

POLÍTIKA

CRITICAL ISSUES OF PHILIPPINE POLITY

1ST QUARTER

"Our government has done what is necessary to respond to this national health emergency, but a lot remains to be done..."

Leadership and Governance in the COVID-19 Pandemic

Understanding populist disconnect by comparing findings from global research and studies of the performance of the Duterte administration to its continued popularity

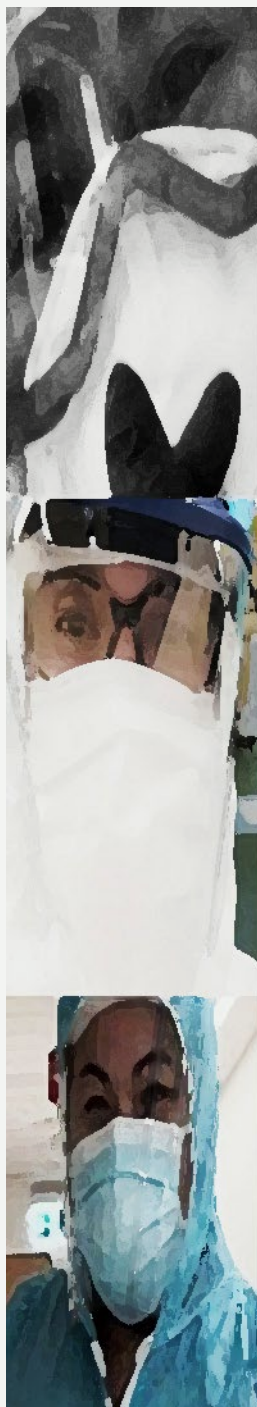
A Calibrated Competition with China in Southeast Asia

China, Biden's calibrated strategy, Duterte's approach, and the need to create a regional platform for the Indo-Pacific

Legislative Accomplishments and Updates

Congress' priorities shift as legislators go on break until May in what is the last full year before the next National elections

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OVERVIEW

A year after, the National Capital Region and the surrounding provinces of Bulacan, Cavite, Laguna, and Rizal have once again been placed under lockdown with a uniformed curfew spanning up to eleven hours.

Ironically, the positive approval and trust ratings of the Duterte administration continues despite serious disconnect from the government's effort of easing and alleviating the pandemic crisis, which could have been the foundation of a good crisis management and response, and recovery roadmap.

For POLITIKA 1Q 2021, the first section discusses this disconnect further by focusing on the aspects of leadership and governance utilized in the pandemic crisis. An analysis of the less desirable performance of the Duterte administration is presented based on data sourced from third-party research and studies.

For regional developments, the second section focuses on the calibrated competition with China in Southeast Asia. With the transition to the Biden administration for the United States and the very positive development of the Quadrilateral Security Dialogue or Quad, the multipolar Indo-Pacific region is being built on democratic cooperative governance.

Lastly, the third section outlines the legislative achievements and updates under the 18th Congress, which resumed its session last January 18, 2021. With both houses conducting their respective final plenary sessions last March 24 and March 25, the 18th Congress is now under a two-month break and will resume on May 17 up to June 4, 2021, before a Sine Die Adjournment. This section also presents the status of Harmonized LEDAC-Common Legislative Agenda (LEDAC-CLA).

I. LEADERSHIP AND GOVERNANCE IN THE COVID-19 PANDEMIC

The 1st year anniversary of the pandemic lockdown in the Philippines was marked by the imposition of community curfews in the National Capital Region last March 15 and the subsequent reimposition of strict community quarantines in the different parts of the capital. According to the latest IATF announcement, Metro Manila, Bulacan, Cavite, Laguna, and Rizal will be subject again to the Enhanced Community Quarantine (ECQ) category until April 11, 2021, after two consecutive one-week ECQ declarations.

Given the unprecedented surge of COVID-related infections (and “rising deaths”) and the projections about the “second wave” or new virus variants, the government continues to rely on stringent social control measures. However, given the rehashed virus containment measures, token social protection programs, and uncertain vaccine rollout implementation strategy, the pursuit of economic recovery becomes more challenging, especially households most vulnerable to livelihood impacts.

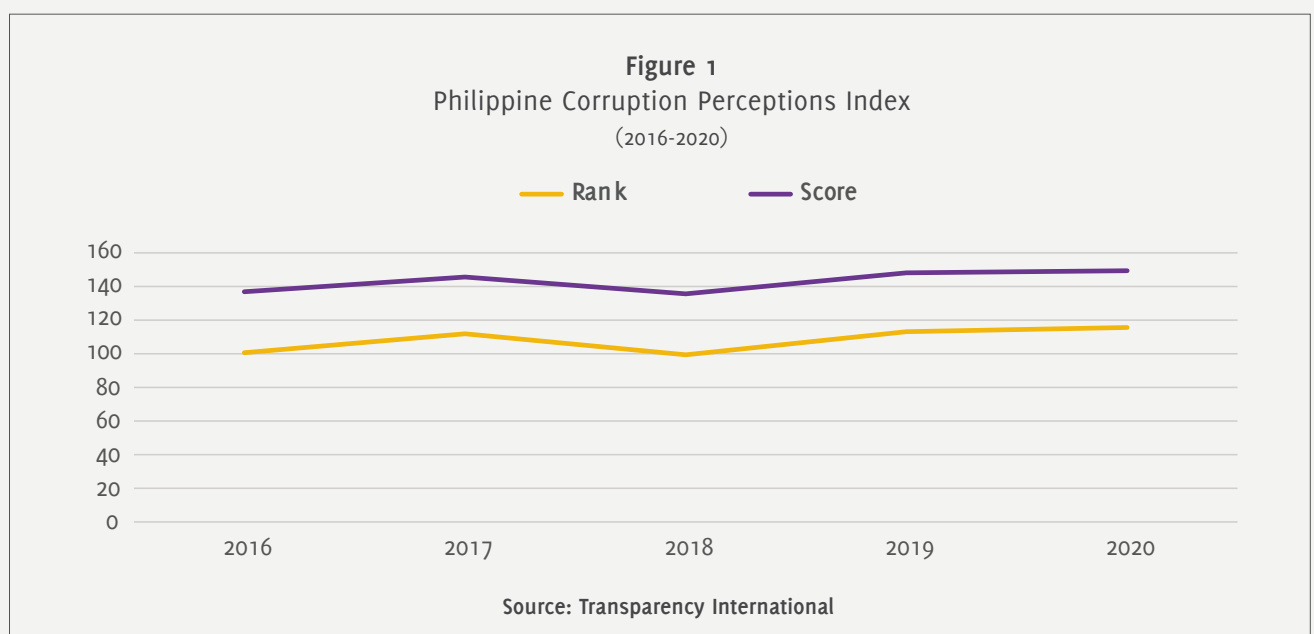
These major governance gaps in the country’s healthcare and social protection systems may have also unwittingly exposed a leadership with dubious competence in managing crisis on the national scale.

Corruption Index

In its 2020 Corruption Perceptions Index (CPI), Transparency International (T.I.) asserted that “widespread corruption is weakening COVID-19 response, threatening global recovery.”¹ In particular, the study concluded that “countries with higher corruption levels also tend to be the worst violators of the rule of law and democratic institutions during the COVID-19 crisis.” The Philippines falls within this category, “where the response to COVID-19 has been characterized by major attacks on human rights and media freedom.”

According to the 2020 CPI, the Philippines ranks 115th out of the 180 countries with a score of 34. Though the score is not far from the 2019 CPI, the Philippines slipped by two places, a strong indication of underperformance in comparison to other states. The country has been in a downward trend in the CPI in the last two years with its ranking plunging down by 14 places from 2018 to 2019.

Figure 1 shows the country’s CPI rank from 2016 to 2020.



The study advocates governments to “strengthen oversight institutions, ensure open and transparent contracting, defend democracy and promote civic space, publish relevant data and guarantee access to information” to curb rising corruption.

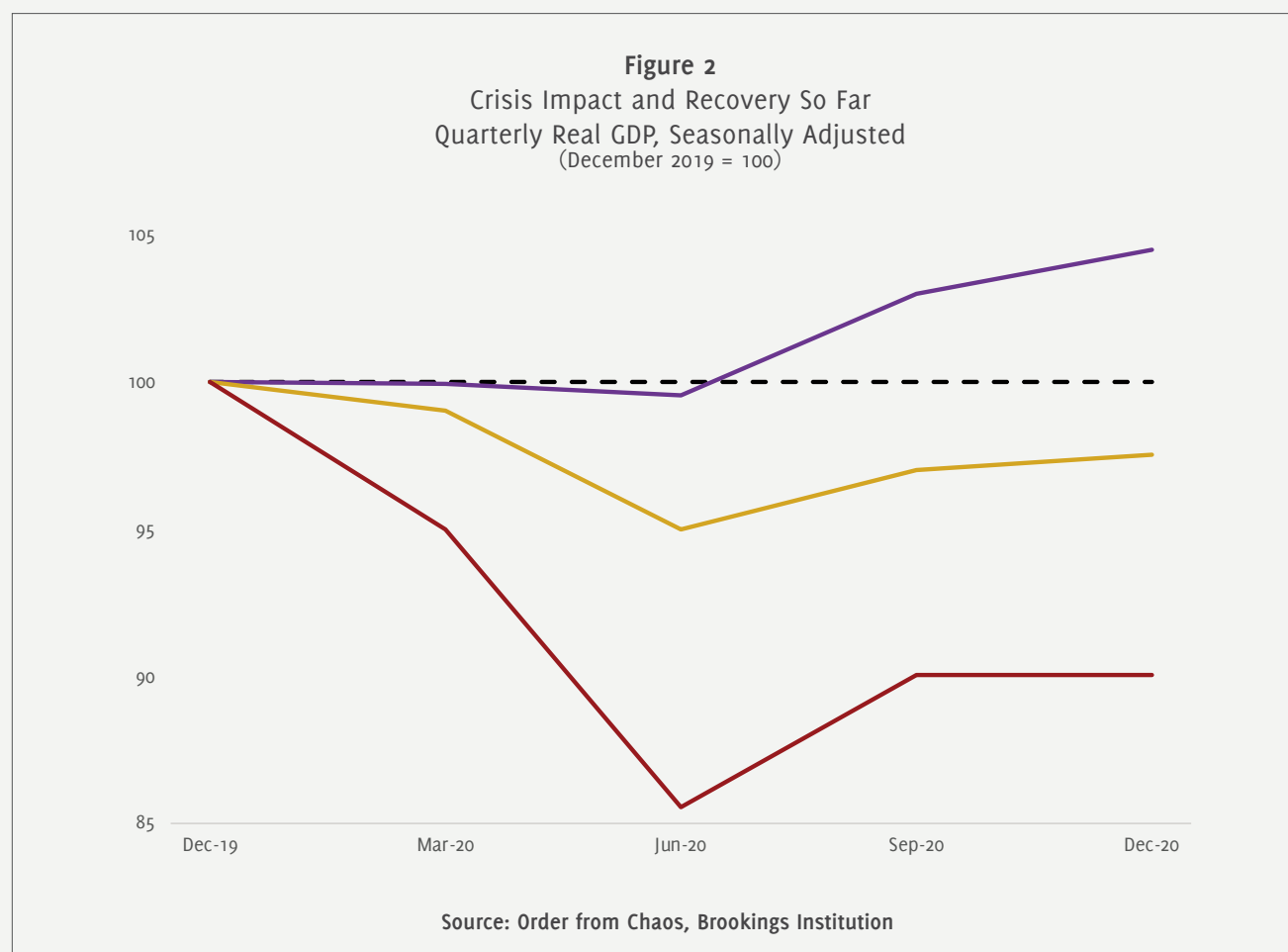
The CPI indicators measure activities involving bribery, the diversion of public funds, effectiveness of prosecution of corruption cases, adequacy of legal frameworks, access to information, and legal protections to whistleblowers, journalists, and investigators.

State of Southeast Asia and Post-Pandemic Outlook

In February, the ASEAN Studies Centre conducted an assessment of the quality of leadership during the pandemic among the ten-member countries. The report—The State of Southeast Asia: 2021 Survey Report—revealed that “the threat to health from COVID-19 (76.0%) is currently the region’s most pressing concern, followed by unemployment and economic recession (63.0%) and the socio-economic gaps and income disparity (40.7%). Terrorism is ranked last (5.2%), after deteriorating human rights conditions (12.6%).”²

The assessment resulted to Singapore and Vietnam, respectively, occupying the first and second place at 32.7% and 31.1%. Thailand came in at 7.4% while the Philippines found itself at the bottom with a rating of 0.5%.

On March 15, the Brookings Institution published its Southeast Asia’s post-pandemic outlook.” The blog cited IMF forecasts that “income per capita in the ASEAN-5 economies (Indonesia, Malaysia, Philippines, Thailand, and Vietnam) will still be 6% lower in 2024 than the level that was expected before the pandemic struck.”³ Figure 2 illustrates the pandemic impact and current trending on countries’ recovery.



Freedom and Democracy in 2021

On the other hand, Freedom House released *Freedom in the World 2021*, an annual report on political rights and civil liberties. This freedom barometer surveys the existing country conditions with regard to the following subcategories: 1) electoral process; 2) political pluralism and participation; 3) functioning of government; 4) freedom of expression and belief; 5) associational and organizational rights; 6) the rule of law; and 7) personal autonomy and individual rights.⁴

In 2020, the number of “free countries” in the world reached its lowest level since the beginning of a 15-year period of what Freedom House refers to as global democratic decline, while the number of “not Free countries” reached its highest level.

It is indeed worth noting that the world is becoming less free for the past 15 years. While the number of countries considered FREE had gone down from 89 to 82 (2005-2020), and those who are PARTLY FREE has remained more or less the same, the number of countries considered as NOT FREE is consistently rising in the same period, from 45 to 47 (2005-2010), then from 47 to 50 (2010-2015), and from 50 to 54 (2015-2020). See the figure below.

The democratically unfavorable shifting balance is characterized by an across-the-board decline of democracy around the world.

In its report, Freedom House included the Philippines in the list of countries with the largest democratic decline in 2020. This may be attributable to the Duterte administration’s response measures. In the report, the democratic decline is characterized by the following: 1) punishing online criticism, tagging it as false information, thereby banning it; 2) stepping up harassment and arrests of social media users, including those who criticized the government’s pandemic response; and 3) implementing an opaque anti-terrorism law that is violative of civil and political rights.

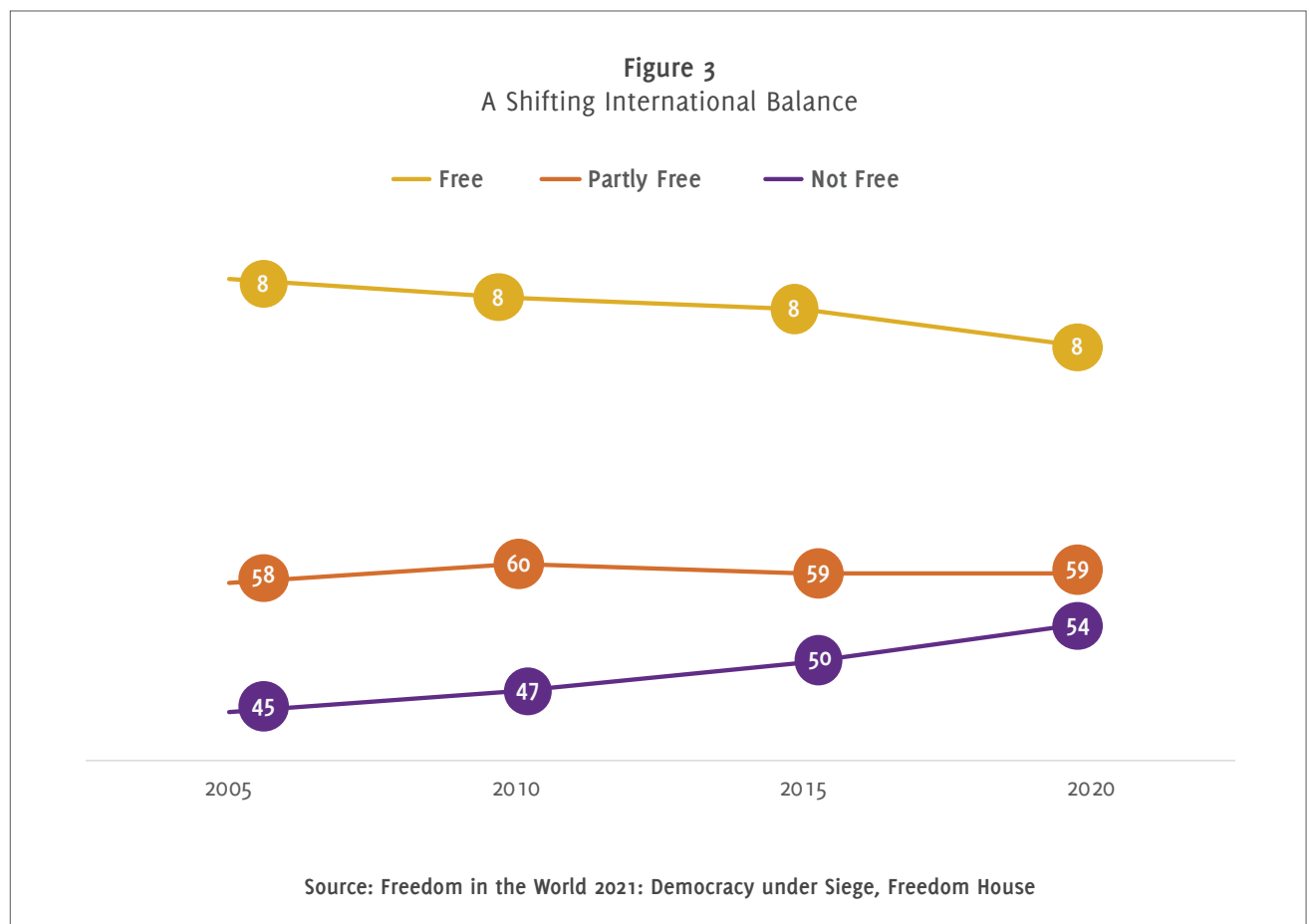


Table 1
Progress of COVID-19 Pandemic in 8 ASEAN Economies

	Cambodia	Indonesia	LAO PDR	Myanmar	Malaysia	Philippines	Thailand	Vietnam
The first case (date)	January 28	March 2	23 Mar	24 Mar	25 Jan	30 Jan	13 Jan	24 Jan
Total cases (by May 31)	125	25,773	19	224	7,762	17,224	3,081	327
Total cases (by July 31)	234	106,336	20	353	8,964	89,374	3,310	509
Total cases (by August 29)	273	165,887	22	656	9,306	209,544	3,411	1,038
First death (date)	NA	March 12	NA	April 1	March 18	2 Feb	01 Mar	01 Aug
Total deaths (by May 31)	0	1,573	0	6	115	950	57	0
Total deaths (by July 31)	0	5,058	0	6	124	1,983	58	0
Total deaths (by August 29)	0	7,169	0	6	125	3,325	58	31

Source: Asian Development Bank Institute

Southeast Asian Condition

The ADBI Working Paper entitled “Impacts of COVID-19 on Households in ASEAN Countries and Their Implications for Human Capital Development,” which covers eight Southeast Asian countries, namely, Cambodia, the Lao PDR, Indonesia, Malaysia, Myanmar, the Philippines, Thailand, and Viet Nam, emphasized that by the time their survey was completed, “the COVID-19 spread seemed to be under control in most countries except for Indonesia and the Philippines.” These two countries have, by far, the highest numbers of deaths due to COVID-19.”⁵ Table 1 shows the progress of response measures in the region.

In relation to government responses, the paper cited (1) the lack of border control, (2) the policies on the provision of government economic support, (3) the largest decline in incomes, (4) the highest impact on household finance, (5) the majority (more than 70%) of families not being able to cover necessary expenditures for more than a month, (6) the rise in unemployment, with more than 70% of households in the Philippines having at least one person lose their job or had reduced working time, and (7) the rate (27%) of children who stopped going to school.

Vaccine Rollout and Transparency

The COVID-19 health crisis transformed into a broader social issue impacting individuals, households and businesses. Governments around the world have committed massive amounts of public funds using, in most cases, proceeds from borrowings in order to address gaps presented by these issues.

The Philippine government, in particular, has released a total of Php564.66 billion, as of February 10, 2021, according to documents from the Department of Budget and Management. This amount may be disaggregated as follows: Php386.14 billion for Bayanihan 1, Php6.58 billion for Post-Bayanihan 1, Php168.64 billion for Bayanihan 2, and Php3.28 billion Post-Bayanihan 2. The top three recipient agencies are the Department of Social Welfare and Development (Php217.41 billion), the Department of Finance (Php146.08 billion), and the Department of Health (Php97.29 billion).

The Philippine Vaccination Deployment Plan has a total budget of Php82.5 billion broken down as follows: (1) Php2.5 billion from the DOH budget under the General Appropriations Act, (2) Php10 billion from continuing appropriations of Republic Act 11494 (Bayanihan to Heal as One Act or Bayanihan II), and 3) P70 billion from unprogrammed appropriations of the 2021 GAA.

For his part, President Duterte has issued blanket assurances that there is no corruption in the government’s purchase of COVID-19 vaccines, reiterating Sec. Galvez’s statements that the negotiations and procurement of the vaccines are clean and above board. Further reinforcing his claim, Galvez even cited the stringent transparency requirements of the Asian Development Bank and the World Bank.



In light of these pronouncements, Transparency International's call for "fair, transparent and equitable access to COVID-19 vaccines and treatment," has become more relevant, adding that "corruption poses serious risks to equitable access to COVID-19 vaccines and treatments" and that such malpractice will undermine all mitigation and recovery efforts.

Trust and confidence on the government's ability to lead the country out of the pandemic would require more effort beyond the press conferences.

Rather than diverting public attention, President Duterte and his administration should be able to inspire and mobilize people to join hands out of the pandemic. Competent leadership and good governance are key in addressing the critical and snowballing concerns brought about by the pandemic.

The Duterte administration should be able to promote a shared vision of safety from COVID-19 and of shared prosperity. Otherwise, the high trust and approval ratings of President Duterte will merely be a synthetic decoration of his presidency.

II. A CALIBRATED COMPETITION WITH CHINA IN SOUTHEAST ASIA

Though not a party to the overlapping territorial claims in the disputed waters, Washington's engagement in the South China Sea dispute since 2011 is justified on the grounds that the maritime row affects the conduct of American diplomacy in the Indo-Pacific region, the possible use of U.S. forward-deployed forces in the first-island-chain, and the management of Washington's security commitments in Southeast Asia.

Biden's China Policy

The U.S. does not take any position on the respective territorial claims of coastal states. Nevertheless, Washington is determined to protect its interests, primarily in ensuring the free and unimpeded flow of commerce along some of the world's busiest sea-lanes of trade and communication. Moreover, the U.S. is interested in securing the U.S. Navy's ability to conduct naval operations in these waters, protecting American companies that operate in the region, and managing its formal treaty alliances with states involved in the dispute.

Less than a week after his inauguration, President Joseph Biden bared his China policy which has been described as "the most aggressive concentration of moves against a foreign power than any peacetime administration has ever launched in modern times." These moves include an invitation to Taiwan to the inauguration and the pledge to continue the sale of arms to Taiwan. The Biden administration announced that high-level talks with China would only happen after the U.S. has consulted its close allies. This led one former State Department official to comment that these moves are troubling to anyone who (mistakenly) thought that the Biden Administration would prioritize "global issues over great power competition."

A Strategic and Calibrated Approach Against China

President Biden made it clear that East Asia and the U.S.-China strategic competition would be the heart of his foreign policy. This is based on his personal view which reflects the American foreign policy establishment's thinking on China. Since 2016, foreign policy experts and analysts associated with the Democratic Party have changed China's benign views. During the Clinton and Obama years, they assumed that welcoming China into the World Trade Organization (WTO) and engaging it in several strategic dialogues and collaborative efforts would make it a more open society and, more importantly, a responsible stakeholder in the rules-based international system. Unfortunately, the opposite happened as China pursued its expansionist efforts in the South and East China Seas. From these experts' perspective, the U.S. must embark on a sustained and calibrated strategic competition with China, bringing all of America's national resources into play.

For the Biden administration, competing with China is not simply a matter of being "tough." Rather, it seems to be taking off from the assumption that China ignores international law, refuses to extend reciprocity to its trading partners, and threatens to disturb the rules-based international order. The competition stems from the two fundamentally different economic and political systems with their respective international order visions.

This requires a cleared-eyed, strategic and firm response from the U.S. Such response must go beyond the notion that the competition between the two great powers should only be a contest of realpolitik in the realms of geopolitics and geoeconomics. It would require a national strategy that would help build up America's overall capabilities to confront China better. This is because the competition with China would not be played out on old and undated geopolitical arenas but in laboratories, information campaigns, academia, technology platforms, and in the global alignments of values and norms.

The Biden administration has also indicated that it would pursue greater collaboration with like-minded countries worldwide to confront the risk and danger presented by China. In the region, the U.S. is seeking to reaffirm and rebuild its alliance with Japan, South Korea, and its new security partners.

Strengthening U.S. Presence in Southeast Asia

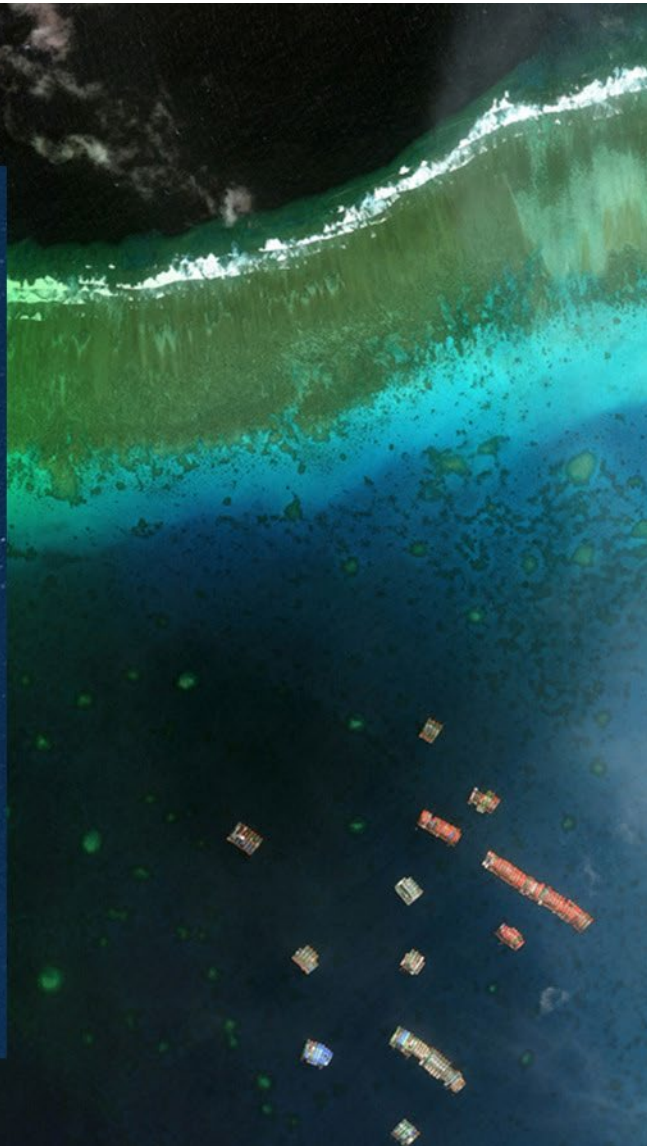
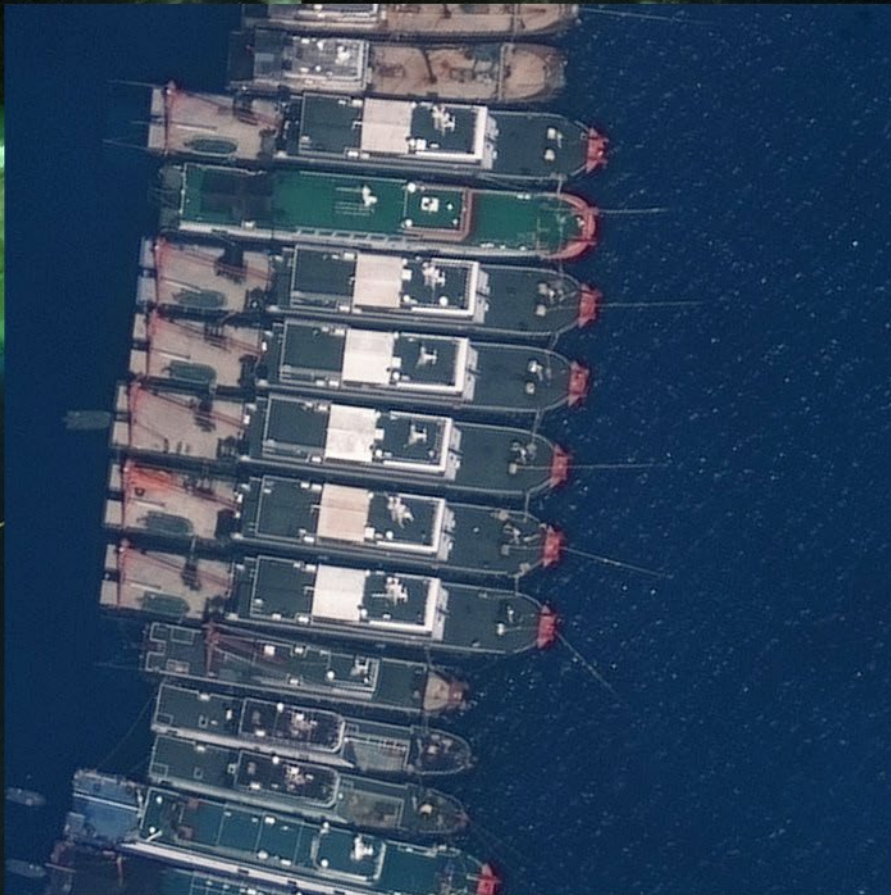
One week after his inauguration, President Biden sent a clear warning message to China that there will be a cost to its expansionist moves in the South and East China Seas. He and his top security officials conveyed

U.S. support for allies such as Japan, South Korea, Taiwan, and the Philippines, signaling Washington's rejection of China's expansive claims in the seas within the first-island-chain.

Secretary Antony Blinken reaffirmed the Biden administration's position that a strong U.S.-Philippine alliance is vital to a free and open Indo-Pacific region. In late February, the two sides met to narrow down issues and iron out whatever differences about a possible new Visiting Forces Agreement (VFA). A successful conclusion to a renegotiated VFA between the Philippines and the U.S. will enable Washington to play a major security role in Southeast Asia in the face of Chinese maritime expansion in the South China Sea. For Secretary Lorenzana, this will ensure that the U.S. will remain "a stabilizing force in the Indo-Pacific region and a counter-balance to China."

On March 29, 2021, Secretary Blinken reiterated the position of the U.S. and its commitment to stand by the Philippines amid the current situation in the West Philippine Sea, wherein around 220 Chinese vessels were spotted at the Julian Felipe Reef. Also known as the Whitsun Reef, the said reef is a boomerang-shaped shallow coral reef located approximately 175 nautical miles west of Bataraza, Palawan, well within the Philippines' Exclusive Economic Zone (EEZ).

In his official Twitter account, Secretary Blinken said that the United States stands with the Philippines in the face of the PRC's (People's Republic of China) maritime militia amassing at Whitsun Reef (Julian Felipe Reef). He also said that the U.S. will always stand by its allies and stand up for the rules-based international order. Although the Chinese Embassy in the Philippines downplayed the situation and denied the presence of Chinese Maritime Militia in the area, the Department of Foreign Affairs (DFA) proceeded with its diplomatic protest. At the same time, Secretary Lorenzana repeatedly called for the immediate removal of the ships in the Julian Felipe Reef.



Duterte Administration Running in Circles?

The topsy-turvy foreign policy pronouncements of the Duterte administration vis-à-vis China and the U.S. have further brought turbulence in the South China Sea. From the act of appeasing the dragon, it has gone to the border of categorically asking the U.S. logistical or monetary compensation under a renewed VFA.

On March 5, 2021, Philippine envoy to Washington, D.C. Ambassador Jose Manuel Romualdez announced, in a virtual interview, that the United States Department of Defense (DoD) has forwarded to him a list of military hardware that the U.S. will be providing to the Armed Forces of the Philippines in exchange for a renegotiated Philippine-U.S. VFA. He observed that the list of proposed military assistance to the Philippines appears complete and sufficient, especially since more defense equipment from the U.S. is on the way.

Ambassador Romualdez then said that “hopefully, the President has seen that since that with Secretary Lorenzana, and that would probably satisfy the President concern regarding the modernization of the armed forces. And more are coming, especially helicopters. We will get something like ten more Blackhawk helicopters coming to the Philippines within this year.” He then concluded his statement that the Pentagon had given the Philippines an inventory of arms and hardware to modernize the AFP.

Ambassador Romualdez’s statement about the Pentagon’s list is directed to President Rodrigo Duterte. He earlier demanded that the U.S. pay the Philippines if it wanted to resume joint exercises with the Philippines with its forces covered by the VFA’s legal guarantees.

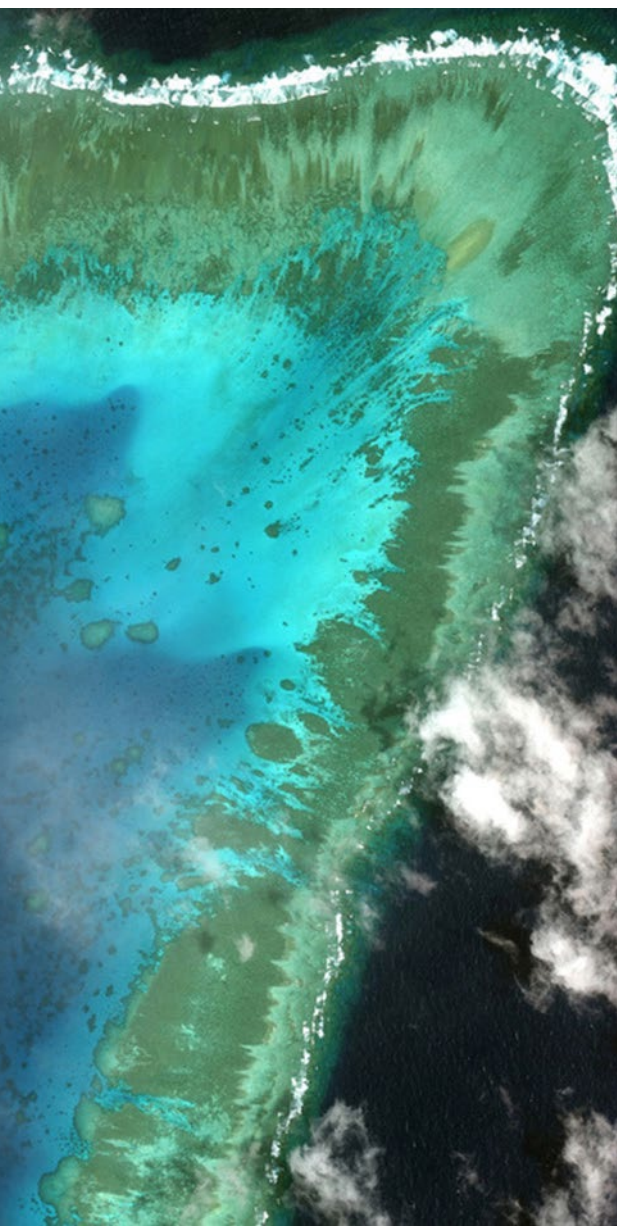
In his February 11, 2021 speech, President Duterte argued that as allies, “the Philippines and the U.S. share a responsibility, but American responsibility does not come for free because after all when war breaks out, we all pay.” He also lamented how the U.S. has failed to deliver its previous promises to the AFP, using the delay in providing TOW anti-tank missiles as an example.

The President said that “we (the Philippine government) ask so much of them because they have taken so much from us” during Balikatan exercises when American troops operate on Philippine territory.” He added that the (U.S.) is free to rein their troops on Philippine territory. He does not like it because he wants the Philippine to remain neutral. However, according to Duterte, the “exigency of the movement requires their presence here (in the Philippines), I am okay with that.”

Two Full Circles

Duterte’s demand for compensation from the U.S. in exchange for VFA attracted the attention of the opposition, who accused him of mendicancy and commercializing the Philippine-U.S. alliance. What critics and opposition figures overlooked was that by asking U.S. compensation in return for a renegotiated VFA, President Duterte came into two full circles.

On February 11, 2020, President Duterte unilaterally abrogated the VFA after the State Department canceled the visa of his close friend and former police chief, Senator Ronaldo De La Rosa. However, two of his key cabinet members—DND Secretary Lorenzana and DFA Secretary Locsin—were uneasy with the President’s decision to terminate the VFA.



Secretary of National Defense (DND) Delfin Lorenzana is very vocal against the unannounced passage of People's Liberation Army's Navy (PLAN) ships in Philippine territorial waters in Mindanao and on People Liberation Army's (PLA) unlawful radio warnings to PAF reconnaissance aircraft patrolling the country's exclusive economic zone (EEZ) in the West Philippine Sea. On the other hand, Secretary of Foreign Affairs Theodore Locsin has been instrumental in pushing the Department of Foreign Affairs (DFA) to file 45 diplomatic notes against China for any of its actions that are construed as provocations, threats, or coercion against the Philippine military and civilian vessels or planes in the South China Sea.

Several Chinese provocative actions in the South China Sea from February 2020 to January 2021 provided Lorenzana and Locsin with a little help in convincing President Duterte to suspend the VFA's termination process twice and later, to renegotiate a new status of forces agreement with Washington. This is a reversal of his earlier decision to abrogate the VFA in February 2020. In late 2016, a few months into his term, Duterte declared that he intends the Philippines to be less dependent on the U.S. for military assistance.

In August 2018, President Duterte rejected the offer from the U.S. of military hardware in support of the Philippine military's 15-year modernization. Three ranking American officials, through a letter, offered the provision of new material to the AFP to counter the government's plan to acquire Kilo-class submarines from Russia. Duterte sharply rebuked the offer saying that the U.S. needs to do more to prove its sincerity.

However, his recent demand for U.S. military assistance in exchange for a new VFA means that American materiel will be acquired for the AFP's modernization program. Duterte has made two full circles.

A Regional Platform for the Indo-Pacific⁶

Recently, the Quadrilateral Security Dialogue or Quad has finally taken shape through a virtual summit between middle powers and the U.S. The opening salvo tackled regional and international issues relating to security, climate change, COVID-19 vaccine, and future tech standards.

Hosted by U.S. President Joe Biden, the meeting involved the participation of Japanese Prime Minister Yoshihide Suga, Australian Prime Minister Scott Morrison, and Indian Prime Minister Narendra Modi.

In an uncategorical manner, the summit represents an alternative platform vis-à-vis China's expansionist agenda in the West Philippine Sea. The Quad challenge is implied under the following discussions or agenda.

Described by Minister Morrison as "a new dawn in the Indo-Pacific," Quad's joint statement dubbed "The Spirit of the Quad" strengthened cooperation on the "challenges to the rules-based maritime order in the East and South China Seas."

On the other hand, Minister Suga recommended cooperating with the ASEAN members to "pursue a free and open Indo-Pacific and that the other leaders had agreed," which involves "key regional issues" such as freedom of navigation and freedom from coercion in the South and East China seas.

During the summit, Canberra pledged \$77 million to assist in vaccine supply to Southeast Asia, Pacific Island countries, and Timor-Leste. According to Foreign Secretary Harsh Vardhan Shringla, "this is a special initiative which is designed proactively to mitigate the impact of COVID-19 among countries in the Indo-Pacific." U.S. national security adviser Jake Sullivan expressed that Quad's commitment also covers "the delivery of up to 1 billion doses to ASEAN, the Indo-Pacific and beyond by the end of 2022."

In its entirety, Quad portends a regional and international platform anchored on less reliance on China. It also embodies a very encouraging development under a calibrated engagement with this expansionist power.

III. LEGISLATIVE ACCOMPLISHMENTS AND UPDATES

As the Philippines continues to address the rising number of cases and the socio-economic impact of the COVID-19 pandemic, the President's legislative agenda has prioritized the opening of the economy to spur growth and allow more a more conducive investment environment. Priority bills were identified to foster development and alleviate the financial plight of Filipinos as the past year saw a multitude of businesses suffer due to the stringent enforcement of community lockdowns throughout the country.

Business groups and the administration's economic advisers have urged Congress to allow the passage of amendments to significant laws such as the Public Service Act, Foreign Investments Act, and the Retail Trade Liberalization Act. The amendments will potentially attract foreign direct investments and generate more jobs by relaxing certain provisions and increasing applicable penalties to ensure dutiful compliance to necessary terms and conditions. As the challenges of the past year saw the need for multi-sectoral efforts, the passage of these amendments will provide ease in doing business which will pique the interest of investors to infuse and invest in the disparate sectors of the country.

With a little more than a year left for the current government, the President and his economic team have consolidated priority measures central to achieving long-term progress. These measures ultimately aim to generate more investments and funding, which will increase the country's liquidity allowing for more economic flexibility to start new projects and provide the means to expand on current and pending ones.

Harmonized Legislative-Executive Development Advisory Council- Common Legislative Agenda (LEDAC-CLA)

On February 18, 2021, Acting Socioeconomic Planning Secretary Karl Kendrick Chua presented the Harmonized LEDAC-Common Legislative Agenda (LEDAC-CLA) as approved by the President and endorsed to the House Speaker and Senate President. This harmonization was brought about to effectively attenuate the effects of COVID-19 on the economy and induce recovery to the struggling sectors in the country. As the year 2021 provides a renewed vigor for the country as it recovers from the bane that is COVID-19, appropriate laws to ensure this desired recovery and growth are crucial.

Certain criteria were considered for inclusion in the LEDAC-CLA. These are the following:

- SONA List (2019 & 2020)
- Expanded Presidential Legislative Priorities (PLP)
- Common Legislative Priorities of Congress (CLPC)
- Bills certified as urgent by the President
- Priority economic reforms
- Indicative LEDAC-CLA for the 18th Congress

Out of the 27 priority bills previously identified, the LEDAC Technical Working Group highlighted nine bills as top priorities.

This list signifies that Congress will prioritize the passage of these nine identified measures among the other pending bills. According to the National Economic and Development Authority (NEDA), the bills were selected as priorities because they are "critical in addressing the COVID-19 pandemic" and "crucial for economic recovery."

Among these bills are the Medical Reserve Corps Act and the Creation of a Disease Prevention and Control Authority, which aims to augment the country's medical personnel for future pandemics and prevent future ones by ensuring that the Philippine health system is well-prepared to forecast and respond to emerging infectious diseases.

Table 2
Top Priority Bills from LEDAC-CLA

BILL	STATUS
Amendments to the Public Services Act	Approved on Third Reading in HOR; Period of Interpellations in the Senate
Amendments to the Foreign Investments Act	Approved on Third Reading in HOR; Period of Interpellations in the Senate
Amendments to the Retail Trade Liberalization Act	Approved on Third Reading in HOR; Period of Interpellations in the Senate
Package 3 of Comprehensive Tax Reform Program - Valuation of Reform Bill	Approved on Third Reading in HOR; Pending in Committee level in Senate
Package 4 of Comprehensive Tax Reform Program – Passive Income Tax and Financial Intermediary Tax Reform	Approved on Third Reading in HOR; Pending in Committee level in Senate
Government Financial Institutions Unified Initiatives to Distressed Enterprises for Economic Recovery (GUIDE)	Approved on Third Reading in HOR; Pending in Committee level in Senate
Rural Agricultural and Fisheries Development Financing Act	Approved on Third Reading in HOR; Pending in Committee level in Senate
Creating a Medical Reserve Corps	Approved on Third Reading in HOR; Pending in Committee level in Senate
National Disease Prevention and Management Authority	Pending in Committee level for HOR and Senate

Another priority bill is the amendment to the Public Service Act, which will prospectively allow foreign direct investments and create jobs by expanding the definition of public services to include sectors such as telecommunication and transportation as well as lifting foreign ownership restrictions in public services. These reform measures are included in the President's State of the Nation Address in 2019 and 2020 and in the Philippine Development Plan 2017-2022 legislative agenda. The majority of the priority bills are in their advanced stages of Congressional approval as counterpart measures are approved on Third Reading in the House of Representatives.

Among those in their advanced stages are the Passive Income Tax and Financial Intermediary Tax Act (PIFITA), which aims to simplify the tax regime for passive income, financial services, and transactions by reducing the number of tax rates on financial transactions from 80 to 36, as well as the Package 3 of CTRP or the Valuation Reform Bill which aims to develop a nationally consistent real property valuation system following international standards and broaden the tax base for property-related taxes, were tax reforms mentioned by the President in his 2019 SONA.

The President and his economic team urged Congress to pass and expedite the enactment of these nine priority measures by June 2021 for their speedy application and allow the economy to recover from the pandemic effects fully. The bills were categorized as follows:

- Recovery Package – GUIDE
- Tax Reform – Package 3 and 4
- Economic Liberalization – Amendments to Public Service Act, Retail Trade Liberalization Act, Foreign Investment Act
- Agriculture – Agri-Agra Act
- Health – Medical Reserve Corp and National Disease Prevention and Management Authority

Meanwhile, the remaining 13 priority measures are targeted to be passed in Congress by December 2021. These bills were not included in the priority list but are nonetheless in the pipeline for approval due to their pertinence to support socio-economic development beyond 2022.

Table 3
Remaining Bills

BILL	STATUS
Modernization of the Bureau of Fire Protection	Approved on Third Reading in HOR and Senate
Expanded Solo Parents Act	Approved on Third Reading in HOR; Period of Interpellations in the Senate
Internet Transactions Act	Approved on Third Reading in HOR; Pending in Committee level in Senate
Department of Disaster Resilience	Approved on Third Reading in HOR; Pending in Committee level for Senate
Reviving the Death Penalty, Amending the Comprehensive Dangerous Drugs Act of 2002	Approved on Third Reading for HOR; Pending in Committee level Senate
Department of Overseas Filipinos	Approved on Third Reading for HOR; Pending in Committee level Senate
Modernization of the Bureau of Immigration	Period of Interpellations for HOR; Pending in Committee level for Senate
National Housing Development Act	Pending in Committee level for HOR and Senate
Amendments to the Continuing Professional Development Act of 2016 (RA 10912)	Pending in Committee level for HOR and Senate
Unified System of Separation, Retirement, and Pension of the Military and Uniformed Personnel	Pending in Committee level for HOR and Senate
National Land Use Act	Pending in the Committee for HOR and the Senate
Boracay Island Development Authority	Pending in the Committee for HOR and the Senate
Magna Carta of Barangay Health Workers	Pending in the Committee for HOR and the Senate

Amendments to Critical Legislation

The following measures have been approved in the House of Representatives and are currently in the Senate plenary on Period of Interpellations. These measures have been repeatedly prioritized by the President and the Congressional leadership in the 18th Congress. They are expected to provide economic support by allowing more investments and opening up competition to foreign players. Most pertinently, these measures help address the issues brought about by the pandemic as the economy strives to go back on track this year. However, some critics have raised concerns about foreign control and ownership.

Public Service Act (PSA)

The House of Representatives approved on Third Reading its version on March 10, 2021, as it seeks to amend the 85-year-old Commonwealth Act No. 146 or the Public Service Act. Among the key amendments to the law is clarifying the difference between “public service” and “public utility” to delineate the two terms and avoid ambiguity in the law. Also, it updates the 200-peso per day violation to provide more stringency in complying with terms and conditions of orders and demand more accountability from pertinent parties to fulfill obligations.

In addition, it also allows certain sectors to open up to foreign ownership, which critics continue to express concern about as it may unintentionally change the Constitution that stipulates Filipino ownership, operation, control, and management of public utilities. These critics have echoed their concern that Filipinos should own at least 60% of their capital stock.

As the pandemic already took away millions of jobs, the PSA amendment aims to attract foreign direct investments and create new jobs. This objective of clarifying ambiguous terms in the law would result in the inclusion of telecommunication and transportation sectors.

Foreign Investments Act (FIA)

Since 2019, the House of Representatives has approved its version of the FIA on Third Reading. The House bill allows foreigners to own small-and-medium-sized enterprises with a minimum paid-up capital of less than \$100,000 if it involves advanced technology or employs at least 15 direct employees. This rate would purportedly attract more foreign investments and encourage the transfer of technology, thereby generating more jobs for Filipinos.

Retail Trade Liberalization Act

In March 2020, the House of Representatives approved its version of the Bill amending the Retail Trade Liberalization Act. This particular act aims to lower the required paid-up capital currently at US\$2.5 million down to just US\$200,000 to encourage foreign direct investments in the retail sector. Additionally, it also targets to remove the US\$250,000 paid-up capital per store in high-end or luxury products, among others.

Internet Transactions Act

This measure, identified as one of the “Remaining 13” priorities of Congress by year-end, has received varied reactions from the public and business sector. In particular, e-commerce platforms and foreign ICT companies have raised concerns over the liabilities in the proposed measure.

Among the bill’s significant provisions aims to establish an E-Commerce Bureau under the Department of Trade and Industry. The Bureau will oversee all consumer-related policies, complaints, and regulations about e-commerce to ensure transparency and efficiency.

The Scope and Coverage of the measure are business-to-business and business-to-consumer e-commerce and Internet transactions that include:

- Internet retail of consumer goods and services
- Online travel services
- Online media providers
- Ride-hailing services
- Digital financial services

According to the bill, consumer-to-consumer transactions are exempted from its application. Additionally, it also underscores the obligations of E-Commerce Platform Operators before the commencement of online transactions, wherein all online merchants must submit necessary business registration documents (such as LGU, DTI, SEC, and BIR documents), and the submission of a list of all online merchants registered under their platform to the Bureau.

The bill also provides the extent of an operator’s liability. It states that they shall be “solidarily liable” with an online merchant to the consumer only to the extent of civil damages suffered by the consumer as a direct result of the transaction.

Since the pandemic changed the landscape of how work is being performed and how the internet influences businesses as transactions have shifted from face-to-face interactions to a digital-oriented one, the Internet Transactions Act provides a tool to protect consumers’ rights and facilitates the speedy resolution of complaints. Safeguarding these rights will further push the amelioration of the e-commerce industry.

The House of Representatives approved on Third Reading the Internet Transactions Act November 24, 2020. Presently, a counterpart measure is being heard in a Technical Working Group in the Senate. President Duterte identified the proposed legislation as a priority bill during his State of the Nation Address in July 2020.

Significant Measures Signed into Law

Corporate Recovery and Tax Incentives for Enterprises (CREATE)

Signed into law on March 26, 2021, the CREATE law will reduce Corporate Income Tax from 30% down to 25% and develop a more responsive and globally competitive tax incentives regime that is performance-based, targeted, time-bound, and transparent. This lowering of income tax aims to enable the country to keep pace with other South Asian countries in attracting foreign direct investments and help current businesses adapt to the changes brought about by the pandemic.

Financial Institutions Strategic Transfer (FIST)

The FIST was signed into law on February 16, 2021 and is seen to help cushion the adverse impact of the pandemic on our financial sector. The law allows financial institutions to offload non-performing assets, as one of its features is the private sector's exclusive rights to form FIST corporations (FISTCs). This aims to promote investor and depositor confidence and mitigate the effects of the crisis. If our financial institutions are in good shape, they can help businesses and save jobs in return.

Another feature is the non-inclusion of Foreign FISTCs in the bidding and foreclosure of real property. Under the law, specific periods were lowered to prevent delays in offloading of assets. Both panels agreed to reduce the period of considering loans and other financial assets as non-performing loans to 90 days.

Lastly, the borrower's right to renegotiate loans was retained but lowered the period of restructuring from 90 days to 30 days. This gives the borrower at least 120 days to pay off or renegotiate a loan and prevent the transfer of the asset to a FISTC; The bill likewise extended the applicability period to assets that have become non-performing from December 31, 2020, to December 31, 2021.

Anti-Money Laundering Act (AMLA) Amendments

The amendment to the AMLA was signed into law on January 29, 2021, which will further strengthen the government's regulations against money laundering. Among the significant provisions include the inclusion of real estate developers and brokers, offshore gaming operators, and their service providers to the list of 'Covered Person.' Additionally, it will now cover single cash transactions involving an amount in excess of P7.5 Million or its equivalent in any currency to the list of 'Covered Transactions.' Moreover, violation of the Strategic Trade Management Act and other related crimes will be subsequently considered an Unlawful Act under the said law.

Lastly, the latest amendment expands the Anti-Money Laundering Council's power by granting it the power to issue search and seizure orders and implement the necessary financial sanctions.

Schedule of 18th Congress

Towards the end of this quarter, the Senate building, and House of Representatives compound were placed under a six-day and four-day lockdown, respectively, after several of its employees tested positive for COVID-19. The Senate held its last plenary session on March 24, while the House conducted its final plenary session on March 25, before the 18th Congress is scheduled to take a two-month break.

Congress will suspend Regular Session from March 27, 2021, to May 6, 2021, and will resume May 17, 2021, to June 4, 2021, before a Sine Die Adjournment. Plenary sessions will entirely be on hold during the break, while Committee hearings will be allowed.

¹ Transparency International. 2021 Corruption Perception Index. Refer to <https://www.transparency.org/en/press/2020-corruption-perceptions-index-reveals-widespread-corruption-is-weakening-covid-19-response-threatening-global-recovery>

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³ Rajah, Roland. 2021. ORDER FROM CHAOS: Southeast Asia's post-pandemic outlook. BROOKINGS. Refer to <https://www.brookings.edu/blog/order-from-chaos/2021/03/15/southeast-asias-post-pandemic-recovery-outlook/?fbclid=IwAR3gwLfZeABl8-BgEEjd-calbBOZxVsZ0m7aQcJLI9xXqRRq2DmKLEFmb8>

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⁵ Morgan, P. J. and L. Q. Trinh. 2021. Impacts of COVID-19 on Households in ASEAN Countries and Their Implications for Human Capital Development. ADBI Working Paper 1226. Tokyo: Asian Development Bank Institute. Available: <https://www.adb.org/publications/impacts-covid-19-households-asean-countries>

⁶ [1] Derived from the article "A new dawn: Quad leaders vow to define the Indo-Pacific century," refer to https://asia.nikkei.com/Politics/International-relations/Indo-Pacific/A-new-dawn-Quad-leaders-vow-to-define-the-Indo-Pacific-century?fbclid=IwARoA7snHByDbVDd3IA88Sj1_aGpZg1A8ZV6d0lZy0F_XBSAdY72PRMQG0Fg



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CRITICAL ISSUES OF PHILIPPINE POLITY



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