

Canary in the coal mine



I am pleased to share with readers, our post last Sept. 11 to GlobalSource Partners subscribers. GSP (globalsourcepartners.com) is a New York-based network of independent analysts in emerging market countries. Its subscribers are mostly global banks and fund managers. Christine Tang and I serve as their Philippine Advisers.

INTROSPECTIVE ROMEO L. BERNARDO

To recall, the controversy broke when the President, through his spokesperson, denied approving the importation order after it was issued, called it illegal, and rescinded it. The agriculture undersecretary, his chief of staff Leocado Sebastian, promptly asked to be relieved of his duties and the senate probe began soon after. During the hearings, Undersecretary Sebastian testified that he signed the order in good faith, believing that he had authority from the President based on a memorandum from the President's executive secretary, and that the decision to import the specific volume of sugar is based on data showing the shortage at hand of raw and refined sugar in the domestic market which had been discussed in earlier meetings with the President.

Those in the agriculture community following the whole affair, who know Undersecretary Sebastian to be an honorable man, left it with a bitter taste in the mouth. The sentiment seems to be that not only was the man thrown under the bus, he was demonized, then fed to the wolves. And all for signing off on an importation order that the President himself had since said would be necessary but perhaps at only half the quantity. Seemingly belatedly, the President on Aug. 25 instructed his economic managers, i.e., the secretaries of finance, trade and industry, and socio-economic planning, as well as agriculture officials, to determine the status of domestic sugar supply and the volume of imports needed as well as to find measures to stabilize domestic sugar prices. The findings and recommendations, supposed to be completed in seven working days, have yet to be released to the public. In the meantime, latest data as of August show that the price of sugar and sugar products

in consumers' food basket has surged by 26% year on year.

For many outside observers who are inclined to take Undersecretary Sebastian at his word, the instinct is simply to conclude that cabinet appointees serve at the pleasure of the President. Presidents have multiple political and economic objectives to balance and over the course of history, not a few good men have taken a bullet for their leaders.

However, we cannot help but wonder about this canary in the coal mine, what it says about the President's leadership/management skills and what signals it sends to the other technocrats in his team, the economic managers included.

Early on, we had warned of a looming first fumble in the President's decision to assume the agriculture portfolio,¹ and it took less than two months for it to happen. But now, with the unnecessarily shabby treatment of a seemingly well-intentioned, professional civil servant in full

public view, what hope is there of the President finding a suitable candidate to head this important department?

As it is, there is the risk, pointed out by the sole dissenter in the senate's committee report, that the treatment of Undersecretary Sebastian "discourages government officials from acting with urgency on matters that affect consumers, like tight supply, high prices and inflation," and that agriculture "officials are now gun-shy about signing any importation documents... further exacerbating the food shortage."²

Those with a broader outlook fear the incident's chilling effect on other professional managers in the President's newly formed cabinet that, at a minimum, could dampen enthusiasm and performance.

Coincidentally, a rumor appeared last week in the country's leading newspaper of a "reluctant" finance secretary who would prefer to return to the BSP (Bangko Sentral ng Pilipinas)

next year.³ True? Hard to say. But we wonder whether this is one technocrat's way of signaling to the President that whatever difficulties political considerations bring, the professionals who are bringing much-needed credibility to his administration, deserve better treatment. ■

¹ See GS Brief, "Bold or ill-advised?" June 22, 2022

² https://www.einnews.com/pr_news/589931967/statement-of-senator-risa-hontiveros-on-the-blue-ribboncommittee-report-on-sugar-fiasco

³ <https://business.inquirer.net/360744/biz-buzz-reluctant-economic-manager>

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PEB Singapore, the PPP Center, transport liberalization, and IPRI 2022

Four important economic and business developments occurred last week that I want to comment on.

1. Philippine Economic Briefing, Singapore

Last Wednesday, Sept. 7, President Ferdinand Marcos, Jr. and his economic and infrastructure teams held the Philippine Economic Briefing (PEB) in Singapore, which was attended by many investors.

In Panel 1, the speakers were Finance Secretary Benjamin Diokno, Socio-Economic Secretary Arsenio Balisacan, Budget Secretary Amenah Pangandaman, Central Bank Governor Felipe Medalla, and SM Investment Corp. (SMIC) Vice-Chair Teresita Sy-Coson. The four officials spoke clearly about the macroeconomic and fiscal stability of the country. And it was a brilliant idea to have another speaker from Philippine business. Singapore businessmen know the Sy and SM conglomerate, and Ms. Coson spoke positively about the economic team and economic outlook of the Philippines.

MY CUP OF LIBERTY BIENVENIDO S. OPLAS, JR.

When the panel ended, there was loud applause in the conference room. Panel 2 had Trade Secretary Alfredo Pascual, Public Works Secretary Manuel Bonoan, Transportation Secretary Jaime Bautista, Tourism Secretary Maria Esperanza Christina Garcia Frasco, and Information and Communications Technology Secretary Ivan John Uy. I would say it was another slam dunk — with "come and invest in the Philippines" messaging that was clearly and convincingly delivered. And since Singapore is the Regional Headquarters of many multinationals from the west, the message must have been echoed well.

A report in *BusinessWorld* about the Singapore event noted that, "Electric tricycle, floating solar projects top

TABLE 2.
Inflation rate

Commodity group	2018	2019	2020	2021	2022 Jan.-Aug.
All Items	5.2	2.5	2.6	3.9	4.9
Food and non-alcoholic beverages	6.8	2.1	2.7	4.2	4.2
Transport	6.6	1.0	3.2	9.3	12.9

SOURCE: PSA

Singapore investment deals from Marcos visit" (Sept. 8).

Investment pledges after the PEB Singapore came to \$6.5 billion. Of this, \$5 billion would be for the manufacturing of electric tricycles and \$1.2 billion for floating solar. This does not seem right. More e-tricycles mean more power demand and our power generation is low — only 108 terawatt-hours (TWH) in 2021, less than half of Vietnam's 245 TWH. Solar or wind are not baseload power sources, their output and storage are intermittent and very unstable.

The Philippines should aim for an increase of at least 7 TWH/year in power generation from 2023-2025 versus an increase of only 3.5 TWH/year in 2016-2021, then at least 10 TWH/year more from 2026-2028, to avoid the frequent yellow-red alerts that we experienced until this year. Vietnam has increased its power generation over the last 10 years by 14-15 TWH/year. Big commercial and industrial projects will not come in if they see that they will face occasional blackouts and that they must buy and regularly run huge expensive gensets.

Big industrial countries like Germany, the UK, France and Japan have entered a deindustrialization and low growth phase as they shut down many of their fossil fuel and nuclear plants and rely more on intermittent wind-solar. In contrast, South East Asian countries keep humming with their conventional energy sources and experience fast growth (see Table 1).

2. The BOT law and new PPP Center head

Last week, the Public Private Partnership (PPP) Center announced a "Public Consultation on the Amendments to the 2022 Implementing Rules and Regulations (IRR) of the Build-Operate-Transfer (BOT) Law (RA 7718)." People can submit their comments in writing or they can also attend the face-to-face consultation tomorrow, Sept. 13.

President Ferdinand Marcos, Jr. has appointed a new PPP Center Executive Director, Cynthia Hernandez. The lady is very cerebral: she graduated from the Philippine Science High School, took the UP College Admissions Test (UPCAT) and landed in the top 50 out of about 80,000+ examinees nationwide,

Table 3.
IPRI global ranking 2018 to 2022 (out of 129 countries and territories)

Economy	2018	2019	2020	2021	2022
Singapore	5	4	3	2	2
Japan	11	6	5	12	9
Hong Kong	17	16	15	16	16
Taiwan	22	23	22	21	21
South Korea	35	33	31	30	28
Malaysia	34	32	30	29	29
China	52	49	49	46	47
Indonesia	64	65	68	72	67
Thailand	65	64	65	60	69
Vietnam	76	83	78	84	82
Philippines	70	67	69	82	83

SOURCE: PRA, IPRI 2022.

graduated BS Metallurgical Engineering from UP as an Oblation scholar, finished a Masters in Development Economics (MDE) from the UP School of Economics (UPSE), ongoing MSc Business Management at Berlin Professional School. She has worked in some big energy, infrastructure, and consulting companies in the country: Meralco, the Philippine National Oil Company (PNOC), the Power Sector Assets and Liabilities Management Corp. (PSALM), AES, Aboitiz Power, SGV/EY, and KPMG.

Meanwhile, Marilou "Louie" Mendoza was re-appointed as Chairperson of the Tariff Commission (TC). Louie is another cerebral official: she graduated AB Economics (cum laude) then MDE (university scholar) from UPSE, and with a Master in Development Management (with honors), and the National Government Career Executive Service Development Program.

Cynthia, Louie, Department of Budget and Management (DBM) Secretary Pangandaman, and DBM Undersecretary for Budget Policy and Strategy Joseilto Basilio were classmates in MDE at the Program in Development Economics (PDE) batch 33 of UPSE. Mr. Basilio has another MS in Applied Economics from University of Michigan-Ann Arbor, then a PhD Economics from University of Illinois at Chicago, USA.

The PDE Program Director back then and a teacher for two semesters was Prof. Ruperto "Ruping" Alonzo. Prof. Ruping (RIP) molded these four bright minds plus their other batchmates.

3. Transport inflation and Grab-MOVE IT partnership

Last week, the Philippine Statistics Authority (PSA) said that August inflation was 6.3%, flat from July's inflation rate of 6.4%. Among the commodity groups, Transport inflation was 14.6% in August, of which "Operation of personal transport equipment" was 34.7%. Inflation in the first eight months of 2022 is now 4.9% and transport inflation is 12.9% (see Table 2).

With continued high prices for gasoline and diesel, driving personal cars remains costly and people would wish to find alternative cheaper but safe transportation. Motorcycle taxis (MCT) should fall in this category — fast, cheap, no need for parking. But MCT remains a virtual duopoly by Angkas and Joyride. So, when Grab partnered with the smallest and weakest third player, MOVE IT, the duopoly was unhinged. See this report in *BusinessWorld*: "Grab Philippines' acquisition of MOVE IT challenged by 4 groups" (Sept. 9).

Commuters and the public have one "vested" interest — more choices, more options. Transport companies, especially if they are a duopoly or oligopoly, have the opposite vested interest — reduce the options for commuters, get more money and power for themselves. This is exactly what the four transport groups and the duopoly are lobbying for.

Real commuter and consumer groups call for more options and competition. Fake commuter groups call for more bureaucratization and less

TABLE 1. Electricity generation and GDP growth

Country	Generation, TWH				Increase/year, TWH		GDP growth/year, %	
	2006	2011	2016	2021	2011-16	2016-21	2012-16	2017-21
Germany	639.5	612.9	648.2	584.5	7.1	-12.7	1.4	0.6
France	574.9	565	556.2	547.2	-1.8	-1.8	0.8	1.0
Turkey	176.3	229.4	274.4	333.3	9.0	11.8	5.5	4.8
UK	397.3	368	339.2	309.9	-5.8	-5.9	2.2	0.7
Italy	314.1	302.6	289.8	287.2	-2.6	-0.5	-0.6	0.1
China	2,865.7	4,713.0	6,133.2	8,534.3	284.0	480.2	7.4	6.0
India	744.4	1,034.0	1,401.7	1,714.8	73.5	62.6	7.1	3.9
Japan	1,164.3	1,104.2	1,035.1	1,019.7	-13.8	-3.1	1.2	-0.2
South Korea	403.0	518.2	561.0	600.4	8.6	7.9	2.9	2.3
Taiwan	235.5	252.2	264.1	290.9	2.4	5.4	2.6	3.8
Indonesia	133.1	183.4	247.9	309.4	12.9	12.3	5.3	3.4
Vietnam	57.9	101.5	175.7	244.8	14.8	13.8	6.2	5.4
Malaysia	104.0	127.1	156.7	177.2	5.9	4.1	5.1	2.5
Thailand	136.8	153.3	179.8	176.3	5.3	-0.7	3.5	1.2
Philippines	56.8	69.2	90.8	108.3	4.3	3.5	6.7	3.1

SOURCES: POWER GENERATION, BP STATISTICAL REVIEW OF WORLD ENERGY 2022; GDP GROWTH, IMF WORLD ECONOMIC OUTLOOK 2022.