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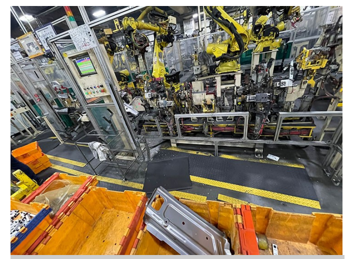
SPECIAL POINTS OF INTEREST

Palace order implementing S. Korea FTA expected soon

December 02, 2024 | Justine Irish D. Tabile | BusinessWorld

EXPORTERS shipping to South Korea could avail of new tariff arrangements as early as this month following the expected completion of the entry into force requirements of the Philippine-Korean free trade agreement (FTA), the Department of Trade and Industry said.



REUTERS

On the sidelines of the National Exporters Week, Trade Undersecretary Allan B. Gepty said that the next step following the ratification of the FTA in both counties is the issuance of an executive order.

"The President will (have to) approve it. The executive order is scheduled to be issued in December," he told reporters on Monday.

According to Mr. Gepty, the DTI received a letter dated Nov. 18 from South Korea declaring the completion of the legal procedures on Seoul's end. The FTA had been ratified by the Philippine Senate on Sept. 23.

He said Philippine negotiators are targeting for the deal to come into force within the year to maximize the benefits of the new tariff regime.

"It will be a big help because there will be tariff cuts. Once it enters into force, there will be reductions already… in January there will be another cut," he said.

"Actually, we already have agreed on the date, but I don't want to preempt it," he added.

Mr. Gepty has said that the FTA will enter into force on the first day of the second month, or on such other date as the parties may agree, following the date when the parties inform each other that all necessary domestic legal procedures have been completed.

Trade Undersecretary and Board of Investments Managing Head Ceferino S. Rodolfo said that besides the executive order, there is also a need for the Bureau of Customs to issue a customs memorandum order to implement the FTA tariff commitments.

After which, the two parties will have to send a formal notification to each other on the entry into force of the FTA, Mr. Rodolfo added.

Asked to comment, Foundation for Economic Freedom President Calixto V. Chikiamco said the main beneficiaries of the FTA include banana exporters.

"Our bananas suffer from a higher tariff compared with Central American exports into the South Korean market," Mr. Chikiamco said.

South Korea was the third-biggest export market for Philippine bananas last year, accounting for $164.54 million, or 13% of fresh banana exports.

In the first half, banana exports to South Korea hit $102.58 million, well ahead of the year-earlier pace.

Aside from maintaining banana market share, Mr. Chikiamco said that the FTA may lead to more factories being set up in the Philippines to access the South Korean market.

"Therefore, it may cause an increase in FDI to utilize the country's plentiful labor force to export to Korea," he said.
"However, we also have to fix our infrastructure issues like ports and energy in order to attract investors to manufacture here," he added.

Signed in September last year, the FTA eliminated 1,531 tariff lines on agricultural goods, of which 1,417 would be removed after the FTA enters into force.

It will also remove 9,909 tariff lines of industrial goods, 9,747 of which would be removed after the deal enters into force.

In total, the FTA will remove Philippine tariffs on 96.5% of goods from South Korea and Korean tariffs on 94.8% of Philippine products.

Source: https://www.bworldonline.com/economy/2024/12/02/638847/palace-order-implementing-s-korea-fta-expected-soon/

CREATE MORE to reinvigorate PH exports: economic czar

December 05, 2024 | Kris Crismundo | Philippine News Agency

BOOSTING EXPORTS. Special Assistant to the President for Investments and Economic Affairs (SAPIEA) delivers a speech at the National Export Congress 2024 at Conrad Hotel in Pasay City on Thursday (Dec.5, 2024). Go believes that the Corporate Recovery and Tax Incentives for Enterprises to Maximize Opportunities for Reinvigorating the Economy or CREATE MORE will propel the growth of Philippine exports. *(PNA photo by Kris M. Crismundo)*

MANILA – Special Assistant to the President for Investments and Economic Affairs (SAPIEA) Frederick Go said the Corporate Recovery and Tax Incentives for Enterprises to Maximize Opportunities for Reinvigorating the Economy (CREATE MORE) will make the Philippines as a favorable exports hub as the law eases doing business and reduces cost of operating in the country.

At the National Export Congress 2024 in Pasay City Thursday, Go said this landmark legislation is a catalyst to reinvigorate the exports industry.

The amendments in the CREATE MORE that are favorable to exporters include the availment of value-added tax (VAT) exemption on importation and VAT zero-rating on local purchases.

These tax perks can be granted by the government to exporters whether registered with the investment promotion agencies (IPAs) or not as long as the annual export sales is at least 70 percent of the enterprise's total production.

Go also said the CREATE MORE has restored the applicability of VAT zero-rated on essential expenses.

"We have also restored the period of availment of VAT and duty incentives for the entire registration period of registered business enterprises (RBEs), removing the application of the sunset clause on this incentive. CREATE MORE also simplified and increased transparency in the VAT and excise tax refund process, providing businesses with predictability and certainty," the economic czar said.

On the investment side, Go said CREATE MORE streamlines approval processes as projects amounting to up to PHP15 billion can be approved by IPAs without going through the Fiscal Incentives Review Board (FIRB).

It also extended the maximum period of incentives to 17 years if the RBEs are under IPAs and up to 27 years if under FIRB approval.

"CREATE MORE empowers our Philippine businesses, especially exporters, to thrive and compete with the global markets," Go said.

Source: https://www.pna.gov.ph/articles/1239401

BOI-approved investments up 44%

December 05, 2024 | Angela Celis | Malaya Business Insight

The investments approved by the Board of Investments (BOI) soared by 44 percent as of end-November versus the same period last year.

BOI, in a statement, said it has approved a total of P1.58 trillion in investments from January to November 2024, recording a significant increase from the P1.101 trillion during the same time in 2023.

It also brings the BOI closer to its P1.6 trillion investment approvals target for 2024.

The increase in investment approvals came primarily from the energy sector, particularly renewable energy projects, which reached P1.35 trillion, posting a 48 percent year-on-year hike.

"Reaching P1.58 trillion in investment approvals within 11 months is a clear proof of our government's success in fostering a stable and attractive investment climate. These investments will create jobs, support local business enterprises, drive innovation and contribute to the nation's progress," said Cristina Roque, Department of Trade and Industry secretary and BOI chairman.

Meanwhile, other top-performing sectors include air and water transport at P121.2 billion; real estate activities at P34.67 billion; manufacturing at P30.4 billion; water supply, sewerage, waste management and remediation activities at P16.28 billion; agriculture, forestry and fishing at P10.47 billion; wholesale and retail at P8.25 billion; and information technology and business process management at P7.26 billion. *[Cont. page 3]*

BOI-approved investments up 44%
[Cont. from page 2]

Notably, the water supply, sewerage, waste management and remediation sector recorded the highest growth at 1,540 percent jump compared to last year.

This growth is fueled by a 254 percent increase in local investments, with Filipino companies contributing P1.06 trillion.

Calabarzon region is the leading recipient with P623.19 billion in investments, followed by Central Luzon with P277.08 billion and Western Visayas, P245.95 billion.

Other high-performing regions include Bicol Region with P142.89 billion and Ilocos Region with P87.04 billion.

"The robust investments in key sectors are a testament to our steady progress in realizing our national priorities. This growth is driven by the government's steadfast implementation of investor-friendly policies—such as Corporate Recovery and Tax Incentives for Enterprises to Maximize Opportunities for Reinvigorating the Economy Act—which enhances our competitiveness in attracting both local and foreign direct investments," Special Assistant to the President for Investment and Economic Affairs Frederick Go said.

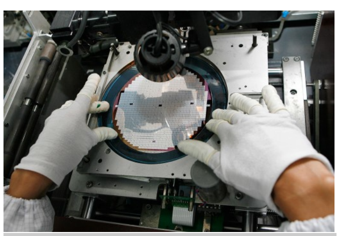
"These efforts are vital in sustaining our country's strong economic growth and ensuring that the Philippines remains a prime investment destination," he added.

Foreign investments also constitute a substantial portion of the approved projects, amounting to P31.78 billion.

Switzerland leads foreign investors with P289.06 billion, followed by the Netherlands with P40.59 billion, Japan with P14.67 billion and South Korea, P12.72 billion.

Source: https://malaya.com.ph/business/corporate/boi-approved-investments-up-44/

Semiconductor industry hoping EU pursues its own CHIPS Act
December 04, 2024 | Justine Irish D. Tabile | BusinessWorld


A worker operates the die attach machine at a semiconductor manufacturing plant in Manila, Dec. 10, 2008. — REUTERS

THE Semiconductor and Electronics Industries in the Philippines Foundation, Inc. (SEIPI) said it is hoping the European Union (EU) legislates its own version of the US CHIPS and Science Act.

At a panel discussion at the EU-Philippines Business Conference on Wednesday, SEIPI President Danilo C. Lachica said he hopes the EU makes similar moves to further diversify its semiconductor supply chain.

"The US CHIPS Act carves out about $52.9 billion to onshore semiconductor wafer fab manufacturing back to the US," Mr. Lachica said.

"The EU (may) want to bring in the capacity… so it will be less dependent on Taiwan and China for semiconductors," he added.

In connection with such a shift, he said: "I'm hoping to see more investment poured into the Philippines for semiconductors and electronics," he said.

"We have a growing integrated circuit (IC) design industry. We have about six companies. Unfortunately, none of them are from the EU, and I hope to see investment from there," he added.

He said the biggest EU semiconductor company operating in the Philippines is STMicroelectronics, adding that he hopes the EU will consider IC design, wafer fab, and assembly, test, and packaging operations in the Philippines.

In 2023, the semiconductor industry exported $45.6 billion, or 62% of all Philippine commodity exports, according to Mr. Lachica.

"Of the top five export destinations of the Philippines, four are in Asia, and one in the US. Hong Kong is the top export destination, close to 30%. The US is number two, and there's been a turnaround, with China now number three," he said. *[Cont. page 4]*

Semiconductor industry hoping EU pursues its own CHIPS Act
[Cont. from page 3]

"But for the EU, the top two destinations are essentially Germany at about 4.9%, and the Netherlands at about 2.5%. So, between the two of them, close to about $4 billion, which is, like I said, we'd like to see grow," he added.

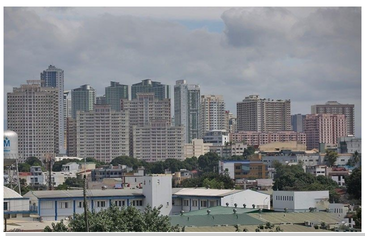
He said that the Philippine semiconductor and electronics industry lost ground during the previous administrations as capital fled in response to incentive rationalization.

"But the good news is that our new administration is fixing those with the Corporate Recovery and Tax Incentives for Enterprises to Maximize Opportunities for Reinvigorating the Economy (CREATE MORE) Act and other incentives," he said.

"So, we are very optimistic about announcing that the Philippines is back. It's a strong, open industry, both for investors as well as exporting to the EU," he added.

Source: https://www.bworldonline.com/economy/2024/12/04/639416/semiconductor-industry-hoping-eu-pursues-its-own-chips-act/

Nomura sees Philippine economy expanding by 6% next year
December 05, 2024 | Catherine Talavera | The Philippine Star



The bustling city landscape of Metro Manila is photographed on January 30, 2024.
STAR / Ernie Penaredondo

MANILA, Philippines — Japan-based Nomura Global Research expects economic growth in the Philippines to improve next year but still undershoot official targets at six percent.

In its Asia Macro Outlook 2025 report, Nomura said it forecasts a gradual improvement in gross domestic product (GDP) growth to six percent year-on-year in 2025 from 5.6 percent in 2024, in line with consensus but still at the low end of the government's latest forecast range of 6-8 percent.

"We think public investment spending will remain a significant growth engine, as the government pushes for more progress on infrastructure projects, which remain a top priority of the Marcos administration. This push will get an added impetus from the mid-term elections on May 12, 2025," Nomura said.

"Sustained infrastructure implementation should, in our view, start to crowd in private investment spending when borrowing costs are declining and BSP (Bangko Sentral ng Pilipinas) is easing monetary policy," it added.

Nomura said a more favorable inflation outlook as well as positive wage growth would likely support a turnaround in consumer sentiment and thus household spending, which is starting to recover and indeed helped GDP growth regain some momentum in the third quarter.

The global research firm, however, said strong external headwinds would likely provide some offset, particularly in the second half of 2025.

"As we have highlighted, the Philippines is among the most vulnerable in the region to (US president-elect) Trump's policy proposals and is likely to be caught in the crossfire of deteriorating US-China ties. Therefore, we pencil in slow growth of goods and services exports, with the tariffs likely to weigh on external demand, while worker remittances, which support domestic consumption, are likely to be negatively affected by tighter immigration policy in the US, similar to Trump's first term," Nomura said.

It emphasized that foreign direct investment (FDI) inflows have been more limited than in regional peers and might be further constrained by rising tensions in the South China Sea, if the US provides less regional security under Trump amid China's increased assertiveness in the disputed waters.

"As a result, we think the twin deficits will remain significant. We forecast a narrowing of the fiscal deficit to 5.5 percent of GDP in 2025 from 5.9 percent in 2024, but this is still above the government's medium-term fiscal framework (MTFF) targets of 5.3 percent, and still well above the pre-COVID average of 2.4 percent," Nomura said.

It added that MTFF targets would likely be challenging to meet due to the elections and spending priorities.

Source: https://www.philstar.com/business/2024/12/05/2405017/nomura-sees-philippine-economy-expanding-6-next-year

PH sees 3-yr window to attract major FDIs

December 06, 2024 | Malaya Business Insight

VENDORS attend to customers at a market in Quezon City, Nov. 22. Inflation picked up to 2.5% in November, the statistics agency said. — PHILIPPINE STAR/MIGUEL DE GUZMAN

The country's investment chief believes there is a brief window of just three years to attract large-scale investments from companies diversifying into Southeast Asia.

Secretary Frederick Go of the Office of the Special Assistant to the President on Investments and Economic Affair, in a television interview said the enactment of Corporate Recovery and Tax Incentives for Enterprises to Maximize Opportunities for Reinvigorating the Economy (CREATE MORE) is timely to reverse the decline in foreign direct investments to the Philippines.

"Thailand, Indonesia, Malaysia and Vietnam, and even to a certain extent, Singapore have been grabbing the lion's share of investments, and the Philippines has lagged behind in this respect… we have missed the boat in the last many years. That is exactly what we are trying to reverse. There is right now this great move to diversify manufacturing and services throughout Southeast Asia. There's a small window of opportunity needed to get through this," Go said.

He, however, said tthis window of opportunity will not last long," Go said.

"We need (CREATE MORE) to get working right away. But this window is probably a three- year window to 2027 to try to grab all these large scale investments," Go added.

Go said the goal is to bring back more manufacturing into the country such as in automotive both for internal combustion engine and electric vehicles, semiconductors, solar panels, steel among others which would create thousands of jobs.

Signed by President Marcos Jr. on Nov. 11, 2024 CREATE MORE Act or Republic Act 12066 builds on the country's economic reforms introduced under the CREATE law by making the country's tax incentives more globally competitive, investment-friendly, predictable and accountable. The CREATE MORE Act, among others, lowers the corporate income tax rate and increases de ductible items; provides value-added tax exemptions and zero-rating on local purchases for certain businesses; allows information technology and business process outsourcing firms to offer alternative work arrangements such as working from home, without affecting their businesses.

Source: https://malaya.com.ph/business/enterprise/ph-sees-3-yr-window-to-attract-major-fdis/

Open trade despite global tensions: WTO's appeal

December 05, 2024 | Andrea E. San Juan | BusinessMirror

THE World Trade Organization (WTO) has called on the "middle powers" in Asia and Asean like the Philippines to continue to promote open trade amid increased geopolitical tensions, according to the Department of Trade and Industry (DTI).

In a Viber message sent to the BusinessMirror, DTI-Bureau of International Trade Relations (BITR) Director Sherylyn D. Aquia reported that WTO Director General Ngozi Okonjo-Iweala had underscored the need for "continuing dialogue amid increased geopolitical tensions" and why middle powers in Asia and Asean like the Philippines should "continue to promote open trade and the transformative potential of digital and e-commerce trade."

The WTO chief had attended a dinner with Philippine Trade and Industry Secretary Maria Cristina Aldeguer-Roque, DTI Undersecretary Allan B. Gepty, and DTI-BITR Sherylyn D. Aquia, among others, on December 3 in Mandaluyong City.

Based on her verified Twitter account, Okonjo-Iweala reiterated this call the following day at a meeting with the president of the Philippines, Ferdinand R. Marcos, Jr. at Malacañang.

"A really interesting and informed discussion on global trade issues in the context of geopolitical tensions, and the role WTO can play to help manage these tensions. Also focused on the important role of middle powers in shoring up the Multilateral Trading System," the WTO DG said in her tweet.

Aquia said the head of the WTO had an official visit and courtesy call on the President together with the Philippine Secretaries on Finance, Trade and Agriculture on December 4, 2024. *[Cont. page 6]*

Open trade despite global tensions: WTO's appeal
[Cont. from page 5]

"DG Ngozi has conducted official visits to a number of WTO members and attended high-level international and regional meetings such as the G-20, G-7, African Union, APEC, and Caribbean Community (Caricom). Before coming to the Philippines, DG Ngozi met with the heads of state/government of Chile, Peru, Brazil, Azerbaijan, Kazakhstan, Italy, HK, Singapore, Malaysia and Japan this year," the Philippine Trade official said.

On November 29,2024, the General Council of the WTO agreed by consensus to reappoint Ngozi Okonjo-Iweala as Director-General for a second four-year term which is set to begin on September 1, 2025.

In a statement she penned to the General Council on her thoughts and vision for the next four years, the WTO Director General underscored the importance of global cooperation and multilateralism as the world is trapped in the middle of "uncertainty, slower economic growth with inflationary pressures, geopolitical tensions, conflict and war, climate change, and fast-paced technological change centred on Artificial Intelligence and other emerging frontier technologies."

Okonjo-Iweala added, "At times of global uncertainty like this, it is not unusual to see fear, rising nationalism, and protectionism as well as a questioning of the structures and institutions we long held dear because they may not be delivering answers rapidly, adequately or with the efficiency and effectiveness needed to deal with the challenges of the times." With this, the head of the 166-member WTO underscored that these global challenges "just cannot be tackled by any one member or country alone," adding, "solutions to these challenges need global cooperation and multilateralism."

As she cited the benefits of the WTO, Okonjo-Iweala emphasized that the Multilateral Trading System with the WTO "at its core has helped to lift over 1.5 billion people out of absolute poverty."

"It has helped create millions of good jobs in goods and services trade all over the world," she also stressed.

Okonjo-Iweala added that after factoring in all the free trade agreements (FTAs) and Regional Trade Agreements (RTAs), the WTO Rules underpin 75 to 80 percent of world goods trade "because many bilateral and regional agreements are built on the WTO template."

"Just imagine what would happen if this platform were to disappear—the chaos and uncertainty that businesses and households would face with respect to jobs and wellbeing," the WTO head underscored.

For the Philippines's part, Aquia said the country assured the WTO head of the Philippines's role as a founding WTO Member since 1995 and a signatory to key multilateral agreements, in upholding its commitments and obligations in the multilateral trading system.

"Both sides also exchanged views on the global economic situation and potential reforms within the WTO in view of the next MC14 in March 2026 in Cameroon," Aquia told this paper.

Issues being discussed by officials in Geneva include the WTO dispute settlement system reform and achieving outcomes on fisheries subsidies, agriculture and electronic commerce, the DTI official noted.

Meanwhile, the WTO head also commended the Philippines's "strong" economic performance despite global challenges. She recognized "Positive Philippine economic performance and high growth of services sector and digitally traded services."

Moving forward, Aquia said WTO is focused on increasing technical assistance and capacity building to integrate women and micro, small and medium enterprises (MSMEs) and all stakeholders into the global economy with the aim of "inclusive and sustainable development."

Image credits: Aleksandr Atkishkin | Dreamstime.com

Source: https://businessmirror.com.ph/2024/12/05/open-trade-despite-global-tensions-wtos-appeal/

Contact Us

Korean Chamber of Commerce Philippines, Inc. (KCCP)
Unit 1104 Antel Corporate Center, 121 Valero St., Salcedo Village, Makati City
(02) 8885 7342 | (02) 8404 3099

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