

# POLÍTIKA

CRITICAL ISSUES OF PHILIPPINE POLITY

1ST QUARTER



## **Duterte's Populist Playbook**

Duterte's populist playbook, calls for dislodging the economic elites, and the challenge of corruption

## **The Evolving Security Challenge in the US-China Strategic Competition**

The COVID-19 pandemic tracing its roots and its impact on the US-China dynamic.

## **Legislative Updates**

The 18th Congress (January to March 2020), including the "Bayanihan to Heal as One Act"

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## OVERVIEW

The eruption of Taal Volcano in the early part of 2020 turned out to be ominous of an explosive year that it is currently unfolding. No sooner had the crisis died down than the COVID-19 virus emerged in the public awareness. Suddenly put under intense scrutiny are the government's crisis management capabilities and Duterte's populist character.

The first section of this report deals with Duterte's populist playbook that calls for dislodging the economic elites in the country.

The second section focuses on the COVID-19 pandemic that has complicated the dynamics between the US-China rift, including controlling the narrative on the real source of the virus.

Finally, the third section centers on the legislative agenda and accomplishments of the 18th Congress, with particular attention on R.A. 11469 or the "Bayanihan to Heal As One Act." The period covered spans from January to March 2020.

## I. DUTERTE'S POPULIST PLAYBOOK

The excellent ratings of Duterte in December 2019 spawned an exciting legacy campaign in the first quarter of 2020. At the start of the year, Duterte seemed mostly interested in consolidating support in Congress, cementing his legacy, and handpicking a successor.

Banking on his popular support, Duterte dawdles between political to economic populism to continue rallying the help of the population by strengthening the “us vs. them” story. Alongside this, he has persistently attempted to expand the powers of the executive office, in the face of intense and vigilant resistance from independent thought leaders in Congress, the private sector, and civil society.

### (Un)Shackling the Restraints to Power

Political populism erodes the boundaries of powers and democratic processes. It is anchored on the belief that popular support translates into a popular will or common interest and that unlimited or extended power of the executive is needed to act toward its advancement.

An example of this is the move toward federalism that was suspect because of the feared changes in the term limits of elected officials. Filipinos become tense whenever there are prospects of extending terms of politicians, a hangover from the martial law experience under Marcos. On the other hand, the war on drugs has become controversial due to the perceived selective implementation of the program that favors the brutal execution of small-time distributors over cutting the supply of illegal drugs facilitated by big-time crime syndicates.

His pivot to China, under the guise of an independent foreign policy, has been bothersome to many from the beginning and was made worse with the whimsical abrogation of the Visiting Forces Agreement (VFA).

Overarching attempts to satiate Duterte’s need to free himself from the rule of law, such as his craving for emergency power over the EDSA traffic issue and his vindictive stance on the ABS-CBN franchise renewal have not succeeded.

Recently, under the leadership of Senate President Sotto, Duterte’s requirement of having “emergency powers” and the authority to “take over companies” for the duration of the Enhanced Community Quarantine was thwarted by the Senate in the “Bayanihan to Heal As One Act” (Republic Act No. 11469).

### Economic Populism

Attacking the economic elites is also in the arsenal of the Duterte administration. The abrupt abrogation of the VFA was supposedly the icing on the populist cake. For quite a period now, the President has been rallying the “people” against the Metro Manila water concessionaires and media giant ABS-CBN.

The moves by the Duterte administration are disturbing--strongman in nature--from nullifying government contracts to unilaterally abrogating treaties.

The populist objective was quite clear: wreak division and confusion among elites and the population. With the benefit of hindsight, the administration aimed to criminalize water concessionaires by tinkering over our water resource, endanger press freedom by attacking a media company and compromise national security by abrogating a treaty. More so, these partisan interventions presuppose the entry of a third party.





photo credit: [philstar.com/headlines/2020/01/24/1987452/philippines-starts-process-terminating-vfa-us-officials-say](https://philstar.com/headlines/2020/01/24/1987452/philippines-starts-process-terminating-vfa-us-officials-say)

In canceling the VFA, Duterte, together with the China apologists in the Cabinet and Congress, have been peacocking about the benefits of Chinese investments in the country and other so-called economic benefits to the country. To date, however, Chinese investments in the industries and infrastructure and the POGOs barely make a dent on Philippine economic growth.

## Corruption

Corruption, in addition to populism, poses severe challenges to both the public and private sectors. It is one of the critical obstacles for the government to overcome poverty and eliminate extreme poverty and boost shared prosperity for the poorest 40% of people in developing countries (World Bank, 2018).

Estimated in the billions of dollars, Transparency International revealed an even whopping US\$1.26 trillion of annual losses due to corruption, bribery, theft and tax evasion, and other illicit financial flows in the developing world.

In the past two years, a survey of 5,000 respondent people in business across 99 countries disclosed that a staggering US\$42 billion was lost to economic crime and fraud incidents, according to the Pricewaterhouse Coopers (PWC) Global Economic Crime and Fraud Survey (GECS) in 2020.

At least 42% of the respondents have encountered economic crime and fraud. As bribery and corruption were identified as culprits of the “disruptive economic threat” in the Philippines, the survey also revealed that 21% of respondents said they were asked to pay a bribe. In comparison, 14% of respondents said they lost an opportunity to a competitor who they believed paid a bribe.

The average losses in the period under consideration are pegged between US\$100,000 or P5 million per business, where 31% of these incidents cost between US\$50,000 to US\$100,000 (P2.5 million or P5 million) losses. These amounts characterize the toll of corruption, fraud, and other economic crimes on the revenues of private corporations and organizations.

The PWC survey also came up with the best business practices “to fully address, if not manage, the enterprise-wide risk of economic crime and fraud, such as (1) significant improvements in internal and cyber controls, (2) enhancement of policies and procedures, (3) investment on the right integrated/ automated tools and applications, (4) investment on hiring and/or training the right people to conduct and monitor a robust anti-fraud framework, and (5) implementation of an effective whistleblowing network to capture reports on any anomalous schemes.”

Corruption is also the favorite topic in Duterte’s populist agenda. Despite promising the eradication of corruption in a span of three to six months, an official in the Office of the Ombudsman estimated that the Philippine government is losing P700 billion per year because of corruption.

During the Chinese-Filipino Business Club anniversary, the President acknowledged the prevalence of corruption but still advised businessmen to further invest in the country as “we are ready to uphold a level playing field while we foster an enabling, nurturing and globally-competitive business environment.” He also expressed that “the government, in turn, remains committed in our pursuit of peace and the ongoing war on drugs, crimes, and corruption. We remain hard at work in fostering lasting economic growth and sustainable development.”

The global Corruption Perception Index (CPI) of Berlin-based Transparency International has placed the Philippines at the 113th place out of 180 countries, with a score of 34, sliding by two points and by 14 places since 2018. This performance is the lowest since 2011 when the country ranked 129th out of 178 countries included in the index at the time. The CPI annually reports the ranks of countries and territories based on the perceived levels of public sector corruption, based on information from experts and business people. The PWC study also reinforced such results.

## The Private Sector

The private sector has consistently been the target of Duterte’s economic populism. While the government is about public spending and taxes, private enterprises are about innovation and production for economic growth and development. Compared to the 2.3 million public-sector employees or civil servants (ILO Philippines), the private sector employs the remainder of the approximated 41.2 million workers (PSA, 2018).

The role of the private sector in national development cannot be undermined even as corruption and populism have severely affected it.

In terms of perception, the trust accorded by the public reveals that 72% of Filipinos AGREE that the government should engage in partnerships with qualified and reputable private enterprises. In comparison, 24% MAY AGREE OR MAY DISAGREE, and 4% DISAGREE (Refer to Table 1). And as to “whether or not the respondent believes the private sector investments in infrastructure development and delivery of public services are helping to alleviate poverty by creating jobs and livelihood opportunities,” a significant majority of 75% replied YES. In comparison, a minority of 12% replied NO (Refer to Table 2).

Volunteerism is another area or province of the private enterprises or businesses where they demonstrate not only corporate social responsibility but sheer empathy as well.

In the face of the COVID-19 pandemic, no other than the top executives and independent thought leaders from civil society demonstrated patriotism and compassion. Aside from releasing the salaries of employees in advance, they also moved to directly help the people who would be significantly affected by the quarantine.

By initiating “PROJECT UGNAYAN,” leaders of the top conglomerates cooperated with the Philippine Disaster Resilience Foundation (PDRF) to raise funds for the distribution of P1,000 gift certificates to one million families in the poor communities of Metro Manila.

**Table 1**  
**Trust Agreement / Disagreement with Test Statement:**  
**“Government should engage in partnerships with qualified and reputable private enterprises to build and operate key development public utilities and infrastructure projects such as electricity, water, roads, and mass transportation.”**  
September 16-22 / Philippines  
In Percent

**BASE: TOTAL INTERVIEWS, 100%**

**To what extent do you agree or disagree with the following statement:**

"Government should engage in partnerships with qualified and reputable private enterprises to build and operate key development public utilities and infrastructure projects such as electricity, water, roads, and mass transportation."

	LOCATION					CLASS		
	BAL					C	D	E
	RP	NCR	LUZ	VIS	MIN			
<b>YES</b>	72	66	61	78	90	66	73	71
STRONGLY AGREE	23	13	10	35	42	15	23	23
SOMEWHAT AGREE	49	52	51	43	48	50	49	48
<b>MAY AGREE OR MAY DISAGREE</b>	24	29	33	20	8	27	24	25
<b>DISAGREE</b>	4	5	5	2	2	8	3	4
SOMEWHAT DISAGREE	3	4	4	1	1	6	3	3
STRONGLY DISAGREE	1	1	1	1	0	2	1	1

Q61. Gaano po kayo sumasang-ayon o hindi sumasang-ayon sa pangungusap na ito: STATEMENT CARD: Dapat lang makipagsosyo ang pamahalaan sa mga kwalipikado at marangal na mga pribadong kumpanya para magtayo at magpatakbo ng mga mahahalagang pampublikong may pagkalahatang serbisyo tulad ng kuryente at tubig, at mga proyektong pang-imprastratura tulad ng kalsada at pampublikong transportasyon.

Note:

Figures may not add up to 100% due to rounding off.

Source: Pulse Asia Research Inc.

In a press release, originators expressed that they “shall initially engage with Caritas Manila’s Project Damayan and ABS CBN’s Pantawid ng Pag-Ibig program for the door to door distribution of grocery vouchers redeemable for food items from accessible groceries and supermarkets.”

More than 20 business groups have expressed their support for the project. These include Aboitiz Group, ABS-CBN/Lopez Group, Alliance Global Group and Megaworld, AY Foundation and RCBC, Ayala Corporation, Bench/Suyen Corp., Century Pacific, Concepcion Industrial Corp, DMCI Group of Companies, Gokongwei Group of Companies/Robinsons Retail Holdings, ICTSI, Jollibee, Leonio Group, Mercury Drug, Metrobank/GT Capital, Nutri-Asia, Oishi/Liwayway Marketing Corp., PLDT/Metro Pacific Investments Corporation, Puregold, Ramon S. Ang & Family, SM/BDO, Sunlife of Canada, and Unilab.

The leadership and volunteerism displayed by the private sector manifest its equivalent or even higher capacity to organize, raise funds, deliver public services, and govern society in times of disaster.

**Table 2**  
**Whether or Not the Respondent that Private Sector Investments in**  
**Infrastructure Development and Delivery of Public Services are Helping to Alleviate**  
**Poverty by Creating Jobs and Livelihood Opportunities**

September 16-22 / Philippines  
 In Percent

**BASE: TOTAL INTERVIEWS, 100%**

Do you believe or not believe that private sector investments in infrastructure development and delivery of public services are helping to alleviate poverty by creating jobs and livelihood opportunities?

	LOCATION					CLASS		
	BAL							
	RP	NCR	LUZ	VIS	MIN	C	D	E
<b>YES</b>	75	67	71	76	86	58	78	68
<b>NO</b>	12	13	10	18	12	23	11	15
<b>DON'T KNOW / REFUSED TO ANSWER</b>	13	20	19	6	3	20	12	18
Don't know	13	20	19	6	3	20	11	17
Refused to answer	0.3	0	1	0	0	0	0	0

Q62. Kayo po ba ay naniniwala o hindi naniniwala na ang pamumuhunan ng pribadong sector sa pagpapaunlad ng imprastraktura at pagpapatupad ng pampublikong serbisyo ay nakatutulong ng kahirapan sa pamamagitan ng paglikha ng trabaho at pagkakataong pangkabuhayan?

Note: Figures may not add up to 100% due to rounding off

Source: Pulse Asia Research Inc.

It is, therefore, odd to see why the Duterte administration is at loggerheads with the private sector. Beyond populism, partisan intervention in the private affairs of society simply equates to disturbance and confusion in the regulatory environment that, in turn, demotivates investors and drive them away.

## II. THE EVOLVING SECURITY CHALLENGE IN THE US-CHINA STRATEGIC COMPETITION

The “COVID-19” pandemic has transformed the dynamics of US-China strategic competition. From the classic geopolitical tug-of-war for Taiwan to a trade war in the advent of globalization, the strategic competition between the two powers has been injected with the disease and fear factor.

### Disease and Fear in Human History

Throughout history, diseases have plagued societies and civilizations, claiming more human lives than natural disasters and armed conflicts combined. In “The History of the Peloponnesian War,” historian Thucydides provided a graphic account of an epidemic that killed one-third of the population of his city-state, Athens, and triggered lawlessness and general debauchery that afflicted Athenian society during the war against Sparta.



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The Black Death of the 14th century claimed more lives in medieval Europe in five years than any armed conflict before. An important legacy of the Black Death was the invention of quarantine. Another infamous epidemic in history was the Plague of Justinian, which began in sixth-century Constantinople and then spread throughout the Mediterranean world that became active during the winter months. Plague chronicles suggested that the epidemic was pneumonic plague, like TB, that was spread from person to person through coughing and expectorating.

Diseases have long been the most dangerous and lethal threat to human lives despite the unprecedented advances in medical sciences since the early 19th century. The deadliest epidemic in contemporary history happened in the aftermath of the First World War, the Great Influenza Epidemic of 1918-20. As the war entered its final and bloody stage, soldiers and civilians were all struck down. More than 50 million people died, more than the total number of people killed during the Great War that lasted from 1914 to 1918. Probably because of war fatigue and trauma, people stoically accepted the devastating losses in human lives, and by the end of 1919, the epidemic was over.

In the late 20th century, the Acquired Immune Deficiency Syndrome (AIDS/HIV) represented a far greater threat to human beings than armed conflicts for most Sub-Saharan Africans and many more people around the world. Discovered in the late 1970s and early 1980s, HIV is present in about 35 million people, with 19.5 million receiving antiretroviral treatment.

Fear is further fueled by the acceptance of the stark reality that diseases, as existential threats to human existence, can never be eradicated despite rapid progress in the natural sciences and medicine in the last two centuries.

The first epidemic of the 21st century was the Severe Acute Respiratory Syndrome or SARs. It was brought to Hong Kong in November 2002 by a man from the town of Foshan, Guangdong Province in China. In March 2003, the WHO thought that SARs was an influenza-type disease, as it was marked by a similar type of symptoms—a high temperature, aching muscles, chills, and a sore throat. Medical tests, however, revealed a new, unnamed disease that caused severe damage to the lungs. In a matter of five months, SARs spread into 32 countries with 800 cases and more than 900 fatalities.

Although short-lived, the 2003 SARs epidemic showed to the world how globalization is accelerating the spread of diseases among interconnected national societies at a rapid pace. It took the Black Death over ten years to travel along the Silk Road from China to Europe. In the 21st century, a disease would arrive at its next destination in a matter of hours on board a jet plane.

History shows that pandemics have occurred when previously isolated human populations converge. The frequent and rapid movement of people around the world transports diseases to new parts of the world in ever-greater intensity. International air travel and shipping are conveyors for the speedy spread of lethal pathogens around the world, carried either directly by tourists, immigrants or by fellow citizens coming from abroad.

## **Human Disease as a Non-traditional Security Challenge**

Diseases have always provoked human fear, which is frequently worse than the diseases themselves. Throughout human history, these have plagued all human societies, and they have claimed more lives than natural disasters and warfare combined.

In early 2018, a group of medical experts met in a conference in Geneva sponsored by the World Health Organization (WHO) to project how a global pandemic might take place in the third decade of the 21st century. They boldly predicted this event to be triggered by an unknown novel pathogen that has yet to cross into human beings from animals.

Calling it Disease X, the pandemic would be a virus originating from animals. It would likely emerge in the area around the globe where economic development has pushed people and wildlife to co-exist side-by-side. This ailment would probably be confused with known diseases early in its outbreak, causing it to spread quickly and silently as it would exploit growing networks of 21st-century globalization, made possible by the dramatic increase in human travel, commerce, and trade.

Consequently, this disease would avoid early detection and would be able to cross national borders and circumvent states' efforts aimed at containing it. Medical specialists prophetically warned that it would afflict more people and cause a higher mortality rate than the seasonal flu. More significantly, it would unravel financial and social systems and achieve the condition of being the first global pandemic of the 21st century.

The world now knows that Disease X as COVID-19. The virus was reportedly detected in November 2019 in the central Chinese city of Wuhan. Unfortunately, Chinese officials suppressed information on the pneumonia-like epidemic that was spreading in the city of Wuhan (Hubei province) for about two months. They even punished the doctor who warned his fellow health workers about this emerging disease. As a result, China wasted valuable time by delaying, for about five weeks, the implementation of necessary measures that would inform the public, curtail national and international travel, enable widespread testing, and warn the global community about the nature of this disease. Even as the epidemic reached the scale of a major national crisis, Beijing tightly controlled information, shunned assistance from the US Center for Disease Control and Prevention (CDC) and curtailed WHO access into the city of Wuhan.

By early March 2020, WHO admitted that the said disease has been afflicting the world over far more rapidly outside of its country of origin while its global trajectory is still unknown. During the period, the never-before-seen virus had already infected more than 90,000 people in more than 70 countries and territories. It killed more than 3,100 people—the majority of them in China. WHO President Tedros Adhanom Ghebreyesus observed that the world is “in uncharted territory; we have never before seen a respiratory pathogen that is capable of community transmission, but which can also be contained with the right measures.”

Recently, WHO also declared that the stoppage of COVID-19 transmission through lockdowns would not be enough. Accordingly, a global public health system must be put in place to go after the virus and prevent its resurgence in the future. However, as the worldwide society struggles to control and eradicate said disease, it ignores the big picture that pandemics in the 21st century are on the rise, and the global community needs to contain the process that drives them and not just the individual diseases.



photo credit: Coronavirus-Manila-LRI © CNNPH

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## Politics of Disease and Fear in US-China Contest

The COVID-19 epidemic added two very volatile elements to the ongoing US-China strategic competition, disease, and fear. China is moving to play a leading role in addressing the global pandemic. It is also actively blaming the US for the transmission of the virus in Wuhan City. These overtures are intended to redirect the feelings of a population that has become resentful on how their top leadership has mishandled the public health crisis by suppressing information regarding the epidemic.

Municipal and provincial party leaders in Wuhan City and Hubei Province did not want to incur the wrath of the central government. They minimized the extent of the raging public health crisis. When the scope of the epidemic became apparent, the central leadership blamed local officials, enhanced censorship, silenced whistle-blowers, and withheld information about the brewing public health crisis while at the same time refusing American offer of assistance.

Since mid-January 2020, China's political leadership single-mindedly concentrated on managing a deadly coronavirus epidemic. Recently, however, China is conducting a major diplomatic and humanitarian offensive aimed at assisting countries that are struggling against the raging pandemic. Since early March 2020, China has been sending medical experts, rapid diagnostic testing kits, and protective medical gears to the Philippines, Serbia, Spain, Iran, and Italy.

From East Asia to the Middle East, China is providing or offering humanitarian and medical assistance in the form of medical expertise and equipment. Chinese officials are also claiming that pandemics should be viewed as an opportunity for international cooperation, not competition. They also publicly flaunted the idea that the national lockdown was a national sacrifice that decisively slowed down the global spread of COVID-19. China is trying to repair the damage to its reputation on the heels of a country recovering from a pandemic.

China's relative success in containing the spread of the virus and its generosity to other countries may have encouraged its officials and diplomats to conduct a propaganda campaign against the US and its Western European allies. On March 13, a Chinese Ministry of Foreign Affairs spokesperson accused the US of spreading the virus to Wuhan City that became the center of the country's coronavirus epidemic.

Relying on a statement by the director of the US CDC during a congressional hearing, the ranking Chinese diplomat inferred that the infection began in the US and that American military personnel brought the virus to China during their participation in the 2019 Military World Games that was held in Wuhan in October 2019. This accusation came on the heels of US National Security Adviser Robert O'Brien's statement during a US congressional hearing, declaring Chinese cover-up of the epidemic in Wuhan City, which led to the global outbreak.

The US and its Western European allies viewed with uneasiness China's moves in fostering international cooperation against the pandemic. They see them as components of a calculated diplomatic gambit aimed at allowing China to project itself not as a social incubator of epidemics; instead, a responsible high power now leading the global society in confronting this raging deadly pandemic. Furthermore, the US sees these actions as China's attempts to take advantage of the early missteps of the Trump administration. On the other hand, China seems to be flaunting its authoritarian system and its effectiveness in managing the crisis.

Many Western European states agree that China is leveraging its current position of being the leading producer of medical equipment and supplies by rewarding countries friendly with it, and withholding them from those critical of them. At the same time, China is using this advantage to temper the global anger over its initial mishandling of the COVID-19 outbreak.

There is no doubt that the 2020 COVID-19 pandemic has opened a new front in the raging US-China strategic competition, and controlling the narrative has become the ulterior concern.



### III. LEGISLATIVE UPDATES

#### 18th Congress (First Regular Session)

(the period covered January- March 2020)

#### Status of the Priority Tax Measures

The President began the year by signing three measures approved by Congress last December 2019. The Salary Standardization Law of 2019, National Day of Remembrance for Road Crash Victims Survivors and their Families Act as well as the measure imposing additional excise taxes on alcoholic beverages and e-cigarettes were all signed in January.

The Department of Finance was optimistic that the Senate would be able to deliberate the remaining three tax measures within the first three months of the year. The three tax measures include the Passive Income and Financial Intermediary Taxation Act (PIFITA), Corporate Income tax and Incentives Rationalization Act (CITIRA), and the Real Property Valuation and Assessment bill. These bills were already approved in the House of Representatives last year.

Finance Secretary Carlos Dominguez said that these tax reform measures would help attract more investments and help elevate the country's credit rating to an "A" while creating a better level playing field for businesses and entice new players to come in and compete.

The Senate Committee on Ways and Means Chairperson Pia Cayetano sponsored the CITIRA bill in the Senate plenary on February 19, 2020, which will gradually cut the tax on companies to 20% by 2029 from the current 30%.

Existing registered activities granted the income tax holiday should be allowed to complete the remainder of their Income Holiday period. These are for the firms with unfinished ITH and a succeeding Gross Income Earned (GIE) of 5%. In this case, their ITH will be allowed to expire on schedule and will be followed by a 5% GIE, with a maximum of 5 years. If the firm has no ITH but is about to go into 5% GIE, they will also enjoy 5% GIE, for a maximum of 5 years.

Existing registered activities that were granted the 5% tax on GIE, in place of all taxes, will be allowed two to seven more years as a transition period while paying the same rate of 5% GIE. The duration of the proposed transition period is as follows: two years for those who have been receiving the GIE incentive for more than ten years; three years for those who have been receiving the GIE incentive for between five and ten years; five years for those who have been receiving the GIE incentive for below five years; and a special seven years for those that meet any of the following conditions-exporting 100 percent of their goods and services, employing at least 10,000 Filipino workers, or engaging in highly footloose activities.

The DOF and DTI welcomed the Senate version because it addresses the issues raised by many stakeholders. These include the one-stop-shop feature of the Philippine Economic Zone Authority (PEZA), points on power costs, provisions for a footloose firm, and activities and the length of the sunset period for corporations to continue enjoying their current incentives.

However, the bill failed to pass the Senate before the Congressional break, which started on March 13.

Meanwhile, there were two committee hearings conducted to discuss the issues and concerns about the proposed Passive Income and Financial Intermediary Taxation Act (PIFITA). It was supported by representatives from the Bangko Sentral ng Pilipinas (BSP), Bureau of Internal Revenue (BIR),



Bureau of Treasury (BTr), Capital Market Development Council (CMDC), Insurance Commission (IC), Association of Global Custodians (AGC), Philippine Insurers and Reinsurers Association (PIRA), and Philippine Stock Exchange (PSE) among others.

The bill seeks to make the country more competitive in attracting capital and investments, which are urgently needed to finance large-scale infrastructure projects, including those under the “Build, Build, Build.”

The PIFITA bill has not been sponsored in the Senate before the session goes on a 6-week break, which runs until May 4, 2020.

## Good Moral and Right Conduct (GMRC) Bill

On March 4, 2020, both Chambers moved to ratify the bill, which would require good manners and right conduct (GMRC) and values education. The bill was transmitted for the President’s signature.

Under the Bicameral conference report, GMRC will replace the existing “Edukasyon sa Pagpapakatao” class, which teaches ethics to students. If enacted into law, GMRC would be taught as a separate subject for Grades 1 to 6, while values education would be taught to Grade 7 to 10. The length of teaching time for the said subjects will be the same as the core subjects such as Math, Science, and English.

It should be noted that the bill is not included in the SONA priority bills pushed by the President.

Despite the ratification of the bill on March 4, it has not been signed by the President nor was the signed copy uploaded in the official gazette. The President has not vetoed the said measure.

## National Academy for Sports Act System

In the President's 4th SONA, he expressed his support for the creation of a National Academy of Sports (NAS) for high school students at the New Clark City in Capas, Tarlac.

A bicameral conference committee meeting was held on March 10 to reconcile the disagreeing provisions of the Senate and House of Representatives. The bill aims to make NAS a premier training center for young aspiring Filipino athletes and to give them quality secondary education. If enacted into law, the main campus will be established at the New Clark City. Moreover, the NAS would provide scholarships and other benefits to deserving students who have shown potential and talent in the field of athletics and sports.

**Table 3**  
**Economic Reform Bills in the Senate and**  
**House of Representatives**

Bill	Senate	House of Representatives
Excise Taxes for Alcohol Products and E-cigarettes	Enacted into Law – RA 11467  Signed on January 22, 2020	
Corporate Income Tax and Incentives Rationalization Act (CITIRA)	Sponsored by the Chairperson of the Senate Committee on Ways and Means on February 19, 2020	Passed on Third and Final Reading (September 13)
Passive Income and Financial Intermediary Taxation Act (PIFITA)	Pending in the Senate Committee on Ways and Means  Two hearings conducted	Passed on Third and Final Reading (September 10)
Real Property Valuation and Assessment Reform Act	Pending in the Committee on Ways and Means and Local Government and Finance	Passed on Third and Final Reading (November 25)
Amendment of Foreign Investment Act (FIA)	Pending Approval on Second reading	Approved on Third Reading (September 9, 2019)
Amendment of Public Service Act	Pending in the Committee on Public Services, Economic Affairs, and Finance	Approved on Third Reading March 11, 2020
Amend Retail Trade Liberalization	Pending in the Committee on Trade, Commerce and Entrepreneurship	Approved on Third Reading March 11, 2020



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## Public Service Act Amendment

The House of Representatives approved on Third Reading on March 10, the bill which amends the decades-old Commonwealth Act No. 146 or the Public Service Act, lifting foreign ownership limits on specific sectors. If approved into law, the bill will also open the telecommunications and transport sectors to foreign ownership.

The amendment in PSA will limit public utility to sectors engaged in electricity distribution and transmission as well as water pipeline distribution or sewerage pipeline system.

Although the said measure is not cited as among the priority measures of the President, the economic managers have pushed for the passage of this measure because they believe that the bill will significantly reduce equity restrictions in several service industries and encourage foreign participation of foreign investors thereby fostering more competition in the Philippine market.

However, the opposition lawmakers have argued that the measure is unconstitutional. Under Section 11, Article XII of the 1987 Constitution, the ownership, operation, control, and management of public utilities is reserved for Filipino citizens or corporations or associations with at least 60% of its capital stock owned by Filipinos.

The said measure has not been approved by the Senate Committee on Public Services.

## Retail Trade Liberalization Act Amendment

As part of the government's thrusts to open the economy to more participation of foreign companies into the retail sector, the House of Representatives approved on Third Reading on March 11, the bill which will amend the Retail Trade Liberalization Act. The measure aims to relax barriers to foreign investors, including setting up a minimum paid-up capital of US\$200,000 as compared to the current US\$2.5 million requirement. The bill requires the removal of the requirement under present law for foreign investors to acquire shares of stock by foreign-owned retail enterprises.

The Joint Foreign Chambers of the Philippines (JFC) welcomed the passage of the bill in the Lower Chamber and noted that the measure would increase competition, create jobs, support tourism and improve consumer choice to the benefit of the economy and the Filipino consumer.

However, the counterpart measure in the Senate is still pending at the Committee level.

## Creation of the Department of Filipinos Overseas

The establishment of the Department of Filipinos Overseas has long been advocated by President Duterte since the start of his administration, given the many problems faced by distressed overseas Filipinos and the "fragmented" set up of the departments/agencies to respond to their problems. The supporters of the bill argued that a dedicated department would facilitate the delivery of services to Overseas Filipinos faster and more efficiently. The bill was approved on Third Reading in the House of Representatives on March 11.

If enacted into law, the Department of Filipinos Overseas would have to assume all the powers and functions currently performed by the Department of Labor and Employment (DOLE) about OFW affairs.

Albay 1st District Representative Edcel Lagman argued that the measure would encourage and promote the “export of Filipino manpower.” Meanwhile, 11 lawmakers in the Lower House voted no for the bill.

Despite the President’s support for the bill and inclusion in his SONA, the bill was not certified as urgent.

However, the Senate counterpart measure has yet to be discussed in any committee hearing in the 18th congress.

But there is another similar bill which was passed on Third Reading entitled Migrant Workers and Overseas Filipinos Legal Assistance Fund. The bill seeks to amend Section 26 of Republic Act 8042 or the “Migrant Workers and Overseas Filipinos Act of 1995” by expanding the use of the Legal Assistance Fund (LAF), which the government taps to cover various costs of overseas Filipinos who initiate or is impleaded in any type of case abroad.

Another amendment introduced in the measure is the grant of authority to the head of mission of the Philippine Embassy concerned instead of the home office to use the fund to hire foreign lawyers to serve the needs of distressed overseas Filipinos and migrant workers.

## Creation of the Department of Disaster Resilience

The Philippines ranks as the third most disaster-prone country out of 171 countries in the world based on the United Nations University Institute for Environment and Human Security 2017 World Risk Report. In this regard, for the past two congresses, there have been efforts to pass a law that will create a Department of Disaster Resilience.

Despite the pronouncements of many lawmakers that the bill is a priority, the House of Representatives failed to pass the bill at least on Second Reading. The House Committee passed the bill on Disaster Management, and Government Reorganization endorsed to the House Plenary for deliberations. In the Senate, it is still pending in the National Defense and Security, Peace and Unification Committee.

The Chair of the Senate Defense Committee, Senator Panfilo Lacson said the creation of a separate department could add more confusion to the structure of the country’s disaster management framework. During the first hearing that they conducted, DBM Secretary Avisado pressed for the need of a permanent body but eventually admitted that it might not necessarily be a regular department

Senator Lacson said he would try to convince the members of the committee on defense and security to elevate the head of the permanent office to cabinet rank.

Alternatively, the position can have an authority from the Office of the President to consolidate the efforts to address preparedness, response, prevention/mitigation, rehabilitation and recovery and see to it that the national, as well as local disaster-risk-reduction management plans, are made workable and implementable.

## Other SONA Priority Bills

### Fire Protection Modernization Bill

The House Committee on Public Safety has approved the Fire Protection Modernization Bill last November 2019. This measure has not been acted upon by the House Committee on Appropriations due to the lack of funding. The bill seeks to provide P10 billion fund allocation for the modernization program of the Bureau of Fire Protection (BFP).

If enacted into law, the BFP will pursue the establishment of a fire protection service in local government units with no existing equipment and services; and will acquire new equipment to replace obsolete equipment. In the last House Committee on Appropriations meeting before the Session break, the bill was finally approved but failed to be sponsored in the House Plenary.

### Additional Benefits for Solo Parents

The House Committee on Revision of Laws approved a substitute bill seeking to grant other benefits to solo parents. It provides a 10-percent discount on various basic needs of the solo parent's child, including children's clothing materials, food, micronutrient supplements, and medicines of children five years old and younger.

In the Senate, it is currently being deliberated in the Plenary but has not been approved in Second Reading.



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**Table 4**  
**Status of SONA Priority Bills in the Senate and**  
**House of Representatives**

SONA Priority Bill	House of Representatives	Senate
Death penalty for heinous crimes related to illegal drugs and plunder	Pending in the Committee on JUSTICE	Pending in the Committee(s) on JUSTICE AND HUMAN RIGHTS; and CONSTITUTIONAL AMENDMENTS AND REVISION OF CODES;
Trust Fund for Coconut Levy	Pending in the Committee on Agriculture and Food	Pending in the Committee on Agriculture and Food
Additional benefits for solo parents	Approved by the Committee on REVISION OF LAWS; Pending in the Committee on Appropriations	Pending Second Reading approval in the Senate Plenary
Appointment of health workers in each barangay	Pending in the Committee on LOCAL GOVERNMENT	Pending in the Committee(s) on HEALTH AND DEMOGRAPHY; LOCAL GOVERNMENT; and FINANCE;
Establishment of “Malasakit” centers in all government hospitals	Signed into Law: Republic Act RA11463	
Postpone barangay and SK elections to December 5, 2022	Signed into Law: Republic Act Number 11462	
Magna Carta for Barangays	Pending in the Committee on LOCAL GOVERNMENT	Pending with the Committee(s) on LOCAL GOVERNMENT; and FINANCE;
Department of Overseas Filipinos	Approved on Third and Final Reading	Pending to the Committee(s) on LABOR, EMPLOYMENT AND HUMAN RESOURCES DEVELOPMENT; FOREIGN RELATIONS; and FINANCE;
Corporate Income Tax and Incentives Reform Act (CITIRA)	Approved on Third Reading	Pending for Second Reading; Period of Interpellation
Passive Income and Financial Intermediary Act (PIFITA) (Rationalized capital income taxation)	Approved on Third Reading	Pending the Committee on Ways and Means
Increasing and Restructuring excise tax rates on Alcohol, and Heated Tobacco and Vape Products	Signed into Law: Republic Act 11467	
Real Property Valuation and Assessment	Approved on Third Reading	Pending in the Committee on Ways and Means
Salary standardization law, including teachers and nurses	Signed into Law: Republic Act 11466	

**Table 4**  
**Status of SONA Priority Bills in the Senate and**  
**House of Representatives**

SONA Priority Bill	House of Representatives	Senate
Government right sizing bill for decentralization	Referred to Stakeholders; Pending in the Committee on GOVERNMENT REORGANIZATION	Pending in the Committee(s) on CIVIL SERVICE, GOVERNMENT REORGANIZATION, AND PROFESSIONAL REGULATION; and FINANCE;
Department of Disaster Resilience	Approved by the Committee on GOVERNMENT REORGANIZATION AND DISASTER MANAGEMENT; Pending for Second Reading Approval in the House Plenary	Pending in the Committee on NATIONAL DEFENSE AND SECURITY, PEACE, UNIFICATION AND RECONCILIATION
Department of Water Resources and Water Regulation	Approved by the Committee on GOVERNMENT REORGANIZATION and PUBLIC WORKS and HIGHWAYS; Pending in House Committee on Appropriations	Pending in the Committee(s) on PUBLIC SERVICES; CIVIL SERVICE, GOVERNMENT REORGANIZATION AND PROFESSIONAL REGULATION and FINANCE;
Fire Protection Modernization Law	Approved by the Committee on PUBLIC ORDER AND SAFETY; Approved by Committee on Appropriations	Pending in the Committee(s) on PUBLIC ORDER AND DANGEROUS DRUGS; and LOCAL GOVERNMENT;
National Land Use Act	Pending in the Committee on LAND USE	Pending in the Committee on ENVIRONMENT, NATURAL RESOURCES, AND CLIMATE CHANGE
National Defense Act	Pending in the Committee on NATIONAL DEFENSE AND SECURITY	Pending in the Committee on NATIONAL DEFENSE AND SECURITY, PEACE, UNIFICATION, AND RECONCILIATION
National Academy for Sports for High School Students	Approved by Both House of Congress Bicameral Conference Committee meeting held on March 9, 2020	
Pension for Uniformed Personnel	Pending in the Committee on GOVERNMENT ENTERPRISES AND PRIVATIZATION	Pending in the Committee(s) on GOVERNMENT CORPORATIONS AND PUBLIC ENTERPRISES, and FINANCE;

## Bayanihan to Heal as One

The President called for a Special Session on March 23 to deliberate on the bill that will grant the President “special authority” to adopt temporary emergency measures to address the medical and economic needs of the Filipinos in time of a national health emergency. Upon the adoption of the Lower House of Senate Bill No. 1418, and after being finalized by Congress, the approved bill was signed into law by the president on 25 March 2020, known as the “Bayanihan to Heal As One Act” (Republic Act No. 11469).

The newly approved law aims to provide ample latitude to utilize government funds in strengthening the government response against the COVID-19 pandemic and in continuing the provision of basic services to the people. It also authorized that urgent and critical measures be implemented according to the declaration of a state of public health emergency and state of calamity throughout the Philippines.

Under the law, the Duterte administration seeks to realign up to P275 billion (US\$5.5 billion) of government funds to address the COVID-19 threat. It has been estimated that this amount can be consumed in a little over two months, given the need to provide subsidy to the poorest 18 million families affected by the enhanced community quarantine.

The provisions of the law can be divided into five aspects, namely, (1) Economic response / Livelihood support, (2) Medical response/Health workers Support, (3) Logistical Medical Support, (4) Source of financing, and (5) Penalties.

The Economic response / Livelihood Support comprises an emergency subsidy program for low-income households or monthly assistance of P5,000-8,000 for two months to provide for their food and other daily needs. It also includes an expanded and enhanced Pantawid Pamilyang Pilipino Program (covering informal sectors who are not included in the current beneficiaries of the 4Ps).

A reprieve or a minimum of 30-day grace period for the payment of all kinds of loans, including credit card payments and residential rents falling due within the period of the Enhanced Community Quarantine, without incurring interests, penalties, fees, and other charges, is also granted.

The President can also move the statutory deadlines and timelines for the filing and submission of any document, the payment of taxes, fees, and other charges required by law. Also, the availability of credit and lower interest rates for production will be guaranteed.

Under the Medical response / Health workers Support, all medical expenses of COVID-19 patients will be covered by Philhealth. A “COVID-19 Special Risk Allowance” for public health workers will be granted in addition to their hazard pay given under the Magna Carta of Public Health Workers. In the duration of the emergency, medical expenses for private and public health workers in case of exposure to COVID-19 or any other work-related injury or disease will be covered.

The medical support will also provide a compensation benefit worth P1 million for private and public health workers who may die in the line of their duty to curb COVID-19 and a P100,000 compensation for private and public health workers who may contract severe COVID-19 infection while in the line of duty.

For Logistical Medical Support, the accreditation of testing kits will be fast-tracked and facilitate prompt testing. The procurement of specific goods, services, and temporary facilities needed to address the pandemic (as exemptions from RA 9184) will likewise be fast-tracked.

It also ensures that the donation of medical supplies and other health products will not face unnecessary delays and that anti-hoarding and profiteering measures for food, clothing, and medical



supplies will be put into place. As required by public interest, the government is authorized to direct the operation of any privately-owned hospital and medical facilities.

As to the sources of financing, the law authorizes the President to reprogram, reallocate, and re-align the savings in the Executive Department to augment operating budgets of government hospitals and social amelioration programs for affected communities.

The President can direct the discontinuance of appropriated programs, projects or activities of any agency of the Executive Department, including government-owned or -controlled corporations (GOCCs), in the FYs 2019 and 2020 General Appropriations Act (GAA), whether released or unreleased, the allotments for which remain unobligated, and utilize the savings generated therefrom to augment the allocation for any item directly related to support operations and response measures which are necessary or beneficial in order to address the COVID-19 emergency.

He also has the powers to lift the thirty percent (30%) cap on the amount appropriated for the quick response fund, as provided for in Republic Act No. 10121 or the "Philippine Disaster Risk Reduction and Management Act of 2010. LGUs, on the other hand, shall be authorized to utilize more than five percent (5%) of the amount allocated for their calamity fund subject to additional funding and support from the national Government.

For Penalties, the following offenses shall be punishable with imprisonment of two (2) months or a fine of not less than Ten thousand pesos (P10,000.00) but not more than One million pesos (P1,000,000.00) or both, such imprisonment and fine at the discretion of the court:

1. LGU officials disobeying national government policies or directives in imposing quarantines;
2. Owners and possessors of privately-owned hospitals, medical and health facilities, including passenger vessels, and other establishments who unlawfully refuse to operate according to the directive of the President;
3. Engaging in hoarding, profiteering, injurious, speculations, manipulation of prices, product deceptions, and cartels, monopolies or other combinations in restraint of trade, or other pernicious practices affecting the supply, distribution, and movement of products;
4. Refusal to prioritize and accept contracts for materials and services necessary to promote;
5. Refusal to provide 30-day grace periods provided under the law;
6. Individuals or groups creating, perpetrating or spreading false information regarding COVID-19 crisis on social media and other platforms, such information having no valid or beneficial effect on the population and are clearly geared to promote chaos or confusion;
7. Failure to comply with reasonable limitations on the operation of certain transportation sectors or sectors, whether land, air or sea, be it private or public; and
8. Impeding access to roads, streets, bridges, putting up prohibited encroachments or obstacles, and maintenance of illegal constructions in public places that have been ordered to be removed.

According to the recent report of the National Economic Development Authority (NEDA), entitled "Addressing the Social and Economic Impact of the COVID-19 Pandemic," the Philippine economy could contract by as much as 0.6% this year due to the widening fallout from the COVID-19 pandemic. Without mitigating measures, NEDA estimates that this would imply a reduction in the Philippine real GDP growth to -0.6% to 4.3% in 2020.

NEDA also warns that if the ECQ is extended beyond one month or if the spread of COVID-19 is unabated even after the ECQ, then even the low-end of the estimate is still too high.

The prospects of slower growth in 2020 are also reflected in projections made by JP Morgan Chase Bank (5.1% from 6.2%), Nomura (4.7%), Moody's Investors Service (5.4% from 6.2%), New York-based think tank Global Source (5.7% from 6.2%), Fitch Solutions (6.0% from 6.3%), Unionbank (5.8% from 6.6%), and ING Bank (below 6% for the first quarter).

With the Philippines' 2018 GDP of \$330.91 billion as the basis, the ADB report also said that the Philippines might lose \$1.93 billion in the worst-case scenario. This includes losses of \$592 million in hotels and other tourism-related sectors; \$465 million in trade, and \$414 million in transport services. The following have been cited as the reasons for dampened growth expectations: risks of a global recession, slower domestic consumption, disruption to production and supply chains, adverse impact of travel restrictions on tourism, lower remittances, among others.

Meanwhile, the United Nations Conference on Trade and Development (UNCTAD), in its Trade and Development Report Update, noted that around a fifth of 117 developing countries are highly vulnerable to the direct impacts of the COVID-19 shock due to a combination of deteriorating debt sustainability with high exposure of their economies to trade and wider economic relations with China. These countries include the Philippines, Mongolia, Gabon, Mozambique, Vietnam, Cambodia, and Zambia.



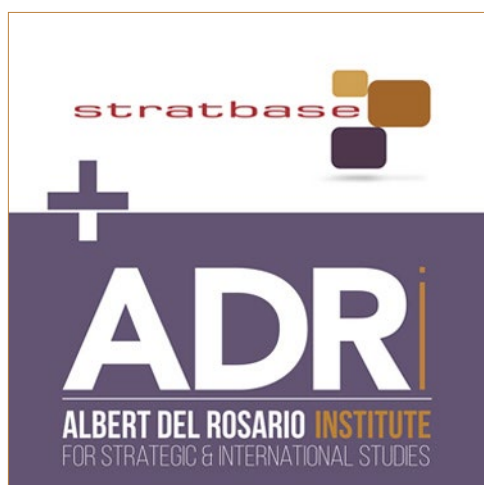
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CRITICAL ISSUES OF PHILIPPINE POLITY



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