Chinese gov't fell short of Trump trade-deal purchase promises

CHINA came up more than one-third short of its purchase commitments for goods in the trade deal that the world's second-largest economy reached with the US during the Trump administration.

The nation bought 62.9% of the extra goods that it had promised as part of $200 billion in purchases in the so-called phase one deal in the two years through the end of 2021, according to a Bloomberg News analysis of data shared by the Commerce Department's Census Bureau on Tuesday.

Energy was the area where China most missed its targets, buying only about one-third of the exports that it pledged. The Asian nation was closest to achieving its targets for agricultural goods, meeting about 83% of its commitments. In manufacturing goods, where China had committed to the biggest net increase, the nation bought less than 65% of the amount promised.

The Alliance for American Manufacturing, a group representing manufacturers and the United Steelworkers, called China's performance "disappointing."

"Commodity purchases were never the solution to fixing the lopsided US-China trade relationship, and China's government couldn't even keep those promises," said Scott Paul, the group's president. "Until the fundamental issues are addressed — things like China's state-owned enterprises, massive government subsidies, intellectual property theft, lax labor and environmental laws — the massive trade gap will remain."

The annual goods-trade deficit with China grew $45 billion to $355.3 billion in 2021, December trade data showed.

China had pledged to buy the extra $200 billion in US agriculture, energy, manufactured goods and services over the 2017 level in the two years through the end of 2021. US Trade Representative Katherine Tai has said repeatedly that the Biden administration's concerns go beyond the purchase commitments and include Beijing's state-centered industrial policy.

The US is getting tired of waiting and "regardless of how these negotiations conclude, the fact remains that the phase-one agreement did not address the core problems" with China's state-led economy," spokesman Adam Hodge said. "The US will continue its efforts to shape the environment around China by working with allies and partners and using the full range of tools to defend American economic interests, he said.

Chad Bown, a senior fellow at the Peterson Institute for International Economics, said that when the full set of services data is available for 2021 in July, it's likely to show that China's overall shortfall in phase-one commitments was even greater. — ***Bloomberg***

Treasury official says the need for stablecoin legislation is 'urgent'

TECHNOLOGY companies that aren't licensed as banks shouldn't offer crypto stablecoins, according to US Treasury Undersecretary for Domestic Finance Nellie Liang.

Ms. Liang told lawmakers on the House Financial Services Committee that firms issuing the tokens to let people pay for goods and services should face the heightened scrutiny that lenders receive under US rules. Her comments come after Meta Platforms, Inc.'s Facebook last month abandoned plans for a stablecoin project that drew fierce opposition from Washington.

Concerns that stablecoins are insufficiently regulated have proliferated since 2019 when US regulators expressed unease over Facebook's plans to establish one that could have been used by billions of the company's social-media users. On Tuesday, Ms. Liang said there was an "urgent" need for Congress to pass legislation focused on the fast-growing corner of crypto.

"This is an urgent issue given the rapid growth of this market," Ms. Liang said in an interview before the hearing. In testimony she said the market value for the assets has exploded to about $175 billion from roughly $5 billion at the start of 2020.

Stablecoins are a form of digital currency typically pegged to the US dollar or other fiat currency. The call for congressional action by Ms. Liang follows a report last year from a group of top US regulators known as the President's Working Group on Financial Markets that called for stablecoins to be regulated more like banks.

Treasury has been in touch with congressional offices and a number are working on proposals, according to Ms. Liang. Senator Pat Toomey of Pennsylvania, the top Republican on the Senate Banking Committee, has released a blueprint for future legislation. Still, it's unclear if Republicans, like Toomey, and Democrats will be able to find enough common ground to advance a bill anytime soon.

Maxine Waters, who chairs the committee, said her panel will continue to study stablecoins and the potential risks they pose to the US financial system and investors. "Regulators and policymakers must work to ensure that any innovation in this space is responsible — that it provides robust consumer and investor protection, that it mitigates environmental impact, and that financial inclusion is front and center," said Ms. Waters.

Meanwhile, Patrick McHenry, the top Republican on the committee, said policy makers should focus on the possible benefits of stablecoins, not just the risks. He also pushed back against the notion that issuers should be banks. That would be a "major obstacle" to fostering innovation in this emerging space, he said.

During the Tuesday hearing, Ms. Liang said it's unlikely that US regulators would preempt congressional action by designating stablecoin issuers as systemically important financial institutions, a tag that would saddle them with a range of onerous new requirements. Such a designation by the Financial Stability Oversight Council, which includes Treasury Secretary Janet Yellen, Federal Reserve Chair Jerome Powell and Securities and Exchange Commission Chair Gary Gensler, would mark the firms as posing a serious risk to the economy.

"In the current environment, I don't see that FSOC would take such actions," she said.

Prior to the hearing, Ms. Liang told Bloomberg that legislation and regulatory clarity is needed for the industry to flourish and for investors to be adequately protected.

"We hurt both innovation and we increase risks if legislation is not passed," Ms. Liang said. The regulators' report last year said that despite the concerns, stablecoins have the potential to make payments cheaper and faster.

Regulators currently don't have the authority to address all of the risks, so Congress needs to step in to close the "regulatory gaps," she said.

Ms. Liang said she anticipates the White House will offer more details on an administration-wide strategy for digital assets in a few weeks. Bloomberg previously reported that the Biden administration is preparing to take a more central role in overseeing cryptocurrencies, aiming to release an executive order as soon as this month.

That broader effort will expand beyond financial stability — a main focus of the stablecoin report — to examine issues such as the use of tokens in illicit finance, financial inclusion, and the importance of US leadership in the global financial system, Ms. Liang said. — ***Bloomberg***

Big European nations likely to gain the most from EU microchip push

STOCKHOLM/BRUSSELS — The European Commission's plan to make the continent more lucrative for investing in semiconductor factories will likely skew the benefits towards larger countries such as Germany, France and Italy, analysts say.

With billions of euros of public and private investment, along with covering up to 100% of the proven funding gap with public resources, a subsidy race could tilt the balance toward countries with larger resources.

"I don't see how that can be avoided as that's just the nature of the beast ... same as in the US where states give different subsidies to get the companies to build in a given state," Gartner chip analyst Alan Priestley said.

Chip manufacturing in Europe has dropped from 24% of global production capacity in 2000 to a current 8%, and chipmaker ASML warned that it could fall to 4% if no action is taken.

US firms now have a 47% market share of the chip industry, followed by Asia, with Europe a distant third, according to data from the Semiconductor Industry Association.

The current European chip legislation helps to address that by providing deeper subsidies and state support to grab a 20% share of the global capacity by 2030.

Industry sources pointed to more global collaboration with other regions as the chip supply chain spans the world, otherwise it would cost at least €1 trillion for a fully autonomous chip supply chain.

Intel, which has been planning to invest as much as $95 billion in Europe over the next decade, said it expects the Chips Act to help its plans to expand its European footprint.

The US chipmaker has been scouting for locations in Germany, France and Italy.

And that exactly is the fear of the smaller countries. They suspect international firms looking at the continent may not consider the smaller ones for setting up factories that cost in excess of $20 billion to build.

Analysts said that while subsidies are a major factor, availability of talent, land and research institutes would also be considered before setting up a factory.

Germany, France and Italy had earlier provided state aide for building competency around microelectronics through Important Projects of Common European Interest (IPCEI) with a funding budget of €2 billion.

The new legislation will also support smaller, innovative companies in accessing advanced skills, industrial partners and equity finance, and several analysts said those firms may choose smaller countries to set up their operations.

"The presence of a next-generation semiconductor fabrication plant in Europe would have positive spill-over effects, driving investment in European supply chains and act as a magnet for scarce talent," ING analyst Jan Frederik Slijkerman said.

EU Competition Commissioner Margrethe Vestager said investments would also come from a second pan-European IPCEI in chips involving more than 100 participants from about 20 European Union (EU) countries and focusing on AI processors and edge computing.

Asked about TSMC's interest in building a factory in Europe and possible EU aid, she said: "Europe is also open for business, also for TSMC."

TSMC, the world's largest contract chipmaker which said last month it was still in the very early stages of assessing a potential fab in Europe, declined to comment on the European chip legislation. — ***Reuters***

Blue bond,
from S1/1

"Sovereign borrowers have played a more prominent first-mover role. There is potential of tapping green bonds to finance green infrastructure projects."

At the same event, Finance Assistant Secretary Paola A. Alvarez said the Philippine market must support sustainability initiatives to attract foreign direct investments.

"If (overseas businesses) want to relocate here, now that you have your sustainability bond issuances, these types of bonds necessarily have to report the climate exposure, the climate risks and disaster risks in terms of where the utilization of the fund went."

"Since the demand for capital investments abroad is more — the appetite is more on sustainability and green (issuances), then for the capital markets or the businesses, if they want to attract foreign direct investments, then they necessarily have to green their issuances and their businesses."

The Philippines is eyeing a $500-million green bond offer this year, Finance Secretary Carlos G. Dominguez III said last week. He had earlier said that the Philippines is preparing to offer its first sovereign green bonds to fund climate change mitigation projects.

Fifteen Philippine banks, electric and water utilities, energy and property companies have issued 29% or $4.8 billion of ASEAN-labeled green bonds as of end-September 2021, the Bangko Sentral ng Pilipinas said.

Seven local banks have issued more than $1.15 billion and P85.4 billion of green bonds since 2017.

Wages,
from S1/1

Meanwhile, workers in the following industries saw a decline in their median basic pay in 2020: financial and insurance activities by 13.5% (to P15,986 in 2020 from P18,486 in 2018); real estate activities by 9.7% (P16,238 from P17,989); and wholesale and retail trade, repair of motor vehicles and motorcycles by 5.3% (P12,592 from P13,299).

In terms of allowances, the PSA reported a 43.1% rise in median monthly allowances across all industries amounting to P2,456 in 2020 from P1,716 in 2018.

The survey also identified the top 10 highest-paying occupations in the country, with mathematicians, actuaries, and statisticians leading with P63,368 per month, followed by computer network professionals (P59,787 per month), and geologists and geophysicists (P50,449 per month).

Economists largely blamed the decline in monthly average pay to the fallout brought by the coronavirus disease 2019 (COVID-19) pandemic.

Since March 2020, the Philippines has implemented quarantine restrictions to contain the spread of COVID-19, resulting in reduced mobility for workers.

The strict lockdowns battered the economy, which posted a record 9.6% contraction in 2020. Philippine economy rebounded last year with a gross domestic product growth of 5.6%.

Some companies have since then implemented remote or hybrid work setups.

"The decline in productivity due to work stoppages associated with lockdowns and mobility restrictions contributed to the decline in the average monthly wage rate," University of Asia and the Pacific Senior Economist Cid L. Terosa said in an e-mail. "Also, the average monthly wage rate fell because the supply of workers far exceeded the demand for them."

UnionBank of the Philippines, Inc. Chief Economist Ruben Carlo O. Asuncion said that the results of the OWS survey showed how other occupations decreased in the ranks, specifically on jobs that were heavily affected by the pandemic such as airline-related occupations.

"I noticed that one specific highest paid job missing on the list is the airline pilot and it is not hard to figure out why. The pandemic has practically obliterated the job and related jobs and would definitely take more time for the job to come back," he said in an e-mail exchange.

Despite the improvement in the median basic pay and allowances in 2020, this did not lead to the creation of more jobs, Mr. Terosa said.

"Clearly, occupations requiring higher level skills sets received the highest pay. The pandemic did not affect occupations that can easily take advantage of the shift towards different working arrangements and technology-based tasks," he said.

Likewise, Mr. Asuncion noted that the increase is only "temporary." "It is fitting to note that full-time jobs have declined and part-time jobs grew during the height of the pandemic. There was job creation, but they are more temporary and time-bound," he said.

Both economists expect a rebound both in the average and median monthly basic pay of the Filipino workers in the next round of the OWS as the economy gradually picks up. They also see an increase in the technology-related jobs going forward.

"In the new normal, occupations involving remote work, e-commerce, automation and related technology will be paid more highly than the rest," Mr. Terosa said. "Demand for high-wage jobs that require greater education, intensive training, and flexible skills will continue to grow."

"Overall, technology and data science jobs will lead the way," Mr. Asuncion said.

Money laundering,
from S1/1

The data was gathered from registered nonfinancial covered persons and entities as of May 25 2021.

Around 4,000 covered transaction reports with a value of P20.61 billion were filed by accountants, company service providers, and jewelry dealers from 2019 to 2021.

The bulk or P19.77 billion were filed by company service providers that serve as agents or provide a registered office or partnership with a legal entity.

From 2019 to 2021, only the jewelry sector filed suspicious transaction reports to the AMLC. In 2021, 18 suspicious transaction reports were reported.

"It may be noted that there is still an evident lack of understanding of the sector with regard to filing of covered and suspicious transactions. Nevertheless, with the available data and the responses provided, the threat assessment is still set at the medium level," AMLC said.

Among the covered sectors, the service providers of POGOs indicated high level of vulnerability, as they did not identify money laundering and terrorist financing risks.

The AMLC noted risk assessment it made on POGOs had stated that "service providers of offshore gaming operators are prone to abuse and exploitation for money laundering and other crimes."

"The results of the vulnerability assessment on the sector clearly shows that the weak oversight coupled with the low understanding of AML/CTF (anti-money laundering/counter-terrorist financing) obligations and lack of established AML/CTF policies and procedures greatly expose the sector to abuse and misuse," it said.

The AMLC also flagged the low registration of accounting and auditing professionals, as well as lawyers with the council.

"The low rate of registration with the AMLC still increases its risk exposure since compliance with AML regulations may not be assessed for entities who are not registered or under the supervision of the AMLC. To maintain a high level of professional responsibility and integrity, AML/CTF safeguards must be implemented by the sector to avoid misuse," it added.

Also, only 7% of jewelry dealers are registered with the AMLC, since most are family-run businesses.

"The size of the sector and its accessibility across the country makes it vulnerable especially for those not registered with the AMLC since AML/CTF awareness is lacking," it added.

The AMLC said there is a need to boost registration of covered individuals in these sectors, as well as increase awareness campaigns.

The Philippines has been included among jurisdictions under increased monitoring by the Financial Action Task Force (FATF) in June 2021. It needs to prove it has implemented tighter measures against dirty money and terrorism financing to exit the FATF's "gray list."

The government is hoping to be removed from the gray list by January 2023. — **L.W.T.Noble**

Office,
from S1/1

Metro Manila accounted for 81% of last year's office transactions, while the rest included transactions in Cebu, Iloilo, Pampanga, Laguna, Davao, Batangas, Rizal, and Misamis Oriental.

"While the health concerns brought about by the COVID-19 [pandemic] are already being addressed, we're more confident. That means there's more focus now in terms of reviving the economy and the businesses," Mr. Andaya said.

Traditional occupiers and outsourcing firms took up the bulk of office spaces last year and are expected to continue to drive growth this year.

RETURN OF THE POGOS?

Should POGOs return to the market, Colliers Philippines said the office vacancy rate is seen to decline "significantly from 19% to just 12% until 2025."

POGOs, which operate online casinos for the China market, occupied at least 1.3 million sq.m. in office spaces before the pandemic.

POGOs now only occupy 677,000 sq.m., taking up only 5% of Metro Manila's office stock as of end-2021 versus its 11% market share in 2019.

Many POGOs, which employ mostly Chinese nationals, closed up shop in the Philippines due to the higher taxes and travel restrictions.

Beginning 2022, licensed offshore gaming firms are taxed 5% of their gross gaming revenues, while foreigners employed by offline gaming companies or their service providers need to pay 25% withholding tax on their gross income.

However, Mr. Andaya noted that the "most important" factor that affected POGO operations is the "Philippine-China relations with respect to the level of tolerance in allowing this industry to prosper." Many POGOs are waiting for clarity on the next administration's policy regarding the industry.

"The result of the Philippine elections can tell us what's going to happen with this one," Mr. Andaya said.

At the same time, Colliers said the economic recovery will be key to driving more office transactions.

"I think the pressure to revive the economy and the pressure to revive the businesses is greater than the impact of the national elections, the uncertainty that comes with it and that is because some of the important legislation required to stimulate the economy were already passed or are being finalized," Mr. Andaya said. — **Keren Concepcion G. Valmonte**