm oil area were proposed. Under President Duterte, an agreement was signed with the Malaysian government for USD 200 million worth of palm oil investments in Palawan and Mindanao, with the latter setting aside 128,000 hectares in Agusan del Sur alone.[67] These business initiatives frequently encroach on the ancestral domain lands of indigenous communities.

The Mindanao 2020 Framework Plan points out that mismanagement of forest resources "fostered largescale commercial logging activities all over the country, especially in Mindanao [which] became a major source of wealth and economic power for certain individuals and families, who were able to in turn use it to gain political power as well."[68]

Depletion of resources without adequate replenishment measures ultimately damages the environment. It sets off "a vicious cycle which often culminates in flooding, droughts, disappearance of plant and animal life, sedimentation of rivers and destruction of coral formations."[69] Periodic flooding in logged-over areas in Northern Mindanao causes deaths and renders thousands of people homeless. Extensive use of chemicals in farms disturbs the ecological balance between plants and animals. Pineapple plantations encroach into watershed areas "causing substantial damage due to floods" while small farmers in the area complain about "the massive land destruction caused by floods from plantation areas during the rainy season."[70] The industrial belt along the coast of northern Mindanao, which includes cement factories, chemical plants, mineral processing factories, and coconut processing plants, has been a major source of pollution.

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[66] Ben O. de Vera, "P80M Released for Repair of Road in Town Next to Marawi City," *Philippine Daily Inquirer*, March 11, 2020, https://newsinfo.inquirer.net/1240146/p80b-released-for-repair-of-road-in-town-next-to-marawi-city.

[67] Coalition Against Land Grabbing, "Agribusiness and Human Rights in Palawan (Philippines): CALG 2017 Update" (presentation, 7th Regional Conference on Human Rights and Agribusiness in Southeast Asia, Pontianak, Indonesia, October 2017).

[68] Mindanao Development Authority, *Mindanao 2020*, 71.

[69] Reyes, "The Plunder of the Earth," 32.

[70] F. T. Cayon and M. Balisalisa, "The Mindanao Economy in 1987: Growth without Development," *Mindanao Focus* (1988): 16.

Mining corporations and their operations are major sources of environmental destruction and human rights violations. Their extensive use of open-pit mining "which entails clearing thousands of hectares of rainforests and agricultural lands, deep excavations to extract minerals, the use of toxic heavy metals and chemicals to process mineral ores, and the consumption of millions of liters of water … impact the lives of people with their grave disregard for their right to health, life, food, and a clean environment."[71] Local governments, indigenous communities, civil society organizations, and religious sectors in Mindanao have been calling for a ban or suspension of all mining operations in the island.

An ongoing contentious issue is the struggle by local peoples against the proposed USD 5.9 billion Tampakan Mining project of Sagittarius Mines, Inc. (SMI) that would cover the three provinces of South Cotabato, Sultan Kudarat, and Davao del Sur. SMI is now controlled by the Mindanao-based Alsons Group following the exit of the original investor, an Anglo-Swiss group. Once fully operational, it would be the largest copper-gold open-pit mine in the country and one of the largest in the world. In 2010, the South Cotabato provincial government banned open-pit mining in the Tampakan area.

Except for the misguided blame placed on "slash and burn agriculture" by "forest inhabitants" (as explained above), the Mindanao 2020 Plan's take on the problems of resource extraction and depletion are well described:

> Apart from legal and illegal logging, other economic activities such as mining, construction of dams for power generation, slash-and-burn agriculture by upland communities, and large-scale monocrop commercial agriculture all led to massive deforestation. Added to this was indiscriminate cutting of trees and other forest vegetation for personal and livelihood uses by forest inhabitants.
>
> Deforestation and resulting massive erosion have silted river systems and dams, destroyed agricultural lands, and flooded the lowlands. At 21% forest cover, Mindanao forests are unable to contain rainwaters and the strong energy of water runoffs on steep slopes. The high-water energy levels erode the topsoil and transport this along with other sediments through the rivers downstream and onto the sea. Deforestation and soil erosion have already been causing massive siltation and riverbank migration along the Pulangi River, causing devastating episodes of flooding in downstream areas (e.g. Allah Valley landscape) and adversely affecting agriculture and livelihood activities.
>
> Where dams exist, silt and sediments are deposited therein. This has been the case with Maramag Dam, which supplies water to propel the Pulangi IV hydroelectric plant. Through time, the combined effects of sediments and drought have drastically reduced the power generating capacity of Pulangi IV, requiring costly rehabilitation to restore efficiency.[72]

Health Concerns

Extensive use of agricultural chemicals also poses health hazards. Banana workers are being endangered by "lack of concern and ignorance" of the hazards of exposure to harmful chemicals.[73] Plantation owners sometimes do not institute health and safety measures, and doctors and nurses at these farms are often

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71 Belinda F. Espiritu, "The Destructive Impacts of Corporate Mining in the Philippines: The Tampacan Copper-Gold Mining Project in Mindanao," *Global Research*, June 26, 2018, https://www.globalresearch.ca/the-destructive-impacts-of-corporate-mining-in-the-philippines-the-tampacan-copper-gold-mining-project-in-mindanao-2/5436594.

72 Mindanao Development Authority, *Mindanao 2020*, 74.

73 B. Cruz, "Banana Workers Live in Danger," *Manila Chronicle*, October 23, 1989.

not trained in occupational safety methods. Workers themselves tend to ignore safety procedures such as the wearing of protective equipment. Thousands have been victims of pesticide poisoning in the plantations.

About three thousand banana workers in South Cotabato filed a lawsuit against Dole/Stanfilco in a Los Angeles, California Superior Court due to the various health problems experienced by the workers in the 1980s from the use of the highly toxic pesticide DBCP years after the toxin was banned for general use in the 1970s by the U.S. Environmental Protection Agency.[74] The Dow Chemical product has been linked to cancer, asthma, sterility, and miscarriages. The lawsuit was originally filed in a Philippine lower court in 1998 which ruled in favor of the workers. Dole, however, appealed to the Supreme Court which, in 2009, reversed the original ruling on the grounds that Dole was not properly represented earlier. The U.S. court, however, dismissed the case in 2012 on technical grounds due to statute of limitation rules. Meanwhile, Dole has repeatedly refused to admit any wrongdoing or acknowledge the detrimental health effects of DBCP.

Aerial spraying by banana plantations also poses health risks not only to workers but also to surrounding communities. A 2012 article in *Scientific American* pointed to the "insidious threat" to "wildlife and ecosystems in and around agricultural and even residential areas" of "pesticide drift" from chemicals "applied from elevated spraying equipment or crop duster planes."[75] Pesticide drift also includes "volatilization drift" which the Pesticide Action Network (PAN) characterizes as the evaporation into the air of pesticides "from off of crops or out of the soil for up to several days following an application."

In the Philippines, the Department of Health commissioned a study in 2006 which found that aerial spraying had negative effects on the residents of a Davao del Sur town and recommended that it be banned as "farming communities complain that the practice makes them suffer various ailments, from skin infections to respiratory illnesses, nausea, blindness and a host of other ailments, including goiter, neuro-developmental delays in children and various forms of cancer."[76] The then Davao City Mayor Rodrigo Duterte and the City Council subsequently banned aerial spraying, but the banana corporations went to the Supreme Court and succeeded in having the ban lifted.

Denuded and deforested areas due to mining and logging are prone to deadly landslides in the event of natural disasters such as typhoons and earthquakes. In December 2012, 548 people were killed with 827 missing, buried in disastrous landslides in the awake of Typhoon Botha's rampage through Compostela Valley.[77] In this case, it was mainly small-scale miners and their families whose operations are illegal and poorly regulated who comprised the human toll.

Export Market Dependence

Most of the major industries in Mindanao are export-oriented. Such activities are dependent on the vagaries of international trade, over which local producers have no control as the products they export are of low value added and thus do not fetch premium prices. Furthermore, they enter a

[74] Michelle Chen, "Filipino Banana Workers Frustrated in Battle Over Dole's Pesticides," *In These Times*, August 15, 2012, http://inthesetimes.com/working/entry/13680/filipino_banana_workers_frustrated_in_battle_over_doles_pesticides; *Fresh Fruit Portal*, "Dole Philippine Banana Worker Decision 'Heartbreaking', Says Attorney," August 10, 2012, https://www.freshfruitportal.com/news/2012/08/10/dole-philippine-banana-worker-decision-heartbreaking-says-attorney/.

[75] *Scientific American*, "How Dangerous is Pesticide Drift?," September 2, 2012, https://www.scientificamerican.com/article/pesticide-drift/.

[76] Jonathan L. Mayuga, "Lopez to Check Effects of Aerial Spraying on Banana Plantations," *Business Mirror,* August 22, 2016, https://businessmirror.com.ph/2016/08/22/lopez-to-check-effects-of-aerial-spraying-on-banana-plantations/.

[77] Mynardo Macaraig, "Mining, Logging, Contributed to Philippine Disaster," *Phys.Org*, December 9, 2012, https://phys.org/news/2012-12-contributed-philippine-disaster.html.

"buyers' market" where it is the importing country which dictates prices. Therefore, price instability and uncertainty surround Mindanao products such as coconuts, wood products, bananas, pineapples, minerals, and fish.

Export dependence also exposes the Mindanao economy and its stakeholders to global economic crises as what took place in 2008 to 2009, which saw big drops in export volumes of coconut and abaca products as described above. In such events, the biggest losers are the small producers, which includes farming households and workers.

In the pursuit of the volatile export market, local needs are sacrificed. In the case of the fishing industry, the growth of an export sector has raised the prices of fish in the local market and put them beyond the reach of poor families.

Dominance by Big Firms

Mindanao's industries are dominated by big corporations who exercise monopolistic forms of control over each stage of the production and distribution processes. Especially in the fishing, wood, mining, coconut, and fruit export industries, "smaller firms and individual producers are integrated into the operations of the big corporations as supplier of raw materials and primary products. Those who stubbornly hold on to their independence find themselves reduced to a marginalized existence and eventual bankruptcy."[78]

The agricultural sector's more dynamic sectors are dominated by large agribusiness firms, both local and foreign. Even the World Bank 2017 Report sees this economic pattern as unsustainable; the institution bats instead for an agricultural path that is driven by small farm holders while warning that,

> Ultimately, this narrow growth model could not be sustained and contributed to conflict as wealth and power were concentrated in the hands of a small elite group. This drove economic and social injustice, the core cause of violent conflict in Mindanao.[79]

There is a pressing need to rethink the plantation model of agricultural development. The agribusiness plantation system breeds class conflict between workers and managers as "workers voice their discontent and frustrations over the 'hierarchical nature' of the command system in centrally managed plantations and the 'strenuous work' they have to do" despite some cases where higher pay and fringe benefits are provided.[80] The unrelenting and extensive use of toxic chemicals and inorganic fertilizers essential to plantation-type agriculture has caused the loss of soil diversity and health and, consequently, disturbed its balance. The following thoughts deserve serious consideration:

> The paradigm of plantation modernity lies at the roots of a long-held imagination of soils, crops and people as singular and mutually interchangeable production units, ready to be enrolled into projects of capitalist production, development and profit.
>
> Paradigms are shifting though. [...] Can we still imagine the plantation as a place in which modern management organizes life as alienated units of production (capital,

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78 Tadem, "Issues in the Underdevelopment of Mindanao," 6.

79 World Bank, *Philippines Mindanao Job Report*, viii.

80 Robin Thiers, "Tales of the Post-Plantation: Unlikely Protagonists of Modern Philippine Banana Industry" (Ph.D. diss., Department of Conflict and Development Studies, University of Ghent, 2019), 207.

> land, labor) mutually interchangeable and to be assigned wherever they are deemed most productive…where we produce for profit on the basis of alienation, calculation and control? [Why not] as a dynamic space in which we make life grow on the basis of complex entanglement, surprising acts of dissidence, and the contingency of diverse encounter? If this could be our paradigm, how different would our stories be. How different the futures we can imagine.[81]

Foreign Investments, Loans, and Technology

The liberal policies of government on the entry of foreign investments, loans, and technology provoke questions of a political nature. The overriding and dominant presence of foreign firms in economic development seriously impairs the country's sovereignty. The assumption is that, given the country's weak and underdeveloped economic base, the dominant presence of these TNCs would effectively subsume national development to the goals of foreign interests. The effect would be to arrest efforts by nationalist sectors to establish a self-generating and developed economy. Conditions reminiscent of direct colonial rule have thus been reproduced in the economic sectors of Mindanao through foreign participation.

In recent years though, big Filipino corporate interests have become more aggressive in Mindanao as seen from the data cited above on the investment picture that, of the top 60 firms in Mindanao as of 2016, only 17 were foreign investors.[82] This could herald the coming into being of an indigenous Filipino capitalist class in Mindanao, except that the data presented did not show the types of foreign affiliations that these local firms may have.

Capital-intensive investments displace labor; labor-intensive ones contribute little to skills development while handing low wages to workers, and large-scale transfers of capital from the production areas to the centers of management and power occur unchecked.

Dislocation/Displacement of Communities and Land Grabbing

These related developments have often accompanied the entry and expansion of corporate operations in Mindanao. Scores of tribal Filipinos and settler communities have also been dislocated by logging operations in northern and southern Mindanao. The expansion of pineapple production by Del Monte in Bukidnon has pushed local communities off their lands. Small farmers in affected Bukidnon towns once blockaded their areas to prevent Del Monte's expansion. Also in Bukidnon, ancestral lands belonging to the Manobo tribal people have been grabbed by the cattle ranchers who then sold the contested lands to the Bukidnon Sugar Corporation.[83] The World Food Program (WFP) estimates that "over 40 percent of families in Central Mindanao were displaced at least once between 2000 and 2010."[84]

Dislocation and displacement of communities and family farm holders are often the result of land grabbing activities by powerful interests including corporations. The agribusiness venture agreements (AVAs) between corporate entities and agrarian reform beneficiaries result in the latter's "loss of security of tenure, control and access to their lands by the takeover of their lands' management by supposed

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81 Robin Thiers, "Tales of the Post-Plantation," 467–69. Thiers assigns the term "post plantation" to this new proposed paradigm.

82 Dy, "Mindanao Elite Investors."

83 ICL Research Team, *A Report on Tribal Minorities in Mindanao* (Manila: Regal Printing Company, 1979).

84 Jodesz Gavilan, "Fast Facts: Poverty in Mindanao," *Rappler*, May 28, 2017, https://www.rappler.com/newsbreak/iq/171135-fast-facts-poverty-mindanao.

partner agribusiness corporation."[85] The Philippine Commission on Human Rights (CHR) received reports of human rights abuses involving 861 cases of agricultural workers and 201 cases of indigenous peoples between January 2009 and October 2017.[86] Most of these took place in Mindanao, particularly Regions 9, 10, 11, and 13.

An earlier but still prevalent form of AVA is the contract growing arrangement between agribusiness corporations and small growers. Empirical documentation has been published on "severe levels of structural indebtedness" among many growers, which is explained as follows:

> A major reason was that production costs quickly came to outrun the banana price. Growers complained that the buying price—which was practically determined unilaterally by the company—was too low, whilst they suspected the company of overcharging for inputs. Sometimes, growers' complaints and negotiations with the company resulted in price hikes. However, they felt these were immediately taken back through a rise in input costs charged to the grower. On top of running production costs, the company would make additional deductions to pay back development costs, loans and advances taken out by growers.[87]

The contract growing scheme changed the entire culture and lifestyle of the small grower-farmers—fortifying their dependent and subaltern relationship with the company and being mired in an endless cycle of debt peonage.

> Beyond the expenses directly related to banana production, growers had also become more cash-dependent in other aspects of their life. As cultivation switched away from subsistence towards monoculture production of a cash crop, growers became more dependent on increasingly expensive imported foodstuff on the market. As the Cavendish banana engulfed the community with the promises of modernity, a range of new consumer demands emerged as well: refrigerators, soap, soft drinks, beer, cosmetic products, and others. Education and health services became more readily available, but school and health fees could also add further burden to the family budget. The increasingly cash-dependent growers covered for their needs by relying on cash advances from the company. The relationship with the company was thus certainly not fully detested by most growers. Yet, reaping the fruits of the banana modernity brought by the company, came with a cost.[88]

Discontent among small growers over the contracts with agribusiness firms led to what local residents call the "*palupad*" system (also known as "flying bananas"), a "dissident" campaign started in the 1990s where growers deliberately violate their contracts and sell their produce directly to new independent buyers, thus breaking the market monopoly stranglehold of Dole/Stanfilco.[89]

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85 Leah C. Tanodra-Armamento, "Recent Developments and Progress Directly Relevant to Making Human Rights Obligations Binding on Agribusiness" (presentation, 7th Regional Conference on Human Rights and Agribusiness in Southeast Asia, Pontianak, Indonesia, October 2017).

86 Ibid.

87 Thiers, "Tales of the Post-Plantation," 212.

88 Ibid., 213.

89 "Palupad," in the Cebuano language spoken in Davao, means "to fly." For a more extensive depiction and analysis of this "flying bananas" phenomenon and its ramifications throughout the industry, see Thiers, "Tales of the Post-Plantation," 277–330.

Conditions of the Working Classes

Workers in Mindanao are always at a disadvantage in their relations with management and corporate owners. Periodic industry declines often result in either forced layoffs of workers or drastic reductions in their take-home pay. Another inequitable measure is the shifting of workers from permanent to non-permanent status thereby reducing expenditures for benefits and allowances. In a number of banana plantations, piece-rates and subcontracting arrangements are preferred by the corporate farm owners over regular daily wages.

In 2018, a major labor vs. management dispute arose in the Sumifru fruit export corporation in South Cotabato and Compostela Valley over the issue of a subcontracting arrangement with 70 percent of the company's 4,700 workers.[90] The workers' union staged a strike to pressure the firm to meet its demand to regularize all workers, stop human rights abuses, and reinstate laid off workers. Owned by the Japanese multinational Sumitomo, Sumifru exports Cavendish bananas, pineapple, and papaya from more than 12,000 hectares in Mindanao. The Department of Labor and Employment agreed with the workers and ruled that Sumifru was engaged in illegal labor-only contracting and was ordered to regularize its workers. Sumifru, however, has not complied with the order.

Oxfam published a 2018 report on the deplorable conditions of banana plantation workers in Mindanao.[91] The report, produced together with the legal group IDEALS, "revealed how banana farmers suffer from being 'food insecure' where a great majority of workers' families surveyed 'worried about feeding their families' and were furthermore 'locked into grossly unfair contracts' with large banana traders and multinational corporations." The hunger situation impacted more heavily on the women than the men. The contracts, on the other hand, involve "agribusiness venture agreements" (AVA) or growers' contracts, a scheme authorized by the Department of Agrarian Reform under the government's agrarian reform program for agrarian reform beneficiaries (ARBs). An IDEALS spokesperson reported that:

> We've seen first-hand the farmers' brutal working conditions as they try to meet strict quotas from large traders and multinational companies, exposure to crop spraying and toxic pesticides, and the knock-on effect of adding disproportionate burdens on women. Since formal loans are usually signed by men, the eventual liabilities are shared with women in the household, who are barely consulted, if not at all, on financial matters, contracts, and payment conditions.[92]

Calling for supermarkets around the world to address the banana workers' plight, Oxfam reported the following anomalies in the AVA contracts as follows:

- Allows buyers to impose a set price for bananas, regardless of production costs or prevailing market rates.
- Set restrictions on property rights that prevent farmers from planting alternative crops for additional sources of income.

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[90] Ralph Lawrence Llemit, "Sumifru Workers Seek Regularization," *EDGE Davao*, December 2, 2018, http://edgedavao.net/latest-news/2018/10/14/sumifru-workers-seek-regularization/; *MindaNews*, "Sumifru Told to Regularize 1,687 Banana Plantation Workers," June 8, 2018, https://www.mindanews.com/top-stories/2018/06/sumifru-told-to-regularize-1687-banana-plantation-workers/. Stung by the workers' actions, Sumitomo announced in June 2019 the sale of its stake in Sumifru.

[91] Jonathan L. Mayuga, "Oxfam Report Exposes Plight of Banana Workers in the Philippines," *Business Mirror*, July 11, 2018, https://businessmirror.com.ph/2018/07/11/oxfam-report-exposes-plight-of-banana-farmers-in-the-philippines/.

[92] Ibid.

- Does not provide remedies and mechanisms for farmers in the event of contract abuse.
- Resulted in farmers incurring high levels of debt, meaning that they are, in practice, unable to leave the contract without severe penalties.[93]

Despite the country's existing laws prohibiting child labor, a 2012 study by the Center for Trade Union and Human Rights "revealed that 24 percent of workers in palm oil plantations in Mindanao are children."[94] The Center also reported that these child workers are reportedly made to work "as much as 12 hours a day in the plantations" and "made to do physically demanding jobs such as hauling 15 to 50 kilos of palm fruit bunches."[95]

Ironically, conditions of boom do not translate into better conditions for the workers. With few exceptions, labor unions in Mindanao hardly take independent and militant positions. Company unions with "sweetheart's agreements" with management are common. On the other hand, repression and harassment of union organizers have been going on unabated. Organizers and leaders of militant unions regularly receive death threats to dissuade them from pursuing their activities.

Underdeveloped Manufacturing and Processing Sectors

Despite the expansion of economic activities that have been going on in Mindanao, the southern economy has remained largely underdeveloped. Processing activities have not gone beyond preliminary manufacturing stages and center on export-oriented goods. The wood industry, one of the oldest sectors, remains dependent on the intermediate processing of logs and lumber into plywood and veneer. The exceptions are agricultural and fish processing, but being food products, their net value added is relatively low.

The 2017 World Bank Philippines Mindanao Report acknowledges the underdeveloped character of Mindanao's economic sectors except that it indirectly proposes the liberalization and deregulation of the agricultural sector:

> Because these sectors were capital-intensive, involved little local processing, and reinvested little profit locally, they had low local multiplier effects. While they contributed to Mindanao's high GDP per capita in earlier years, they created few jobs and hence did little to reduce poverty. In addition, trade and industrial protection policies taxed agriculture heavily. Thus, Mindanao's growth path failed to build on the main comparative advantage: agriculture based on smallholders.[96]

The emphasis on exports and the dominance of TNCs have stunted local initiative for developing an economic base with a higher level and quality of processing and manufacturing. Indigenous research and development efforts are practically absent as selectively introduced foreign technology is exclusively utilized.

Import dependence also characterizes a large number of these industries. The fruit export sector depends on the import of expensive chemical inputs to maintain high production levels. The Kawasaki sintered-ore plant imports almost all of its raw materials of iron ore and coke. Needless to say, plant equipment for all the industries are shipped from abroad.

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93 Ibid.

94 Pulhin and Ramirez, "National Updates," 52.

95 Ibid.

96 World Bank, *Philippines Mindanao Job Report*, viii.

Another consequence is that an indigenous, inward-looking, and autonomous Filipino capitalist class has not been given room to develop and prosper. Many Filipino entrepreneurs rely on partnerships with foreign firms through joint venture arrangements, supply and marketing contracts, and provision of technological knowhow. This is a serious problem and, unless it is addressed properly, will forever tie local economies to the whims of self-serving foreign economic interests.

Social Unrest and Insurgency

Economic difficulties, social dislocations, and marginalization as experienced by the disadvantaged social classes and ethnic populations often spark social unrest and rebellions. In 1997, groups of agrarian reform beneficiaries (ARBs) who were organized into cooperatives and had banana growers' contracts with Dole/Stanfilco staged a harvest strike by stopping deliveries of their bananas to the company in order to gain better contract terms.[97] Supported by an international network of solidarity organizations, the strike successfully gained new and better farmgate prices and more autonomy in the production and processing aspects of the industry. A year later, the organizing effort bore further fruit when Dole/Stanfilco finally agreed to the demand for a shift from individual growers' contracts to collective ones.

The drive for Mindanao autonomy is also rooted in economic deprivation and socio-political disempowerment of the people and the consequent perception that the interests of the central government and big business interests lie only in siphoning wealth out of the southern regions. Two separate insurgent groups—the Communist Party of the Philippines-New People's Army (CPP-NPA) and the Moro Islamic Liberation Front (MILF)—have been waging decades-long and bloody wars of attrition against the Manila government.[98] The use of the military to contain unrest has frequently exacerbated the conflicts as widespread human rights abuses by the military against the civilian population have driven more civilians into the rebel fold. The CPP-NPA itself, however, has been accused of human rights violations, as in the widespread killings of cadres suspected of being government agents and the massacre of a tribal community in Davao.[99]

Wealth and Income Transfers

There is no doubt that large amounts of wealth have been created from Mindanao's abundant resources. Where does all this wealth go? This can only be answered by relating the issue to the pattern of income distribution among different social classes in Mindanao, the uneven development of the regions of the country, and the relations of dependency among countries of different states of development.

In the first place, in Mindanao's industries, the owners of the means of production take a considerably larger share of the surplus than the workers while granting the latter wages that are hardly enough for them to live on. Second, within Mindanao itself, the more affluent regions, i.e., Davao and Northern Mindanao, take in a disproportionately greater share of investments, infrastructure development, and the incomes generated. Thirdly, the Mindanao regions are also being drained of precious incomes by more developed areas such as Metro Manila, Cebu, and Iloilo. Fourthly, on the international plane, and as a result of the dominant role of transnational corporations in virtually every aspect of the various

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97 Thiers, "Tales of the Post Plantation," 256–57.

98 As pointed out above, the MILF has completed a peace agreement with the Manila government in 2014 under the Benigno Aquino III administration. It was only in 2018, however, under President Duterte, that a law was passed establishing a new Bangsamoro autonomous region paving the way for the January 2019 plebiscite.

99 Robert Francis Garcia, *To Suffer Thy Comrades: How the Revolution Decimated its Own* (Quezon City: Anvil Publishing, 2001).

industries in Mindanao, wealth and resource transfers also occur in the direction of the developed economies of the world.[100]

Loss of income by small farmers to corporations also constitutes a form of wealth and income transfers. An example is when agribusiness firms lease lands from farmers, some of whom are agrarian reform beneficiaries. Land lease contracts are frequently disadvantageous to the smallholders as seen from the following examples:

> In Mindanao, for instance, Ecofuel, a biofuel company, is leasing one hectare of land for just PhP6,000 – PhP8,000 per year (USD $150 – 200) when in fact the same size of land could earn farmers at least PhP42,000 per year (USD$1,050) if they were to plant rice or corn for a minimum of PhP5,000 – 9,300 (USD$125 – 233) per year, or with bananas, with which they could earn a minimum income of PhP34,000 (USD $850) per year.[101]

Government credit subsidy programs often end up in the hands of the wrong beneficiaries. For example, a small farmer rice credit program was managed to benefit only the richer farmers while bankrupting small producers. Loans to improve productivity of the fishing sector "appear to have been channeled to big fishermen, commercial operators, and fishpond owners rather than small fishermen."[102]

Internal Colonialism

The theory on internal colonialism describes and analyzes the phenomenon as "a geographically-based pattern of subordination of a differentiated population . . . and has the outcome of systematic group inequality expressed in the policies and practices of a variety of societal institutions" such as the economy, finance, governance, culture, employment, education, and other social services.[103]

Internal colonialism is "closely related to external colonialism" which originally referred to emigrants dominating indigenous peoples but later came to be applied "to peoples and regions within the boundaries of independent states" in what Pablo Gonsalez-Casanova refers to as "domination of natives by natives."[104] It refers to "the distribution of power and advantage within states . . . where economic resources and power are concentrated at the center, to the advantage of which the periphery is subordinated."[105]

Earlier versions of internal colonialism were criticized for ignoring class and gender concerns, but this was corrected later by Latin American scholars like Rodolfo Stavenhagen who stressed class relationships and analyses in the region while continuing to stress that "the backward and underdeveloped regions of Latin America have always been internal colonies with respect to the developing urban centers or productive agricultural areas."[106]

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[100] Forms of international wealth and income transfers include repatriation of profits, interest charges on loans, management, technical advisory and consultancy fees, charter contract fees, sales of equipment and parts, and salaries of foreign managers and executives.

[101] Pulhin and Ramirez, "National Updates," 50.

[102] Tadem, "Issues in the Underdevelopment of Mindanao," 7.

[103] Charles Pinderhughes, "Towards a New Theory of Internal Colonialism," *Socialism and Democracy* 25, no 1 (March 2011), 236.

[104] John R. Chavez, "Aliens in Their Native Lands: The Persistence of Internal Colony Theory," *Journal of World History* 22, no. 4 (December 2011), 786.

[105] Michael Hechter, *Internal Colonialism: The Celtic Fringe in British National Development, 1536–1966* (Berkeley/Los Angeles: University of California Press, 1975), 13.

[106] Norma Beatriz Chaloult and Yves Chaloult, "The Internal Colonialism Concept: Methodological Considerations," *Social and Economic Studies* 28, no. 4 (December 1979), 86.

In the Philippine case, internal colonialism as it impinges on the Mindanao regions is informed by the following factors: (1) the nation-building agenda of the central government built on assimilation and integration of all regions; (2) colonial and post-colonial internal migration policies and the transfer of settler populations from north to south; (3) extraction and exploitation of natural resources and the appropriation of the economic surplus produced by the local working population; (4) the transfer of wealth and resources to the centers of economic and political power; (5) collaboration by local regional elites with the center; and (6) unequal and differential development between Mindanao regions.

The phenomenon of regional transfers of wealth from less developed areas to national centers of political and economic power is clearly evident in the Mindanao case. As examples, this paper noted how large volumes of copra from Mindanao farms are shipped to Cebu and Manila, and fish caught in Mindanao waters are unloaded in Manila and Iloilo ports. Corporations (including TNCs) with production operations in Mindanao usually have their main offices in Metro Manila. Thus, taxes and other fees paid in Metro Manila can be considered foregone revenues for provincial and municipal governments. In 1986, the Davao City government warned five TNCs operating in the city to pay their tax arrears or face prosecution for tax evasion.[107]

The concept of internal colonialism would explain why, despite the presence of massive government projects and highly profitable industries, the Mindanao regions remain poor and its peoples deprived of basic needs and essential social protection. The oft-repeated line that Mindanao has been left out of government and private development efforts is not based on reality, given the data and analyses that have been presented here.

Conclusion

Mindanao has been the object of ceaseless economic exploitation since the turn of the century. This process has produced immeasurable wealth and riches for a few mostly non-Mindanaoan firms and individuals. But it has also generated poverty and social marginalization for its working population, whether Moro, Lumad, or working-class Christian settlers. Furthermore, its natural resources are being depleted at an uncontrollable pace stoking fears of an ecological backlash.

In the meantime, the Manila government is bent on accelerating the same age-old patterns of inequitable growth that have long deprived Mindanao of its just share of the economic surplus and disempowered its peoples. Mindanao's stakeholders—civil society movements, people's organizations, ethnic groups, settlers, local government units, and others—must initiate a process of constructing a new development paradigm for Mindanao that will finally render social and economic justice for Mindanao's peoples. The grim alternative will be the continuation or resurgence of the cycles of violence and warfare that have long characterized the history of the southern Philippine regions.

[107] David Llorito, "How Much Are We Paying for Foreign Capital?" *Mindanao Focus* (1988): 16.

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