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### ***Subverting the national interest***

*FINEX Folio is a rotating column of members of the Financial Executives Institute of the Philippines appearing every Friday in BusinessWorld, opinion section.* DUMAGUETE CITY – Located near the southern tip of Negros Island, this city is a leading educational center in the Visayas. In 2014, it was named by Forbes magazine as one of the best overseas retirement places in the world for the following reasons: inexpensive, great beaches, expats, balmy climate, and health care.

Since my last visit a decade ago, the capital of Negros Oriental has improved in terms of infrastructure. Dumaguete is now on the radar of property development firms, led by Filinvest's Marina Town project currently under construction along the city's bayside Rizal Boulevard. So far the only retail mall in this university town is Robinsons Place at the Dumaguete Business Park and IT Plaza.

Over the past week, all roads here led to Silliman University in the run-up to its foundation day and alumni homecoming. Silliman was established in 1901 as the first American academic institution in Asia. In more than a century, it has produced thousands of graduates, including the late Philippine President Carlos P. Garcia.

My favorite part of Dumaguete is the boulevard area dominated by a beachfront promenade, where restaurants and watering holes abound. I noticed that there were uniformed personnel issuing citation tickets to violators of an ordinance that prohibits smoking in public places. The locals told me this was due to the deployment of 60 "smoke-free enforcers" around the city in compliance with Executive Order No. 26 (EO 26) signed by President Rodrigo R. Duterte last summer.

EO 26 is not bad per se, aiming to regulate smoking in enclosed places while allowing it in open spaces. But it seems that various local government units (LGUs) have different interpretations of EO 26. The cities of Dumaguete and Makati interpret it very strictly, while the city of Cebu interprets it liberally.

Cebu City Mayor Tomas Osmena announced his LGU will be lenient in implementing the law,

knowing it is not an absolute ban. Mr. Osmena said he would “temper with mercy” its implementation, citing the case of a hotel that lost 30% of its income because of the no-smoking ordinance.

He thinks it might affect the economy, and he could be right based on data from the Bureau of Internal Revenue and the National Tobacco Administration (NTA) in the aftermath of the so-called Sin Tax Law passed in 2012.

NTA statistics showed a 24% decline in tobacco production from 68 million kilos in 2013 to 52 million in 2015 and areas planted from 38,264 hectares in 2014 to 28,808 hectares in 2016, with the number of farmers shrinking from 55, 000 to 41,000 during the same period.

Meanwhile, the number of smokers in the Philippines decreased from 17 million in 2009 to 15.9 million in 2015. Government revenues from the tobacco industry reached P109 billion in 2012 but dropped to P80 billion in 2016.

Why was the huge revenue drop not proportionate to the decline in the number of smokers? Euromonitor International has an answer: there was a switch to cheap, illicit cigarettes. In fact, the Philippines has the notorious distinction of having the highest growth rate globally for illicit cigarettes from 2010 to 2015, followed by Chile, Egypt, Israel, and Greece.

A recent study by the Federation of Philippine Industries on the impact of illicit trade in eight key industries pegged the total value of illegal cigarettes at P9.8 billion when they flooded the market from 2013 to 2015.

Just the other day, I came across a Reuters report from India about a foreign-funded lobby group working against Indian national interest. The expose from the intelligence wing of India’s home ministry revealed that US-based Bloomberg Philanthropies funded local non-government organizations (NGOs) to run a campaign that would “target Indian tobacco businesses and aggressively lobby against the sector.”

Isn’t this tantamount to subverting the national interest through grants given to local NGOs? Maybe the authorities should look into the activities of Bloomberg Philanthropies in the Philippines, where it reportedly funds several lobby groups.

Such funding is not subject to audit by public or private auditing organizations, yet these NGOs want to influence public policy and legislation in pushing their agenda without transparency and accountability.