Agriculture lobby expects limited downside to RCEP signing delay

By Alyssa Nicole O. Tan
Reporter

FURTHER DELAY in joining the Regional Comprehensive Economic Partnership (RCEP) trade deal would be "prudent" in light of the struggles of the agriculture industry, with consequences of late joining expected to be mild, industry representatives said.

"I believe that it is prudent to further delay the (trade deal) ratification. The Philippine economy, at this time and a couple of years from now, may still be wobbly," Roy S. Kempis, retired Pampanga State Agricultural University professor, said in a Viber message to *BusinessWorld*.

The Philippines is still in the process of recovering from the pandemic, he added, while newly-elected members of government continue to work towards political and economic stability.

"As far as the agriculture sector is concerned, you will still receive the supposed benefits even if you don't join the RCEP," Samahang Industriya ng Agrikultura Executive Director Jayson H. Cainglet added in a Viber message to *BusinessWorld*.

"It's been a year since RCEP, what have we missed? Nothing," he said.

RCEP started taking effect in the various jurisdictions in January 2022. Participants include the 10 members of the Association of Southeast Asian Nations, Australia, China, Japan, South Korea, and New Zealand.

The Philippines and Myanmar are the only remaining countries that have yet to formalize their participation.

President Ferdinand R. Marcos, Jr. recently declared his support for joining the world's largest trade bloc.

Policy research group Focus on the Global South has called joining RCEP premature as the final terms of Philippine participation remain under deliberation in the Senate.

"If they push for concurrence after only one TWG (technical working group) meeting, then it casts doubt on the sincerity of the Marcos administration to address the concerns of stakeholders," it said.

"There should be no effect on our trade of a delay in RCEF ratification because all the opportunities offered by RCEP remain available to us under our existing FTAs (free trade agreements)," Federation of Free Farmers National Manager Raul Q. Montemayor told *BusinessWorld* via Viber.

He expressed doubt that potential investors consider Philippine membership in RCEP a "crucial factor" in deciding on investing.

The Philippines has a relatively large consumer market that RCEP member countries will want to tap, Mr. Montemayor said. "We do not need to convince them to sell to us."

"Even if we do not join RCEP, locally-based foreign investors will already have access to all the other RCEP country markets by using existing FTAs," he added. "I would think that concerns such as ease of doing business, cost and efficiency of utilities, traffic, etcetera would be more important considerations for investors."

Mr. Marcos recently cited red tape and power costs as the top issues raised by foreign investors. "They bring up (the) ease of doing business, they bring up the cost of energy, they bring up the problems of legislative guarantees," he said.

On the other hand, Asian Institute of Management economist John Paolo R. Rivera said in a Viber message that delaying accession would also delay access to the trade deal's benefits.

"It would also delay our adjustment period to the new circumstances, when our neighboring economies who ratified have already adjusted. It widens our gap with them," he said.

Victor Andres C. Manhit, president of the Stratbase ADR Institute, said in a text message that delay in joining the RCEP will also lead to lost opportunities in exports and employment.

"Foreign investors prefer conducting business in areas with a stable policy and regulatory environment and tend to veer away from countries that seem indecisive," he said.

Kristine C. Francisco-Alcantara, managing partner of legal trade and technology firm Abad Alcantara and Associates and a Foundation for Economic Freedom fellow, said a delay may also set the Philippines back in terms of competitiveness.

Farm modernization, more industry, services trade seen key to addressing inflation

By Keisha B. Ta-asan
Reporter

THE GOVERNMENT needs to modernize its farms or generate more trade from industry and services to offset a food import policy if it is to adequately address inflation, analysts said.

Leonardo A. Lanzona, an economics professor at the Ateneo De Manila, said the government needs to act decisively to bring inflation down to within the 2-4% target range.

"There are two ways of solving this. One is to enhance agriculture through a massive productivity program that applies mechanization and automation to fully modernize the sector," Mr. Lanzona said.

"This should have been accomplished during the pandemic as the sector seems to be dependent on imported inputs. This will require substantial investment not just in infrastructure but also in research and development," he added.

"The second is to import food... but to be sustainable we need to get more trade revenue from both industry and services," Mr. Lanzona said.

"The trade in services seems to be the most promising of these options, but this will require substantial human capital investments, particularly in digital skills," he added.

Headline inflation rose to 8.1% in December, bringing the full-year average to a 14-year high of 5.8%.

National Economic and Development Authority Secretary Arsenio M. Balisacan has said that the government will focus on modernizing agriculture and agribusiness via farm mechanization, research and development, and a focus on higher-value products.

He also said the government will prioritize the adoption of climate and disaster-resilient technologies with the development of early warning systems and anticipatory mechanisms to protect the agriculture and fishery sector.

Domini S. Velasquez, chief economist at China Banking Corp., also called for subsidies in key farm inputs.

FULL STORY

Read the full story by scanning the QR code with your smartphone or by typing the link
<bit.ly/Farm013023>

OPINION

Digital government: Creating real connections

SUITS THE C-SUITE
MARIE STEPHANIE C. TAN-HAMED

(Second of two parts)

To better understand how lives are changing in the connected world, EY launched a new research study with over 12,000 respondents of working age called Connected Citizens. This global study looked at what these respondents value, their top concerns, and how they feel about the impact of technology. The study then aimed to examine their expectations of the function of the government, the provision of public services, and the nature of the interaction between those in power and those under it.

In the first part of this article, we discussed the impact of technology in a more pervasive role, broader concerns from citizens regarding the impact of technology, and the seven Connected Citizens personas identified in the study.

In this second part of the article, we discuss four key areas government can focus on to better engage with the public: agile and innovative policymaking, inclusive digitization, responsible data use, and public engagement and participation.

AGILE AND INNOVATIVE POLICYMAKING

Governments need to better anticipate the needs of the population and prevent crises before they arise. For example, governments can introduce new social safety net programs (like guaranteed minimum income or universal basic income) for low-income, disadvantaged populations.

Case in point, in some countries, clearer rules regarding employment status and rights, as well as portable benefits plans that maintain coverage as employees move geographically, change employers, or experience periods of unemployment or self-employment, are some of the new policies being explored to combat income insecurity for those in precarious work, such as the self-employed and gig economy workers.

Other initiatives include more flexible and lifelong education and retraining programs that help workers remain relevant and competitive, skills road maps that assist governments in understanding future-forward skills and jobs, personal learning accounts that provide workers with funds to learn new skills, and active labor market policies (ALMPs) to aid the unemployed and low-income workers in finding employment or retraining.

INCLUSIVE DIGITALIZATION

Digitalization is necessary to quickly modernize public services and give citizens the same level of service as the private sector. However, governments must accomplish this while leveling society and making sure that no group is left behind.

Broadband and 5G networks, among other investments in high-speed digital infrastructure, are required to ensure connection throughout a nation.

Governments can also assist in supplying individuals with online-accessible devices and running programs to increase digital literacy, providing people the knowledge and assurance to connect with digital services. However, companies must also make sure that individuals who are not online have access to services in alternate ways. Citizens already comfortable with technology have higher expectations for the quality, expediency, convenience, and cost-effectiveness of service delivery.

Governments can take a number of actions to address these citizens' needs. The digital National ID system is a step in the right direction to help make it simpler for users to access a variety of services. They can also increase the use of smart websites and mobile applications that offer one-stop access to numerous government services and push notifications with timely information; develop integrated digital platforms that allow data sharing between various government systems so that people only have to enter personal information once; fulfill service demands end-to-end digitally; promote AI-powered chat bots to engage with users and conduct transactions; and create a true omnichannel experience enabling users to access services on various platforms and through various devices.

Governments will be able to design their services with the aid of design thinking, customer experience laboratories, and data analytics as they progress toward more proactive and even predictive service delivery.

RESPONSIBLE DATA USAGE

More data than ever before is being created, stored, and analyzed for the benefit of society, but there is also debate and controversy surrounding the expanding usage of data. New regulatory, legal, and governance structures are required for nations to take advantage of opportunities while also managing possible risks for citizens. Policymakers will need to carefully consider concerns like data privacy, surveillance technology, the equity built into algorithms, and the integrity of the information ecosystem. The recent controversial SIM Registration Law is one example where people are anxious about the access to their personal data.

Governments are already tightening the laws governing how personal data is used. Furthermore, most governments already have laws that grant citizens active control over their data as well as the right to know how it is being used, such as the Philippine Data Privacy Act of 2012.

Regulators must take into account how businesses use data in their AI systems. The general public is becoming more aware of the issues with algorithmic decision-making, namely in how it can result in discrimination against particular groups or result in poor decision-making. The regulatory setting needs to increase public confidence in these developing new technologies.

Governments, public service providers, enterprises, and other organizations will need open governance systems at the institutional level to show how the data rights of people are protected.

Organizations could also pledge to be open about the automated decision-making tools they employ and the safeguards they have in place. Governments will also better manage risks, guard against negative consequences, and foster the necessary trust as more organizations adopt these ethical design and governance best practices.

PUBLIC ENGAGEMENT AND PARTICIPATION

Top-down governance methods will no longer be regarded as efficient nor legitimate in the future as many citizens demand shared, transparent, and participatory decision-making. Governments can have the opportunity to interact with citizens on problems that matter to them by gathering citizen feedback on a massive scale, thanks to new digital e-participation tools like social media, smartphone apps, and online digital platforms. Vox populi may take on a new digital meaning in the future.

However, governments can ensure that citizens are not just consulted but also able to influence important choices. Many people are experimenting with various engagement methods to find, discuss, and decide on a variety of topics. For instance, Australia, Ireland, and other nations have employed deliberative citizen juries to jointly develop answers to difficult social and economic problems.

Initiatives for participatory budgeting which give residents a say in how public funds are spent are gaining popularity. More than 180 policy laboratories have been established globally to foster ideas and serve as a testing ground for policies in areas like education, health, and justice. Additionally, government-sponsored hackathons have proven to be a successful tool to get people involved in developing new responses to pandemic-related economic, social, and technological concerns.

Most governments and public institutions around the world are starting open data programs and establishing platforms for data exchange, emphasizing making data broadly accessible to third parties, especially citizens, to support the creation of original solutions to challenging issues while enhancing accountability and transparency. These are all crucial projects that can help governments in a networked world better serve all their citizens.

TRUE DIGITAL INCLUSION VIA CONNECTED CITIZENS

Thanks to advancements in data and technology, governments now have a unique chance to better serve their populations. However, as with any revolutionary possibility, there is an inherent risk: that the desire to digitize as much and as rapidly as possible leads to a one-size-fits-all strategy that actually fits only a few citizens, further separating people from government.

The Philippine government in particular has acknowledged the global megatrend of disruptive technologies that pivot transformation in various sectors — augmenting economic development and improving citizen well-being.

To address economic recovery, the recently published Philippine Development Plan for 2023 to 2028 takes on the underlying theme of transforming the economic and social sectors and institutions for a prosperous, inclusive, and resilient society, with the digitalization of government services in the forefront of its transformation agenda.

Included in the priority bills of the 19th Congress is the passage of the Open Access in Data Transmission Act that will improve competition and promote regulatory efficiencies in the digital market, and the Critical Information Infrastructure Protection Act and Cybersecurity Act that will strengthen the security and resilience of the Philippine cyberspace. These legislative national government agendas will pave the way to more and better programs, resulting in better government services delivery.

By understanding that different people have different levels of digital maturity and access, governments will be able to better plan digital service delivery mechanisms that meet all of the needs of their citizens. Governments can do this to increase their effectiveness and efficiency, address digital exclusion to reduce social inequality, and contribute to the creation of more equitable social services for all.

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.

MARIE STEPHANIE C. TAN-HAMED is a strategy and transactions partner, EY Parthenon partner and PH Government and Public Sector leader of SGV & Co.

DTI bats for free trade deals with UAE, India

THE Department of Trade and Industry (DTI) said the Philippines need to expand its free trade agreement (FTA) network, identifying the United Arab Emirates (UAE) and India as potential partners.

"With the UAE we just basically launched the manifestation, the intent to embark on a comprehensive economic partnership. The next step is for us to work with the terms of reference or the scoping paper for the trade negotiation," Trade Assistant Secretary Allan B. Gepty told reporters on the sidelines of a forum organized by the British Chamber of Commerce Philippines last week in Makati City.

Mr. Gepty said that the goal is to conclude the FTA with the UAE as soon as possible, though the timetable remains to be worked out.

He said the general goal is to expand market access at favorable tariff rates and to negotiate rules with trading partners to ease the process for trade and investment.

According to Mr. Gepty, such agreements result in a stable and predictable business environment, "because you have committed to that particular regime in an FTA, which is a treaty or international agreement in general."

"We really have to explore other markets and it's a good thing that right now as mentioned, we are now embarking on a Comprehensive Economic Partnership Agreement with the UAE; we are also working on a possible preferential trade agreement with India," he said.

Mr. Gepty said that with India the aim is so far limited to a preferential trade agreement for agricultural products.
— **Ashley Erika O. Jose**

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STATEMENT OF CONDITION
As of December 31, 2022

	Current Quarter	Previous Quarter
ASSETS		
Cash and Cash Items	P 3,083,200.00	P 3,083,200.00
Due from Bangko Sentral ng Pilipinas	12,330,332,149.48	11,527,883,043.70
Due from Other Banks	271,302,688.01	280,915,258.49
Held-to-Maturity (HTM) Financial Assets-Net	0.00	512,193,511.55
Loans and Receivables - Net	9,262,036,227.34	6,670,164,408.86
Other Financial Assets	640,662,618.96	219,566,081.11
Bank Premises, Furniture, Fixture and Equipment-Net	66,674,551.02	73,501,289.56
Other Assets-Net	4,793,824,691.79	2,232,652,397.01
Net Due from Head Office/Branches/Agencies, if any (Phil. branch of a foreign bank)	2,889,265,128.10	2,884,093,863.97
TOTAL ASSETS	**P 30,257,181,254.69**	**P 24,404,053,054.25**
LIABILITIES		
Deposit Liabilities	P 21,344,597,876.14	P 17,996,123,776.28
Other Financial Liabilities	126,792,334.04	92,934,952.55
Other Liabilities	3,318,365,219.86	911,802,447.25
TOTAL LIABILITIES	**P 24,789,755,430.04**	**P 19,000,861,176.08**
STOCKHOLDERS' EQUITY		
Assigned Capital	P 6,199,489,235.00	P 6,047,227,435.00
Other Capital Accounts	-732,063,410.35	-644,035,556.83
TOTAL STOCKHOLDERS' EQUITY	**P 5,467,425,824.65**	**P 5,403,191,878.17**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**P 30,257,181,254.69**	**P 24,404,053,054.25**
TOTAL CONTINGENT ACCOUNTS	**P 6,239,845,677.43**	**P 5,155,443,228.54**
ADDITIONAL INFORMATION		
Gross total loan portfolio (TLP)	9,942,673,141.27	7,217,256,508.36
Specific allowance for credit losses on the TLP	354,989,888.32	284,539,218.61
Non-Performing Loans (NPLs)		
a. Gross NPLs	344,692,117.76	304,661,342.52
b. Ratio of gross NPLs to gross TLP (%)	3.47%	4.22%
c. Net NPLs	13,497,106.68	43,121,538.10
d. Ratio of Net NPLs to gross TLP (%)	0.14%	0.60%
e. Ratio of total allowance for credit losses to gross NPLs (%)	197.46%	179.57%
f. Ratio of specific allowance for credit losses on the gross TLP to gross NPLs (%)	102.99%	93.40%
Classified Loans & Other Risk Assets, gross of allowance for credit losses	0.00	0.00
DOSRI Loans & Receivables, gross of allowance for credit losses	0.00	0.00
Ratio of DOSRI Loans & Receivables, gross of allowance for credit losses, to gross TLP (%)	0.00%	0.00%
Gross Non-Performing DOSRI Loans & Receivables	0.00	0.00
Ratio of Gross Non-Performing DOSRI Loans & Receivables	0.00%	0.00%
Percent Compliance with Magna Carta (%)		
a. 8% for Micro and Small Enterprises	0.00%	0.00%
b. 2% for Medium Enterprises	0.00%	0.00%
Return on Equity (ROE) (%)	-28.74%	-33.58%
Capital Adequacy Ratio (CAR) on Solo Basis, as prescribed under existing regulations		
a. Total CAR (%)	12.61%	20.13%
b. Tier 1 Ratio (%)	11.67%	19.20%
c. Common Tier 1 Ratio (%) 1/	11.67%	19.20%
Basel III Leverage Ratio (BLR)		
a. Tier 1 Capital	1,760,916,275.70	1,841,016,813.91
b. Exposure Measure	27,174,656,273.49	21,357,422,312.84
c. Basel III Leverage Ratio (%)	6.48%	8.62%
Liquidity Coverage Ratio (LCR)		
a. Total Stock of High Quality Assets (HQLA)	12,333,415,349.48	12,043,159,755.25
b. Total Net Cash Outflow	625,697,909.72	344,171,998.19
c. Liquidity Coverage Ratio (%)	1971.15%	3499.17%
Deferred Charges not yet Written Down	0.00	0.00
Unbooked Allowance for Credit Losses on Financial Instruments Received	0.00	0.00

We hereby certify that all matters set forth in this Published Balance Sheet are true and correct, to the best of our knowledge and belief.

LYNDON C. LIM (Sgd.)
OIC, Finance Department

VIJAY MANOHARAN (Sgd.)
Chief Executive Officer

REPUBLIC OF THE PHILIPPINES)
CITY OF MAKATI) S.S.

SUBSCRIBED AND SWORN TO before me this 27 JANUARY 2023, at Taguig City , Philippines affiants Vijay Manoharan and Lyndon C. Lim, exhibiting their Passport No. A39455069 issued on 10 January 2017 at Kuala Lumpur and Driver's License No. N01-91-117879 issued on 10 May 2022 at Philippines.

ATTY. RAYMOND A. RAMOS
COMMISSION NO. M-077
NOTARY PUBLIC FOR MAKATI CITY; UNTIL DECEMBER 31, 2024
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PTR NO. MKT 9562350/01-03-2023/Makati City; MCLE Compliance No. VII 0020180/04-14-2025

Doc No. 177
Page No. 37
Book No. 249
Series of 2023

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