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A photograph of two men standing next to a large, olive-green military vehicle. The man on the left is wearing a green flight jacket with patches and dark trousers. The man on the right is in a camouflage military uniform. They are both looking at the vehicle. The vehicle has a large, open compartment on top containing several green circular objects. The name 'WILD BILL' is written on the side of the compartment. The vehicle is parked on a gravel surface under a clear blue sky.

## GOVERNANCE IN THE FIRST YEAR OF THE MARCOS JR PRESIDENCY

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# GOVERNANCE IN THE FIRST YEAR OF THE MARCOS JR. PRESIDENCY

In dealing with multidimensional and asymmetrical factors of development, governance is always the critical development link. It is a complex, balancing act to make the different development aspects blend together and involve as many stakeholders as possible. It is the prospective analysis of this paper that the inclusive governance behavior of the Marcos Jr. presidency is thus far on the right track.

All things considered, governance remains a critical development link in providing to society that kind of enabling and facilitatory environment for social, economic, cultural and security aspects to contribute to inclusive development. In turn, its contribution to development can be realized through a collaborative or multi-stakeholder approach.

Cognizant of economic and geopolitical development risks and opportunities besetting the Philippines, the ensuing analysis of governance dynamism in the first year of the Marcos Jr. administration advances the following arguments: (1) that political opportunities offered by multidimensional geopolitical development concerns necessitate a collaborative approach to governance; (2) that semblances or tinges of inclusive governance or the collaborative or multi-stakeholder manner of doing things reflect the evolving practices of the current administration; and (3) that inclusive governance or the multi-stakeholder way of handling the emerging political opportunities in energy, trade and investment, environment protection and the West Philippine Sea is critical in translating or converting risks and challenges into development opportunities.

This paper is composed of the following sections. First, the section Energy and Stability describes the energy situation in the country, discusses the need for a clean infrastructure and diversification to achieve security, and proposes the direction of expanding and improving the whole energy infrastructure. In Trade and Investments for Job Creation, economic challenges are analyzed based on the current status of trade and investments, public sentiments and government initiatives. The discussion highlights the need to capitalize on investments and manufacturing opportunities.

Third, an overview of climate change, the demand to accelerate climate action and strategic collaboration as the next step are tackled under Protecting the Environment and Fostering Climate Action. Fourth, discussions on Responding to Challenges in the West Philippine Sea examines into what is currently happening in the geopolitical space of the West Philippine Sea under the Marcos Jr. presidency. It treats the issue as a priority and a crucial factor in forwarding an independent Philippine foreign policy anchored on partnerships, alliances, and primordially driven by the national interest.

The Conclusion and Recommendations section sums up the arguments of the paper and recommends general policy options for the Marcos Jr. administration amid the brewing environment of inclusive and dynamic governance, where government serves as the enabler, the private sector as the indispensable actor, and civil society as the guardian of societal processes and the commerce of relations.

### Energy and Stability

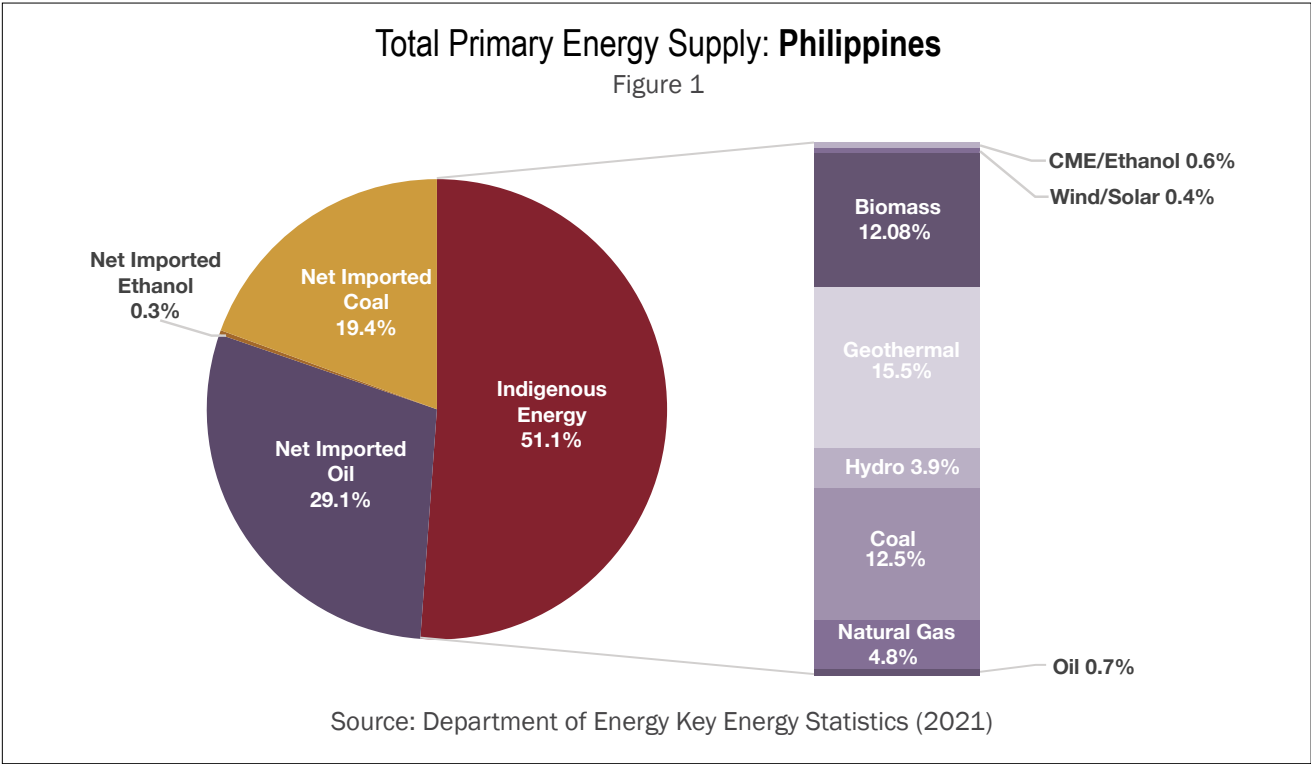
The Philippines has one of the highest electricity prices in the Asian region, primarily due to its dependence on imported fuel. This makes the country highly susceptible to the volatility of fuel prices on the international market. With the current administration’s efforts toward expanding the utilization of renewable energy (RE) in the country, investments in the sector are expected to increase. Reducing electricity costs while pursuing the country’s energy transition

is crucial. To achieve energy security, it is also imperative for the Philippines to enhance resilience against climate-related events that can potentially result in power disruptions.

At the start of the year, President Ferdinand R. Marcos Jr. vowed to continue pursuing policies and measures toward ensuring a reliable and affordably energy supply through the use of renewable energy sources. He emphasized the utilization of these sources as a means to achieve a sustainable and clean energy supply in the future. In his first State of the Nation Address (SONA) on July 25, 2022, President Marcos Jr. declared energy as a key sector in his administration’s push for economic growth and job creation. In line with this, the Philippines will actively pursue the development of new power sources while improving the balance between fossil fuels and renewable energy in its energy portfolio. He said that the use of renewable energy would also be a priority in his administration’s climate change agenda. The Philippines is a signatory to the Paris Agreement on Climate Change and in its Nationally Determined Contribution (NDC), which was submitted on April 15, 2021, the country pledged to reduce its greenhouse gas emissions (GHG) to a 75% reduction by 2030.

### Philippine Energy Supply Situation

In 2021, the latest data from the Department of Energy’s (DOE) Key Energy Statistics<sup>1</sup> show that the total primary energy supply



## FEATURES

## ON THE COVER

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## ABOUT THE AUTHOR

Victor Andres 'Dindo' C. Manhit

founded The Stratbase Group in 2004 and has provided top-level strategic analysis and thought leadership on global issues in the Philippines., gathered critical intelligence to overcome regulatory challenges, and developed deep relationships in key departments and agencies. As a public policy analyst and strategist, he thinks beyond politics for his political risk assessments, draws on a combination of backward looking, fact based, data driven analytics with forward looking thinking, and strategic policy options. He believes that policy research and analysis should be undertaken in any independent, strategic, and pragmatic manner in order to contribute to the geopolitical debate and, in the process, effectively influence domestic and regional policy. He has provided strategic analysis at the time of great global challenges and the importance of the influence of a globalized society in nation states.

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In essence, what is evolving in the first year of the Marcos Jr. administration is inclusive governance to face the challenging times and seize the emerging opportunities. What reverberates among the challenges and opportunities posed by development issues is the process of strategic collaboration between and among stakeholders

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# coal and energy

in the Philippines was primarily made up of indigenous energy sources, which comprises of oil, coal, natural gas, and renewable sources. The total primary energy supply equals to 59.2 million tonnes of oil equivalent (MTOE), while the country's self-sufficiency amounts to 51.1%. In addition, about 29.1% was net imported oil, net imported coal at 19.4%, and net imported ethanol at 0.3%.

As specified in the DOE's 2021 Power Statistics,<sup>2</sup> the Philippines remains heavily reliant on coal as an energy source, with coal accounting for about 58.48% of the country's gross power generation in the year 2021, while oil-based and natural gas power plants respectively contributed 1.52% and 17.60%. Renewable energy sources, namely geothermal, hydro, solar, wind and biomass, make up 22.40% of the country's gross power generation. In the DOE's latest list of existing power plants<sup>3</sup> presented below, coal accounts for the largest share of capacity with 12,428 megawatts (MW) in installed capacity and 11,504 MW in dependable capacity throughout the Philippines. Renewable energy (RE) sources contribute 8,264 MW in installed capacity and 7,151 MW in dependable capacity, with the majority being hydro power with 3,745 MW in installed capacity and 3,444 MW in dependable capacity.

List of Existing Power Plants (Grid-Connected) As of November 2022  
Capacity Mix (in Megawatts) Installed and Dependable Capacity

Table 1

Fuel Type	Philippines			
	Installed	Dependable	Installed	Dependable
Coal	12,428	11,504	44.0	48.8
Oil Based	3,834	2,860	13.6	12.1
Natural Gas	3,732	2,081	13.2	8.8
<b>Renewable Energy</b>	8,264	7,151	29.2	30.3
Geothermal	1,952	1,763	6.9	7.5
Hydro	3,745	3,444	13.3	14.6
Biomass	611	382	2.2	1.6
Solar	1,530	1,150	5.4	4.9
Wind	427	412	1.5	1.7
<b>Total</b>	28,258	23,598	100%	100%

Source: List of Existing Power Plants (Grid-Connected) as of December 2022

The slow deployment of new power plants is a contributing factor to the dwindling reliability of the country's power supply. As ageing power plants are more susceptible to unscheduled shutdowns, particularly during the summer months, there is a need to diversify energy technologies. By developing more power plants,

the country would be able to withstand factors affecting electricity supply and demand. Grid congestion also persists as a significant challenge, as many electric cooperatives are struggling financially, and the government's objective of achieving total electrification throughout the country also remains unfulfilled. Additionally, delays in the processing and approval of energy projects have imposed unnecessary costs on businesses.

### Enabling the Development and Transformation of Clean Energy Infrastructure

Under the objectives outlined in the Philippine Development Plan (PDP) 2023-2028<sup>3</sup> formulated by the National Economic and Development Authority (NEDA) in alignment with the Marcos administration's 8-point socioeconomic agenda, the national government aims to expand and upgrade the country's infrastructure. This objective envisions sustainable, resilient, integrated, and modern infrastructure systems that would enable economic transformation. One of the outcomes to be pursued is to provide affordable, accessible, reliable, and clean energy. However, the existing infrastructure facilities and services in the country are considered inadequate. To achieve such an outcome, the country would have to confront the following challenges: making energy more secure and cost-competitive, achieving an optimal energy mix and adequate energy supply, and ensuring efficient delivery of electricity.

The 2023 General Appropriations Act, formulated in accordance with the current administration's 8-Point Socioeconomic Agenda and Medium-Term Fiscal Framework, allots a total of PhP 5.268 trillion. Notably,

the national government has designated a specific budgetary provision of PhP 9.6 billion to facilitate the promotion of affordable and clean energy. In order to ensure this, the budget acknowledges the importance of maintaining a reliable and balanced combination of energy resources. To support this, the DOE's Renewable Energy Development Program receives an allocation of PhP 145 million. This funding will be utilized for the promotion, supervision, and regulation of the exploration, development, and utilization of renewable energy resources and technologies.<sup>4</sup>

Aligned with the targets in Philippine Energy Plan (PEP) 2020-2040 of the DOE,<sup>5</sup> the latest National Renewable Energy Programme (NREP) for the period 2020 to 2040 sets a target of 35% share of RE in the power generation mix by 2030, building up to 50% by 2040. As part of its endeavors to achieve this objective, the DOE amended the implementing rules and regulations (IRR) of Republic Act No. (RA) 9513, also known as the Renewable Energy Act of 2008, to allow 100% foreign capital in renewable energy projects.

Department Circular (DC) No. 2022-11-0034, was signed by DOE Secretary Raphael P.M. Lotilla on November 15, 2022. It introduces an amendment to Section 19 of Department Circular 2009-05-0008 titled "Rules and Regulations Implementing RA No. 9513." This circular marks a significant development as it allows for 100% foreign ownership in the RE sector. As a result, foreign citizens or foreign-owned entities are now permitted to participate in the exploration, development, and utilization of the country's RE resources, such as solar, wind, biomass, ocean, or tidal energy. The amendment is based on the Opinion released by the Department of Justice (DOJ) on September 29, 2022, which states that the exploration, development, and utilization of inexhaustible RE sources are not subject to the 60:40 foreign equity limitation as outlined in the 1987 Philippine Constitution.

### Attaining Energy Security through the Diversification of Energy Sources

Building on the current administration's efforts towards accelerating the country's transition to clean energy, Executive Order (EO) 21 entitled "Establishing the Policy and Administrative Framework for Offshore Wind Development" was issued on April 19, 2023 to hasten the rollout of offshore wind (OSW) projects. The EO mandates a policy and administrative framework for the optimal development of OSW resources in the country. It will harmonize and streamline permitting processes and leasing fees for OSW projects under a whole-of-government approach and fully implement the Energy Virtual One-Stop-Shop (EVOSS) System to cover all relevant government agencies and

bureaus. Under EO 21, the DOE is directed to put together the development and issuance of a policy and administrative framework for the optimal development of offshore resources in the country. The EO will also complement the newly amended implementing rules and regulations (IRR) of the Renewable Energy Act, which lifts the equity limit for foreign investors in the RE sector.

In the shift to an increased RE share in the country's energy mix, President Marcos Jr. has promoted the use of natural gas as a transition fuel that could support renewable-based generation. Despite this, the Malampaya gas field, which serves as the country's sole domestic natural gas reserve, is anticipated to be exhausted by 2027. This gas field supplies fuel to five gas-fired power plants that generate electricity for Luzon, namely Avion, Ilijan, San Gabriel, San Lorenzo, and Sta. Rita, with a combined capacity of over 3,200 megawatts (MW). With its concession set to expire by February 2024, the President signed the renewal agreement for the Malampaya Service Contract No. 38 (SC 38) on May 15, 2023.<sup>6</sup> This renews Malampaya's production contract for its final 15 years or until February 2039. By doing so, the continued production of the Malampaya gas field will be facilitated, enabling the exploration and utilization of its remaining gas reserves.

In light of the depleting Malampaya gas field, the Department of Energy has also prioritized expediting the introduction of liquefied natural gas (LNG) into the country. It aims to ensure the timely completion and delivery of committed LNG infrastructure. This initiative will complement the ongoing endeavors to optimize the remaining indigenous gas reserves in the Malampaya gas field. Singaporean-based company, AG&P International Pte. Ltd. became the first entity to bring LNG to the Philippines, with the arrival of its floating storage vessel at their import terminal in Batangas on April 27, 2023.<sup>7</sup>

## Expanding and Improving Energy Infrastructure

The expansion and advancement of the Philippines' energy infrastructure would result in significant economic growth and development. Investing in the improvement of the country's energy infrastructure, including power plants, transmission systems, and distribution networks, would have wide-ranging effects on various sectors of the economy.

An improved energy infrastructure would increase power generation capacity, ensuring a reliable and stable energy supply. To achieve this, the current administration must continue its efforts to increase investment opportunities

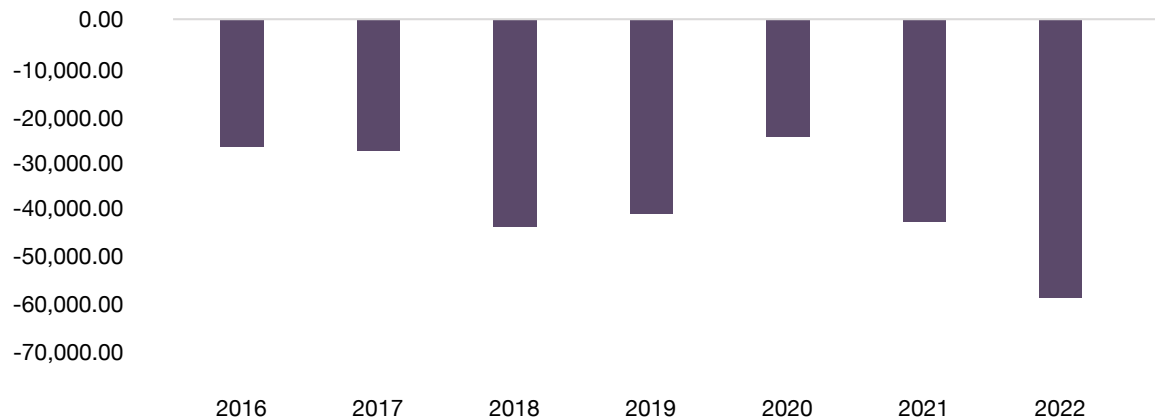
and explore additional possibilities for Public-Private Partnerships (PPPs) to address the gaps in the country's energy sector. These developments would facilitate industrial growth and attract more investments, resulting in an enabling environment for the expansion of the country's industries and lead to the creation of more jobs and economic opportunities.

Establishing a reliable and resilient energy infrastructure would support the expansion of renewable energy sources in the country. In advancing its energy transition, the Philippines must look to alternative sources to resolve its overdependence on costly imported fuel, which makes it vulnerable to price shocks from the world market. Shifting toward clean and sustainable energy sources would not only alleviate the impact of climate change but also enhance the country's energy security. This would also reduce the country's dependence on imported fossil fuels and provide a stable and cost-efficient energy supply.

Ultimately, the enhancement of the country's energy sector requires the collaboration of all stakeholders. Prioritizing the acceleration of the Philippines' economic growth and ensuring a dependable energy supply for the people should be of utmost importance. The current administration must pave the way for advancing the country's energy technology to guarantee a higher quality of life for Filipinos. By expanding the country's energy infrastructure, the government has the potential to accelerate economic growth by attracting investments and creating jobs. The advantages of these developments would go beyond the energy sector and contribute to the promotion of inclusive and sustainable growth for the Philippine economy.

## Balance of Trade in Goods: Philippines

Figure 2



Source: Philippine Statistics Authority (PSA)

## Trade and Investments for Job Creation

The Philippine Statistics Authority (PSA)<sup>8</sup> reported that the gross domestic product (GDP) expanded by 6.4% in the first quarter of 2023. While this was within the government's target of 6.0% to 7.0% for 2023, this first quarter growth was the lowest after seven quarters when the country started to recover from the pandemic in the second quarter of 2021. Notably, all major sectors of the economy saw positive growth, with Agriculture, Forestry, and Fishing growing by 2.2%, Industry by 3.9%, and Services by 8.4%.

The latest economic data show that the Services sector continues to drive the growth of the Philippine economy as it accounted for 61.1% of the country's GDP. This sector includes wholesale and retail trade, financial and insurance activities, real estate, and information and communication. An opportunity now is to strengthen Industry, which includes manufacturing activities that account for 20.1% of the total GDP.

Moreover, the PSA<sup>9</sup> the unemployment rate in April 2023 decreased to 4.5% – or around 2.26 million unemployed individuals – from 5.7% in April 2022. On the other hand, the underemployment rate stood at 12.9%, which translated to 6.20 million underemployed persons. Notably, the Services sector continued to have the biggest share in employment at 61.1%, followed by Agriculture (21.9%) and Industry (17.0%).

In terms of trade, latest data from the PSA<sup>10</sup> shows that the country's total external trade in April 2023 amounted to USD 14.34 billion, posting a decline of 18.6% year-on-year. Imported goods continued to dominate the total trade as it accounted for 65.8%, while the rest were exported goods. As such, the trade deficit amounted to USD 4.53 billion. For years, the Philippines has been running a trade deficit, which became more pronounced in 2016 as imported goods continued to exceed the country's exports.

Notably, the biggest chunk of total exports during the month were manufactured goods, accounting for

79.4% of the total. This was followed by mineral products (10.5%) and agro-based products (7.2%). On the other hand, imports of raw materials and intermediate goods contributed the imported goods, with a 37.7% share in the total imports. Trailing behind were the import of capital goods (29.6%) and consumer goods (18.9%).<sup>11</sup>

Based on data from the PSA,<sup>12</sup> for the full-year 2022, the United States was the top export partner of the Philippines, with exports valued at USD 12.34 billion that accounted for 15.7% of total exports, followed by Japan (USD 11.13 billion, or 14.1% of the total exports). China was only the third-biggest export market of the Philippines, with exports amounting to USD 10.97 billion and accounting for 13.9% of total exports. On the other hand, China remained to be the Philippines' top import partner, with imports amounting to USD 28.20 billion that accounted for 20.6% of total imports. Following China were Indonesia (9.6%), Japan (9.0%), South Korea (9.0%), and the United States (6.5%). If we simply look at the total bilateral trade between the Philippines and China, it would be easy to surmise

that the latter is the Philippines' top trading partner, all because of the very high share of imported goods from China. These numbers, however, hide the reality that the Philippines has always been running on a trade deficit with China. As such, it is China that gains from its trade relations with the Philippines.

Meanwhile, latest figures from the Bangko Sentral ng Pilipinas (BSP)<sup>13</sup> indicate that the net inflows of foreign investment in March 2023 amounted to USD 548 million, posting a decline of 30.7% year-on-year due to investor concerns over subdued global growth prospects. During the month, most of the equity capital placements were sourced from Singapore, Japan, and the United States which were mainly directed to the following industries: manufacturing, information and communication, and real estate. The cumulative FDI net inflows for the first three months of 2023 amounted to USD 2.0 billion, which was a decline of 19.6% year-on-year as foreign investors remained cautious amid global inflation.

Public Sentiments on Economic Challenges

During the first three months of 2023, Filipinos' most urgent national concerns remained highly economic in nature, as presented by the results of a survey by Pulse Asia Research, Inc. Table 2 shows that Filipinos were 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%). Meanwhile, changing the Constitution was the least concern of the public.

Most Urgent National Concerns: Overall March 15-19, 2023, <b>Philippines</b> (In Percent / Multiple Responses, up to 3 allowed)								
Table 2								
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
Source: Pulse Asia Research, Inc.								

A survey commissioned by the Stratbase ADR Institute to Pulse Asia Research, Inc. during the first quarter of 2023 found that most Filipinos at 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. In particular, Filipinos perceive manufacturing activities as crucial in creating

livelihood opportunities for local business services needed to support manufacturing operations (62%), making goods more affordable and accessible to Filipino consumers (62%), and increasing local and foreign investment that can create more quality jobs and employment opportunities (50%) (Refer to Table 3). As such, the survey respondents identified the top three actions that the government should carry out to

## Ways the Philippines' Manufacturing Activities Contribute to Economic Growth and Development the Most

March 15-19, 2023  
(In Percent, up to 3 allowed)

Table 3

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		
		Base: Total Interviews, 100%						
		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
<b>UNAIDED</b>								
None	2	9	1	0	0	4	2	0

Source: Pulse Asia Research, Inc.

boost the growth of the country's manufacturing sector and other industries. They are: 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%).

“The Philippine Statistics Authority reported that the gross domestic product expanded by 6.4% in the first quarter of 2023. This first quarter growth was the lowest after seven quarters when the country started to recover from the pandemic in the second quarter of 2021...”

## Government Initiatives to Improve the Philippines' Trade and Investment Climate

In December 2022, President Marcos Jr. approved the Philippine Development Plan (PDP) 2023-2028, which serves as the country's blueprint for socioeconomic development over the medium term with the objectives of reinvigorating job creation and accelerating poverty reduction by steering the economy back to its high-growth path. The plan, which is geared toward the country's long-term vision called *AmBisyon Natin 2040*, is also anchored on the Marcos Jr. administration's 8-Point Socioeconomic Agenda that aims to address issues on both the near and medium term.<sup>14</sup>

As stated by the NEDA Director-General and Socioeconomic Planning Secretary Arsenio Balisacan,<sup>15</sup> the PDP 2023-2028 seeks to transform the Philippines' production and social sectors as well as to create the enabling condition through institutions and the environment. The cross-cutting strategies that will enable this transformation include the following: digitalization of government processes and public services; improving the local and global connectivity of markets and the integration of leading and lagging regions; servicification or building ICT, creatives, tourism, and logistics ecosystems around manufacturing clusters; building a dynamic innovation ecosystem; harnessing the private sector's resources, technologies, and potential for scale economies through public-private partnerships; and ensuring the effective devolution of critical social services to local governments.

In the same month, President Marcos Jr. signed into law the national budget for 2023 – otherwise known as the General

Appropriations Act (GAA) – amounting to PhP 5.268 trillion. This year's budget, which is the first full-year budget under the Marcos Jr. administration, is 4.9% higher than the previous year's budget. With the theme, “Agenda for Prosperity: Economic Transformation Towards Inclusivity and Sustainability,” the GAA's priority sectors are education, infrastructure, health, agriculture, and social safety nets.

Interestingly, according to the Department of Budget and Management (DBM),<sup>16</sup> around PhP 5.1 billion will be allocated for bureaucratic efficiency – one of the administration's 8-Point Socioeconomic Agenda – which can improve ease of doing business and create a more conducive environment for businesses to thrive. In terms of encouraging trade and investments, PhP 773 million will be allocated to the Exports and Investments Development Program, specifically to “support the formulation of strategic plans, programs, and policies on exports and investments, as well as the development, facilitation, and promotion of both domestic and foreign exports and investments.” In addition, PhP 109 million will be used to fund the Investment Promotion Program, which aims to promote both foreign and domestic investments.

Important policy changes that may make it easier to do business in the nation and attract more investment were made in the first half of 2023. President Marcos Jr. approved the creation of green lanes for strategic investments by signing Executive Order No. 18, which aims to expedite the granting of permits and authorizations for strategic investments that are in line with the PDP 2023–2028. Additionally, the release of the Implementing Rules and

Regulations of the Public Service Act amendments permitted full foreign ownership on a number of industries, including telecommunications, expressways, airports, and railways. Moreover, it is anticipated that increased project competition and improved performance among private sector actors will result from the revised guidelines for joint venture agreements between public and private entities. The Senate's ratification of the Regional Comprehensive Economic Partnership (RCEP) is also seen to encourage investments as rules and procedures with other participating economies will be aligned. Lastly, two economic zones in Batangas and Bacolod City were established under Proclamation No. 200, which can increase economic activity outside of Metro Manila.

## Capitalizing on Investments and Manufacturing Opportunities

No single solution is in sight in the near future due to the lingering socioeconomic effects of the COVID-19 pandemic, which have been exacerbated by global supply chain disruptions, geopolitical tensions brought on by the conflict between the Ukraine and Russia, global inflation, the threat of a global recession, as well as the impact of climate change. Addressing these complex issues therefore necessitates a whole-of-society approach.

The Philippine economy has long been driven by consumer spending, which is mostly supported by remittances from overseas Filipinos. It has been increasingly clear, however, that a consumption-led economic growth

has its limits. The country cannot consistently rely largely on remittances to fuel internal economic growth. This advantage in remittances must be balanced by a significant increase in investments, especially in production, whether for the domestic market or the export market. With a thriving manufacturing sector, the country will no longer be inordinately dependent on imports. It will then have fewer concerns about trade imbalances and balance-of-payments deficits.

A shift to investment-led growth is becoming necessary to overcome the country's lingering economic challenges, such as joblessness and growing debt. Investments, especially in the manufacturing sector, have the potential to not only increase productivity, but also drive job creation for millions of Filipinos, which can then spur consumer spending and keep the economy running strong. Interestingly, PSA data show that during the first quarter of 2023, consumer spending accounted for 75% of the country's GDP. Ultimately, this endeavor lays the groundwork for long-term economic growth and development.

If the country can lower the overall cost of production and provide more incentives to manufacturers and investors, more manufacturers will be willing to do business and increase their investment in the Philippines. At this point, the government needs to work closely with the private sector and other key stakeholders in society to address traditional issues such as lack of ease of doing business, corruption in the public sector and bureaucratic red tape, lack of physical and digital infrastructure, and persistent inflation.

## Protecting the Environment and Fostering Climate Action

Climate change and global warming have become significant challenges to the global economy in efforts to achieve prosperous, inclusive, and resilient societies. According to the *Climate Change 2022: Impacts, Adaptation and Vulnerability* report of the Intergovernmental Panel on Climate Change (IPCC), increasing the global temperature to 2 degrees Celsius above pre-industrial levels, will lead to severe consequences, some of which will be irreversible. Other potential impacts include increased risk of water scarcity, increased social and economic gaps, and worsening food insecurity. Sadly, people and ecosystems least able to cope are being hardest hit.<sup>17</sup>

This year, the IPCC released its Sixth Assessment Report (AR6) which summarized the state of knowledge of climate change, its widespread impact and risks, and climate change mitigation and adaptation. The study found that human activities, principally through emissions of greenhouse gases, have unequivocally caused global warming. Continued greenhouse gas emissions will lead to increasing global warming, with the best estimate of reaching 1.5 degrees Celsius above pre-industrial levels in the near term. Vulnerable communities who have historically contributed the least to current climate change are disproportionately affected.<sup>18</sup>

### Overview of Climate Change in the Philippines

The Philippines is no exception. With its geographical location and

socio-economic, demographic, and environmental characteristics, the country is vulnerable to climate-induced risks, including typhoons, floods, landslides, droughts, and sea-level rise. These hazards are exacerbated by the ever-changing climate and have severe consequences for the country's public health, infrastructure, agriculture, and economy.

Although the Philippines contributes a small amount in the global greenhouse gas (GHG) emissions, about 1.27 tons of carbon dioxide (CO<sub>2</sub>) per capita in 2021,<sup>19</sup> it ambitiously plans to cut GHG emission by 75% by 2030 (2.71% as unconditional, while 72.29% as conditional) against a projected business-as-usual (BAU) cumulative emission of 3,340.3 Mt CO<sub>2</sub> for 2020 to 2030.

One of the acknowledged climate-related hazards in the Philippines is the occurrence of frequent typhoons, and often with increasing intensity. This is due to the country's location along the typhoon belt of the Western Pacific. The country experiences an average of 20 typhoons entering its economic zone annually. These powerful storms bring strong winds, heavy rainfall, and storm surges, causing widespread impact. These events result in loss of lives, displacement of communities, destruction of homes, damage in infrastructure, and disruption of essential services.

According to the *Global Climate Risk Index 2021* report, from 1999 to 2019, the Philippines ranked as the fourth country globally that was most affected by extreme weather events.<sup>20</sup> These calamities often result in great

economic losses. The consequences of these climate-related hazards are far-reaching. They disrupt livelihoods, exacerbate poverty and inequality, and hinder the country's overall development.

Based on a 2020 data by the Philippine Statistics Authority, the country incurred PhP 463.00 billion worth of economic damages from 2010 to 2019 due to extreme natural events and disasters. Agriculture posted the largest share with 62.7% or PhP 290 billion, followed by infrastructure, and private communications with 23% or PhP 106 billion and 14.3% or PhP 66 billion, respectively.<sup>21</sup>

According to results of the Executive Opinion Survey (EOS) conducted by the World Economic Forum (WEF) from April to September 2022 as part of its *Global Risks Report 2023*, local business leaders consider natural disasters and extreme weather events as the top risk for the country in the next two years. This are followed by risks that can often can be correlated as after-effects of natural disasters such as debt, rapid increase in commodity prices, and challenges in information dissemination.<sup>22</sup>

While resilient and sustainable approaches have yet to have a single framework that is applicable to all, as it is always subject to context and situation, it is vital that multi-sector engagements and best practices be discussed and more widely adopted to proactively address these challenges and events before they even happen. This will lessen the vulnerability of communities to physical, social, and economic shocks.

## Accelerating Climate Action

The Philippine government recognizes the importance of economic growth and development to uplift the lives of its citizens and achieve sustainable progress. However, it also acknowledges the urgency of addressing the challenges posed by climate change and global warming, as well as their devastating impact. No progress can better serve the people if irreversible harm to the environment and the people cannot be addressed. Through stakeholders' initiatives in making sustainability and environmental concerns mainstream, the government and the Filipino people can be more aware of the serious environment and climate risks and their immediate and long-term consequences.

Meanwhile, under the PDP 2023-2028, which was prepared by the various government agencies and headed by NEDA, the national government recognizes its critical role in accelerating climate action and strengthening disaster resilience. The government will collaborate with the private sector and international community to scale up sustainable and green investments that propel economic transformation for a prosperous, inclusive, and resilient society. Furthermore, this collaboration is meant to scale up sustainable and green investments that propel economic transformation for a prosperous,

inclusive, and resilient society. It will also pursue innovative policies and measures to advance low-carbon development while ensuring just transition and job creation. Economically, the government will promote and aim to develop a green and blue economy that would optimize available resources to positively contribute to livelihood and employment generation while improving environmental and social well-being.<sup>23</sup>

The target outcomes of the PDP 2023 to 2028, in terms of accelerating climate action and strengthening disaster resilience, are the following:

1. Increase Climate and Disaster Risk Resilience of Communities and Institutions:  
The government will foster the resilience of communities and institutions through improved public-private-community engagements, increased public awareness and understanding of risk and vulnerability, and strengthened implementation of National Climate Risk Management Framework.
  - a. Strengthen the capacity of Local Government Units (LGUs) and communities in disaster prevention and preparedness;
  - b. Boost multistakeholder partnership in building and translating knowledge to climate change adaptation and disaster risk reduction; and
  - c. Align ESG measures and investments with local adaptation and risk reduction needs and priorities.

2. Enhance Ecosystem Resilience: Accelerate rehabilitation of degraded ecosystems to restore and enhance ecosystem services, particularly the ability of natural systems to protect communities against the negative impacts of climate change. Operationalize the Philippine Action Plan for Sustainable Consumption and Production (PAP4SCP).

- a. Intensify ecosystem protection, rehabilitation, and management; and
- b. Promote and expand natural resource-based industries and enterprises;

3. Enable transition to Low-Carbon Economy: The government will strengthen the enabling environment for private sector engagement in mitigation, promote the development of green technologies, and implement transformative policies and actions to curb GHG emissions while ensuring just transition of the workforce.

- a. Implement the Nationally Determined Contribution policies and measures;
- b. Bolster private sector investments in green development;
- c. Ensure just transition of workers affected by the structural changes toward a greener, more sustainable, and low-carbon economy; and
- d. Expand market opportunities for low-carbon technologies and products

Through the Nationally Determined Contribution (NDC) and climate finance mechanisms, the Philippines also seeks to capacitate the local agriculture, forestry, coastal and marine ecosystems, and biodiversity, health, and human security sectors to mitigate possible risks and damages to the country's economy, society, and environment.<sup>24</sup>

Unfortunately, amid the need to accelerate climate action, the national government allotted only PhP 21.90 billion for the protection of the environment under the 2023 National Budget. This is lower than the 2022 budget of PhP 24.90 billion.

## Strategic Collaboration Moving Forward

To achieve a long-term inclusive and sustainable green economic recovery, bureaucratic barriers that have hampered the

development of necessary collaboration between like-minded stakeholders need to be overcome. Policies and frameworks should be restructured to better accommodate the ever-changing political, industrial, and environmental landscapes.

The government must also fulfill its mandate to create an enabling environment that helps the private sector maximize sustainable investments. In turn, civil society must pursue high-impact projects that address pressing climate change issues. These sectors working together are crucial for the Philippines to fulfill its international commitments to mitigate the negative effects of climate change, and to transform its economy to become more sustainable and resilient.

Businesses have been reinventing themselves to better address their operations' environmental footprint. Some have even gone beyond mere corporate social responsibility to address sustainability concerns while bringing about greater value to their products and services. But equally important in achieving a long-term sustainable and resilient economy are the public and private sectors' strategic collaboration with civil society stakeholders. Because of their deep-rooted relationship with community members, as well as their familiarity with the area's environmental conditions and needs, civil society stakeholders are in the best position to help the government and businesses amplify and implement their initiatives on a wider scale.

Moreover, the collaboration between the public and private sectors is vital in driving sustainable development efforts. Public-Private Partnerships enable the sharing of responsibilities and resources, leveraging the expertise and innovation of the private sector to implement climate change solutions. Through PPPs, projects such as renewable energy facilities, climate-smart agriculture initiatives, and climate-resilient infrastructure can be realized more effectively.

## Responding to Challenges in the West Philippine Sea

President Ferdinand Marcos Jr. is navigating an Indo-Pacific that is becoming increasingly complex and multipolar, characterized by power shifts and the emergence of traditional and non-traditional security challenges. These interconnected concerns have disrupted regional peace and security, affecting a wide range of sectors, including businesses and organizations in the Philippines.

In order to respond to this geopolitical reality, President Marcos Jr. has embarked on various diplomatic trips to strategically position the Philippines and elevate its relations with neighboring states, allies, and strategic partners. He has met with the leaders of the United States, Japan, China, Indonesia, and Singapore, as well as those from the European Union (EU) and the Association of Southeast Asian Nations (ASEAN). In the context of an evolving geopolitical

architecture, leveraging the opportunities to strengthen multilateral partnerships with like-minded states are critical as the country's economy recovers from the pandemic.

The West Philippine Sea is a key component of the administration's foreign and security policy, with an emphasis on concerns such as China's aggressive behavior in the maritime domain and gray zone operations. Hence, his official trips and meetings serve as a platform to build collective deterrence and rally support from the international community. In his first State of the Nation Address (SONA) in July 2022, President Marcos Jr. vowed to pursue an independent foreign policy, citing national interests as the primordial guide. He also emphasized the need for the Philippines to maintain good relations with other countries, stating that it should remain "a friend to all and an enemy to none."<sup>25</sup>

In a clear departure from the previous administration's stance, President Marcos Jr. also stated that under his leadership, the country would not give up even a square inch of its territory. Early this year, he also discussed the issue of fishing rights in the West Philippine Sea during a meeting with President Xi Jinping in Beijing. This strategic move demonstrates a shift from the appeasement policy pursued by former President Rodrigo Duterte, which resulted in slow progress in resolving the territorial disputes and preventing China from harassing and threatening Philippine vessels.

President Marcos Jr. has also continued to strengthen and diversify the country's alliances and strategic partnerships to balance the country's engagements with the United States and China. This approach has allowed the Philippines to

collectively build deterrence with like-minded states such as Japan, Australia, and India, as well as other members of the ASEAN.

## Current Developments in the West Philippine Sea

The 2016 ruling of the Permanent Court of Arbitration provides the Philippines with a legal and internationally recognized basis for its claims in the West Philippine Sea. Despite this, the country has continued to face various threats to its sovereignty and territorial integrity. Following his election in May 2022, President Marcos Jr. vowed that his administration shall assert the territorial rights of the Philippines in the West Philippine Sea. He stressed that Philippine sovereignty is sacred and that his administration "will not compromise it in any way."<sup>26</sup> He added that the 2016 arbitral ruling is "a very important ruling in our favor." He believes that the Philippines' sovereignty over the West Philippine Sea is not a claim as "it is already our territorial right and that is what the arbitral ruling can do to help us." President Marcos Jr.'s remarks are in stark contrast to that of his predecessor, former President Rodrigo Duterte, who referred to the landmark ruling as a piece of paper. In one of his late-night addresses, former President Duterte also said that the Philippines' assertion of its rights in the West Philippine Sea is "a waste of time and at the same time disrupting the good relations of China and the Philippines."<sup>27</sup>

There were numerous incidents in the West Philippine Sea in the first year of the current administration. These include the swarming of Chinese maritime vessels within the country's territory, as well as the illicit activities conducted by Chinese Coast Guard (CCG)

vessels. Thus far, under the Marcos Jr administration, the Philippines has filed a total of 77 diplomatic protests against China.

During President Marcos Jr.'s state visit to China early this year, he and Chinese President Xi Jinping agreed that the issues in the West Philippine Sea are not the sum of the relations between the two countries. The meeting between the two leaders resulted in an agreement on a direct communication mechanism between the Ministry of Foreign Affairs of the People's Republic of China and the Department of Foreign Affairs (DFA) to address issues and prevent possible miscommunication and incidents in the West Philippine Sea.<sup>28</sup> These discussions, however, did not prevent China from carrying out aggressive actions within Philippine territory.

On November 20, 2022, the Western Command (WESCOM) of the Armed Forces of the Philippines (AFP) reported that CCG personnel forcefully retrieved a large piece of metal debris that the Philippine Navy was trying to tow back to Pag-asa Island. China refuted the report, stating the CCG collected the debris after friendly negotiations.<sup>29</sup> The debris was later recognized as part of a rocket launched by China.

In February 2023, the Philippine Coast Guard (PCG) reported that its Chinese counterpart pointed a military-grade laser against the PCG crew aboard BRP Malapascua, causing the crew to experience temporary blindness. The PCG vessel supported the Philippine Navy's rotation and resupply mission to BRP Sierra Madre in Ayungin Shoal in the West Philippine Sea.<sup>30</sup> In response to the incident, President Marcos Jr. summoned Chinese

Ambassador Huang Xilian to Malacañang and expressed his concerns over China's aggressive behavior in the West Philippine Sea.

During a separate incident during their regular maritime patrol in April 2023, the PCG also reported that two of its vessels - BRP Malapascua and BRP Malabrigo - were involved in a confrontation with Chinese vessels in two separate incidents near the Pag-asa Island and Ayungin Shoal.<sup>31</sup> The PCG maintains that its maritime patrol is non-provocative as it only sailed within the country's exclusive economic zone (EEZ). On April 21, the PLA Navy vessel crossed paths with the PCG vessels at seven nautical miles from Pag-asa Island.

On April 23, two CCG vessels reportedly exhibited aggressive tactics and dangerous maneuvers toward the Philippine vessels in the Ayungin Shoal. The vessels were close to one another, posing a significant threat to the safety and security of the PCG. In the same maritime patrol, the PCG announced that it had identified more than 100 Chinese vessels in the West Philippine Sea, including Chinese maritime militia (CMM) vessels, a People's Liberation Army (PLA) Navy corvette, and two CCG vessels.

Addressing the aggressive behavior of China in the maritime domain remains a serious concern for the current administration. This behavior not only undermines Philippine sovereignty, but also endangers the lives of Filipino fisherfolk and their livelihood. While diplomatic communication lines remain open, current strategies are not able to prevent such incidents from occurring. It is a substantial and vital component of Philippine foreign policy that must be assessed apart from the strategic rivalry between the United States and China.

The WPS as a Priority

The Marcos Jr administration is focused on addressing recurring issues in the West Philippine Sea and ensuring internal and external defense. The PDP 2023-2028 includes a strategic framework to preserve peace and security, with one targeted outcome being the preservation and protection of territorial integrity and sovereignty. According to the plan, this can be done by (1) strengthening advocacy on respect for a rules-based regime in the regional

and international community, (2) pursuing greater international and regional dialogues and cooperation, (3) developing a modern, credible, and self-reliant defense force, and (4) strengthening the capacity of institutions in security assessment, operations, and response relative to geopolitical developments. To ensure that these objectives are met, PDP 2023-2028 also laid out specific legislative priorities as listed in the table below.<sup>32</sup>

Legislative Agenda to Ensure Peace and Security

Table 4

Legislative Agenda	Rationale/Key Features	Responsible Agency
National Defense Act	This aims to amend Commonwealth Act No. 1 (National Defense Act of 1935) by streamlining and further professionalizing the Department of National Defense (DND) and its bureaus.	DND
Mandatory Citizens' Service Training Act	This aims to unify the three training programs of the current National Service Training Program into a single and comprehensive citizens' civil and military training in the first two (2) years of a baccalaureate degree program.	DND
Self-Reliant Defense Posture Act	This aims to strengthen the capabilities of the DND to support the development of the defense industry and provide incentives for firms to participate in the effort.	DND
Philippine Maritime Zones Act	This aims to establish maritime zones and sovereignty jurisdictions where maritime rights can be exercised against unnecessary and dangerous maneuvers of foreign vessels traversing and entering the Philippine territory.	National Coast Watch Council (NCWC)
Philippine Archipelagic Sea Lanes Act	This aims to designate sea lanes and air routes for safe and innocent passage consistent with the provisions of the United Nations Convention on the Law of the Sea to prevent arbitrary international passage in the Philippine archipelago.	NCWC
Critical Information Infrastructure Protection Act	This aims to protect critical information infrastructure (CIIs) by prescribing minimum standards for compliance by government agencies.	DICT
Cybersecurity Act	This aims to strengthen the cybersecurity workforce in the country and strengthen capabilities of the Department of Information and Communications Technology (DICT) by providing it with regulatory authority over CIIs and the cybersecurity industry.	DICT
Enabling law creating an autonomous region in the Cordilleras	This will provide an operational basis for future convergence efforts between local government units, national government agencies, and stakeholders in the organization of the Cordillera as an autonomous region.	Office of the Presidential Adviser on Peace, Reconciliation and Unity

Source: Philippine Development Plan 2023-2028

According to the 2023 national budget prepared by the Department of Budget and Management (DBM), PhP 210 billion is allocated for the defense sector.<sup>33</sup> Of this amount, PhP 207.2 billion is for military defense and PhP 2.5 billion is for civil defense. The Revised AFP Modernization Program received a total of PhP 45 billion in funding in 2023 - PhP 17.5 billion from unprogrammed appropriations and PhP 27.5 billion from a special purpose fund.

Meeting the objectives set in the PDP with continuous budgetary support will ensure that President Marcos Jr. will achieve his commitments throughout his six-year presidency. As various initiatives are introduced, it is vital that the administration remains true to its promise of upholding the national interests in both foreign and security policy.

The WPS as a Crucial Factor in an Independent Philippine Foreign Policy

Given the current security landscape of the Indo-Pacific, navigating the region requires keeping close cooperation with friends and allies while prioritizing national interests. A national survey, conducted by Pulse Asia Research Inc. and commissioned by the Stratbase ADR Institute from November 27 to December 1, 2022, showed that 84% of Filipinos believe that the capability of the country’s military, especially the Navy and Coast Guard, must be strengthened and that joint maritime patrols and military exercises should be conducted with allied countries (Refer to Table 5). The survey also revealed that most Filipinos believe that the Marcos Jr. administration should work with countries such as Japan (52%) and Australia (25%) to strengthen security cooperation and defend national sovereignty in the West Philippine Sea.

Entities the Marcos Administration Should Work with to Strengthen Security Cooperation to Defend our National Sovereignty in the West Philippine Sea

Table 5

Among the following, which entities should the Marcos administration work with to strengthen security cooperation to defend our national sovereignty in the West Philippine Sea?

You may choose up to three.	RP	LOCATION				CLASS		
		NCR	BL	VIS	MIN	ABC	D	E
United States	84	87	84	89	79	82	85	82
Japan	52	63	50	58	44	64	51	47
Australia	25	27	27	21	23	20	27	21
Great Britain/United Kingdom	24	25	23	20	26	30	22	31
South Korea	23	21	24	26	18	16	25	18
China	20	15	18	20	28	16	20	22
European Union	20	29	14	23	21	23	19	19
Russia	17	13	18	11	20	15	17	14
France	12	9	14	9	12	10	13	7
India	2	5	2	1	1	6	2	0
UNAIDED I don't have enough knowledge to give an opinion	4	0	4	4	7	5	3	11

Source: Pulse Asia Research, Inc.

These states also demonstrate deep appreciation for their diplomatic relations with the Philippines by continuously supporting the country in its 2016 arbitral victory in the West Philippine Sea.

In addition, 50% of Filipinos believe that to address issues in the West Philippine Sea effectively, the Marcos administration should prioritize strengthening the military capability of the Philippines, especially the Navy and the Coast Guard. 29% of respondents also believe that conducting joint maritime patrols and military exercises

with allied countries is an effective strategy. (Refer to Table 6)

Meanwhile, 53% of Filipinos believe that protecting marine resources and the environment in Philippine territory is the most critical reason to strengthen our ability to defend and protect our seas. 22% think the most important reason is the protection of the rights of peoples and communities in the coastal areas, while 14% say the reason is stopping China’s incursions in the Philippines’ Exclusive Economic Zone or EEZ. (Refer to Table 7)

## Measures the Marcos Administration Should Prioritize in Order to Effectively Address Issues in the West Philippine Sea

Table 6

Which of the following measures should the Marcos administration prioritize in order to effectively address issues in the West Philippine Sea?

	RP	LOCATION				CLASS		
		NCR	BL	VIS	MIN	ABC	D	E
Strengthen the military capability of the Philippines, especially the Navy and the Coast Guard	50	53	52	47	45	58	48	51
Conduct joint maritime patrols and military exercises with allied countries	29	19	33	31	23	27	31	15
Fully implement the Visiting Forces Agreement or VFA and the Enhanced Defense Cooperation Agreement or EDCA	10	14	7	9	13	9	10	10
Finalization of the Association of Southeast Asian Nations' Code of Conduct or ASEAN Code of Conduct or an agreement on how countries would act within the South China Sea	9	14	4	10	14	4	8	15
<u>UNAIDED</u> I don't have enough knowledge to give an opinion	3	0	4	3	5	2	3	9

Source: Pulse Asia Research, Inc.

The national survey results form a solid basis for implementing an independent foreign policy for the Philippines. Free from any external pressure or interference, the Philippines must fortify its cooperation with like-minded states without weakening its relations with others. In doing so, government leaders must advocate for the national interests and the welfare of the Filipino people, from where its mandate comes. Adhering to national interests must always prevail in elevating relations with new and existing partners.

## Nurturing Partnerships and Alliances Anchored on Filipino Interests

Geopolitical risks are projected to have a broad-based impact on various sectors as well as economic development. In the case of the Philippines, the issues concerning the West Philippine Sea have remained a major challenge in Philippine foreign and security policy over the past few years.

In the next six years, the Marcos Jr. administration is faced with the challenge of contributing to the defense of a rules-based international order. As such, the following recommendations are put forward:

### 1. Push for policies and initiatives that are consistent with the interests of the Filipino people.

As mentioned, the national interest must always prevail in the implementation of foreign and security policy. In this way, the Philippines promotes a truly independent foreign policy separate from the strategic competition between major powers while promoting the interests of the Filipino people.

### 2. Maximize alliances and partnerships with like-minded states and participate

## Most Important Reason to Strengthen our Ability to Defend and Protect our Seas

Table 7

What do you think is the most important reason to strengthen our ability to defend and protect our seas?

	RP	LOCATION				CLASS		
		NCR	BL	VIS	MIN	ABC	D	E
Protect the marine resources and environment in Philippine territory	53	59	55	50	50	51	55	45
Protect the rights of people and communities in the coastal community	22	16	26	26	16	27	21	24
Stop China's incursions in the Philippines' Exclusive Economic Zone or EEZ	14	15	11	18	14	11	14	16
Protect our national sovereignty	9	9	6	4	18	9	8	10
UNAIDED								
I don't have enough knowledge to give an opinion	2	0	2	2	2	2	2	6

Source: Pulse Asia Research, Inc.

*in global and regional cooperation in defending a rules-based international order.*

Defending the rules-based international order against various traditional, non-traditional, and emerging security risks is a collective responsibility. Thus, participation in multilateral, minilateral, and bilateral initiatives promotes cooperation among like-minded states. This effectively contributes to achieving peace and stability in the Indo-Pacific.

**3. Maintain a firm, consistent and uncompromising position over the West Philippine Sea in accordance with the 2016 arbitral ruling and international law.**

Issues emanating from the aggressive behavior of Chinese maritime and militia vessels in the West Philippine Sea will continue to undermine Philippine sovereignty and the rules-based international order. If neglected, the continuous swarming of foreign vessels and the demonstration of aggressive behavior in Philippine territory will persist. Thus, having a firm, consistent, and uncompromising position on the country's arbitral victory is also crucial for maintaining the rules-based international order.

## Conclusion and Recommendations

The reinforcing link and variable in achieving a resilient, inclusive and prosperous Philippine society pertains to the dynamic relationship between government as the enabler, the private sector as the indispensable actor, and civil society as the guardian of societal processes and the commerce of relations.

Envisioning the provision of affordable, accessible, reliable and

clean energy under the PDP 2023 to 2028 and equipped with a specific budgetary allocation for renewable energy in the GAA, the DOE is set to improve and expand the country's energy infrastructure. In ensuring a reliable and stable energy supply, renewed confidence in the current administration's public-private partnerships opens up more investment opportunities and operational possibilities for the energy sector.

The transition to alternative sources of energy will have a wide-ranging development impact on various sectors of the economy, e.g., production, environment and climate change. Particularly, the shift to renewable energy will significantly reduce the country's vulnerability to price shocks and headwinds from the world market.

In terms of building an environment conducive to business, the government made policy changes in creating green lanes for strategic investments and released the IRR for amendments to the Public Service Act. Expectedly, the revised guidelines for joint venture agreements between public and private entities will generate project competition and improved performance among private sector actors. These developments, alongside the ratification of RCEP and establishment of two economic zones in Batangas and Bacolod City, will boost investment and business activities.

While at least three-fourths of the country's GDP is propelled by local consumption, the limits of consumer spending as driven by overseas remittances must be recognized in light of external geopolitical shocks. Both foreign and domestic investments will be better channeled to manufacturing activities that could multiply the source

of income and livelihood of Filipinos, as well as curb recurring trade deficits.

Persistent economic challenges and risks highlight how an investment-led growth can spur sustainable development. For the manufacturing sector, lowering the cost of production, addressing age-old issues such as ease of doing business, curbing corruption in the public sector and bureaucratic red tape, upgrading of physical and digital infrastructure, addressing inflation, and providing better incentives to both manufacturers and investors are key to attracting investments.

Geared toward protecting the environment and fostering climate action, the NEDA is cognizant of its role in accelerating climate action and strengthening disaster resilience. The promotion of a green and blue economy is perceived to optimize available resources, contribute to livelihood and employment expansion, and improve well-being of Filipinos. To reiterate, and relative to the environment, the target outcomes of the PDP 2023 to 2028 are to: (1) Increase Climate and Disaster Risk Resilience of Communities and Institutions; (2) Enhance Ecosystem Resilience; and (3) Enable transition to Low-Carbon Economy.

To achieve these targets, the government needs to cooperate with the private sector to facilitate the entry of sustainable investments and work with civil society to pursue high-impact projects addressing climate change. These sectors, working together, will enable the Philippines to achieve its international commitments relative to climate change.

While businesses are addressing their

environmental footprint and fortifying their community linkages, social agency is more effectively realized in the form of PPPs where responsibilities and resources are shared, expertise and innovation are leveraged, and community-to-community ties are positioned.

In the realm of advancing the national interest in geopolitical spaces, such as the West Philippine Sea, partnerships and alliances are crucial. As the Marcos Jr. administration is equally challenged to contribute to the defense of the rules-based international order in the next five years, it is recommended to take the following courses of action: (1) Push for policies and initiatives that are consistent with the interests of the Filipino people; (2) Maximize alliances and partnerships with like-minded states and participate in global and regional cooperation in defending a rules-based international order; and (3) Maintain a firm, consistent and uncompromising

position over the West Philippine Sea in accordance with the 2016 arbitral ruling and international law.

In essence, what is taking form in the first year of the Marcos administration is collaborative and inclusive governance. This is in tune with the demands of challenging times and the resulting political opportunities offered by multidimensional and geopolitical concerns.

From the growing concern on inflation to geopolitical and economic headwinds, the recognition of a whole-of-society approach to governance has gained currency. The PDP 2023 to 2028, in particular, utters collaborative or inclusive governance as the evolving imperative characterized by a favorable political environment where there exists a more trustworthy attitude to the role of the private sector and PPPs, the growing confidence of government agencies in their program on civil society

participation, the coordination as well of different agencies at the national and local levels of government and the pronouncements toward an all-sector or inclusive development.

What reverberates among the challenges and opportunities posed by the situation and government programs in the domains of energy, trade and investments, environment and climate change and the geopolitical situation in the West Philippine Sea is the critical role of strategic collaboration between and among stakeholders.

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The Financial Tower,  
6794 Ayala Avenue,  
Makati City 1226

V (632) 8892.1751  
F (632) 8892.1754



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