

AUSTRALIAN POLITICAL EXCHANGE COUNCIL

8th AUSTRALIAN DELEGATION TO THE PHILIPPINES

2 to 8 May 2015



DELEGATION

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Executive Summary

The 8th Australian Political Exchange Council Delegation to the Philippines comprised representatives from the Liberal Party of Australia, the Australian Labor Party and The Nationals. The Delegation was accompanied by Ms Suzy Domitrovic from the Secretariat of the Australian Political Exchange Council, Department of Finance.

The exchange was a great learning experience for all delegates. Over the course of the week, delegates were able to develop a strong understanding of the commonalities of our two nations. It is safe to say that the breadth of those commonalities was far greater than had previously been assumed.

The Philippines is a relatively young democracy having endured periods of extended occupation and martial law. Post the Marcos era, the Philippines has worked hard to establish a working form of government and while it encounters issues from time to time, continues to develop to a more democratic nation. Moreover, the appetite for continued development, particularly surrounding anti-corruption measures and more scrutiny of government is strong.

Over the course of the week, delegates were able to interact with members of the community, youth politics leaders, political veterans, business leaders, government officials and leaders of civil society. Having a broad range of meetings allowed delegates to explore a wide range of topics and garner different points of views on certain issues relevant to the bilateral relationship.

The relationship between our two nations is strong. From meeting high level officials and elected representatives to chatting with locals on the street, Australia's reputation in the Philippines seems strong.

The delegation has returned to Australia with a stronger understanding of an important and close neighbour. People-to-people links have been established and will continue into the future. Delegates are pleased to provide detail of the exchange in this report.

Delegation Report

Friday, 1 May 2015 – Canberra

Briefing Day

The delegation met in Canberra to attend a pre-departure briefing day. Following an introduction from Ms Suzy Domitrovic, Executive Officer of Australian Political Exchange Council Secretariat, the delegation received a range of briefings from Philippine experts.

First was a briefing on Philippine Political Developments from Mr Ronald Holmes from the ANU College of Asia and the Pacific. This excellent presentation provided a good overview of politics in the Philippines which formed the basis of many of the discussions that would later be held in the Philippines.

Next, Ms Kirsty McMaster, Director of the Philippines Section of the Department of Foreign Affairs and Trade provided a good overview of the Australia-Philippines bilateral relationship. Many of these topics were repeated during our discussions in the Philippines and there is no doubt that the two countries share many close bonds.

The delegation then heard from the leader of the 7th Australian Delegation to the Philippines, Ms Georgia Goldsworthy, from the Office of Senator the Hon Penny Wong which helped set delegates' expectations for the visit.

Finally before departing for the airport, Mr Jim B. San Agustin, First Secretary and Counsel from the Embassy of the Philippines completed our introduction to the country.

Saturday, 2 May 2015 – Manila

Ayala Museum

The delegation arrived in Manila and was greeted by members of the Philippine Center of Young Leaders in Governance (PCYL) and the Office of Senator Paolo Beningo "Bam" A. Aquino IV who were the hosts for the exchange.

We were given a guided tour of the Ayala Museum in the heart of the Makati central business district. The museum provided a great starting point to further the delegates' understanding of the history of the Philippines and the delegation learned a lot of interesting facts.

There is a rich cultural history in the Philippines and current generations are working hard to preserve this. The Philippines has a conflicted past with Spaniards, Japanese and Americans all making their mark on the culture and political scene. Historically, China was a major trading partner, exchanging their silks for gold and woven goods.

For dinner, the delegation was hosted by the Executive Director of PCYL, Mr Rollie Fabi. Mr Fabi provided the group with an orientation of the organisation and offered insight into the week ahead.

Sunday, 3 May 2015 – Puerto Galera

Meeting with Vice Governor Humerlito “Bonz” A. Dolor

The delegation travelled by bus to the port of the City of Batangas. The group then boarded an outrigger boat to travel to the tourist town of Puerto Galera in the province of Oriental Mindoro.

Upon arrival we were welcomed by our host for the next two days, Vice Governor Humerlito “Bonz” A. Dolor who is the National Chairman of the League of Vice Governors of the Philippines and the Treasurer of the Union of Local Authorities of the Philippines. The Vice Governor was recently part of the 9th delegation from the Philippines to Australia and spoke very highly of his time in Australia.

Prior to lunch, which was hosted by the Vice Governor, the delegation was able to watch the fight between Philippine Congressman Manny Pacquiao and Floyd Mayweather Jnr. This fight was dominating Philippine and worldwide headlines and provided an insight into the mentality of the locals. Unfortunately, the result was not in the favour of the national hero.

The delegation was given an orientation boat tour that showed just how remarkable the natural scenery of the province is and why it has become a popular tourist destination. The port of Puerto Galera is dominated by western tourists at large, Australian owned resorts, and is home to 42 natural dive sites. However, the final destination of the boat tour, White Beach, is largely home to Filipino and other Asian tourists with businesses more locally owned.

The Vice Governor, he himself from Puerto Galera, is very proud of local tourism and wants to see this further improve. In order to boost eco-tourism and preserve the dive sites, the local government has banned commercial fishing within 15km of the shoreline. There are various protected zones where no fishing is allowed and in the remainder, only a single hook and line is allowed. As the area is currently overfished, they have introduced underwater video monitoring as part of their breeding program. Local government and municipal councils exercise significantly more power in the Philippines than their Australian equivalents. Such importance is placed on environmentally-friendly tourism in the region that local government has banned all mining of natural resources.

The delegation experienced the local tourism first-hand to understand the importance of tourism to the regional economy and the local authority’s emphasis on growing this non-agricultural sector of the region. In fact, 95% of the island’s economy is dependent on tourism earnings, and the island is the most popular tourist destination in this economic region of the Philippines.

The delegation was then hosted for dinner by the Mayor of Puerto Galera, Hubbert Christopher Dolor.

Monday, 4 May 2015 – Puerto Galera/Calapan City

Mangyan village and meeting with elected officials

The day started with a visit to the local Mangyan village where the delegation witnessed locals producing high quality weaved products such as baskets. The delegation was very impressed by the quality of the products, which we were informed would easily outlive us all. The delegation was then briefed on the work of the Ayala Foundation (the Foundation). The Foundation is involved with the development of housing for the locals on land purchased specifically for them. Furthermore, the Foundation offers rent free space in Makati City in Metro Manila for the sale of the products produced locally.

The delegation was then taken to a small business on the highest peak in the area where we were able to get a good layout of the region which can only be described as picturesque. Following this brief stop, the delegation was taken to the local council building where we again met Mayor Dolor and several of his councillors. The meeting included:

- short videos of local tourism and festivals
- briefing on Puerto Galera's membership in the International Club for Beautiful Places and the town hosting the 2016 conference
- a discussion of current infrastructure developments in Puerto Galera, most of which are complete
- a discussion of the future infrastructure developments and visions that the region would like to undertake, most notably an international airport, and the construction of a casino and resort (which itself officials say is difficult to have built in a very Catholic country such as the Philippines)
- briefing on the growth of both local and international tourism
- the challenges to the future economic growth of the region (particularly the funding and revenue generation required to further economic and infrastructure development)
- a discussion on how the region is promoting further growth in tourism, including Puerto Galera's membership of the Paris-tourist organisation *Congress of the Most Beautiful Places in the World*.

Calapan City

The delegation travelled to Calapan City, the provincial capital, for a meeting with Mayor Arnan C. Panaligan where the following topics were discussed:

- the current political structure of the Philippines and the potential for federalism, a process that will take a long time
- the passion of Filipino voters who, despite optional voting, record voter participation above 90%, in part due to all levels of Government being voted on the same national holiday – with significant engagement by the voters
- the comparative powers of the city in comparison to Barangays (villages) and Provinces
- local workforce demographics which are largely agriculture with some light industry and call centres (a major component of the national economy) – heavy industry being attracted to the mainland
- Council revenue is largely driven by transfers from the national government with secondary revenue from business and other local taxes
- population turnover with many graduates moving to Manila for opportunities but many regional provincial youth replacing them for the same reasons
- the Mayor's political history, the structure of the local council with a Mayor, Vice Mayor (presiding officer), 10 elected councillors and 2 ex-officio councillors (this seems to be a consistent structure across all local Governments but also at the provincial level with Governors instead of Mayors and board members instead of councillors).

The Council then took the delegation on a short lunch cruise where we were treated to local food, local musicians and traditional dance from the local high school.

Sitting of the provincial government

The delegation attended a session of the provincial government with Vice Governor Bonz as the Presiding Officer. The delegation noted many similarities but also many differences from Australian politics such as:

- the “bells”, which started five minutes before the session, was a compilation of classical music
- the session started with both the national and provincial anthems
- the record of the meeting was completed live by an official which was presented on a projector
- due to the lack of a strong party system, the session was briefly suspended on a few occasions so that board members could discuss and reach a mutual conclusion on matters
- considerations were deliberated through a committee stage before the final outcome was agreed upon.

During the session the delegation was formally recognised by the Vice Governor. As Delegation Leader, Mr Macdonald was invited to address the sitting of honourable board members from the floor. The Delegation was honoured to receive a formal presentation of gifts in the session, an honour usually reserved for only the most important guests.

The delegation then received a local tourism and agriculture briefing from provincial Tourism, Investment and Enterprise Development Officer-in-Charge, Mr Orlando Tizon and Provincial Agriculturist Christine Pine.

The agriculture briefing highlighted that farming is the major local industry, comprising two-thirds of the economy, with main products including rice, calamansi (local lemon), bananas and other fruits. By 2020 the region is planning on becoming the food base for the top two thirds of the country. There is a long list of programs to support this goal and farming in general, for example rice productivity enhancement and farming mechanisation.

The tourism briefing covered the major tourist destinations in the province and the infrastructure available to tourists. Whilst the province hosts several airports they do not currently host commercial flights. This is largely due to the relatively short car/boat commute from Manila (around 3-4 hours total). The delegation also learnt that Mangyan villages also produce a range of products for sale such as weaving (as witnessed earlier in the day), beads and cloth.

A short courtesy call with the Oriental Mindoro Governor Alfonso Umali Jr. followed and included the opportunity to taste some local delicacies.

Dinner for the delegation was hosted by the Governor, Vice Governor and the entire provincial board. The dinner provided an informal setting to further discuss many of the issues which had been raised in meetings during the day.

Tuesday, 5 May 2015 – Manila

Meeting with elected officials

The delegation was transported to the Calapan City port for a ferry back to Batangas City and a bus back to Manila.

On the way, the delegation stopped at the council offices of Tanuan City where we were hosted by Mayor Antonio C. Halili, Vice Mayor Jhoana C. Corona (who was also a delegate on the 9th Delegation from the Philippines to Australia) and several councillors. Following a short briefing on the city, a discussion was held covering the below topics:

- local industry including several call centres
- foreign investment
- the growth of industrialisation in the area
- issues regarding bio-security and pest management, in particular, the scale insect infestation that recently threatened to decimate 90% of the coconut industry in the region
- the possibility of turning the old railway lines into active freight and passenger transport routes
- public transportation issues given a large proportion of residents commute to Manila for work daily.

After returning to Manila, dinner was hosted by Bayugan City Councillor Kirk A. Asis in his role as National President of the National Movement of Young Legislators (and another delegate on the 9th Delegation from the Philippines to Australia). We were also joined by Quezon City Councillor Dorothy “Doray” Delarmente (also a professional surgeon) and Vice Mayor Corona.

Wednesday, 6 May 2015 – Manila

Department of Social Welfare and Development

The delegation met with Parisya H. Taradji, Under Secretary for Operations and Programs Group from the Department of Social Welfare and Development. The Department focuses on social protection and assists all levels of Government and NGO’s. The briefing and discussions included:

- how new policies are tested in specific regions before national adoption
- decentralisation of policy management
- Haiyan rehabilitation and recovery plan
- foreign aid including Australia’s Overseas Development Aid and response to Super Typhoon Haiyan
- the Department’s interactions with relevant Australian agencies
- focus on protection of vulnerable women and children
- eligibility for invalid pensions and aged care facilities only extends to those whose families are unable to support.

University of the Philippines

The delegation visited the University of the Philippines for a meeting with several professors from the School of Economics. The University was founded in 1908 and the meeting was held at the Diliman campus, one of a number around the country. Following a general introduction of the Philippines economy, the delegation had a fruitful conversation on a number of topics:

- strong economic growth following the political issues of the 1980's/90's
- remittances from overseas Filipino workers has been a strong economic driver (around 10% of GDP) along with the export of business process offices (BPOs e.g. call centres) which continues to grow strongly (currently generating US\$2 billion in national earnings per month) and may match remittances
- most economic growth is in BPOs and comparatively skilled workers meaning there hasn't been a significant improvement in poverty alleviation
- investment is improving with the increase in investment grade ratings
- significant foreign exchange reserves
- remittances have kept the exchange rate high (which has appreciated 43% since the Asian Financial Crisis of 1997) and has disadvantaged the manufacturing sector, but has afforded the country a current account surplus since 2005/2006 (with a surplus on the services account, and a deficit on the goods account)
- currently, the level of remittances is exceeding the level of investment and the economy is struggling to properly absorb remittances
- the limiting of foreign ownership to 40% in particular industries such as land, public utilities, education and media
- 100% foreign ownership is permissible in mining, however the sector remains small due to provincial and local government resistance to mining
- the further diversification of the economy, as agriculture falls to below 10% of the national economy (although it is by far the dominant industry in most regions outside of Manila and other major city centres)
- a large part of national economic growth is from the active investment and taxation policies of the National Government. Tax rates have been increased to pay down public debt levels, with excess revenue (post indebtedness) being reinvested back into economic development and expanded social services (rather than returned through lower taxes). However, this is frustrated by the Bureaucracy's inability to forward plan an infrastructure agenda or timeline
- shortage of capital in rural areas as rural banks tend to fail and bigger banks not incentivised to expand into rural areas (Senator Bam later highlighted current policies of micro-financing which should help alleviate this problem)
- the biggest impediment to foreign investment is the difficulty in the calculation and pricing of risk. This is evident in domestic credit markets where Filipino monetary policy has central rates at 3% but domestic lending rates are at an average 14%. On further examination, similar spreads are evident across all lending and deposit markets. This is despite three domestic banks controlling over 50% of the active banking market.
- capital, financing and banking issues have led to the development of a shadow banking system where operators are providing unregulated credit lines to people with interest rates commonly in excess of 12% per month compounded.

House of Representatives of the Philippines

The delegation visited the House of Representatives of the Philippines for what proved to be the highlight of the exchange program. The visit started with a meeting with Deputy Speaker Carlos M. Padilla who was accompanied by three members of congress: The Hon Mercedes K. Alvarez, the Hon Anthony del Rosario and the Hon Xavier Jesus D. Romualdo. The discussions focused on Philippines politics and in particular the role of youth. To this end it was useful to meet with Congressman Romualdo, who is currently the youngest member of Congress, and Congresswoman Alvarez, who in 2014 was elected as a member of the First Board of the Forum of Young Parliamentarians in the Asia Pacific at a conference in Geneva.

During discussions, the delegation gained an insight into differences in our political systems, social media, what it is like being a young politician, how local members campaign and the extraordinary time invested in being visible in the community. The meeting ended with the chance for some one-on-one conversations.

Following a brief tour of the House of Representatives building, the delegation was led to the gallery of the chamber where a session was underway, albeit suspended. The Speaker then temporarily reinstated the session to formally recognise the delegation and each individual member. After returning to suspension, the Deputy Speaker provided the delegation with the extreme honour of being invited onto the floor to meet members of congress. The delegation also had the opportunity to visit the desk of the most famous member of Congress, Emmanuel D. Pacquiao. During this time delegates also took the opportunity to view the running sheet for the day and were surprised at just how similar it was to that used in the Australian House of Representatives.

Our host for dinner was Senator Paolo Benigno “Bam” A. Aquino IV, a very successful young leader. Senator Bam is the youngest member of the Senate and chairs the Senate Committee on Trade, Commerce, and Entrepreneurship and the Senate Committee on Youth. In 2006 he was named a Young Global Leader of the World Economic Forum and he is a big supporter of the Political Exchange Program between our countries, with active involvement from him and his office on this exchange and with previous delegations. During dinner we discussed his political history and his current portfolio and in particular his enthusiasm for a competition policy bill which had recently passed the Senate.

Following dinner, the delegation attended a fellowship night with representatives of the office of Senator Bam.

Thursday, 7 May 2015 – Manila

Department of Trade and Industry

The delegation visited the Bureau of Import Services within the Department of Trade and Industry for a meeting with Director III Sherwin Prose C. Castaneda. Topics of discussion included:

- responsibilities of the Department
- the new “lemon” law for used cars which were previously not protected under consumer protection laws
- focus on e-commerce with current low internet saturation in the country
- major plan to introduce a consolidated trade portal as trade legislation is currently covered by more than 60 agencies
- plan to become a signatory to the Istanbul Convention for cross-border sales
- in Regional Comprehensive Economic Partnership (RCEP) negotiations ASEAN will negotiate as a block
- a summary of how the Department, as part of the Executive Government, is separate from the Legislature and generally only gets involved at the committee stage in policy consideration – a point of differentiation from Australia.

The Department outlined to the Delegation its most important priorities in the current environment which included:

- increased legislative protections in order to better protect consumers and support businesses in the Philippines
- increase Filipino competitiveness in order to attract further foreign investment and grow local industries
- targeting unfair pricing and educating consumers on their basic rights under trade and competition laws e.g. there is no publicly available on-line access to any previous rulings and determinations, which limits transparency and education about developments in the consumer protection field
- removing defective products from the marketplace and the honouring of consumer and product warranties.

Philippines Australia Business Council

The delegation had the opportunity to meet with members of the Philippines Australia Business Council (PABC) including Chairman Antonio V. Enriquez II. The meeting helped introduce delegates to the strong business bilateral relationship and to understand the role of the Council including:

- the PABC leads industry input into bilateral ministerial meetings between Australia and the Philippines
- the PABC also leads industry input into the ASEAN Australia New Zealand Free Trade Agreement (AANZFTA)
- the Philippine Australia Minister bilateral meetings are the only of their kind in the Philippines and are seen as a key component to growing the relationship
- enthusiasm for the regular exchange of ideas, including with young business people, which is the cornerstone to the relationship
- the PABC advises companies on how to meet foreign ownership regulations in the Philippines
- Australian companies are the main investors in oil and gas
- opening up of mining regulations would be a win/win for the two countries
- Australian assistance in disaster relief is a good opportunity to show the Philippine people that Australians can be trusted
- Philippine businesses are learning about Halal certification from Australia.

Philippine Chamber of Commerce and Industry

Building on the business meetings, the delegation met with senior members of the Philippine Chamber of Commerce and Industry (PCCI) including Miguel B. Varela, PCCI chairman; Donald G. Dee, Chief Operating Officer; and Apolinar Aure, Chairman of the PCCI SME committee. Discussions centred on:

- a summary of the structure of the PCCI and the organisation's goals
- a summary of the large number of programs that PCCI offer to support businesses including SMEs
- noting that 5 ASEAN members, including one Filipino, are part of the New Zealand beachhead program
- PCCI believe that the AANZFTA is a very fair model and should inform any future agreements
- PCCI are not seeking anything in the RCEP negotiations as they believe that AANZFTA is very good and affords appropriate protections
- PCCI advocate the relaxation of the foreign investment regulations
- must fix policy consistency to attract investors
- Australian business is not well understood, but it is well known that our biosecurity laws are tough but believe they fluctuate too often and need more consistency to attract exports.

The Australian Embassy, Manila

The Australian Embassy and the PCYL hosted a discussion seminar for the delegation and members of the Philippine business and political organisation. There were several informative presentations:

- introduction from the Deputy Head of Mission, Dr David Dutton
- keynote address from the Hon Romero "Miro" S. Quimbo from Marikina City about good governance:
 - strong links to Australian Aid in his region
 - not a member of a political family
 - the bill to fix corruption in Customs (official reports cite this as the most corrupt organisation) has been held up by process, not intent
 - The Freedom of Information Bill has also been held up for a number of years
 - corruption is supply and demand – not just supply as is often the focus.

Keynote address from Dr Julio Teehankee, Dean College of Arts De La Salle University:

- presentation on the paradox of democracy in the Philippines
- a candidate must have the support of big business, the military, the church and civil society.

Following the presentation, an insightful discussion occurred on the best way to improve Philippine politics, particularly in relation to the political dynasties. Dr Teehankee was a proponent of the proposed legislation to end political dynasties, whilst Congressman Quimbo was opposed to the bill despite being against political dynasties on the basis that it limited democracy. He believed that the removal of term limits and the strengthening of the party system are mechanisms to naturally correct the system.

For the final official event of the 8th Delegation from Australia to the Philippines, the Australian Ambassador hosted a reception for the discussion seminar participants. Delegates were able to engage in many conversations with the Philippines politicians, business groups and Australian embassy staff.

Friday, 8 May 2015 – Manila

Greenhills, Manila

The delegation was provided an opportunity to visit the local markets at Greenhills before enjoying some local delicacies. It was then time to depart for the airport for the journey home.

Conclusion

This exchange was a unique opportunity to experience the Filipino culture and learn more about the Philippines political system and policy agenda. The exchange also reinforced our close friendship and we thank PYCPL and the Office of Senator Bam for putting together the program and for their generous hospitality during the visit.