

POLÍTIKA

CRITICAL ISSUES OF PHILIPPINE POLITY

1ST QUARTER

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

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

Shaping Philippine Foreign Policy Through the National Interests

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

Legislative Updates and Achievements

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

STENZENCO

ON THE COVER & CONTENTS

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OVERVIEW

The first quarter of 2023 started on a high note with the signing of crucial policies such as Executive Order (EO) No. 14 by President Ferdinand “Bongbong” Marcos, Jr., approving and adopting the Philippine Development Plan (PDP) 2023-2028. These policies are meant to provide national policy direction for the country in the next five years. However, much still needs to be done to address persistent poverty, hunger, and the perception of corruption in the public sector.

The first section of this report examines the results of the latest surveys conducted by the Social Weather Stations (SWS), Pulse Asia Research, Inc., and the Bangko Sentral ng Pilipinas (BSP). These show the economic conditions of Filipinos on the ground, as well as the business community’s sentiment on the economy. It also explores the findings of the latest Corruption Perceptions Index 2022 of Transparency International as well as Freedom House’s Freedom in the World 2023.

The second section discusses the diplomatic engagements of President Marcos Jr. within the first quarter of 2023. It covers the president’s official visits to China and Japan as well as the expansion of the Enhanced Defense Cooperation Agreement (EDCA) between the Philippines and the United States. Ongoing issues and developments in the West Philippine Sea are also included in the discussion.

Lastly, the third section touches on the priority bills that will be fast-tracked by the Marcos Jr. administration before the end of the First Regular Session of the 19th Congress on June 2, 2023. Sessions in Congress adjourned starting March 25, 2023 and will resume on May 8, 2023.

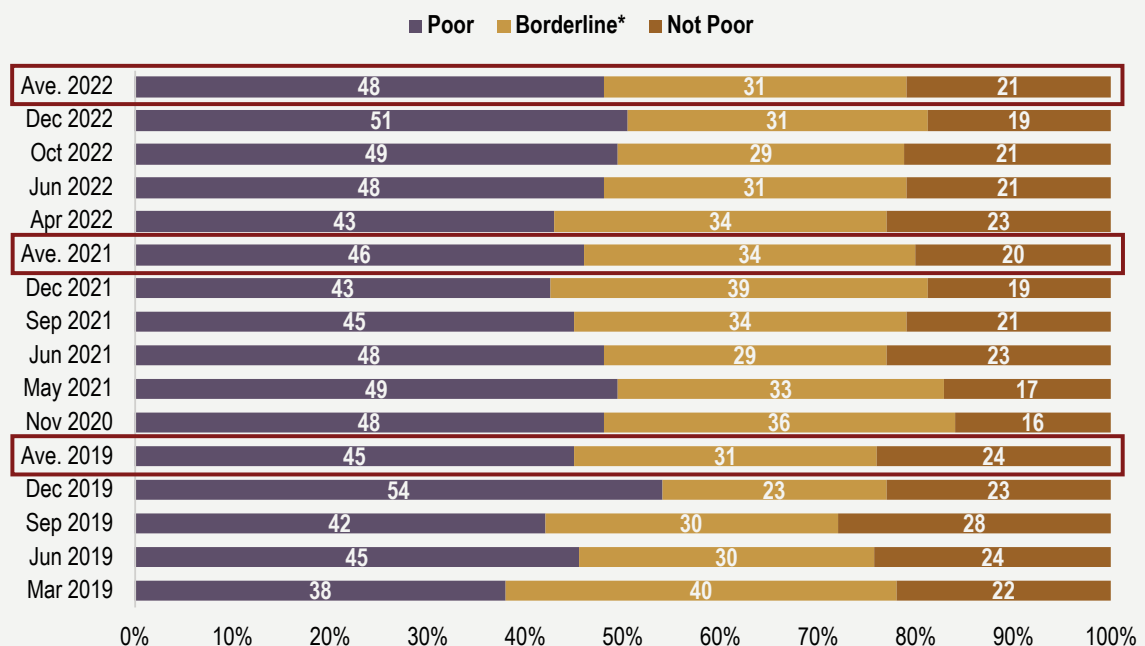
I. CHALLENGES AHEAD: ECONOMIC HARDSHIPS, CORRUPTION, AND FREEDOM

In the Philippines, the socioeconomic challenges brought upon by the COVID-19 pandemic and the conflict between Russia and Ukraine were exacerbated by internal issues on corruption, which added to the burden of consumers who had to deal with higher prices due to the disruption of supply chains and the smuggling of food products. All these made it more difficult for people to meet their daily needs.

Filipinos' Economic Conditions on the Ground

The latest national Social Weather Survey conducted by the Social Weather Stations (SWS) in December 2022 found that 51% of Filipino families – which translated to 12.9 million families – rated themselves as Mahirap or Poor (Figure 1). Around 31% rated themselves as Borderline Poor, while 19% rated themselves as Hindi Mahirap or Not Poor. The percentage of Self-Rated Poor families in December 2022 was higher than the 49% recorded in October 2022, which was equivalent to 12.6 million Filipino families. It is important to note, however, that the survey found 8.0% of Filipino families as “Newly Poor” in December 2022 – that is, they were not poor 1-4 years ago.

Figure 1
Self-Rated Poverty, Families Who are “Mahirap.” PHILIPPINES
(March 2019 – December 2022)



The quarterly survey of the SWS also found that in December 2022, the percentage of Filipino families that experienced involuntary hunger at least once in the past three months slightly increased to 11.8% – which translated to approximately 3.0 million families – from 11.3% (or 2.89 million families) in October 2022 and 11.6% (or 2.95 million families) in June 2022 (Figure 2). Out of the 11.8% hunger rate in December 2022, around 9.5% (or 2.4 million families) experienced Moderate Hunger while 2.3% (or 599,000 families) experienced Severe Hunger. This experience of involuntary hunger was seen to be highest in Mindanao (12.7%), followed by Visayas (12.0%), Metro Manila (11.7%), and Balance Luzon (11.3%).

Notably, the survey findings indicate that overall hunger increased among families who rated themselves as Non-Poor (i.e., Not Poor and Borderline Poor), from 6.7% in October 2022 to 7.8% in December 2022. In contrast, overall hunger slightly decreased among the Self-Rated Poor, from 16.0% to 15.7%.

Figure 2
Total, Moderate, and Severe Hunger: **PHILIPPINES**
(July 1998 – December 2022)

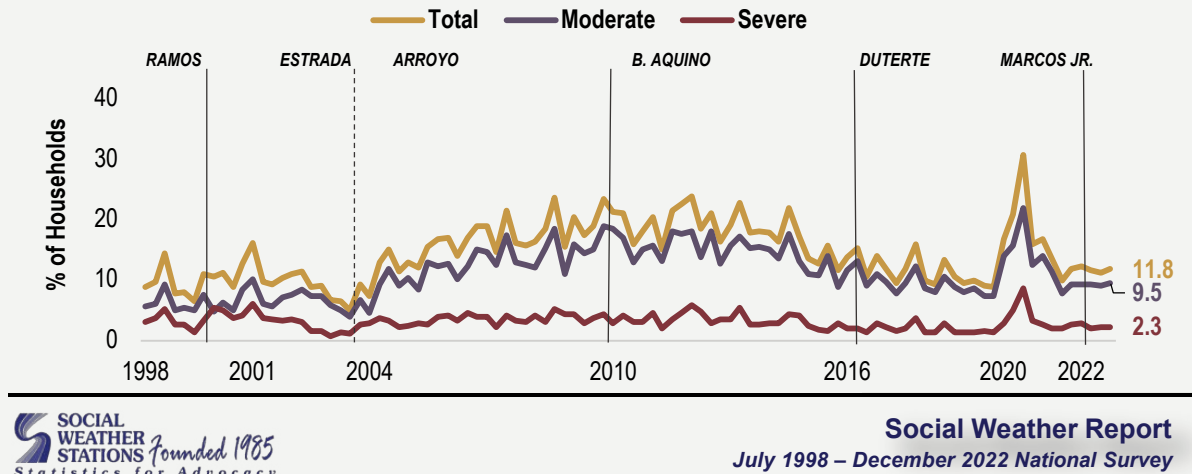


Table 1
Most Urgent National Concerns Overall: **PHILIPPINES**
In Percent / Multiple Responses, Up to 3 Allowed
(March 15-19, 2023)

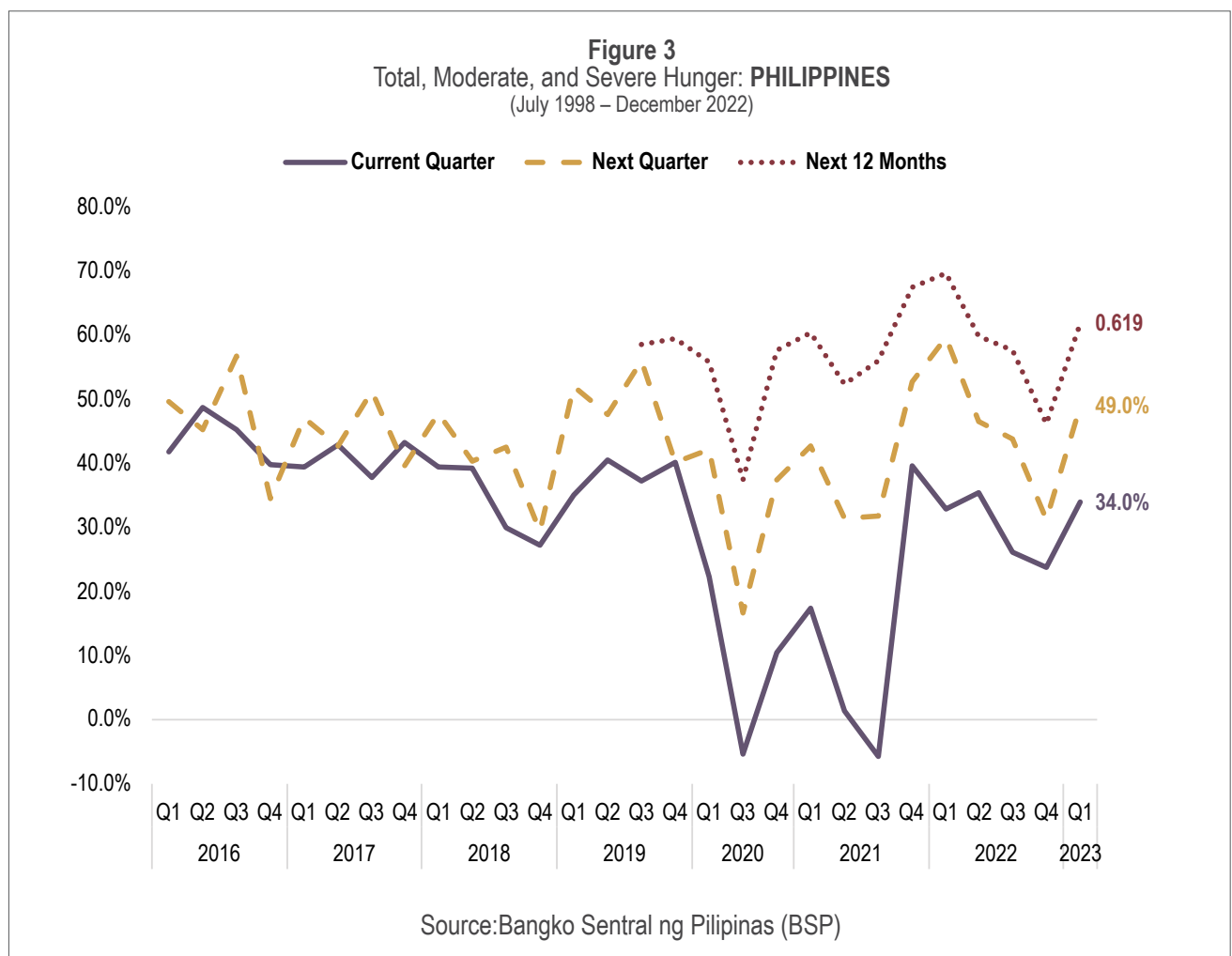
Base: Total Interviews, 100%

NATIONAL CONCERNS	RP	LOCATION				CLASS		
		NCR	BL	VIS	MIN	ABC	D	E
Controlling inflation	63	62	69	54	59	55	67	51
Increasing the pay of workers	44	51	41	46	46	42	44	49
Creating more jobs	30	38	30	27	28	24	31	28
Reducing the poverty of many Filipinos	28	28	29	27	28	19	30	24
Fighting graft and corruption in the government	26	28	27	30	18	26	26	25
Addressing the problem of involuntary hunger	18	12	16	23	23	8	18	25
Fighting criminality	17	19	13	20	19	12	17	16
Providing support to small entrepreneurs to restore their businesses	14	9	15	17	11	20	12	17
Promoting peace in the country	12	10	11	9	18	13	11	16
Stopping the destruction and abuse of our environment	11	7	12	9	14	18	10	12
Reducing the amount of taxes paid	10	14	11	7	5	26	8	6
Enforcing the law on all, whether influential or ordinary people	9	9	9	9	11	9	9	9
Protecting the welfare of OFWs	8	6	7	7	8	10	8	5
Defending the integrity of Philippine territory against foreigners	5	2	4	7	5	2	4	10
Preparing to face any kind of terrorism	3	3	3	0	3	9	2	3
Changing the Constitution	2	0	2	5	2	6	1	5

By the first quarter of 2023, the most urgent national concerns of the Filipino people remain highly economic in nature, as indicated by the findings of a survey conducted by Pulse Asia Research, Inc. As shown in Table 1 below, Filipinos are mostly concerned with controlling inflation (63%), increasing the pay of workers (44%), creating more jobs (30%), reducing the poverty of many Filipinos (28%), and fighting graft and corruption in the government (26%). Changing the constitution is the least concern of the public.


Meanwhile, on the part of the business community, the latest Business Expectations Survey of the Bangko Sentral ng Pilipinas (BSP) found that businesses were more optimistic on the economy in the first quarter of 2023 as the overall confidence index (CI) saw a sharp increase to 34.0% from 23.9% in the previous quarter (Figure 3). According to the BSP, this renewed confidence was attributed to the following: (1) higher consumer demand for products and services (e.g., motor vehicles, loan products, construction materials, electronics, and computers/laptops); (2) full reopening of the economy and return to pre-pandemic normalcy as more COVID-19 restrictions are lifted; (3) increased business activities and sustained economic recovery; and (4) expansion and new business opportunities in healthcare, manufacturing, and construction sub-sectors.

This positive outlook on the economy is expected to be sustained until the second quarter of 2023 as the overall CI rose to 49.0% from 31.3% from the previous quarter due to businesses' expectations of the following: (1) higher volume of sales (e.g., food and beverages, electronic parts, computers and laptops, paint, garments, airline tickets, and loan products); (2) improved business activities and operations; and (3) seasonal uptick in demand over the summer months.



Overall, based on the findings of a survey by Pulse Asia Research, Inc. as shown in Table 2, the national administration does not enjoy high approval ratings in terms of their performance in addressing key national issues and concerns. Despite this, however, Table 3 indicates that the country's top government officials enjoy overall good performance ratings from the Filipino public. It is worthy of note that Vice President Sara Duterte garnered high performance ratings due to high approval from Visayas and Mindanao.


Table 2
Comparative Ratings of the National Administration on Selected National Issues: **PHILIPPINES**
In Percent
(November 2022 and March 2023)



Selected National Issues	Approval		Change*	Undecided		Change*	Disapproval		Change*
	Nov 22 (A)	Mar 23 (B)	Mar23- Nov22 (B - A)	Nov 22 (C)	Mar 23 (D)	Mar23- Nov 22 (D - C)	Nov 22 (E)	Mar 23 (F)	Mar23- Nov 22 (F - E)
Responding to the needs of areas affected by national calamities	79	76	- 3	17	20	+ 3	4	4	0
Protecting the welfare of OFWs	76	75	- 1	21	19	- 2	3	5	+ 2
Fighting criminality	66	68	+ 2	24	19	- 5	10	13	+ 3
Promoting peace in the country	68	64	- 4	26	25	- 1	6	10	+ 4
Defending the integrity of Philippine territory against foreigners	58	61	+ 3	34	29	- 5	8	10	+ 2
Stopping the destruction and abuse of our environment	62	60	- 2	27	27	0	11	13	+ 2
Enforcing the law on all, whether influential or ordinary people	60	54	- 6	31	33	+ 2	9	13	+ 4
Fighting graft and corruption in government	49	47	- 2	33	31	- 2	18	22	+ 4
Creating more jobs	48	45	- 3	31	31	0	21	24	+ 3
Increasing the pay of workers	50	44	- 6	28	31	+ 3	22	24	+ 2
Reducing the poverty of many Filipinos	30	39	+ 9	39	28	- 11	31	33	+ 2
Controlling inflation	21	25	+ 4	25	23	- 2	54	52	+ 2

*Change = Figures of March 2023 minus Figures of November 2022.

Table 3
Performance Ratings of Top National Officials: **PHILIPPINES**
In Percent
(March 15-19, 2023)



PulseAsia
RESEARCH INC.

Base: Total Interviews, 100%

	RP	LOCATION				CLASS		
		NCR	BL	VIS	MIN	ABC	D	E
APPROVAL								
Pres. Ferdinand R. Marcos Jr.	78	68	70	93	87	65	78	87
Vice-President Sara Duterte	83	76	72	97	98	70	82	95
Senate Pres. Juan Miguel F. Zubiri	51	54	32	70	73	36	50	69
House Speaker Ferdinand Martin G. Romualdez	51	57	34	77	58	34	50	66
Supreme Court Chief Justice Alexander G. Gesmundo	43	47	38	40	49	30	45	42
UNDECIDED								
Pres. Ferdinand R. Marcos Jr.	16	24	22	5	9	30	16	12
Vice-President Sara Duterte	13	18	21	1	2	22	13	5
Senate Pres. Juan Miguel F. Zubiri	38	36	53	21	25	50	39	24
House Speaker Ferdinand Martin G. Romualdez	37	33	48	17	36	51	37	30
Supreme Court Chief Justice Alexander G. Gesmundo	41	42	48	34	37	48	41	38
DISAPPROVAL								
Pres. Ferdinand R. Marcos Jr.	5	7	7	2	3	5	6	1
Vice-President Sara Duterte	4	6	7	2	0	8	5	0
Senate Pres. Juan Miguel F. Zubiri	10	10	16	8	2	13	11	7
House Speaker Ferdinand Martin G. Romualdez	12	10	18	6	6	15	13	5
Supreme Court Chief Justice Alexander G. Gesmundo	15	11	11	22	13	22	14	15

Notes: (1) % Approve = % Truly Approve plus % Somewhat Approve; % Disapprove = % Somewhat Disapprove plus % Truly Disapprove. (2) Figures may not add up to 100% due to rounding off.

The Philippine Manufacturing Sector

A survey commissioned by the Stratbase ADR Institute to Pulse Asia Research, Inc. during the first quarter of 2023 found that most Filipinos -- 89% -- agree that the government should support the Philippine manufacturing sector because it has the capacity to accelerate the growth and development of the country's economy (Table 4).

Table 4
Agreement/Disagreement with Test Statement: **PHILIPPINES**
"The government should support the Philippine manufacturing sector because it has the capacity to accelerate the growth and development of the country's economy."
In Percent
(March 15-19, 2023)

PulseAsia
RESEARCH INC.

Base: Total Interviews, 100%								
To what extent do you agree or disagree with this statement: "The government should support the Philippine manufacturing sector because it has the capacity to accelerate the growth and development of the country's economy."	RP	LOCATION				CLASS		
		NCR	BL	VIS	MIN	ABC	D	E
AGREE	89	83	88	89	94	84	90	89
Strongly agree	49	52	34	64	63	34	49	57
Somewhat agree	41	31	55	25	31	51	41	32
CANNOT SAY AGREE OR DISAGREE	8	6	9	11	5	10	7	10
DISAGREE	1	1	1	0	2	1	1	1
Somewhat disagree	1	1	1	0	1	4	12	7
Strongly disagree	0.1	0	0	0	0	0	0	0
UNAIDED								
I don't have enough knowledge to give an opinion	2	9	1	0	0	4	2	0

As seen in Table 5, respondents cited that the top contributions of the country's manufacturing activities to economic growth and development are creating livelihood opportunities for local service businesses needed to support manufacturing operations (62%) and making goods more affordable and accessible to Filipino consumers (62%).


Table 4
Ways the Philippines' Manufacturing Activities Contribute to Economic Growth and Development the Most
In Percent, Up to 3 Allowed
(March 15-19, 2023)

PulseAsia
RESEARCH INC.

Base: Total Interviews, 100%								
In your opinion in what way can the Philippines' manufacturing activities contribute to economic growth and development the most? You may give up to three answers. You may mention others not included in this list.	RP	LOCATION				CLASS		
		NCR	BL	VIS	MIN	ABC	D	E
Creating livelihood opportunities for local business services needed to support manufacturing operations	62	53	59	68	68	49	62	72
Making goods more affordable and accessible to Filipino consumers	62	64	60	63	64	54	61	69
Increasing local and foreign investment that will create more quality jobs and employment opportunities	50	58	49	51	48	64	51	42
Producing more products for the local and export market	49	52	51	39	51	59	50	40
Developing the skills of the Philippine workforce	38	39	39	43	32	33	37	44
Increasing the tax revenue of the government	35	31	38	36	33	41	36	30
UNAIDED								
None	2	9	1	0	0	4	2	0

In this light, respondents identified the top three actions that the government should carry out to boost the growth of the country's manufacturing sector and other industries as: providing opportunities for training to workers to upgrade or learn new work skills (61%), providing more incentives that are competitive to other countries (50%), and developing more economic zones (45%) (Table 6).

Table 4
Ways the Philippines' Manufacturing Activities Contribute to Economic Growth and Development the Most
In Percent, Up to 3 Allowed
(March 15-19, 2023)



PulseAsia
RESEARCH INC.

Base: Total Interviews, 100%								
What should the government do to boost the growth of manufacturing and other industries? You may give up to three answers. You may mention others not included in this list.	RP	LOCATION				CLASS		
		NCR	BL	VIS	MIN	ABC	D	E
Provide opportunities for training to workers to upgrade or learn new work skills	61	58	55	69	70	51	59	77
Provide more incentives that are competitive to other countries	50	57	46	56	49	41	47	70
Develop more economic zones	45	58	55	32	28	59	47	25
Provide adequate business loans	43	42	42	42	44	46	44	33
Improve ease of doing business, reduce red tape	37	40	46	32	23	32	40	30
Ensure that there is stable and affordable energy	32	19	31	30	43	45	31	29
Control corruption	29	22	23	39	39	25	29	33
<u>UNAIDED</u>								
None	0.4	0	0	0	0	0	0	0

Policy Developments

President Marcos Jr. signed Executive Order (EO) No. 14 in January 2023, thereby approving and adopting the Philippine Development Plan (PDP) 2023-2028. This plan is the second medium-term plan anchored on Ambisyon Natin 2040, which aims to bring the country to a high-growth trajectory and enable economic and social transformation for a prosperous, inclusive, and resilient society. Based on this EO, all national government agencies, government-owned or controlled corporations (GOCCs), government financial institutions (GFIs), other national government offices and instrumentalities, government corporate entities (GCEs), state universities and colleges (SUCs), and local government units (LGUs), whether or not they receive funding support through the GAA, are required to adopt and disseminate the PDP 2023-2028. Likewise, they are directed to undertake efforts leading to its full implementation and align their budgetary and department/corporate programs with the strategies and activities identified in the PDP 2023-2028.

Another significant policy development is the issuance of Executive Order (EO) No. 18 by Malacañang in February 2023, which mandates the creation of green lanes for strategic investments. This policy seeks to promote the Philippines as a top investment destination and encourage investors to engage in strategic investments, which are "characterized by the significant capital or investment to the country; consequential economic impact; positive impact on the environment; significant contribution to the country's balance of payments; with complex technical processes and engineering designs; and will bring about improvement in the country's infrastructure capabilities."

Moreover, the Implementing Rules and Regulations (IRR) of Republic Act No. 11659, or the amendment to the Public Service Act, was finally released by the National Economic and Development Authority (NEDA) shortly before the end of the first quarter of 2023.

With the IRR's effectivity starting on April 4, 2023, the amendments are expected to allow the full liberalization of key public services such as airports, railways, expressways, and telecommunications. On the other hand, public utilities such as

electricity transmission and distribution, water and wastewater pipeline distribution system including sewerage, petroleum and petroleum products pipeline transmission systems, seaports, and public utility vehicles are still covered by the 60-40% foreign equity limitation. Notably, the amendment carries provisions that aim to safeguard the country against potential national security concerns from any proposed merger, acquisition, or any investment in a public service.

NEDA Secretary Arsenio Balisacan expressed optimism that this reform will “further improve the country’s position as an ideal investment hub, which will help enhance employment opportunities and allow more Filipinos to benefit from more improved goods and services.”

Transparency International’s 2022 Corruption Perceptions Index (CPI)

In the 2022 edition of Transparency International’s Corruption Perceptions Index (CPI), the Philippines ranked 116th among 180 countries and territories around the world, with a standing that is just one notch higher than its ranking of 117th in 2021. However, the Philippines’ score remained low at 33 out of 100 (Figure 4), with Transparency International naming the country as one of the “significant decliners” in the Asia-Pacific region. Thus far, the highest score that the Philippines obtained was 38 out of 100 in 2014.



The CPI uses a scale from 0 (highly corrupt) to 100 (very clean) to assess the perceived levels of public sector corruption.

The Philippines’ latest score was below the global average of 43. In terms of ranking, it lagged behind its neighbors in the Asia-Pacific region, such as Singapore (5th), Hong Kong (12th), Japan (18th), Taiwan (25th), South Korea (31st), Malaysia (61st), China (65th), Timor-Leste (77th), Vietnam (77th), Thailand (101st), and Indonesia (110th).

According to Transparency International: “In recent years, democracy has been declining in the region, including in some of the most populous countries in the world, such as India (40), the Philippines (33) and Bangladesh (25). Regimes are consolidating power by curtailing space for dissent with more draconian laws that restrict free speech or criticisms of the government – and face no accountability for jailing those who allegedly defy them.”

Freedom House’s Freedom in the World 2023

In the Freedom in the World 2023: Making 50 Years in the Struggle for Democracy 50th anniversary edition of Freedom House, the Philippines is one of the thirty-four countries that registered positive improvements. In the Asia-Pacific, which is generally depicted where “democracy movements contend with authoritarian retrenchment,” Malaysia and the Philippines

that are considered “partly free” countries both registered a +3 improvement and contributed to the “possible turning point for global freedom”.

According to Freedom House, the most notable challenge in the said turning point is the “widespread assault on the civil liberties that can be used to hold governments to account, i.e., freedom of expression.”

Currently, the state of freedom in 135 countries and 15 territories is evaluated by assigning between 0 (smallest degree of freedom) to 4 points (the greatest degree of freedom) on a series of 25 indicators, for an aggregate score of up to 100. Accordingly, “the indicators are grouped into the categories of political rights (0–40) and civil liberties (0–60), whose totals are weighted equally to determine whether the country or territory has an overall status of Free, Partly Free, or Not Free.”

Correspondingly, political rights questions encompass three subcategories: Electoral Process, Political Pluralism and Participation, and Functioning of Government; while the civil liberties questions refer to four subcategories: Freedom of Expression and Belief, Associational and Organizational Rights, Rule of Law, and Personal Autonomy and Individual Rights.

Specifically, Freedom House states that “the Philippines also held elections, and while the son of a former dictator won the presidency, the competitive campaign had the effect of mobilizing millions of young voters.”

For the past seven years, from 2017 to 2023, Philippine freedom was largely defined by the political and illiberal rhetorical legacy of the Duterte administration grounded on pluralism, operationalized through his war on drugs and clingingly bent on the polarization of Philippine society (Table 4).

On the one hand, the chilling illiberal tendencies of government and the general public, e.g., red tagging, silence and inaction on corruption issues, civil liberties and human rights and political violence still remain, which considerably characterize the downward trend of Philippine freedom under the Duterte administration from 2017 to the first half of 2022. On the other hand, the 2022 Philippine elections primarily demonstrated democratic continuity, pluralism and competitive elections and somewhat slowed the downward trend. Particular to the present administration, its pronouncements and programs on inclusive recovery and growth are inclined towards a democratic platform.

Table 4 Freedom Score and Status: PHILIPPINES (2017-2023)				
Year	Sub-Category Score		Total Score	Status
	Political Rights	Civil Liberties		
2023	25 / 40	33 / 60	58 / 100	Partly free
2022	25 / 40	30 / 60	55 / 100	Partly free
2021	25 / 40	31 / 60	56 / 100	Partly free
2020	25 / 40	34 / 60	59 / 100	Partly free
2019	26 / 40	35 / 60	61 / 100	Partly free
2018	27 / 40	35 / 60	62 / 100	Partly free
2017	27 / 40	36 / 60	63 / 100	Partly free
Source: Freedom House				

Insights

In view of the lasting scars left by the socioeconomic impacts of the COVID-19 pandemic, exacerbated by the global disruptions in supply chains, geopolitical tensions resulting from the war between Ukraine and Russia, global inflation, the threat of a global recession, as well as natural calamities and the effects of climate change, no single solution is in sight in the foreseeable future. At the very least, addressing these interconnected and complicated problems would require concerted action among all nations coming together to contribute their individual share in solving the problem.

The World Economic Forum (WEF), in its Global Risk Report 2023, has also warned that a cost-of-living crisis is emerging as the most severe global risk looming in the next two years.

For years, the Philippine economy has been driven by consumption, fueled in large part by remittances earned by Filipinos working overseas. Over time, it has become clear that consumption-led economic growth has its limitations during non-ideal times, even if total remittances register an increase. As such, the country cannot depend heavily on remittances to spur internal economic growth all the time. At this time, the government has to complement this advantage in remittances with strong growth in investment. Such investment-led growth should be manifest in the area of production of goods, whether these are for the export market or for the domestic market. When the country has a stronger production of goods with a thriving manufacturing sector, there will be less dependence on imports. The country will also have fewer concerns about trade imbalances and balance-of-payments deficits.

To make this transition more sustainable, there is a need to redirect the growth trajectory from the traditional way of production, which leads to insurmountable waste, to that of green manufacturing, where wastes are converted into new raw materials needed in the production process. To get this done, the government may need to provide incentives to motivate banks to support the funding of facilities that generate renewable energy, recycle waste products, and reuse products that have outlived their usefulness. This is ideal for long-term growth because it lessens the destruction of the environment and makes it possible for manufacturing companies to produce goods at remarkably lower cost. When the country is able to lower the overall cost of producing goods, more manufacturers will be motivated to make more investments in the Philippines because their transfer will be mutually beneficial.

Amid these concerns, the government should pursue complementing efforts to address traditional issues about ease of doing business, mitigating corruption and bureaucratic red tape, building better infrastructure, and curbing inflation.

Ironically, while people on the ground believe that their most urgent national concerns remain highly economic in nature, as indicated in the findings of a survey conducted by Pulse Asia Research, Inc. during the first quarter of 2023, the performance ratings they assigned to top government officials in the recent approval ratings also remained high. If most people experience involuntary hunger due to poverty and continue to be concerned with issues like controlling inflation, increased pay of workers, job creation, poverty reduction, and fighting graft and corruption in the government, it means that the public's social development needs are not met. Hence, it is a contradiction to see high approval ratings for officials who are not achieving the country's development goals. On this score, there seems to be a disconnect between public perception and reality.

Likewise, many politicians are actively pushing for charter change because that is what they say the public wants. Still, the results of the recent social surveys show that changing the constitution is the least concern of the people on the ground. Thus, there seems to be a disconnect between what the politicians say their constituents want and what those constituents actually want.

II. THE MARCOS JR. ADMINISTRATION'S FOREIGN POLICY: A CASE OF CONTINUITY OR DRAMATIC CHANGE?

During U.S. Department of Defense Secretary Lloyd Austin's trip to Manila in February 2023, Philippine and U.S. defense officials revealed that American forces would be given access to four more Philippine military bases. This boosted the Biden Administration's efforts to expand the U.S. strategic footprint in Southeast Asia in the face of Chinese coercive actions in the South China Sea and Taiwan.

This new agreement adds four more Enhanced Defense Cooperation Agreement (EDCA) sites to the five original EDCA locations. They are currently being used for training, pre-positioning of equipment, use of runways, and other military facilities under the original 2014 agreement. The four additional sites will be in Naval Base Camilo Osias in Santa Ana, Cagayan; Camp Melchor Dela Cruz in Gamu, Isabela; Balabac Island in Palawan; and Lal-lo Airport in Cagayan. Sites in Northern Luzon would enhance U.S. strategic posture in Southeast Asia, as it could constrain China's efforts to occupy the waters inside the first island chain (which runs from Japan, Taiwan, and the Philippines) and offer U.S. allies in the Indo-Pacific an incentive to confront Chinese maritime expansion.

President Marcos Jr. flew to Japan a few days later, from February 8 to 12, 2023, to meet with Japanese Prime Minister Fumio Kishida. The two leaders discussed expanding the two countries' bilateral cooperation in security, diplomacy, and economy. They affirmed the importance of their common interests in enhancing maritime security in the South China Sea. It should be noted that Japan had provided the Philippine Coast Guard (PCG) with 12 patrol vessels and other support to increase the PCG and the Philippine Navy's (PN's) maritime domain awareness (MDA) capabilities. More significantly, both countries said they plan to strengthen the trilateral security cooperation between them and their mutual ally, the United States.

Many analysts and journalists viewed President Marcos Jr.'s efforts to strengthen the country's alliance and security partnership with the U.S. and Japan as a radical departure from President Rodrigo Duterte's policy, which sought to wean the Philippines away from the U.S. and pivot closer to China and Russia. President Marcos Jr.'s moves to revitalize the country's alliance with the U.S. are seen as a far cry from the acts of his immediate predecessor, who ordered the end of the Philippine-U.S. joint patrols in the West Philippine Sea, called for the withdrawal of American Special Forces troops out of Mindanao, and abrogated the 1999 Visiting Forces Agreement (VFA) a few years before his term ended in June 2022.

Still, President Marcos Jr.'s decision to strengthen the alliance and facilitate a more significant U.S. strategic presence in the Philippines is not an abrupt and dramatic move. By early 2021, then President Rodrigo Duterte had already started gravitating back to the U.S. and, in the process, ditching his appeasement policy toward China when it became apparent that China's main goal was maritime expansion in the South China Sea despite the Philippine-China rapprochement.

More Continuity Than Change

In other aspects, however, President Marcos Jr.'s foreign policy is a continuation of the previous administration's limited hard policy toward China. He revived the Duterte administration's policy of seeking closer economic cooperation with China by promoting bilateral cooperation between the two countries. He implied that he favored more intimate economic relations with China and wanted to negotiate with the latter on joint exploration of oil and gas deposits at Reed Bank. This announcement happened just a few days after former President Duterte announced the termination of the negotiations on joint development in June 2022. President Marcos Jr. also believed China could be a primary provider of public investment for the country's infrastructure development.

During his meeting with President Xi Jinping in Bangkok on the sidelines of the Asia-Pacific Economic Cooperation (APEC) Summit in November 2022, President Marcos Jr. discussed with his Chinese counterpart the need for extensive economic contact between the Philippines and China. He also told President Xi that the maritime dispute should not define the entire Philippine-China bilateral relations. In his state visit to China in early January 2023, President Marcos Jr. got an investment pledge of US\$2.2 billion from his host. He also requested President Xi to allow Filipino fishermen to return to their traditional fishing grounds in Scarborough Shoal. There was also an agreement to establish a direct communication mechanism to elevate the official communication between the two countries to a ministerial level. This was intended to serve as a confidence-building measure to improve mutual trust.

On the other hand, President Marcos Jr. also initiated efforts to address China's maritime expansion in the West Philippine Sea. This task became more urgent as China's coercive measures against the Armed Forces of the Philippines (AFP) units in the Spratlys islands area intensified. In November 2022, a China Coast Guard (CCG) vessel seized rocket debris from a Philippine Navy (PN) boat, towing these items to Thitu Island. In another instance, a large CCG ship blocked and harassed a PN boat transporting much-needed provisions to the small Philippine garrison in Thomas Coloma Shoal. China has employed swarms of fishing boats manned by Chinese Maritime Militia near Philippine garrisons in the Spratlys to establish control over these land features. On February 3, 2023, a large CCG ship directed a military-grade laser against a Philippine Coast Guard (PCG) vessel escorting a PN resupply mission to the Second Thomas Coloma Shoal. These actions are part of China's gray zone operations which aim to influence the maritime Southeast Asian states by undermining the legitimacy of their claims in the South China Sea without resorting to armed conflict.

Stating that the maritime territorial dispute is not the "sum of the relations" between their relations, China offered economic assistance to the Philippines, which needs massive public investment to finance its major infrastructure-building programs.

This is particularly important for the Philippines' economic recovery from the pandemic, since the drastic lockdowns adversely affected the consumer-driven Philippine economy. However, Chinese gray zone operations against the Philippines continue unabated, despite President Marcos Jr.'s efforts to foster extensive economic ties with China.

President Marcos Jr. declared: "This country will not lose an inch of its territory. We will continue to uphold our territorial integrity and sovereignty." In response to greater Chinese coercive actions in the West Philippine Sea, the Marcos Jr. administration pursued the following measures: a) continuing the funding for the Third Horizon of the AFP Modernization Program by assuring the AFP that the administration is committed to financing its modernization program to acquire more military hardware for external defense; b) strengthening the countries' security partnership with Japan, where in early February 2023, he went to Japan to meet Prime Minister Fumio Kishida and to sign a new Philippine-Japan defense agreement that allows the Japanese Self-Defense Force to conduct humanitarian assistance and risk reduction operations (HADR) in the Philippines; and finally, c) revitalizing the Philippine-U.S. alliance through the implementation and expansion of the 2014 EDCA, which is aimed at complicating Chinese expansion within the waters of the first island chain and preparing U.S. forces for possible military operations if armed conflicts erupt over Taiwan.

The Marcos Jr. administration's recalibrated limited hard balancing policy resulted from its realization, based on its predecessor's experience, that closer economic and cooperative relations with China will not moderate or temper its expansion in the West Philippine Sea. As insurance against continuing Chinese aggression and coercion, the Philippines needs credible and modern armed forces backed by close alliance and security partnerships with the U.S. and Japan, respectively.

III. LEGISLATIVE UPDATES AND ACCOMPLISHMENTS

The Legislative-Executive Development Advisory Council (LEDAC) Executive Committee (ExeCom) met on February 13, 2023 and identified 10 bills, three of which are new priorities, that would be fast-tracked for approval before the end of the First Regular Session of the 19th Congress on June 2, 2023. The bills are as follows:

1. Amendments to the Build-Operate-Transfer (BOT) Law/Public-Private Partnership (PPP)
2. Medical Reserve Corps
3. Philippine Center for Disease Prevention and Control
4. Creation of the Virology Institute of the Philippines
5. Mandatory Reserve Officers Training Corps (ROTC) and National Service Training Program (NSTP)
6. Condonation of Unpaid Amortization and Interests of Loans of Agrarian Reform Beneficiaries (ARBs)
7. Internet Transactions Act / E-Commerce Law
8. Maharlika Bill (New Priority)
9. Attrition Law / AFP Fixed Term (New Priority)
10. Salt Industry Development Bill (New Priority)

Among these priorities, only the Attrition Law has significantly progressed. The Bicameral Conference Committee approved the Attrition Law, or An Act Further Strengthening Professionalism and Promoting the Continuity of Policies and Modernization Initiatives in the Armed Forces of the Philippines, and Amending for this Purpose Republic Act No. 11709, on March 22, 2023. However, this bill is organizational in nature. It simply seeks to rationalize the rules pertaining to the assignment and promotion of AFP personnel and make them more responsive to the needs of the AFP and the development of AFP personnel.

The rest of the LEDAC priority bills, even if not identified for passage before the end of the First Regular Session of Congress, are steadily gaining traction in both houses of Congress. In the first quarter, the New Agrarian Emancipation bill, the E-Governance bill, and the National Government Rightsizing bill progressed the most:

• The New Agrarian Emancipation Act was likewise approved by the Bicameral Conference Committee on March 22, 2023. The Bill seeks to condone the principal debts of Agrarian Reform Beneficiaries, as well as interests, penalties, and surcharges on the same to lessen their financial burden. The amount necessary for the implementation of the act is ultimately chargeable against the government budget.

• The E-Governance Act was consolidated with the E-Government Act. There seems to have been confusion when both pieces of legislation were identified as priorities. Though the terminologies are different, the bills' definition for both terms were the same, which led to the bills' consolidation. The consolidated E-Governance bill was approved by the Lower House on third and final reading on March 7, 2023. A counterpart bill in the Senate is currently pending at the committee level. The bill seeks to digitize all government documents and digitalize all government transactions.

• The National Government Rightsizing Act was also approved by the Lower House on third and final reading on March 14, 2023. All three Senate bills on the same are pending at the committee level. The bill approved by the Lower House sets out the parameters for the reorganization of the Executive Branch, providing for the powers, responsibilities, and composition of the committee that will propose the actual reorganization; setting out the powers of reorganization of the President; and related provisions on benefits of personnel as well as reportorial and funding requirements. The purpose of the bill is to reevaluate, streamline, and modernize the structure of the Executive Branch to lead to a more efficient public service delivery.

All other bills, such as the proposed PPP Act, Department of Water, Maharlika Sovereign Fund, Budget Modernization Bill, Passive Income and Financial Intermediary Taxation Act (PIFITA), and the Internet Transactions Act remain as priorities but had no significant movement in the first quarter of 2023.

In a recent press release, Speaker Ferdinand Martin G. Romualdez stated that 23 of 31 Common Legislative Priorities had been passed by the House of Representatives. Among these are the SIM Card Registration Act and the measure postponing the barangay and Sangguniang Kabataan elections, which the President has signed into law. The 21 other priorities are as follows:

1. New Agrarian Emancipation Act
2. Philippine Centers for Disease Prevention and Control
3. Internet Transactions Act
4. Virology Institute of the Philippines
5. National Service Training Program
6. E-Governance / E-Government Act
7. National Government Rightsizing Act
8. Passive Income and Financial Intermediary Taxation Act (PIFITA)
9. Government Financial Institutions Unified Initiatives to Distressed Enterprises for Economic Recovery (GUIDE) Act
10. Real Property Valuation and Assessment Reform Act
11. HEART Act (Medical Reserve Corps)
12. Build-Operate-Transfer (BOT) Law
13. Waste-to-Energy Bill
14. Magna Carta of Barangay Health Workers
15. Magna Carta of Seafarers
16. Apprenticeship Act
17. Philippine Passport Act
18. Free Legal Assistance for Police and Soldiers
19. Negros Island Region
20. Eastern Visayas Development Authority
21. Leyte Ecological Industrial Zone

The Speaker of the House also committed to work overtime on eight priorities, as follows:

1. Proposed Natural Gas Industry Enabling Law
2. Department of Water Resources and Creation of Water Regulatory Commission
3. National Land Use Act
4. Military and Uniformed Personnel Pension Act
5. Amendments to the Electric Power Industry Reform Act (EPIRA)
6. Budget Modernization Bill
7. National Defense Act
8. Regional Specialty Hospitals

Sessions in Congress adjourned on March 25, 2023 and will resume on May 8, 2023.

Table 5
LEDAC Priorities

BILL TITLE	HOUSE OF REPRESENTATIVES		SENATE	
	House Bill Numbers	STATUS IN THE HOR	Senate Bill Numbers	STATUS IN THE SENATE
New Agrarian Emancipation Act	6336	The House agreed to the Bicameral Conference Committee Report on March 22, 2023	1850	Bicameral Conference Committee Report approved by the Senate on March 22, 2023
Attrition law / AFP Fixed Term	6517	The House agreed to the Bicameral Conference Committee Report on March 22, 2023	1849	Bicameral Conference Committee Report approved by the Senate on March 22, 2023
Philippine Centers for Disease Prevention and Control (CDC Act)	6522	Passed on Final Reading on December 12, 2022	1869	Pending Second Reading, Special Order (February 13, 2023)
Internet Transactions Act 4		Passed on Final Reading on December 12, 2022	1846	Pending Second Reading, Special Order (February 7, 2023)
Virology Institute of the Philippines	6452	Passed on Final Reading on December 5, 2022	196, 281, 489, 599, 941, 981, 1130, 1161, 1322, 1363, 1818, 1890, 1928	Pending in Committee (February 28, 2023)
National Service Training Program Act	6687	Passed on Final Reading on December 15, 2022	2034	Consolidated Senate Bills 182, 387, and 1551 into SB 2034 on March 22, 2023
E-Governance Act	7327	Passed on Final Reading on March 7, 2023	194, 318, 1126, 1172, 1542, 1574, 1978	Pending in Committee (Aug. 8, 2022)
E-Government Act	7327	Passed on Final Reading on March 7, 2023	334, 455, 974, 982, 1867	Pending in Committee (February 13, 2023)
The National Government Rightsizing Act	7240	Passed on Final Reading on March 14, 2023	890, 1474, 1779	Pending in Committee (January 31, 2023)
Passive Income and Financial Intermediary Taxation Act (PIFITA)	4339	Passed on Final Reading on November 14, 2022	900, 1347, 1364, 1848	Pending in Committee (February 7, 2023)
GUIDE Act	1	Passed on Final Reading on December 15, 2022	411, 506, 674, 1129, 1182, 1640	Pending in Committee (January 23, 2023)
Real Property Valuation and Assessment Reform Act	6558	Passed on Final Reading on December 15, 2022	314, 693, 897, 1018, 1473	Pending in Committee (November 22, 2022)

BILL TITLE	HOUSE OF REPRESENTATIVES		SENATE	
	House Bill Numbers	STATUS IN THE HOR	Senate Bill Numbers	STATUS IN THE SENATE
HEART Act (Medical Reserve Corps)	6518	Passed on Final Reading on December 12, 2022	88, 255, 892, 1017, 1120, 1131, 1180, 1423, 1475, 1647	Pending in Committee (January 23, 2023)
PPP Act	6527	Passed on Final Reading on December 12, 2022	765, 1022, 1251, 1344, 1613, 1974	Pending in Committee (March 8, 2023)
Maharlika Bill	6608	Passed on Final Reading on December 15, 2022	2020	Consolidated Senate Bills 1670 and 1814 into SB 2020 on March 22, 2023
Department of Water Resources	21, 55, 144, 482, 858, 1014, 2298, 2523, 2538, 2690, 2818, 2880, 3082, 3226, 3237, 3302, 3435, 3610, 3677, 3727, 3886, 4057, 4326, 4535, 4536, 4865, 5177, 5205, 5810, 5877, 6266, 6306, 6311, 6360, and 6463	Pending in Committee (July 26, 2022)	1395, 1244, 1021, 185, 268, 102, 87	Pending in Committee (November 7, 2022)
National Land Use Act	870, 1621, 420, 2299, 2383, 4884, 3007, 2878, 3611, 6275, 3956, 4081, 4163, 4291, 5149, 6055, 7092,	Pending in Committee (July 27, 2022)	374, 898, 1019, 1479	Pending in Committee (November 22, 2022)
The Military and Uniformed Personnel (MUP) Pension Act	7, 667, 1825, 2015, 3592, 2556, 3728, 3887, 4238, 7511	Pending in Committee (September 5, 2022)	59, 284, 910, 1421	Pending in Committee (November 21, 2022)
Amendments to the Electric Power Industry Reform Act (EPIRA)	3430, 3432, 312	Pending in Committee (September 6, 2022)	486, 645, 1612, 2153, 3430, 3432, 3601, 4263, 6075, 6167, 7742,	Pending in Committee (January 23, 2023)

	HOUSE OF REPRESENTATIVES		SENATE	
	House Bill Numbers	STATUS IN THE HOR	Senate Bill Numbers	STATUS IN THE SENATE
Budget Modernization Bill	19, 418, 6384, 4260, 4650, 5266, 5809	Pending in Committee (September 14, 2022)	1020	Pending in Committee (September 5, 2022)
National Defense Act	11, 869, 1656, 2976, 4082, 4096, 4640, 6376, 6054, 6400, 6619	Pending in Committee (December 14, 2022)	980, 1390, 1747, 1946	Pending in Committee (March 6, 2023)
Proposed Natural Gas Industry Enabling Law	29, 17, 173, 4097, 3015, 4267, 4615, 6247, 5811, 62235, 7329,	Pending in Committee (March 1, 2023)	152, 1944, 1991	Pending in Committee (March 14, 2023)
Salt Industry Development Bill	1976, 7357, 7313	Pending in Committee (August 1, 2022)	1334, 1450, 1685, 1870, 1932	Pending in the Committee (February 28, 2023)

CRITICAL ISSUES OF PHILIPPINE POLITY



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