AmCham not confident of FTA with PHL this year

A FREE trade agreement (FTA) between the Philippines and the US is unlikely before the midterm elections for the US Congress in November, the American Chamber of Commerce of the Philippines (AmCham) said.

AmCham Executive Director Ebb Hinchliffe said that the FTA will not be a US priority ahead of the Nov. 8 midterm elections, with US President Joseph R. Biden, Jr.'s Democratic party projected to lose control of the House of Representatives and possibly the Senate.

"We're kind of on the back burner. I do not see any kind of FTA coming out, even maybe in the first term of Mr. Biden because he's got other things to contend with," Mr. Hinchliffe said on the sidelines of AmCham's 120th anniversary celebration in Pasay City last week.

"Right now, everybody is concerned about China and trade with China more than they are concerned on the trade with the Philippines," he added.

Mr. Hinchliffe added that an FTA could affect the outcome of the election.

"There are some votes that can be affected and they might have some problems with labor unions," Mr. Hinchliffe said.

The Department of Trade and Industry (DTI) has said that the US is on the list of targets for FTA negotiations.

"That's one of my campaigns, for us to start negotiating FTAs, including with the US. We don't have an FTA with the US yet; we don't have an FTA with the European Union yet," Trade Secretary Alfredo E. Pascual said.

Aside from the FTA, Mr. Pascual said that the Philippines' eligibility for the US Generalized System of Preferences (GSP) schmeme is being negotiated.

Philippine eligibility for GSP expired at the end of 2020. The US GSP program allowed the duty-free entry of more than 5,000 Philippine products into the US, such as electronics and agricultural products.

Separately, Mr. Hinchliffe said that the Philippines should push for domestic investment in vaccine manufacturing.

"The thing we should have learned in the pandemic is in the pharmaceutical sector. This country needs a vaccine manufacturer so we do not need to depend upon the big manufacturers. We need to get somebody to build a pharmaceutical company in the Philippines," Mr. Hinchliffe said.

He added that AmCham supports the participation of the Philippines in the Regional Comprehensive Economic Partnership (RCEP) trade deal.

"AmCham is very much supportive of RCEP, even though America is not involved in it, it is not important. American companies are here. They will be exporting and have the right to utilize RCEP. It is the right thing for the Filipino people. We need to create more jobs. RCEP will create more jobs. Job creation is not bad for anybody," Mr. Hinchliffe said.

The Philippines has yet to join the RCEP, which started taking effect in the signatory countries on Jan. 1, due to the concerns of legislators over the lack of safeguards for the domestic agriculture sector.

RCEP involves Australia, China, Japan, South Korea, New Zealand and the 10 members of the Association of Southeast Asian Nations.

According to the DTI, bilateral trade between the US and the Philippines was $19.6 billion in 2021.

"In 2021, the US was the Philippines' third largest trading partner (out of 223), top export market (out of 205), and fifth-largest import supplier (out of 210)," the DTI said. — **Revin Mikhael D. Ochave**

Small retailers hurt by high costs, drinks shortages

HIGH commodity prices, particularly those of sugar, are likely to dampen the performance of small retailers and eateries during the year-end holidays, which are normally a period of strong sales, an industry association said.

Gregoria Jaradal, Treasurer the Philippine Association of Stores and Carinderia Owners, Inc., said members are struggling because the prices of their inventory or ingredients have risen sharply.

"I think that the upcoming Christmas is not good because our prices are increasing, especially for sugar, which is important for people, especially the poor," Ms. Jaradal said during a radio interview on Sunday.

"We can't do anything because when we bought our stocks at the supermarket or wet market, prices had risen. So, we also need to increase our prices," she added.

According to Ms. Jaradal, sales of small retailers, known as *sari-sari* stores, and carinderias, or roadside eateries, have been affected by the shortage of softdrinks, production of which has stalled due to the sugar shortage.

"The problem is that the prices of softdrinks are high and the supply is tight," Ms. Jaradal said.

Ms. Jaradal also said that the price of canned goods sold in *sari-sari* stores has increased.

She added that carinderias have already reduced the quantity of the food served to customers due to rising costs.

Recently, the government entered into an agreement with SM, Robinsons, and Puregold supermarkets to sell white refined sugar at P70 per kilogram (/kg). Sugar was selling for as much as P110/kg during the shortage.

The government is hoping to import 150,000 metric tons to address the shortage. — **Revin Mikhael D. Ochave**

School building backlog raises questions about gov't efficiency

By Diego Gabriel C. Robles

THE CLASSROOM SHORTAGE, estimated at 40,000 units, is not just a matter of adequate funding, with the government's capacity to implement infrastructure projects also coming into question, economists said.

"This is not an issue of amount. I think this is now an issue of priorities and efficiency in working with the budget. The problem has persisted for so long. Every school year, this is the problem. There must be a structural or systemic issue that must be addressed beyond budget," economist John Paolo R. Rivera of the Asian Institute of Management said.

"Money can only do so much. Even if you increase the budget to billions and trillions, if it is not efficiently used, the problem will persist because you do not address the root cause — this is the core of economic policy."

On Friday, Budget Secretary Amenah F. Pangandaman said that, despite the increase of P3 billion for school construction, the government still does not have sufficient funds in the proposed 2023 national budget to address the backlog in classrooms, citing fiscal constraints and the absorptive capacity of implementing departments and agencies.

House Assistant Minority Leader and Gabriela Representative Arlene D. Brosas said the proposed 2023 budget of P5.268 trillion is weighted more towards road networks (P429 billion) and right of way acquisition (P28.6 billion), much larger than the allocation for school construction (P13.9 billion) and housing and community facilities (P2.5 billion).

FULL STORY

Read the full story by scanning the QR code with your smartphone or by typing the link
<bit.ly/School082922>

OPINION

How tech companies can stay agile in an uncertain world

SUITS THE *C*-SUITE
ROSSANA A. FAJARDO

(First of two parts)

The recent surge in risks associated with international commerce and technology nationalism has had a significant impact on the technology sector. Tariff increases, export limitations, stricter privacy regulations that include data onshoring, changes to employment requirements, and a closer examination of mergers and acquisitions (M&A) and ownership regulations are just a few of these.

The borders between technology and other sectors are dissolving rapidly due to digital disruption, and technology companies must address this now more than ever. A shared demand for data and technologies, as well as cross-sector trends, are fostering industry convergence. These include the establishment of alliances centered on data and technology, the development of industry ecosystems, the exploration of new business models, the increase in investments in new hybrid technologies, and the digitalization of everything.

EY teams conducted a global research study with 750 technology executives to have a better understanding of the increased risks and difficulties that global technology companies must face. Additional insights and suggestions from the EY Global Technology Sector team were added to the findings to help people understand what technology companies must do to succeed in a constantly changing environment.

In the first part of this article, we discuss how technology companies need to withstand uncertainty, address critical regulatory issues, optimize their supply chains, and choose the right operating model.

WITHSTANDING UNCERTAINTY

The results of the EY survey show that technology leaders are coping with shifting political costs, political volatility, and new limits that are posing both possibilities and problems for their supply chains and operating models. Many technology companies have adopted a "China-plus-1" strategy as a result of tariffs and increased labor expenses. Asia-Pacific nations including Vietnam, Malaysia, Thailand, and India gain advantages from new investments that diversify risks in their supply chains. There is also a greater sense of threat since businesses around the world may experience more frequent cyberattacks that have an impact on their operations.

Technology businesses increasingly view government intervention through two distinct lenses, depending on their position in the value chain. On one hand, governments that are worried about protecting their access to crucial technologies are developing new, multibillion-dollar incentive programs to encourage the expansion of new research and development (R&D) and fabrication capacity, such as the proposed US Creating Helpful Incentives to Produce Semiconductors (CHIPS) for America Act and the European Union's proposed Chips Act.

On the other hand, governments are increasing the complexity of the situation with new laws and regulations. Federal contractors are subject to US government procurement limitations that are motivated by national security concerns and have an impact on their supply chains. The Digital Markets Act was passed by the European Union to place restrictions on digital platforms, including guidelines on their ability to grow and the requirement to give users access to competing services.

ADDRESSING CRITICAL REGULATORY ISSUES

The complexity of ensuring compliance has increased as a result of current geopolitical issues, which have also led to new export control measures. These include new export bans on sensitive technologies, telecommunications, encryption security, semiconductors, sensors and software.

For instance, the Export Administration Regulations, which are overseen by the Bureau of Industry and Security of the US Department of Commerce, are "extraterritorial," meaning that they place restrictions on products that are manufactured outside the US using software or technology that has US origins. To make sure they are compliant with these and any upcoming rules, technology businesses will need a comprehensive understanding of their upstream value chains.

The study highlights the following critical regulatory issues affecting technology enterprise operational practices:

- Trade taxes, sales/use taxes, value-added taxes, and taxes on digital services
- European Union's approach to competition
- The OECD Base Erosion and Profit Sharing (BEPS) 2.0 projects with Pillars One and Two
- An executive directive prohibiting anticompetitive behavior
- Review of crucial supply networks for producing semiconductors and other cutting-edge technology via executive order
- Intellectual property taxes (IP)

Technology companies worldwide are being increasingly impacted by a wave of regulatory and tax environment changes. Countries aim to broadly tax their digital economies and transactions, potentially driven by recent political shifts. Legislators are concentrating on new tax and regulatory regimes as a result of the evolution of digital services and operating models such as over-the-top and Software-as-a-Service (SaaS). Findings from the EY survey revealed that efforts to update antitrust and competition laws in the technology sector, data transfers, and trade and taxation regulations were the main influences to changes in operating models.

A closer examination of the survey results reveals some notable differences between various facets of the technology industry. Executives at internet, e-commerce, IT services, and cloud companies consistently expressed more concern about the effects of nearly all the previously mentioned regulatory issues. According to legacy technology executives, they are affected by the General Data Protection Regulation (GDPR) of the European Union, digital services taxes, and global minimum taxation. On the other hand, emerging technology company executives focused more on sourcing of raw materials and the impact of sector competition/antitrust policy.

OPTIMIZING SUPPLY CHAINS

Technology companies had to rethink their supply chains after the impact of COVID-19 and a host of new "black swan" events. The pandemic put further strain on the global supply chain, which was already coping with the effects of the US and China trade issues. Importers had trouble buying manufacturing supplies on time, and exporters had trouble getting bookings on ships due to worldwide factory closures and a lack of shipping containers. It may not come as a surprise that 95% of the executive respondents said their organizations are changing their operational model and supply chain.

The desire of technology executives and their organizations to nearshore and reshore their supply networks was significant in the survey results, reflecting how the effects of the pandemic on supply chains have increased the focus on resiliency and sustainability. As much as 71% of executives said their companies expect to move their manufacturing to be more localized over the next three years, compared to 19% who said their companies have already done so. The fact that 68% of the CEOs agreed that tech firms will need to take better efforts to reduce global emissions over the next three years is likely a linked aspect that also strengthens the case for near/reshoring.

CHOOSING THE RIGHT OPERATING MODEL

Executives recognize the need to continually and proactively update their operating models. They noted that they look for benefits such as higher revenue growth and employee satisfaction — the top benefits realized from operating model changes. However, many are also addressing tactical and functional issues, giving the impression that there is much more to do. Industry leaders were more positive about the advantages of implementing the right operational model. In terms of both financial performance and customer or employee satisfaction, these benefits should show a direct correlation between having the right operating model and significant improvements in business performance.

The EY survey found that 65% of respondents have changed their operational model at least once in the previous 12 months. While highlighting the importance that the top technology businesses play in the effort to become adaptive digital enterprises, these technology executives nevertheless note that they still face difficulties. As a result, planning and evaluation paces are accelerating. Technology leaders reported that in light of the operational environment's rapid change, they routinely examine their operating model either completely or in part. Nearly half of respondents claimed they now perform this assessment a few times a year.

More than half of executives (55%) stated that they still think their operating models need to change while 50% are actively planning improvements despite more frequent evaluations of their operating models and more frequent revisions based on these reviews.

Companies also became more certain that they had the right operating models, as their size and revenue increased. The majority of small- and medium-sized businesses or businesses with low to medium revenue believe they do not have the correct operating model and seek further enhancements, whereas high-revenue technology enterprises believe they already do. Executives in other sectors were evenly split or said they need to plan for future improvements, in contrast to the majority of executives in the autotech and technology infrastructure sectors who believe their companies have the correct operating model.

This article is for general information only and is not a substitute for professional advice where the facts and circumstances warrant. The views and opinions expressed above are those of the author and do not necessarily represent the views of SGV & Co.

ROSSANA A. FAJARDO is the EY ASEAN business consulting leader and the consulting service line leader of SGV & Co.

Maybank establishes Scope 3 financed emissions baseline; first in Malaysia

A step closer to its target of net zero carbon position by 2050.

Maybank has established its Scope 3 financed emissions baseline and identified a transition strategy that will shape its future business portfolio, the first bank in Malaysia to do so. This brings the Bank a step closer to its target of net zero carbon equivalent position by 2050 as it begins to chart out its financed emissions reduction targets against timelines.

For banks, financed emissions are indirect emissions related to loans, underwriting, investments and any other financial services. Financed emissions are a necessary input for climate scenario analysis, which is crucial in managing climate-related transition risks and opportunities.

In undertaking this exercise to establish its financed emissions baseline, Maybank adopted the Global GHG Accounting and Reporting Standard for the Financial Industry by Partnership for Carbon Accounting Financials. This methodology focuses on calculating the emissions for six asset classes, namely Listed Equities & Corporate Bonds, Business Loans & Unlisted Equities, Project Finance, Commercial Real Estate, Mortgages and Motor Vehicle Loans.

Listed Equities & Corporate Bonds, Business Loans & Unlisted Equities and Project Finance make up close to 80% of the Group's financed emissions. The top five sectors contributing to most of Maybank's financed emissions are power, oil and gas, agriculture, utilities and construction. Ninety-seven percent (97%) of Maybank's financed emissions come from its home markets Malaysia, Singapore and Indonesia.

By calculating and analysing the financed emissions data, Maybank can now progress towards performing quantitative scenario analysis to design pathways in reducing its financed emissions in line with its risk appetite and targets while engaging customers to support them to achieve their desired outcomes and commitments.

Group President & CEO of Maybank, Dato' Khairussaleh Ramli said a critical aspect of achieving a net zero carbon position includes establishing the Bank's Scope 3 baseline financed emissions, analysing the main drivers of the emissions, designing a plan to reduce these emissions against a timeline and finally, implementing the plan.

"This exercise has allowed us to split our emissions by geographies, asset classes and sectors, which then allows us to focus our efforts in engaging with the customers that can have the greatest impact on reducing our financed emissions over the long-term. Our next step is to engage and collaborate with our customers and key stakeholders including regulators and ministries to implement our transition strategy," he said.

Maybank's transition strategy will focus on the top five sectors over the medium-term. The aim will be to support customers to decarbonise, accelerate the rollout of differentiated investments in sustainable financing and to lead capability- and solutions-building within the industry.

"In line with our mission of Humanising Financial Services, we will support our customers on their decarbonisation journey and provide sustainable and transition financing solutions while actively financing nature-based solutions and innovative technologies that can drive down emissions," added Dato' Khairussaleh.

Maybank has committed to achieving a carbon neutral position for scope 1 and 2 emissions by 2030, and net zero carbon equivalent position by 2050. The Bank has already reduced 41.1% of its Scope 1 and 2 emissions against its 2019 baseline as of 30 June 2022, with the commencement of the Malaysia Renewable Energy Certificates and the rollout of various energy efficiency programmes. These programmes include installations of LED lighting across its operations, modernisation of air conditioning units as well as installation of solar panels at selected locations of its home markets.