

POLÍTIKA

CRITICAL ISSUES OF PHILIPPINE POLITY

4TH QUARTER



Building the Groundwork for the Future: The Marcos Jr. Administration's Policy Direction

The new administration's national policy direction has been slowly taking shape, with several Cabinet appointees already confirmed by the Commission on Appointments

Shaping Philippine Foreign Policy Through the National Interests

Looking back at the Marcos Jr. administration's diplomatic engagements in 2022 allows for a deeper understanding of foreign policy priorities

Legislative Updates and Achievements

Congress adjourned through the holidays but not before approving priority bills for further discussion

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OVERVIEW

Significant policy developments in the Philippines in the fourth quarter of 2022 provide a glimpse of what lies ahead for the country. The two most crucial economic tools of the government – the national budget for fiscal year 2023 and the medium-term Philippine Development Plan (PDP) for 2023-2028 – were approved by President Ferdinand “Bongbong” Marcos Jr. before 2022 drew to a close.

The first section of this report embarks on a discussion of national policies, which will determine the country’s growth trajectory for the coming year. This section also tackles the results of the 2021 Open Budget Survey as well as the latest surveys of Pulse Asia Research, Inc., which touch on the sentiments of Filipinos on the most pressing issues they face today.

The second section takes into account President Marcos Jr.’s foreign trips in the fourth quarter of the year, particularly the ASEAN Summit in Cambodia, the APEC Summit in Thailand, and the ASEAN-EU Commemorative Summit in Belgium.

Lastly, the third section delves into the developments in the priority legislative measures identified by the current administration. The next sessions of both chambers of Congress are set to resume on January 23, 2023.

I. BUILDING THE GROUNDWORK FOR THE FUTURE: THE MARCOS JR. ADMINISTRATION'S POLICY DIRECTION

The first six months of the Marcos Jr. administration were met with mounting economic hardships, most detrimental of which was the soaring inflation that hit 8.1% in December 2022, the highest recorded inflation since November 2008. This is reflected in the results of the latest Business Expectations Survey and Consumer Expectations Survey of the Bangko Sentral ng Pilipinas (BSP), which show that both business and consumer outlook declined in the fourth quarter of 2022.

Table 1
Most Urgent National Concerns, Overall: **PHILIPPINES**
In Percent/Multiple Response, up to 3 allowed
(November 27 - December 1, 2022)





PulseAsia
RESEARCH INC.

Base: Total Interviews, 100%								
NATIONAL CONCERNS	RP	LOCATION				CLASS		
		NCR	BL	VIS	MIN	ABC	D	E
Controlling inflation	59	72	51	71	60	57	58	70
Increasing the pay of workers	40	46	35	47	39	59	37	39
Creating more jobs	33	40	32	17	24	30	28	23
Reducing the poverty of many Filipinos	28	37	32	17	24	30	28	23
Fighting graft and corruption in the government	25	21	29	26	17	26	24	29
Addressing the problem of involuntary hunger	21	10	20	19	28	17	21	21
Fighting criminality	20	19	25	12	15	20	21	13
Promoting peace in the country	12	9	11	16	12	8	13	5
Stopping the destruction and abuse of our environment	11	7	12	9	12	9	11	13
Reducing the amount of taxes paid	10	9	12	11	8	4	12	7
Enforcing the law on all, whether influential or ordinary people	10	11	7	11	15	6	10	14
Providing support to small entrepreneurs to restore their businesses	10	9	5	18	15	5	10	15
Controlling the spread of COVID-19	9	4	12	3	9	13	8	5
Protecting the welfare of OFWs	7	2	10	2	8	4	8	2
Defending the integrity of Philippine territory against foreigners	3	4	3	3	3	12	2	3
Preparing to face any kind of terrorism	2	1	1	2	4	2	2	3

Business sentiment became less optimistic as the overall confidence index (CI) went down for the second consecutive quarter to 23.9% from 26.1% in the preceding quarter due to the following: (1) higher inflation; (2) peso depreciation; (3) decline in sales and demand; (4) rising costs of production inputs (e.g., raw materials and fuel); and (5) higher interest rates. In the same manner, consumer confidence in the economy became more pessimistic – with the overall CI declining to -14.6% from -12.9% in the third quarter – which was attributed to the following: (1) faster increase in the prices of goods and higher household expenses; (2) low income; and (3) fewer available jobs and working family members.

These findings are consistent with the latest survey conducted by Pulse Asia Research, Inc. in the latter part of 2022, which shows that the majority of Filipinos continue to bear the brunt of economic hardships. Controlling inflation was identified by Filipinos as their top-of-mind urgent national concern (59%), followed by increasing the pay of workers (40%), creating more jobs (33%), and reducing the poverty of many Filipinos (28%). Completing the top five was fighting graft and corruption in government (25%) (Table 1). As shown in Table 2, Filipinos expressed lower approval on the national government's actions with regard to addressing the top five urgent national concerns.

Table 2
Comparative Ratings of the National Administration on Selected Issues: **PHILIPPINES**
In Percent
(September and November 2022)

Selected National Issues	Approval		Change*	Undecided		Change*	Disapproval		Change*
	Sep 22 (A)	Nov 22 (B)	Nov22-Sep22 (B - A)	Sep 22 (C)	Nov 22 (D)	Nov22-Sep22 (D - C)	Sep 22 (E)	Nov 22 (F)	Nov22-Sep22 (F - E)
Responding to the needs of areas affected by calamities	78	79	+ 1	19	17	- 2	3	4	+ 1
Controlling the spread of COVID-19	78	76	- 2	19	20	+ 1	4	4	0
Protecting the welfare of OFWs	68	76	+ 8	29	21	- 8	3	3	0
Promoting peace in the country	69	68	- 1	24	26	+ 2	7	6	- 1
Fighting criminality	67	66	- 1	24	24	0	9	10	+ 1
Stopping the destruction and abuse of the environment	57	62	+ 5	32	27	- 5	11	11	0
Enforcing the law on all, whether influential or ordinary people	62	60	- 2	30	31	+ 1	9	9	0
Defending the integrity of Philippine territory against foreigners	52	58	+ 6	40	34	- 6	9	8	- 1
Increasing the pay of workers	59	50	- 9	28	28	0	13	22	+ 9
Fighting graft and corruption in the government	58	49	- 9	28	33	+ 5	13	18	+ 5
Creating more jobs	59	48	-11	29	31	+ 2	12	21	+ 9
Reducing the poverty of many Filipinos	39	30	- 9	35	39	+ 4	26	31	+ 5
Controlling inflation	31	21	-10	27	25	+ 2	42	54	+12

* Change = Figures of November 2022 minus Figures of September 2022

In a report published in November 2022, the World Bank noted that the COVID-19 pandemic partly reversed the gains attained over the decades in reducing poverty and inequality in the Philippines. Poverty in the country rose to 18.1% in 2021. While the economy has shown signs of recovery, it is likely to be uneven, burdening the country's poorest households due to the loss of income and the high prices of food, among others. These, in turn, may be a risk to the health and nutrition of children. The World Bank further stated that the public health emergency is expected to lead to long-term scarring of human capital development amid learning losses and de-skilling due to prolonged unemployment, which may ultimately result in earning losses in the future.

Hence, the World Bank stressed that inequality can be reduced through policies that support employment, improve the access to and quality of education, promote inclusive rural development, strengthen social protection mechanisms, and address the inequality of opportunity.

Policy Developments

On the bright side, the new administration's national policy direction has been slowly taking shape, with several Cabinet appointees already confirmed by the Commission on Appointments. These developments are expected to offer some stability and continuity in terms of where the country is headed in the coming years.

On December 16, 2022, President Marcos Jr. approved both the Philippine Development Plan (PDP) 2023-2028 and the national budget for fiscal year 2023. These are perhaps the most crucial policy instruments that would drive the country's economy in the coming year.

The PDP 2023-2028 serves as the country's blueprint for socio-economic development over the medium term, with the ultimate goal of reinvigorating job creation and accelerating poverty reduction by steering the economy back to its high-growth path. Notably, the plan is anchored on the Marcos Jr. administration's 8-Point Socioeconomic Agenda that seeks to address issues on both the near and medium term. The PDP 2023-2028 has three objectives: (1) to develop and protect capabilities of individuals and families; (2) to transform production sectors to generate more quality jobs and competitive products; and (3) foster an enabling environment encompassing institutions, physical and natural environment.

National Economic and Development Authority (NEDA) Director-General and Socio-economic Planning Secretary Arsenio Balisacan noted that the PDP intends to transform the Philippines' production and social sectors and create an enabling environment through institutions and the environment. The cross-cutting strategies for this transformation include the following: digitalization of government processes and public services; improving the local and global connectivity of markets and the integration of leading and lagging regions; servicification or building ICT, creatives, tourism, and logistics ecosystems around manufacturing clusters; building a dynamic innovation ecosystem; harnessing the private sector's resources, technologies, and potential for scale economies through public-private partnerships (PPPs); and ensuring the effective devolution of critical social services to local governments. The final PDP 2023-2028 was released to the public in late December 2022.

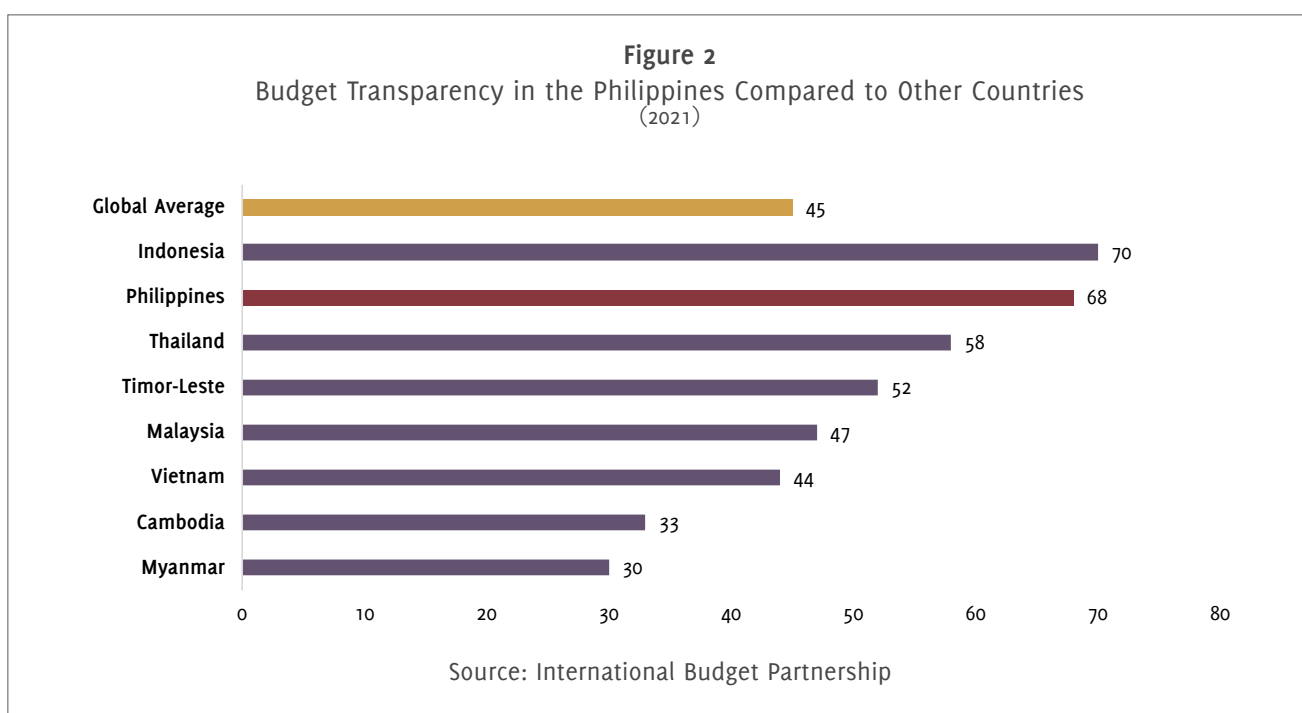
Meanwhile, the national budget for 2023, officially known as the General Appropriations Act (GAA), amounted to PHP 5.268 trillion. The first full-year budget under the Marcos Jr. administration, the 2023 GAA is 4.9% higher than the 2022 GAA. Anchored on the theme, "Agenda for Prosperity: Economic Transformation Towards Inclusivity and Sustainability," the GAA's priority sectors are education, infrastructure, health, agriculture, and social safety nets. Interestingly, the Department of Budget and Management (DBM) described the 2023 GAA as the starting point of the implementation of the Marcos Jr. administration's 8-point socioeconomic agenda in the near term. This indicates that the approval of the national budget will ultimately allow government programs and projects to be efficiently rolled out in 2023.

In October 2022, President Marcos Jr. signed into law Republic Act No. 11934, otherwise known as the Subscriber Identity Module (SIM) Registration Act. A survey conducted by the Social Weather Stations (SWS)

prior to the signing of the law found that 60% of the respondents expressed approval of the measure, with 66% saying that it would contribute to fighting crimes carried out through cell phones. 48% also said that SIM card sellers, including small shops and stalls, could be trusted to protect the private information of buyers.

2021 Open Budget Survey and the Push for Transparency and Accountability

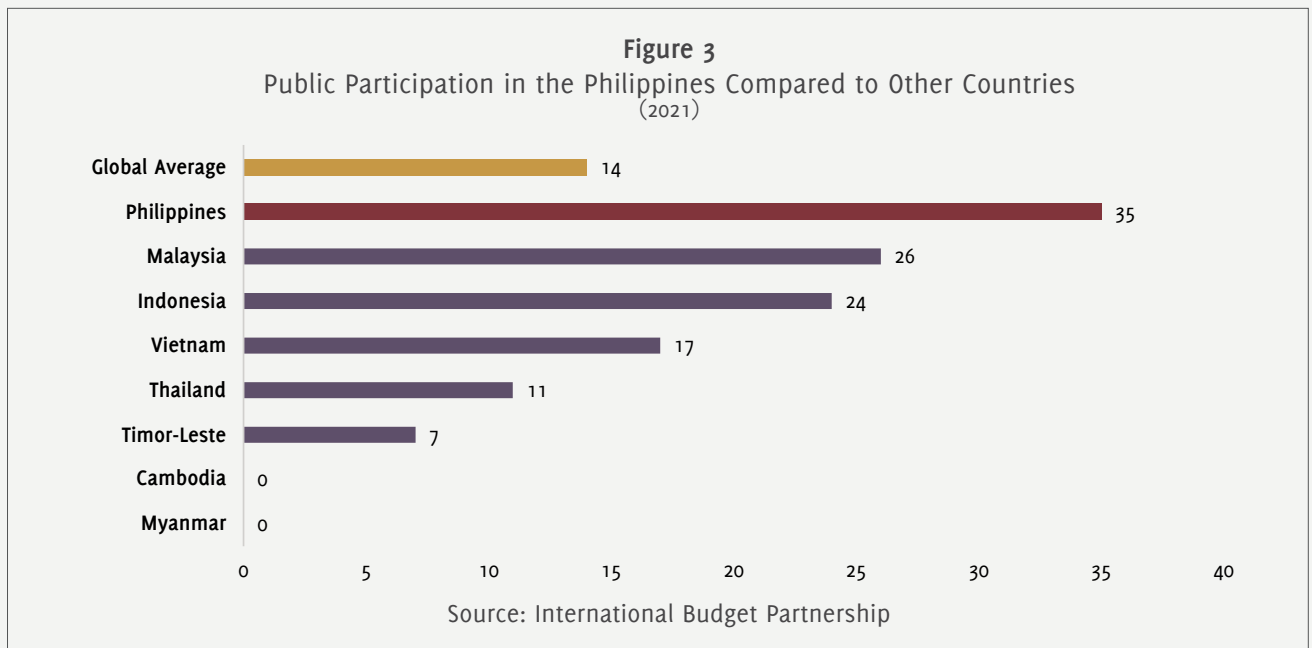
Based on the results of the 2021 Open Budget Survey that was released by the International Budget Partnership (IBP) in late 2022, the Philippines obtained a budget transparency score of 68 out of 100, ranking 19th out of 120 countries (Figure 1). The Open Budget Survey assesses public access to central government budget information, formal opportunities for public participation in the national budget process, as well as the role of budget oversight institutions (e.g., legislature).



The Philippines’ budget transparency score of 68 for 2021, despite being higher than the global average of 45 (Figure 2), was slightly lower than its 2019 score of 76 – for which it ranked 10th – due to its failure to publish the Mid-Year Review online in a timely manner. According to the IBP, a budget transparency score of 61 or above suggests that “a country is likely publishing enough material to support informed public debate on the budget.”

In terms of public participation, the Philippines garnered a score of 35 out of 100, which indicated that the public is provided with few opportunities for participation in the budget process. This score, however, is far from the global average of 14. Notably, the country ranked 8th among the countries included in the survey and ranked 1st in the Southeast Asian region (Figure 3). According to the IBP, the Philippines particularly provides adequate opportunities for public participation in budget audit, which is the last stage of the budget process, but few in the first three stages: formulation, approval, and implementation.

Lastly, in terms of budget oversight, the Philippines obtained a score of 74 out of 100, which indicates that both the Philippine legislature (i.e., Congress) and supreme audit institution (i.e., Commission on Audit) provide adequate oversight during the budget process (Figure 4).



The DBM has previously assured that the government strives to improve programs and initiatives aimed at promoting transparency as well as open and participatory government. Specifically, the DBM seeks to fast-track its efforts to digitize government processes and transactions through the implementation of the Integrated Financial Management Information System and the enactment of the Progressive Budgeting for Better and Modernized Governance Bill.

Notably, this drive toward digitalization – which helps reduce red tape, ensure a more efficient delivery of public services to the people, curb corruption, and increase transparency – is shared by the government as a whole. According to a statement from Malacañang, the Marcos Jr. administration is committed to enhance its efforts to improve and streamline government services in 2023 by tapping existing and new digital systems. Among these efforts is the strengthening of TradeNet, which is a one-stop online shop to lessen processing time and harmonize the permitting procedures for imports and exports. Moreover, the Anti-Red Tape Authority (ARTA) aims to pursue the National Policy on Regulatory Management System, which is a common framework for good regulatory practices and compliance strategies.

In fact, among the specific objectives of the PDP 2023-2028 is to practice good governance and improve bureaucratic efficiency. The plan identified transparent, efficient, and accountable governance as an essential factor to achieve a prosperous, inclusive, and resilient society. It also noted that the hindrances to good governance and bureaucratic efficiency must be dealt with in order for economic transformation to materialize. The desired outcomes identified in the PDP in this area are the following: (1) to deepen participatory governance; (2) to bolster public accountability and integrity; (3) to rationalize and strengthen government functions; systems, and mechanisms; and (4) to support competent, motivated, agile, and resilient public servants.

Paving the path to strengthen transparency and accountability is also a concern of the private sector. The Management Association of the Philippines (MAP) suggested the creation of a strong joint public-private sector advisory council to improve transparency and accountability in terms of government contracts. Covered sectors will include agriculture, trade and investment, infrastructure, energy, as well as water. MAP President Rogelio Singson stressed the need for collaboration between the public and private sectors, which could contribute to hastening the country's economic recovery.

Indeed, transparency and accountability can be better enhanced through a whole-of-society approach. If more sectors of society are engaged in the workings of government, there will be more eyes looking at government plans and transactions, thus reducing the extent of corrupt or irregular practices.

In sum, an open budget system will not only promote the judicious use of resources. It will also manage the country's fiscal constraints and serve as a good governance tool toward transparency, accountability and public participation.

Environmental Stewardship

In December 2022, Department of Environment and Natural Resources (DENR) Secretary Maria Antonia Yulo-Loyzaga identified the revitalization of the mining industry as part of the Marcos Jr. administration's priority programs, stressing the importance of minerals in the country's growth and development. She further vowed that the DENR will push for responsible mining: "Responsible mining actually responds to the specific context in terms of what mining can deliver to a country's development, strategically and critically, and that means, not just the extraction of the mineral physically but what are the implications on the integrity of the ecosystem on livelihood and well-being of the community that are actually affected by the different physical changes because of the mining activity."

A survey commissioned by the Stratbase ADR Institute to Pulse Asia Research, Inc. in late 2022 found that 55% of Filipinos believe that responsible mining can be implemented in the Philippines (Table 3). 69% also expressed agreement that the government should help boost responsible mining as an industry that

will generate jobs and economic benefits to the host communities as well as to both the local and national governments (Table 4).

Table 3
Believability that Responsible Mining Can Be Implemented: **PHILIPPINES**
In Percent
(November 27 – December 1, 2022)

Base: Total Interviews, 100%

According to mining experts, there is an approach to mining that does not destroy the environment and does not pose any danger to miners or to communities where there are mines. This approach is called responsible mining.

Do you believe or not believe that responsible mining can be implemented in the Philippines?

	RP	LOCATION				CLASS		
		NCR	BL	VIS	MIN	ABC	D	E
Believe	55	37	60	63	50	54	56	50
Strongly believe	14	6	12	16	22	11	13	22
Somewhat believe	41	31	49	47	28	43	43	27
Cannot say if believe or not believe	23	32	19	20	25	27	20	31
Not believe	22	31	20	17	25	19	23	19
Somewhat not believe	18	27	15	14	20	16	19	11
Strongly not believe	5	4	5	4	6	4	4	9

Table 4
Whether They Agree or Disagree that the Government Should Help Boost Responsible Mining: **PHILIPPINES**
In Percent
(November 27 – December 1, 2022)

Base: Total Interviews, 100%

How much do you agree or disagree that the government should help boost responsible mining as an industry that will generate jobs and economic benefits to the host communities, local as well as the national government? Would you say you...?

	RP	LOCATION				CLASS		
		NCR	BL	VIS	MIN	ABC	D	E
Agree	69	68	69	69	69	70	69	67
Strongly agree	21	19	13	23	38	26	20	27
Somewhat agree	47	49	55	46	31	44	49	41
Cannot say if agree or disagree	21	21	24	18	19	21	21	23
Disagree	10	11	7	13	12	9	10	10
Somewhat disagree	9	10	7	12	11	9	9	9
Strongly disagree	1	1	0	1	1	0	1	0
UNAIDED								
I don't have enough knowledge to give an opinion	0.2	1	0	0	0	0	0	0

Moreover, as shown in Table 5, the same Pulse Asia survey indicates that a majority of Filipino consumers (83%) prefers products and/or services of brands or enterprises that they believe have environment-friendly operations and products.

Table 5
Whether or Not They Prefer to Patronize Products and/or Services of Brands or Enterprises that Have Environment-Friendly Operations and Products: PHILIPPINES
 In Percent
 (November 27 – December 1, 2022)

Base: Total Interviews, 100%								
As a consumer, do you prefer to patronize products and/or services of brands or enterprises that you believe have environment-friendly operations and products?	RP	LOCATION				CLASS		
		NCR	BL	VIS	MIN	ABC	D	E
YES	83	85	77	89	88	81	82	85
NO	5	1	10	1	1	2	6	2
I don't care how a product is made	6	5	7	7	5	4	7	4
I am not aware how the products I use are made, whether it is good or bad for the environment	6	9	7	3	7	13	5	9

One of the specific objectives of PDP 2023-2028 is to establish livable communities, which allow residents to thrive as these communities offer equitable, inclusive, and resilient opportunities for the improvement of human well-being. This particular objective aims to promote social environment, improve environmental quality, upgrade built environment, and advance responsive governance.

In essence, the effective environmental stewardship of the country's resources lies in collaborative governance, where government and society's stakeholders work hand in hand toward the sustainable development of the country and its communities.

Risks and Opportunities for 2023

The policy developments that took place before the end of 2022 present a glimpse of the projects and programs that will be carried out by the government in the coming years. There is, however, still room for improvement. The government can further strive to improve transparency and accountability in the public sector through innovation and a greater shift towards digitalization. Environmental sustainability and a push toward responsible mining are also key areas for government to consider.

However, having a final blueprint for national development is one thing; proper implementation is another. Much of the success of the PDP 2023-2028 hinges on the single-minded focus of the government in achieving all the objectives as planned. In the past, various distractions disrupted the implementation of projects and programs, resulting in below-par accomplishments of various government agencies as reflected in official numbers for GDP, inflation, inadequate revenue collections, currency depreciation, trade and budget deficits, and mounting national debt.

II. SHAPING PHILIPPINE FOREIGN POLICY THROUGH THE NATIONAL INTERESTS

This section covers President Ferdinand Marcos Jr.'s participation in the ASEAN Summit in Cambodia, the APEC Summit in Thailand, and the ASEAN-EU Commemorative Summit. It will also discuss foreign policy developments during the visit of US Vice President Kamala Harris to the Philippines. Moreover, the results of the Pulse Asia survey, which can be treated as a solid basis for the implementation of the country's foreign policy, are presented.

In response to the growing complexity of the Indo-Pacific's security environment, state leaders aggressively pursue diplomatic initiatives, made more relevant with the resumption of in-person meetings. Moreover, cooperation among like-minded states remains a key foreign policy strategy.

The year 2022 was a key point in Philippine foreign policy as in-person meetings between top government officials resumed. Within his first year in office, President Ferdinand "Bongbong" Marcos Jr. traveled to Singapore, Indonesia, the United States, Cambodia, Thailand, and Belgium. He met with world leaders, including US President Joseph Biden, Japanese Prime Minister Fumio Kishida, South Korean President Yoon Suk Yeol, French President Emmanuel Macron, Chinese President Xi Jinping, European Council President Charles Michel, and Belgian King Philippe.

Looking back at the Marcos Jr. administration's diplomatic engagements in the past year allows for a deeper understanding of foreign policy priorities. His travels to Singapore, Indonesia, and the United States are covered in the previous edition of *Politika*.

Diplomatic Engagements in 2022

In the ASEAN Summit hosted by Cambodia last November 10 to 13, 2022, President Marcos Jr. met with leaders of Southeast Asian neighbors, including Vietnam Prime Minister Pham Minh Chin, Cambodia Prime Minister Hun Sen, and Sultan Hassanal Bolkiah of Brunei. During the summit in Phnom Penh, President Marcos Jr. lamented the slow progress of the Code of Conduct in the contested West Philippine Sea. He added, during the 17th East Asia Summit (EAS), that the South China Sea can be a "nexus of vibrant economic engagements and interactions" if nations will work together to ensure that the disputed territory remains a "sea of peace, security, stability, and prosperity."

With Prime Minister Pham Minh Chin, President Marcos Jr. agreed to further strengthen Philippine-Vietnam ties and enhance cooperation in defense, trade, investment, agriculture, and maritime security. The President was also invited to Vietnam for a state visit. At his meeting with the Cambodian leader, President Marcos Jr. and Prime Minister Hun Sen committed to deepening diplomatic relations through partnerships in digitalization, health services, logistics, and assisting small businesses. Moreover, the meeting with Brunei Sultan Hassanal Bolkiah focused on efforts to contribute to the Mindanao peace process.

The Asia Pacific Economic Cooperation Summit was held from November 16 to 19, 2022, in Bangkok. During this trip, President Marcos Jr. met with Thai business groups that expressed interest in investing in infrastructure, transportation, tourism, and food security in the Philippines. Aside from business engagements, President Marcos Jr. participated in the APEC Economic Leaders' Meeting, where he also brought up the issues of climate change and food security. He spoke about the potential contribution of the regional economic bloc in maintaining a trade and investment environment that supports initiatives to solve climate change.

While in Thailand, President Marcos Jr. met with Chinese President Xi Jinping, Saudi Arabia's Crown Prince and Prime Minister Mohammed bin Salman, French President Emmanuel Macron, Australian Prime Minister Anthony Albanese, and New Zealand Prime Minister Jacinda Ardern.

President Marcos Jr. closed 2022 with his attendance at the EU-ASEAN Commemorative Summit in Belgium. He also took the opportunity to meet with EU leaders, including Czech Republic Prime Minister Petr Fiala, Netherlands Prime Minister Mark Rutte, Spain President Pedro Sánchez Pérez-Castejón, and Estonia Prime Minister Kaja Kallas. He also met with European Council President Charles Michel and EU commission president Ursula von der Leyen.

In his remarks, he identified three priorities that the EU and the ASEAN can work on: closer maritime cooperation between the two blocs, closer economic cooperation both on bilateral and bloc-to-bloc relations; and fighting the effects of climate change and ensuring sustainable development. Moreover, he announced that he had received an estimated investment pledge of around PHP 9.8 billion. Malacañang said that the Philippines had secured PHP 4.7 billion worth of investment from multinational consumer goods company Unilever. At the same time, French shipbuilding firm OCEA S.A. is set to push through with its PHP 1.5-billion shipyard development in the Philippines.

Aside from these foreign travels, President Marcos Jr. also welcomed US Vice President Kamala Harris during her visit to the Philippines last November 20 to 22, 2022. In her speech aboard the Philippine Coast Guard's BRP Teresa Magbanua in Palawan, Harris reiterated the US support for the 2016 ruling of the Permanent Court of Arbitration and vowed that the US "stands with the Philippines in the face of intimidation and coercion in the South China Sea."

Related to this, the United States has allocated over USD 82 million to implement the Enhanced Defense Cooperation Agreement (EDCA) at all existing locations. Moreover, new EDCA locations – Palawan, Zambales, and Cagayan de Oro – have been identified. Washington has also declared its support for upgrading and expanding the vessel traffic management system (VTMS) of the Philippine Coast Guard. This is aimed at improving maritime safety and environmental monitoring.

Maritime Security to Remain a Priority in 2023

President Marcos Jr. has said that his administration's strategies will prioritize and adhere to the interests of his constituents, and that the implementation of Philippine foreign policy must include public opinion as a solid basis for prioritizing the maritime territory.

The results of the Pulse Asia survey commissioned by the Stratbase ADR Institute from November 27 to December 1, 2022, were presented during the hybrid town hall discussion entitled "Prioritizing the National Interest in Philippine Foreign Policy: Strengthening Alliances and Strategic Partnerships."

Dr. Ronald Holmes, President of Pulse Asia Research Inc., shared the survey results, where 84% of Filipinos believe that the Marcos administration should work with the United States to strengthen security cooperation to defend our national sovereignty in the West Philippine Sea. Next to the US, Filipinos also ranked Japan, Australia, the United Kingdom, and South Korea as their trusted countries (Table 6). As security challenges in the Indo-Pacific intensify, the Philippines must anchor its foreign policy on cooperation with friends, allies and partners to navigate the region's complex security architecture strategically.

The December 2022 survey also shows that about 80% of Filipinos believe that to effectively address issues in the West Philippine Sea, the Marcos administration should prioritize strengthening the military capability of the Philippines, especially the Navy and the Coast Guard, and conduct joint maritime patrols and military exercises with allied countries (Table 7).

Dr. Holmes added that 53% of Filipinos believe that the protection of marine resources and environment in Philippine territory is the most important reason to strengthen our ability to defend and protect our seas. In comparison, 22% think the most important reason is the protection of rights of peoples and communities in the coastal areas. Meanwhile, 14% of Filipinos believe in stopping China's incursions in Philippines' Exclusive Economic Zone or EEZ (Table 8).

Table 6
 Entities the Marcos Administration Should Work with to Strengthen Security Cooperation to
 Defend Our National Sovereignty in the West Philippine Sea: **PHILIPPINES**
 In Percent / Multiple Response Allowed
 (November 27 – December 1, 2022)

Base: Total Interviews, 100%								
Among the following, which entities should the Marcos administration work with to strengthen security cooperation to defend our national sovereignty in the West Philippine Sea? You may choose up to three.	RP	LOCATION				CLASS		
		NCR	BL	VIS	MIN	ABC	D	E
United States	84	87	84	89	79	82	85	82
Japan	52	63	50	58	44	64	51	47
Australia	25	27	27	21	23	20	27	21
Great Britain/United Kingdom	24	25	23	20	26	30	22	31
South Korea	23	21	24	26	18	16	25	18
China	20	15	18	20	28	16	20	22
European Union	20	29	14	23	21	23	19	19
Russia	17	13	18	11	20	15	17	14
France	12	9	14	9	12	10	13	7
India	2	5	2	1	1	6	2	0
UNAIDED								
I don't have enough knowledge to give an opinion	4	0	4	4	7	5	3	11
None of those mentioned	0.2	0	0	1	0	0	0	0

Table 7
 Measures the Marcos Administration Should Prioritize in Order to Effectively Address
 Issues in the West Philippine Sea: **PHILIPPINES**
 In Percent
 (November 27 – December 1, 2022)

Base: Total Interviews, 100%								
Which of the following measures should the Marcos administration prioritize in order to effectively address issues in the West Philippine Sea?	RP	LOCATION				CLASS		
		NCR	BL	VIS	MIN	ABC	D	E
Strengthen the military capability of the Philippines, especially the Navy and the Coast Guard	50	53	52	47	45	58	48	51
Conduct joint maritime patrols and military exercises with allied countries	29	19	33	31	23	27	31	15
Fully implement the Visiting Forces Agreement or VFA and the Enhanced Defense Cooperation Agreement or EDCA	10	14	7	9	13	9	10	10
Finalization of the Association of Southeast Asian Nations' Code of Conduct or ASEAN Code of Conduct or an agreement on how countries would act within the South China Sea	9	14	4	10	14	4	8	15
UNAIDED								
I don't have enough knowledge to give an opinion	3	0	4	3	5	2	3	9

Table 8
Most Important Reason to Strengthen Our Ability to Defend and Protect Our Seas: PHILIPPINES
 In Percent
 (November 27 – December 1, 2022)

Base: Total Interviews, 100%								
What do you think is the most important reason to strengthen our ability to defend and protect our seas?	RP	LOCATION				CLASS		
		NCR	BL	VIS	MIN	ABC	D	E
Protect the marine resources and environment in Philippine territory	53	59	55	50	50	51	55	45
Protect the rights of peoples and communities in the coastal community	22	16	26	26	16	27	21	24
Stop China's incursions in the Philippines' Exclusive Economic Zone or EEZ	14	15	11	18	14	11	14	16
Protect our national sovereignty	9	9	6	4	18	9	8	10
UNAIDED								
I don't have enough knowledge to give an opinion	2	0	2	2	2	2	2	6

During the said event, Prof. Victor Andres “Dindo” Manhit, President of Stratbase ADR Institute, agreed that engaging with neighbors is a strategic diplomatic move to develop and maintain strong relationships. Nevertheless, he added that the national interests reflected in the survey data must inform present and future diplomatic engagements. Prof. Manhit said that the President should be consistent with his promise of asserting the country’s maritime rights and protecting territorial integrity, which he has repeatedly stated before and after he won the presidential elections.

In his presentation, Dr. Renato de Castro, Trustee and Program Convenor of Stratbase ADR Institute and a Professor at De La Salle University-Manila, noted the contributions of the United States and Japan in strengthening the capabilities of the Armed Forces of the Philippines (AFP). Both Tokyo and Washington “have been building and developing the Philippine naval capabilities to counter China’s growing sea power” and to ensure that the Indo-Pacific remains a safe, open, and secure region.

Retired US Air Force Col. Raymond Powell of the Gordion Knot Center for National Security Innovation (Project Myoushu) of Stanford University, also presented satellite images of the movement of ships in the West Philippine Sea. He noted that although China mainly operates in the gray zone, “the quantity and the quality of the information that we can now get is going up and the costs of that information are coming down, making it more accessible. Therefore, we can know a lot more right now about what’s happening in Philippine waters. We just need to know where to look, how to interpret it, and then how to tell the story and that’s really our concept.”

For his part, Dr. Chester Cabalza, President and Founder of International Development and Security Cooperation, regarded the Philippines as a “major actor” in the Indo-Pacific which it views “as an international network of like-minded states.” He said that the Philippines, being geographically located in the center of the region, is in the middle of evolving power shifts and transitions, as well as the growing tensions due to the challenge of China’s growing power and aggressiveness.

The National Interest Must Always Prevail

Less than a year since taking office, President Marcos Jr. has been making his rounds in regional forums and state visits to forward the Philippines' agenda in the international community. More diplomatic engagements are also lined up for the first quarter of 2023. These engagements and future activities continue to define the country's relations with its neighbors, friends, and allies. These also concretize the President's foreign policy pronouncement of the Philippines being "a friend to all, enemy to none."

A truly independent foreign policy for the Philippines is not dependent on external pressure or interference. It is free to cooperate with like-minded states without weakening its relations with others. Hence, the Marcos Jr. administration is expected to continue elevating the country's diplomatic ties with new and existing allies, not limiting itself to choosing between the US and China, while at the same time advocating for peace in the West Philippine Sea.

As the Marcos Jr. administration continues to pursue international engagements, its independent foreign policy must remain guided by the country's national interests and grounded on the welfare of the Filipino people, from whom its mandate comes. Amidst the growing complexity of the Indo-Pacific and the need for cooperation among states, adhering to the national interests will always prevail.

III. LEGISLATIVE UPDATES AND ACCOMPLISHMENTS

The last three months of 2022 reflected the priorities and governance style of the Marcos Jr. administration. Its mantra of hitting the ground running as it assumed office saw an eagerness that translated to many missteps that necessitated collective corrections early on. Key appointments personified their call for unity and the swift passage of priority legislation exhibited their major influence on Congress. Their deft use of political capital in the passage of these bills gives insight on what this administration believes is urgent.

The legislative platter shows that the current administration continues in the direction set forth by former Department of Finance (DOF) Secretary Carlos Dominguez III, as shown by the early passage of Package 4 of the Comprehensive Tax Reform Program (CTRP), which covers the taxation of passive income, financial intermediaries (FIs), and financial transactions, under the current 19th Congress. The key figures in the economic team led by Sec. Dominguez during the previous administration are still highly placed in the current administration, first among whom are DOF Sec. Benjamin Diokno and DBM Sec. Amenah Pangandaman. This provides the business sector with a sense of predictability as they navigate new personalities in both the executive and legislative branches of government.

However, some laws passed are also borne out of the condition that the present administration finds itself inheriting from the Duterte administration. Strapped for cash and burdened with loans, the Marcos Jr. administration had to move away from a GAA-driven "Build, Build, Build" infrastructure development program and opened its arms to a renewed public-private effort via the Public-Private Partnership (PPP) Act, which was the policy direction that defined the administration of former President Benigno Aquino III. The Duterte administration invested in Health Research and Development through the Virology and Vaccine Institute of the Philippines (VIP) Act and the protection of the environment through the Plastic Bags Act, both priorities brought about by pandemic-era learnings.

The last of quarter of 2022 also showed the direction the administration of President Marcos and Department of Trade and Industry (DTI) under Secretary Alfredo Pascual intends to take as regards the digital economy, via the passage of the VAT on Digital Transactions Act. Other priority bills, like the Open Access in Data Transmission Act, Internet Transactions Act, and the SIM Card Registration Act, are all geared towards strengthening the digital environment.

Legislative Priorities

Congress adjourned through the holidays but not before approving priority bills for further discussion. The Government Financial Institutions Unified Initiatives to Distressed Enterprises for Economic Recovery (GUIDE) Act, the Real Property Valuation and Assessment Reform Act, PPP Act, Open Access in Data Transmission Act, and the Internet Transactions Act are some of the bills sent by the House of Representative to the Senate for early discussion when session resumes in January 2023.

The PPP Act, or “An Act Providing for the Enabling Environment to Foster the Growth of Public-Private Partnerships for Infrastructure and Other Development Projects” was passed on third and final reading and was transmitted to the Senate on December 14, 2022. It lays down the aims to ensure a better quality of PPP projects by ensuring equitable risk allocation in PPP projects.

The Open Access in Data Transmission Act, or House Bill (HB) No. 6, was passed on the third and final reading on December 12, 2022. The bill intends to create a strong and independent regulatory system that is conducive to fair and open competition in the data transmission industry.

HB No. 4, or the Internet Transactions Act (ITA), was approved on third and final reading on December 12, 2022. It is expected to pave the way for the establishment of an effective regulation of commercial activities through the internet or electronic means to ensure that consumer rights and data privacy are protected, innovation is encouraged, fair advertising practices and competition are promoted, online transactions are secured, intellectual property rights are protected, and product standards and safety are observed.

HB No. 4339, or Package 4 of the CTRP, previously known as the Passive Income and Financial Intermediary Act (PIFITA), was passed on third and final reading. It aims to simplify the taxation of the financial sector by reducing the number of tax bases and rates applicable to passive income, financial intermediaries, and financial transactions.

Priority Bills Based on the Legislative-Executive Development Advisory Council (LEDAC)

BILL	STATUS
SB 250 - An Act Imposing Value-Added Tax on Digital Transactions in the Philippines	Pending in Committee (August 3, 2022)
HB 4 – Internet Transactions Act	Passed on Third Reading (December 12, 2022)
HB 1 – GUIDE Act	Approved on Third and Final Reading (Dec 15, 2022)
SB 2048 - GUIDE Act	Pending in Committee (September 7, 2022)
HB 6518 - Health Emergency Auxiliary Reinforcement Team (HEART) Act	Approved on Third and Final Reading (December 12, 2022)
SB 1120 – Medical Reserve Corps Act	Pending in Committee (September 6, 2022)
HB 6452 and SB 941 - Virology and Vaccine Institute of the Philippines (VIP) Act	Approved on Third and Final Reading (December 5, 2022) Pending in Committee (August 31, 2022)

BILL	STATUS
HB 6522 and SB 679 - Philippine Centers for Disease Prevention and Control (CDC) Act	Approved on Third and Final Reading (December 12, 2022) Pending in Committee (August 23, 2022)
HB 6687 - National Citizens Service Training Program Act	Approved on Third and Final Reading (December 15, 2022)
SB 1551 - Mandatory Basic Reserve Officers' Training Corps (ROTC) Act	Pending in Committee (November 28, 2022)
HB 6527 and SB 1344 - Public-Private Partnership (PPP) Act	Approved on Third and Final Reading (December 12, 2022) Pending in Committee (September 28, 2022)
HB06336— New Agrarian Emancipation Act	Approved on Third and Final Reading (December 12, 2022)
SB 1179 - An Act Condoning Unpaid Interest, Penalties, Surcharges On Loans And Amortization Of Lands Awarded To Comprehensive Agrarian Reform Beneficiaries, Repealing For The Purpose, Section 26 Of Republic Act No. 6657 Otherwise Known As The Comprehensive Agrarian Reform Law Of 1988, And For Other Purposes	Pending in Committee (November 7, 2022)
HB 6558 and SB 897 - Real Property Valuation and Assessment Reform Act	Approved on Third and Final Reading (December 12, 2022) Pending in Committee (August 31, 2022)
HB 4339 - An Act Amending Sections 6, 22, 24, 25, 27, 28, 32, 34, 37, 38, 39, 42, 51, 52, 54, 56, 57, 73, 108, 109, 112, 121, 122, 123, 127, 149, 174, 176, 179, 181, 182, 183, 184, 185, 186, 187, 190, 195, 198, 199, 204, 222, 237, 237-A, 255, 256, 257, 258, 261, 263, 264, 266, 275; Inserting New Section 270-A; And Repealing Sections 175, 177, 178, 180, 188, 192, And 193; All Under Republic Act No. 8424, Otherwise Known As The National Internal Revenue Code Of 1997, As Amended (Package 4)	Approved on Third and Final Reading (November 14, 2022)
SB 900 - An Act Amending Sections 22, 24, 25, 27, 28, 32, 34, 37, 38, 39, 42, 51, 52, 54, 56, 57, 73, 108, 121, 122, 123, 174, 176, 179, 181, 182, 183, 184, 185, 186, 187, 195, 198, And 199; And Repealing Sections 175, 177, 178, 180, 188, 192, And 193; All Under Republic Act No. 8424, Otherwise Known As The National Internal Revenue Code Of 1997, As Amended, And For Other Purposes	Pending in Committee (August 31, 2022)

BILL	STATUS
HB 4 and SB 1478 - Internet Transactions Act	Approved on Third and Final Reading (December 12, 2022)
	Pending in Committee (November 22, 2022)
HBs 21, 55, 144, 482, 858, 1014, 2298, 2523, 2538, 2690, 2818, 2880, 3082, 3226, 3237, 3302, 3435, 3610, 3677, 3727, 3886, 4057, 4326, 4535, 4536, 4865, 5177, 5205, 5810, 5877, 6266, 6306, 6311, 6360, and 6463 An Act Establishing the Framework for Water Resource Management and Creating the Department of Water Resources and the Water Regulatory Commission, Defining their Mandates, Power and Functions, and Appropriating Funds therefore	Pending with Committee on Government Reorganization (December 5, 2022)
SB 1395, 1244, 1021, 102, and 87 - Department of Water Resource Management Act	Pending in Committee (November 7, 2022)
HB 6510 - New Philippine Passport Act	Approved on Third and Final Reading (December 12, 2022)
SB 691 and 1036 - New Philippine Passport Act	Pending in Committee (September 5, 2022)
HB 6444 - Waste-to-Energy Bill	Approved on Third and Final Reading (December 12, 2022)
SB 151 and 177 - Waste to Energy Act	Pending in Committee (September 5, 2022)
HB 6557 - The Magna Carta of Barangay Health Workers	Approved on Third and Final Reading (December 12, 2022)
SB 5, 232, 396, and 533 - Magna Carta of Barangay Health Workers	Pending in Committee (August 16, 2022)
HB 12, 2696, 2787, 2885, 3096, 3227, 3385, 3473, 3539, 4015, 4086, 4120, 4411, and 4816 - An Act Rightsizing the National Government	Pending with Committee on Government Reorganization (September 19, 2022)
SB 890 and 1474 - Rightsizing the National Government Act of 2022	Pending in Committee (November 22, 2022)

Legislative Calendar (First Regular Session)

- Adjournment of Session: December 17, 2022 to January 22, 2023
- Resumption of Session: January 23, 2023 to March 24, 2023
- Adjournment of Session: Mar 25, 2023 to May 7, 2023



POLÍTIKA

CRITICAL ISSUES OF PHILIPPINE POLITY



STRATBASE ADR INSTITUTE

is an independent international and strategic research organization with the principal goal of addressing the issues affecting the Philippines and East Asia

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