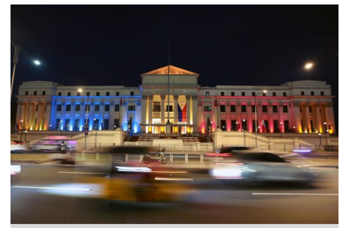
필리핀한인상공회의소뉴스
KOREAN CHAMBER OF COMMERCE PHILIPPINES NEWSLETTER

May 2024 Issue | Vol. 39

SPECIAL POINTS OF INTEREST

'Most exciting chapter' for PHL yet to come —WEF

May 27, 2024 | Beatriz Marie D. Cruz | BusinessWorld



The Philippine economy is expected to be one of the fastest-growing economies in the region this year. — PHILIPPINE STAR/MIGUEL DE GUZMAN

THE Philippines could become one of the drivers of global growth in the future, if the government continues to ease foreign ownership restrictions and ramp up partnerships with the private sector, according to a World Economic Forum (WEF) executive.

"We feel that the most exciting chapter of the country is yet to come. So, we remain very hopeful that there would be ongoing collaboration with both the government and private sector going forward," Joo-ok Lee, head of the Regional Agenda, Asia-Pacific at the WEF, said on the sidelines of the BusinessWorld Economic Forum last week.

Mr. Lee said there is "robust" interest from the private sector and investors towards the Philippines.

"In the medium and longer term, we feel very optimistic that there's a lot of opportunities for the country… There are many things that Philippines has going for, the economy, the demographic dividend, but also the regulatory kind of reforms and changes that we're seeing," he said.

"As long as the current trend continues, investments in key sectors and infrastructure as well as emphasizing the need for public-private collaboration, I think the Philippines will emerge as one of the stronger players in driving global growth."

The Philippines is expected to be one of the fastest-growing economies in the region this year with the government targeting 6-7% gross domestic product growth.

The Philippines can become a $2-trillion (around P116-trillion) economy in the next decade, WEF President Børge Brende said in March.

However, geopolitical tensions like the trade war between the United States and China, as well as territorial dispute in the South China Sea, may pose threats to the outlook.

"The geopolitical tensions between superpowers, especially in the setting of the Philippines, poses some threats because you don't want to be in a situation where you're forced to take sides," Mr. Lee said.

The Philippines must ensure a "strategic balance and ongoing constructive relationship" with the US and China, he added.

"It further emphasizes the need to remain resilient, to have an open economy that can adapt towards the changing environment," he added.

Hansley A. Juliano, a political science professor at the Ateneo de Manila University, said the Philippines must strengthen its trade partnerships with other countries like Japan and Australia amid heightened tensions between the US and China.

"It would be good to increase their share in our balance of trade or potentially crowd out Chinese economic activity in the Philippines," he said in a Facebook Messenger chat. *[Cont. page 2]*

‘Most exciting chapter’ for PHL yet to come —WEF

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Meanwhile, WEF’s Mr. Lee also cited the need to ease economic restrictions in the 1987 Constitution to allow foreign ownership in more sectors.

“We understand that some of the regulations are there for a reason,” he said. “But purely looking at it from an outsider’s perspective, the easing of those regulations would be perceived as being more inviting for foreign investors to claim a stake and also be a partner rather than just a player.”

In March, the House of Representatives passed a proposal to lift foreign ownership limits in the 1987 Philippine Constitution.

The Senate has yet to continue deliberations on the proposed Charter change.

“The Constitutional amendments are necessary but are not sufficient. We still need to transition the current extractive institutions into efficient and inclusive ones,” Leonardo A. Lanzona, an economics professor at the Ateneo de Manila University, said in a Facebook Messenger chat.

Source: https://www.bworldonline.com/top-stories/2024/05/27/597447/most-exciting-chapter-for-phl-yet-to-come-wef/

South Korea, China to resume talks on free trade agreement

May 27, 2024 | By: Kim Arin - @inquirerdotnet | The Korea Herald/Asia News Network

INQUIRER.NET

SEOUL – South Korea and China have agreed to create a communication channel for diplomacy and security and resume negotiations on an expanded free trade agreement, the Yoon Suk Yeol presidential office said Sunday.

The two sides have decided to “establish a new high-level dialogue on diplomacy and security, with the first meeting to take place mid-June” and to “open up our markets beyond the trade of goods to include services such as culture and tourism,” a senior Yoon official told reporters.

Yoon held two successive summits with Japanese Prime Minister Fumio Kishida and Chinese Premier Li Qiang on Sunday afternoon in Seoul, ahead of the South Korea-Japan-China summit slated for the next day. Monday’s three-way summit is the first such summit in over four years.

Speaking with Li, Yoon urged China, as a permanent member of the United Nations Security Council, to “play the role of a bastion of peace” against the backdrop of North Korea keeping up nuclear weapons development and military cooperation with Russia.

The South Korean president said in his second meeting with the Chinese premier that he believed the two countries “should work closely not only for our bilateral relations but also for the peace and prosperity in the international community.”

The last time Yoon and Li met was at the 43rd summit of the Association of Southeast Asian Nations in Indonesia last September.

“Recently, our two countries have resumed ministerial dialogues across various fields, and exchanges between municipal governments have been increasing,” he said. “I hope we can continue to strengthen exchanges and cooperation, and respect one another, and pursue common interests.”

Yoon went on to add that the “common challenges facing the two countries” were “formidable.”

‘Equal dialogue and sincere communication’

“As South Korea and China have overcome numerous difficulties together over the past 30 years, contributing to one another’s development and growth, I hope that we will continue to strengthen our bilateral cooperation in the face of global complexities,” he said.

Li, conveying to Yoon regards from the Chinese President Xi Jinping, reciprocated the South Korean president’s message of working together on issues of common interest and building on ties.

“I remember the last time I met with you in Jakarta, you told me that a healthy and good China-South Korea relationship is in the fundamental interests of our two countries,” he said.

“The 30-year history of diplomatic ties between China and South Korea shows our bilateral relations have made rapid progress and achieved rich results, especially in the fields of economy and trade, bringing great benefits to the peoples of our two countries,” he added. *[Cont. page 3]*

South Korea, China to resume talks on free trade agreement

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Li said he wished to tell Yoon in particular that the countries have "always upheld mutual respect" and "deepened friendship and mutual respect through equal dialogue and sincere communication."

He said that he hoped both sides would "cherish the precious experiences … of mutual growth and prosperity" and continue on that trajectory.

"The Chinese side would like to work together with the Korean side to become good neighbors who can rely on each other and partners who help each other succeed," he said.

Sunday marks Li's first South Korea trip after taking office as "Beijing's No. 2" in March last year. He is also the first Chinese premier to visit Seoul since October 2015, when his predecessor Li Keqiang met with then-South Korean President Park Geun-hye for the fifth time.

In the summit with Kishida that soon followed, Yoon's remarks were more personal, referring to himself and the Japanese prime minister as "two of us" at least twice.

"I would like to extend a hearty welcome to Prime Minister Kishida for his first visit to Korea in a year. I am pleased that the prime minister and I have each traveled to one another's countries twice in the span of about a year," he said.

Yoon said that he was "especially pleased" to see Kishida in Seoul on the occasion of the South Korea-Japan-China summit.

"Based on the solid trust between the two of us, exchanges at all levels have been greatly enhanced over the past year, and all intergovernmental agreements have been restored as agreed upon by the two of us in Tokyo last March and in Vilnius, Lithuania, last July," he said.

Exchanges in finance, industry, and technology

"This year, we are keeping up high-level exchanges in the areas of finance, industry, and advanced technology."

The South Korean president noted that in the first quarter of this year, some three million people have traveled between South Korea and Japan. The level of people-to-people exchanges was expected to surpass the previous high of 10.51 million people seen in 2018 by the end of this year, he added.

"I am very pleased that the results of improving bilateral relations are steadily accumulating," he said.

"I hope that the prime minister and I will work together to build on these achievements so that next year when we mark the 60th anniversary of the normalization of diplomatic ties between South Korea and Japan, we can reach a historic milestone that can make upgrade our bilateral relations further."

Kishida, thanking Yoon and the South Korean government for organizing the trilateral summit, began by addressing the robust exchanges that took place between the two over the past year.

"A year ago, as acting prime minister of Japan, I visited Korea for the first time in 12 years. Then afterward, I welcomed President Yoon in Hiroshima. I am very pleased to be able to visit Seoul in this season of fresh verdure," he said.

"I first held talks with President Yoon in March last year. Since then, I have counted, today's is our 10th meeting — face-to-face meeting."

The Japanese prime minister said he was "very pleased" that he was "continuing to be in close communication with the president, whether it be through conversations, phone calls" beyond in-person meetings.

"We will continue to build on this relationship of trust between the leaders," he said.

He said that as next year marks the 60th anniversary of the normalization of diplomatic relations with South Korea, he hopes the governments of the two countries could work under their leadership to "enhance our bilateral relations even further."

Kishida said that the international community was "at a turning point in history," and that he hoped the two countries "can deepen our cooperation in maintaining and strengthening a free and open Indo-Pacific and in responding to global challenges in an effective way."

Source: https://business.inquirer.net/460940/south-korea-china-to-resume-talks-on-free-trade-agreement

Volume, value of domestic trade up in Q1

May 24, 2024 | Anna Leah Gonzales | Philippine News Agency

MANILA – The total volume and value of domestic trade recorded a double-digit increase in the first quarter of the year, the Philippine Statistics Authority (PSA) said.

In a report released on Friday, the PSA said the total quantity of domestic trade during the period reached 7.73 million tons, up by 19.7 percent from the 6.45 million tons in the same quarter last year.

The PSA said almost all of the commodities were traded through water, while the rest were traded through air in the first quarter of 2024.

By commodity section, food and live animals led in terms of the quantity of domestic trade in the first quarter of 2024 with 3.46 million tons, or a share of 44.7 percent to the total domestic trade.

This was followed by mineral fuels, lubricants and related materials and machinery and transport equipment.

By region, Western Visayas registered the highest quantity of traded commodities with 3.05 million tons or a 39.5 percent share to the total domestic trade, followed by Central Luzon and Central Visayas.

The total value of domestic trade, on the other hand, also grew by 46.7 percent to PHP389.42 billion from PHP265.51 billion in 2023.

"In terms of value, majority (99.96%) of the commodities that flowed within the country were traded through water (coastwise), while the remaining were traded through air in the first quarter of 2024," the PSA said.

Food and live animals topped in terms of value of traded commodities with PHP225.08 billion or 57.8 percent share to the total domestic trade value in the first quarter of 2024.

This was followed by machinery and transport equipment at PHP73.97 billion and manufactured goods classified chiefly by material at PHP30.29 billion.

Western Visayas recorded the highest value of traded commodities amounting to PHP223.33 billion.

The PSA, meanwhile, said the National Capital Region recorded the highest inflow value of domestic trade at PHP160.13 billion or 41.1 percent share to the total inflow of domestic trade in the first quarter of 2024.

"Inflow refers to the value of commodities that enter a specified region or province from other regions or provinces," the PSA said.

Source: https://www.pna.gov.ph/articles/1225464

Deficit-to-GDP ratio seen at 5.9 percent this year

May 26, 2024 | Keisha Ta-Asan | The Philippine Star

A drone shot captures the picturesque view of Laguna Lake in the background of the Ortigas Business District on March 28, 2024.
STAR / Michael Varcas

MANILA, Philippines — Japanese investment bank Nomura expects the Philippines' deficit-to-gross domestic product (GDP) ratio to remain "high" at 5.9 percent this year.

Although narrower than last year's 6.2 percent, the forecast is still above the government's target under the medium-term fiscal framework (MTFF), which was earlier revised in March to 5.6 percent from 5.1 percent previously.

"The MTFF targets will be challenging to meet due to spending priorities, particularly infrastructure projects under the 'build better more' program," Nomura said in a report.

Latest data released by the Bureau of the Treasury (BTr) showed that the government posted a budget surplus of P42.7 billion in April, 36 percent lower than last year's P66.8 billion.

This is the second time this year that the government posted a surplus after the record P88 billion in January. The month of April is typically an excess, but lower year-on-year this time, despite the tax season following the annual income tax return filing. *[Cont. page 5]*

Deficit-to-GDP ratio seen at 5.9 percent this year

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Still, a budget surplus means that the government earned more than what it spent during a given time. The extra money can either be used to pay off debts or be invested in other programs.

According to Nomura, the April fiscal deficit data surprised on the upside due to higher revenue collection and expenditure.

Total revenue collection in April jumped by 22 percent to P537.2 billion as against the P440.7 billion in the same period last year, while government spending rose by 32 percent to P494.5 billion from P373.9 billion a year ago.

This was driven by higher releases of the national tax allotment and subsidies to state-run corporations, as well as the release of the fourth tranche of capitalization of the Coconut Farmers Industry Trust Fund.

"We believe this also suggests increasing capital outlays after erratic infrastructure progress in the last few months. As a result, on a 12-month rolling sum basis, the fiscal deficit remained at 6.1 percent of GDP, unchanged from the previous month," Nomura said.

Year to date, the government incurred a higher budget deficit of P229.9 billion, up 13 percent from P204.1 billion in the same period in 2023.

Source: https://www.philstar.com/business/2024/05/26/2357873/deficit-gdp-ratio-seen-59-percent-year

JFC pitches bills overhauling airports' policy framework

May 28, 2024 | Lorenz S. Marasigan | BusinessMirror

THE Joint Foreign Chambers (JFC) called on legislators on Monday to approve critical bills aimed at overhauling the governance framework of the country's airports.

According to the JFC, there are three urgent reforms that will enhance the safety, efficiency, and quality of domestic and international airports across the country.

These three legislative reforms are the following: amendments to the Civil Aviation Authority Act of the Philippines (Caap) Law; the creation of the Philippine Airports Authority; and the establishment of the Philippine Transportation Safety Board.

"These reforms are essential to enhancing the safety, efficiency, and overall quality of both domestic and international airports in the Philippines," the JFC said in its letter to the Philippine Senate.

The proposed amendments to the Caap Law aim to bolster the agency's role in safety oversight by improving human resource development, strengthening the board, and aligning with global safety standards.

The creation of the Philippine Airports Authority is intended to resolve the conflicting roles of Caap as both an airport regulator and operator, thereby improving operational efficiency.

Lastly, the formation of the Philippine Transportation Safety Board would enhance the government's capacity to investigate accidents and bolster overall transportation safety.

According to the JFC, the government should prioritize these legislative reforms, citing the recent events at the Ninoy Aquino International Airport (Naia), where numerous flights were delayed due to a technical issue with the navigational air traffic management system.

This incident—along with other unfortunate events at the Naia such as power interruptions, congestion, and even sanitary issues—has underscored the need for robust regulatory and operational frameworks to prevent similar occurrences in the future.

The JFC, representing over 3,000 member companies and over US$100 billion in trade and $30 billion in investments in the Philippines, stressed that these reforms would significantly benefit the country's aviation sector.

The coalition includes the American, Australian-New Zealand, Canadian, European, Japanese, and Korean chambers, as well as Pamuri.

"The JFC supports and promotes open international trade, increased foreign investment, and improved conditions for business to benefit both the Philippines and the countries we represent," the JFC said.

Source: https://businessmirror.com.ph/2024/05/28/jfc-pitches-bills-overhauling-airports-policy-framework/

Inflation not seen breaching target

May 28, 2024 | Niña Myka Pauline Arceo | The Manila Times

INFLATION will likely not breach target this month, Cabinet officials said, supporting the central bank's more dovish outlook on interest rate cuts.

Speaking at the Philippine Economic Briefing on Monday, both Finance Secretary Ralph Recto and Socioeconomic Planning Secretary Arsenio Balisacan said that May consumer price growth was expected to stay within 2.0-4.0 percent.

"I would expect [it to be within target]," Balisacan said, "but I know I've been proven wrong before ... but so far, there have been no surprises."

Recto said that rice inflation, which was instrumental in the ongoing rise in inflation, was expected to decline moving forward given lower prices due to increased output and lower tariffs.

Inflation, earlier expected to top 4.0 percent in the second quarter, was a lower-than-expected 3.8 percent in April. Data for May will be released next week.

Bangko Sentral ng Pilipinas (BSP) Governor Eli Remolona Jr. has said that inflation could breach the target this month but then decline moving forward and that monetary authorities could start easing policy as early as August.

The BSP's policymaking Monetary Board earlier this month kept key interest rates steady, noting that inflation expectations remained tilted toward the upside.

However, it lowered the risk-adjusted and baseline forecasts for this year to 3.8 percent and 3.5 percent from 4.0 percent and 3.8 percent, respectively.

Those for 2025 were raised to 3.7 percent from 3.5 percent and 3.3 percent from 3.2 percent.

Economists polled by the BSP also have also lowered their inflation expectations and said that rate cuts of as much as 150 basis points (bps) could be ordered this year.

Preliminary results of the BSP's survey of external forecasters for May led to a mean inflation forecast of 3.7 percent for this year, down from 3.8 percent in April, the central bank said in its latest Monetary Policy Report.

The mean forecast for 2025, meanwhile, was unchanged at 3.5 percent but was higher at 3.5 percent for 2026 from 3.4 percent.

Monetary policy settings are expected to remain unchanged for the first half, and majority of the analysts expect this to extend to the third quarter.

Some, however, expect a 25-bps cut in July-September and "by the end of 2024, the BSP is expected to reduce the policy rate by 25 to 150 bps," the central bank said.

"For 2025, BSP is seen to further loosen its policy stance by a range of 25 to 250 bps. For 2026, analysts expect an additional reduction of about 50 to 150 bps in the policy rate."

The central bank's benchmark rate currently stands at 6.5 percent, the highest since 2007, following a 450 basis points of hikes beginning May 2022 as inflation surged in the wake of Russia's invasion of Ukraine.

Recto, a member of the BSP's policymaking Monetary Board, told the Philippine Economic Briefing that he expects cuts totaling 150 bps up to next year.

"It's possible that you may have a rate cut this year and possibly more rate cuts next year. Surely, I don't expect interest rates to go any higher," he added.

Remolona's having flagged an easing as early as August, ahead of the US Federal Reserve that is widely seen to start doing so in September, led to a run on the peso. *[Cont. page 7]*

Inflation not seen breaching target

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The currency, which fell to an 18-month low last week, regained some ground on Monday but remained at the P58:$1 level.

Remolona has downplayed the drop, noting the country's ample reserves, and said that the Fed's moves were only one of many data points to be considered.

International Monetary Fund Resident Representative Ragnar Gudmundsson agreed that the BSP should be data-dependent but added that it should still consider the Fed's actions.

"I know they're moving in the right direction because we are now back within the BSP's target range ... the trends are encouraging," he said.

"However, I think we need to be aware that there are still upside risks to the inflation outlook."

Given the upside risks, he said the central bank "should probably maintain a sufficiently restrictive monetary policy stance until we are really firmly within the BSP's target band."

Source: https://www.manilatimes.net/2024/05/28/business/top-business/inflation-not-seen-breaching-target/1948748

KCCP ACTIVITY HIGHLIGHTS

2024 Asia Plat | Asia Pacific Chamber of Commerce (APCAC)

May 22-24, 2024 | Bangkok, Thailand

KCCP President Hyunchong Joseph Um attended the 2024 Asia Plat of Asia-Pacific Chamber of Commerce (APCAC) in Bangkok, Thailand.

The 2024 Asia Plat focuses on the Global Startup Overseas Program. The following key programs were discussed:

- Strategy for Korean Startup Enterprises to Enter Foreign Markets
- Exchange Strategy for Startup Companies among ASEAN Nations
- Discussion on Investment Strategies for Startups Expanding ASEAN Markets and
- Vision Announcement for the Korea-ASEAN Association of Korean Enterpreneurs

The event was attended by different Heads of the Korean Chamber of Commerce from Asia-Pacific Countries.

KCCP ACTIVITY HIGHLIGHTS

6th State of the ARTA Address

May 24, 2024 | Manila Hotel

The Anti-Red Tape Authority (ARTA), created under Republic Act No. 11032 or *the Ease of Doing Business and Efficient Government Service Delivery Act of 2018*, held its **6th State of the ARTA Address on 24 May 2024** as part of the agency's month-long celebration of its 6th Anniversary. His Excellency Ambassador Lee Sang-hwa attended the event and KCCP was represented by its director, General Manager of HJ Shipping and Construction Co., Ltd Mr. Kookil Jeon, in addition, Mr. Hee Seok Jeong of Industrial Bank of Korea Manila Branch and president of Korean Companies Association in the Philippines also joined the event.

ARTA through this event they shared its accomplishments and goals with its stakeholders and launched the *Philippine Global Competitiveness Dashboard*, an integrated platform designed to monitor and analyze various aspects of the country's competitiveness effectively with a specific focus on prioritizing global rankings and ASEAN-specific time series data spanning five years for comprehensive analysis.

Last November 22,2023 during the KCCP year-end party, KCCP signed a Memorandum of Understanding (MOU) with ARTA that will strengthen its cooperation between the two parties.

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