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Retelling the Philippines' 'turnaround story'

Long the exception to a region of dynamic export-oriented economies, recent years have seen the Philippine economy deliver unusually impressive numbers, receive successive votes of confidence from credit rating agencies, and emerge as an unusually bright spot in an otherwise gloomy global economy. In 2013, its GDP grew at a rate of 7.2 percent, second only in the region to China. Over the course of the Great Recession, it grew at a pace that compared favourably with its middle-income and Southeast Asian peers; its average growth over the same period was also at its fastest in its recent history.

The causes behind this growth have been firmly established: a reinvigorated mining sector, robust remittance inflows from overseas Filipinos and a rapidly-growing services offshoring industry. Its effects, however, remain only partially understood. What is so far apparent is that the growth has failed to address the high levels of unemployment, poverty and inequality that have been persistent features of Philippine underdevelopment. If the new wealth has so far failed to translate into the well-being of Filipinos, then where did it go?

Over the past decade, real estate was one of the best-performing sectors of the Philippine economy. State data show that the gross value added (GVA) in real estate expanded by 141 per cent from 2000 to 2010 - more than twice the pace of the entire economy. This growth has given rise to two processes, both of which raise further questions as to whether the headline growth numbers will translate into broader-based development.

The first process is that land, historically the most important reservoir of economic and political power in Philippine society, has re-emerged as the centerpiece of Philippine capital's strategy for the 21st century. But instead of tobacco, sugarcane and coconuts, the new cash crops are condominiums, office towers and malls. The new Philippine economy is seeing billions of dollars churned into the land by overseas Filipinos buying new homes, services outsourcing firms renting office space, and mall operators cashing in on the newfound consuming power of the globalized middle classes.

The second process is that, having captured most of the growth from the real estate boom, the big, family-owned conglomerates that have historically dominated the Philippine economy are themselves undergoing a transformation. These conglomerates, with origins as diverse as food processing, cash crops, retail and fast-service restaurants, have converged on urban real estate as a strategy for diversifying from their mainstay businesses.

Indeed, real estate has emerged as the most profitable arm of some of these conglomerates, in some instances accounting for more than half of their net profits. Some, having amassed a considerable war chest from their real estate operations, are presently embarking on ambitious international expansion programs, and are perhaps on their way to joining the growing ranks of transnational corporations with origins in the global South.

It remains to be seen whether this emergent species of Philippine capital will come to play the role performed by its counterparts elsewhere in the region in delivering economic miracles. Put another way, will fortunes built on real estate have the same interest in a wide supplier base and a skilled workforce as fortunes built on export-oriented manufacturing, such as those seen in Japan and South Korea? Will property capitalists, absent a strong developmental state, create the same gains in housing provision and revenue generation seen in Hong Kong and Singapore?

Notes

The argument outlined here was first developed in Cardenas, K. (2014) "Urban Property Development and the Creative Destruction of Filipino Capitalism". In W. Bello and J. Chavez (eds.) S*tate of Fragmentation: The Philippines in Transition*. Bangkok: Focus on the Global South, and appears in a condensed form in Cardenas, K. (2014). "Cash-crop condominiums." *Philippine Daily Inquirer*, 16 March 2014.

Asia Research Briefs

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