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SPECIAL POINTS OF INTEREST

Foreign chambers express support for FDI-friendly charter amendments

December 17, 2023 | Justine Irish D. Tabile | BusinessWorld

REUTERS

THREE foreign chambers have expressed their support for a proposal in Congress to amend economic provisions of the 1987 Constitution next year to attract more foreign direct investment (FDI).

American Chamber of Commerce of the Philippines (AmCham) Executive Director Ebb Hinchliffe said that the chamber has always recommended the removal of ownership restrictions in the Constitution.

Article 12 of the Constitution limits foreign ownership of land and businesses to 40%, while the remaining 60% set aside exclusively for Philippine citizens or corporations.

"If repeal is not possible, we have also supported proposals to insert the phrase 'unless otherwise provided by law' to allow Congresses to deliberate on and pass reforms," Mr. Hinchliffe told *BusinessWorld* in a Viber message.

He said that the removal of the restrictions will attract more investment to the Philippines.

"Certainly, there will be more investment (once the restrictions are) repealed or amended. Anything that can make it easier to invest here and fewer restrictions will attract FDI," he said.

During the second Aquino administration, the House failed to approve the Resolution of Both Houses (RBH) No. 1 on final reading.

Introduced by Speaker Feliciano Belmonte, RBH No. 1 aimed to include the phrase "unless provided by law" in Sections 2, 3, 7, 10, and 11 of Article 12 of the Constitution.

The resolution will also include the phrase in Section 4 of Article 14 and Section 11 of Article 16 of the Constitution.

In 2021, RBH No. 2 was passed on the third and final reading which also proposed to amend sections of Articles 12, 14 and 16.

Written by Speaker Lord Allan Q. Velasco, RBH No. 2 also proposed to add the phrase "unless otherwise provided by law" which Mr. Velasco said is meant to free up the economy to foreign investors as the needs of the time dictate.

British Chamber of Commerce of the Philippines Executive Director Chris Nelson said that the chamber believes the 60-40 ownership rule makes some foreign investors reluctant to invest.

"As you know, there are some businesses where you can only have 40% or minority ownership for foreign entities, and that obviously creates a reluctance in some investors," Mr. Nelson said in a phone interview.

He said that there is a need to look at certain industries with low foreign participation. He also expressed support for the government's decision to allow 100% foreign ownership in renewable energy (RE) projects.

"The public service sector should look at those industries and sectors which foreign investors still can't get into," he said.

"Clearly, removing those barriers will send a signal to foreign investors as the Philippines is moving even more forward," he added.

Last year, the implementing rules and regulations of the Renewable Energy Act of 2008 were amended to allow 100% foreign capital in RE projects. Previously, foreign ownership in RE projects was limited to 40%.

German-Philippine Chamber of Commerce and Industry (GPCCI) President Stefan Schmitz said amendments easing restrictions for foreign investment will be positive for FDI. *[Cont. page 2]*

Foreign chambers express support for FDI-friendly charter amendments

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"We believe that easing these restrictions will significantly enhance investment flexibility, crucial in attracting substantial FDI," Mr. Schmitz said in a Viber message.

"This influx of FDI is not only expected to generate numerous job opportunities for Filipinos but also essential for the Philippines to maintain its competitive edge in the rapidly evolving ASEAN market," he added.

He said that the chamber's support for these reforms reflects the findings of the Fall 2023 AHK (German Chamber of Commerce) Business Outlook Survey in which economic policy conditions in the Philippines were named as a primary concern among German companies.

"The relaxation of these economic restrictions on foreign investors is thus seen as a significant change that can substantially benefit our business community," Mr. Schmitz said.

He said that the GPCCI realizes that reforms will be complex process and thus commits to supporting initiatives that will lead to a more dynamic, inclusive, and robust Philippine economy.

"We recognize that reforming constitutional economic provisions is a lengthy process. However, the GPCCI is steadfast in advocating for a thoughtful, inclusive, and efficient amendment process," he added.

Net inflows of FDI slumped to $422 million in September, the lowest level in over three years. This was 42.2% lower than the $731-million FDI inflow seen a year earlier and 46.5% lower than the $790 million a month prior.

This brought the nine-month FDI net inflow to $5.9 billion, representing a 15.9% decline from the $7 billion a year earlier.

Source: https://www.bworldonline.com/economy/2023/12/17/564051/foreign-chambers-express-support-for-fdi-friendly-charter-amendments/

Garment exporters await better 2024

December 18, 2023 | Alden M. Monzon | Philippine Daily Inquirer

INQUIRER.NET

MANILA, Philippines -Local exporters of garments and textile goods have expressed optimism for the industry next year amid the improving job situation in one of their largest overseas markets, the United States.

Foreign Buyers Association of the Philippines (Fobap) president Robert M. Young, whose trade group exports about $1 billion worth of garments each year, said they were looking at a 2-percent growth by the middle of 2024.

"In the US, the main cause of the decrease in our garment sales is joblessness. Now it is easing," Young told the Inquirer in a phone interview.

Young cited news reports quoting US government data, which showed that unemployment fell to 3.7 percent in November following the creation of 199,000 new jobs.

Tariff-free access

"Also, we are hoping that the [European Union's Generalized System of Preferences] will pull up orders," he added, referring to the preferential trading scheme that allows countries like the Philippines tariff-free access to the EU market.

Despite the bright prospects for 2024, the FOBAP official said they were expecting flat growth in export revenues this year given the weak performance in the third quarter.

Young said exports saw a decline of around 5 percent from July to September, but that orders were slowly improving in the last quarter.

He added they were looking into other countries, including those in South America and the Middle East, to boost exports.

Aside from the US and the EU, Fobap also exports to Canada and Southeast Asia.

Source: https://business.inquirer.net/437595/garment-exporters-await-better-2024

PH-Korea deal looms on Bataan nuclear plant feasibility study

December 17, 2023 | Kris Crismundo | Philippine News Agency

MANILA – The Department of Energy (DOE) is mulling a memorandum of understanding (MOU) with Korea Hydro and Nuclear Power Co., Ltd. (KHNP) that will pave the way for the conduct of a feasibility study on the Bataan Nuclear Power Plant (BNPP).

DOE Undersecretary Sharon Garin told the Philippine News Agency in a chance interview on Thursday that KHNP has invited a Philippine delegation to do a study tour in South Korea by the end of January next year and sign the feasibility study on the Philippines' mothballed nuclear asset.

Garin clarified that the MOU does not mean that the Philippine government is obliged to award the project to a Korean company.

"Their offer is they will do the feasibility study. If it's possible to restart it (BNPP) without any commitment on the part of the government who will undertake the project," Garin said.

"It's purely advantageous for us. For debate's sake, just to end the debate whether it's possible for us [to revive the BNPP] or not. If not, then fine. And if it's possible, we are not obliged to award it to a Korean company," she added.

The KHNP Overseas Business Development Department will shoulder all expenses for the BNPP feasibility study, including possible training programs for Filipino professionals.

President Ferdinand R. Marcos Jr. had earlier considered the use of nuclear energy and the possible revival of the BNPP to address the power problems.

Completed in 1984, the USD2-billion BNPP in Morong, Bataan, was supposed to produce 621 megawatts of electricity but was never activated because of safety and other issues.

In 2022, former president Rodrigo Duterte signed an executive order establishing the Nuclear Energy Program Inter-Agency Committee to look into the possibility of including nuclear in the country's energy mix, as it seeks sources of affordable and clean power.

Energy Secretary Raphael Lotilla and US Secretary of State Antony Blinken, meanwhile, signed a nuclear cooperation agreement that will facilitate the collaboration between the two countries on technical exchanges, scientific research, and initiatives to ensure the safe operation of nuclear power installations.

The signing happened during the Asia-Pacific Economic Cooperation Summit in San Francisco, California in November.

Source: https://www.pna.gov.ph/articles/1215544

IMF sees PH rebound, calls for more reforms

December 17, 2023 | The Manila Times

A POST-PANDEMIC growth slowdown has bottomed out, and the Philippines will likely see economic growth return to 6.0 percent or better in the medium term, the International Monetary Fund (IMF) said.

"Real GDP (gross domestic product) growth is expected to bounce back in the second half of 2023 and reach 6.0 percent in 2024, supported by an acceleration in public investment and improved external demand for the Philippines' exports," the IMF executive board said in concluding this year's Article IV consultations with the country.

"The government's infrastructure program, opening up of sectors to greater foreign investment, and private sector participation through PPP (public-private partnership) modalities will gradually crowd in private investment and help realize a growth potential of about 6-6 1⁄2 percent over the medium term," it added.

The Philippine economy rebounded strongly in 2022, growing by 7.6 percent after contracting by 9.5 percent in 2020 when the Covid-19 pandemic hit. The expansion has slowed this year, however, and the IMF expects the country to miss its 6.0- to 7.0-percent goal with growth of just 5.3 percent. *[Cont. page 4]*

IMF sees PH rebound, calls for more reforms
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"[T]he Philippine economy has withstood a confluence of shocks," the IMF board noted.

"Against this backdrop, directors commended the authorities for their appropriate policy response and the recent implementation of key structural reforms to stimulate exports, spur foreign investment, and raise growth potential," it added.

With risks to the growth outlook tilted to the downside, IMF directors recommended the continuation of "prudent policies to further rein in inflation, preserve fiscal sustainability, and increase financial resilience."

"Sustaining efforts to address structural challenges is also important," they added.

The IMF board said monetary policy had been appropriately tightened to anchor inflation expectations but also said that a hawkish stance was needed until consumer price growth fully returned to target.

Temporary foreign exchange interventions could be considered to support the peso, and directors also said that coordination between the central bank and the Treasury should be strengthened to develop the benchmark yield curve.

The banking sector, meanwhile, was said to be well-capitalized and liquid but the IMF noted potential vulnerabilities with regard to exposure to commercial real estate and highly leveraged companies.

Regulatory progress was welcomed, and the IMF reiterated the need for further reforms that would allow the country to exit the Financial Action Task Force's gray list.

The board said it supported the fiscal consolidation pace set out in the country's medium-term plans but also called for tax measures that would expand the fiscal space.

A commitment to reform the military and uniformed personnel pension system was welcomed, as was a move to boost spending efficiency via digitalization.

"Directors agreed that sustained efforts to reduce infrastructure and education gaps and to harness the digital economy are needed to reap the benefits of the demographic dividend," the board said.

The importance of strengthening governance and improving the ease of doing business was highlighted, as well as the creation of quality jobs and further enhancing education and social protection programs.

Lastly, the IMF board encouraged efforts to build resilience to natural disasters and climate risks, including a focus on climate-resilient infrastructure.

Source: https://www.manilatimes.net/2023/12/18/business/top-business/imf-sees-ph-rebound-calls-for-more-reforms/1924697

PH exports lose stream as demand from key trading partners falls
December 18, 2023 | Ian Nicolas P. Cigaral |Philippine Daily Inquirer

INQUIRER.NET

MANILA -The "fledgling" recovery of Philippine exports appeared to be losing momentum as global headwinds continued to hurt demand from major trading partners, an analyst said.

In an e-mailed commentary, Miguel Chanco, chief emerging Asia economist at Pantheon Macroeconomics, said the bigger month-on-month decline in export sales in October highlighted a delicate ascent that's "losing steam" as appetite from key markets weakened, particularly in the US and China.

"It looks like the fledgling recovery in exports since they bottomed out in April is quickly losing steam at the margins," Chanco said.

"Exports suffered a larger month-on-month decline at the start of fourth quarter, versus in September, due mainly to material drops in demand from the US and China," he added. *[Cont. page 5]*

PH exports lose stream as demand from key trading partners falls

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October slump

Latest government data showed that exports had sagged 4.1 percent month-on-month in October, worse than the 0.6 percent contraction in September.

The decline was more pronounced on an annual basis. Exports plummeted 17.5 percent compared with a year ago to $6.36 billion in October, with outbound shipments to the US, the Philippines' biggest export market, falling 13.5 percent while exports to China and Japan both tumbled by 9.7 percent.

Chanco explained that the large year-on-year drop in exports in October was not a cause of concern as the decline was magnified by base effects which, he said, "should unwind substantially and persistently from the November report to February next year."

Discounting 2023

Exports are one of the Philippines' dollar engines but they are seen to become less reliable this year.

Based on latest forecasts, the Marcos administration projected that exports would contract 4 percent in 2023, before growing by 5 percent in 2024 on expectations of stronger demand for semiconductors.

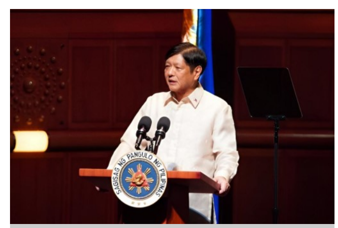
Outbound shipments of goods are forecast to return to their prepandemic growth pace of 6 percent from 2025 until 2028 on anticipated increase in demand and trade activities here and abroad.

Source: https://business.inquirer.net/437650/ph-exports-lose-steam-as-demand-from-key-trading-partners-falls

PBBM appoints Frederick Go as Special Assistant for investment and economic affairs

December 18, 2023 | Samuel Medenilla |BusinessMirror

President Ferdinand R. Marcos, Jr. has created a new office, which will serve as the government "troubleshooter" for its investment and economic priorities and initiatives.



President Ferdinand Marcos, Jr. (Photo by Troi Santos/BM)

In his three-page Executive Order (EO) No. 49, the chief executive created the Office of the Special Assistant to the President for Investment and Economic Affairs (OSAPIEA) under the Office of the President (OP).

"There is a need to further strengthen the existing mechanisms for formulation, coordination and implementation of the Government's economic initiatives, plans, policies and programs, as well as to establish a robust monitoring system to ensure a holistic and cohesive approach to addressing the diverse economic challenges currently confronting the nation," Marcos said.

Among its main functions is to coordinate with the Economic Development Group (EDG) in identifying problems in the implementation of priority economic initiatives of the Marcos administration.

It will also provide relevant and strategic advice on economic concerns to the President, ensure the timely execution of priority economic initiatives of the government as well as the realization of investment pledges.

The OSAPIEA will be headed by Presidential Adviser on Investment and Economic Affairs Frederick D. Go.

Go, who is now given the designation Special Assistant to the President for Investment and Economic Affairs (SAPIEA), will now lead the EDG with the Secretaries of the National Economic and Development Authority (NEDA) and Department of Finance (DOF) serving as vice chairs.

He is tasked to identify the priority programs, activities and projects (PAPs) in the Philippine Development Plan (PDP) 2023-2028.

The SAPIEA will also sit as a Member of NEDA Board, Investment Coordination Committee (ICC), Social Development Committee (SDC), Committee on Infrastructure (INFRACOM), and Development Budget Coordination Committee (DBCC).

Marcos issued EO 49 on 15 December 2023 through Executive Secretary Lucas P. Bersamin.

Image credits: Troi Santos

Source: https://businessmirror.com.ph/2023/12/18/pbbm-appoints-frederick-go-as-special-assistant-for-investment-and-economic-affairs/

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