Business chamber bats for regulatory streamlining to realize RCEP potential

THE Philippine Chamber of Commerce and Industry (PCCI) said more government support is needed in the form of streamlined regulation and infrastructure if businesses are to maximize the benefits of the Regional Comprehensive Economic Partnership (RCEP) trade deal.

"In joining the RCEP, we have to work hard to maximize our gains from it. We have to improve our competitiveness by streamlining regulatory compliance and ensuring that government business services are in step with these streamlined procedures," PCCI President George T. Barcelon said in a statement on Sunday.

"Inputs to production such as transport, logistics and power must be lowered to a competitive level at par with our ASEAN neighbors. Telecom and internet connectivity must be made available in all areas of the country," he added.

RCEP officially took effect for the Philippines on June 2. The trade deal, touted as the world's biggest free trade agreement, involves the ten ASEAN members, Australia, China, Japan, South Korea, and New Zealand.

Mr. Barcelon said work needs to be done in terms of product standards and quality laboratories if agriculture and manufacturing are to benefit from RCEP.

"For the Philippines, laboratories to test quality standards should be put up in areas that are readily accessible and available to producers," Mr. Barcelon said.

"Governments of the RCEP member-countries must be able to work on reducing non-tariff barriers, or at least agree on a uniform quality standard for food and other manufactured products across the region," he added.

Mr. Barcelon said the National Government, the departments of Agriculture and Trade and Industry (DTI) should allocate more funding for the agriculture and food industries and to high-value crops amid the lowering of tariffs with the onset of RCEP.

"DTI's important role in promoting our country as an investment destination and export promotion must be supported with more budget and resources," Mr. Barcelon said.

"Further opening market access for export commodities and skilled professionals will have a beneficial effect across the economic sectors — from the agri-industry to manufacturing, to the services," he added. — **Revin Mikhael D. Ochave**

PEZA says Cebu investments in excess of P275 billion to date

THE Philippine Economic Zone Authority (PEZA) said investments in Cebu have exceeded P275 billion to date.

PEZA Director General Tereso O. Panga told the annual general membership meeting of the Mactan Export Processing Zone Chamber of Exporters and Manufacturers on June 14 that PEZA locators in Cebu have generated P275.3 billion worth of investment to date, $5.9 billion worth of average exports a year, and created 232,076 jobs.

Mr. Panga added that PEZA locators in Mactan island, such as those in the Mactan Economic Zone (MEZ) I and II, Cebu Light Industrial Park, Jpark Island Resort and Waterpark, and Mactan Newtown, remitted P267 million in tax payments last year from the 2% gross income tax share of the Lapu-Lapu City government.

FRITZ GABRIEL CARILLO-UNSPLASH

"With this continuous positive performance, we are anticipating an upturn in the economy especially within the province. At the same time, we are looking at welcoming strategic and big-ticket investments from various industries to locate in Cebu," Mr. Panga said.

Mr. Panga said new investment pledges in Cebu province include Autoliv Cebu Safety Manufacturing, Inc., which is planning an expansion project at a 2.6-hectare area in northern Cebu, as well as Taiyo Yuden Philippines, Inc., which has shown interest in registering a new and expansion project in MEZ.

For 2023, the PEZA targets 10% investment approval growth from a base of P140.7 billion worth of approved investments last year.

PEZA-approved investments in the first five months rose 153.74% to P48.027 billion.

Meanwhile, Mr. Panga told reporters last week in Taguig City that the PEZA is asking the Fiscal Incentives Review Board (FIRB) to issue a resolution that would allow locators to offer work-from-home (WFH) arrangements for up to 30% of their employees.

Mr. Panga added that the Labor department is set to issue an official position paper supporting the PEZA's proposal.

"We are arguing that we be allowed as much as 30% (WFH) since that is something permissible. Our locators are really for hybrid workplaces," Mr. Panga said.

"We just need the FIRB resolution. I don't think we will need a law to allow us to do WFH because what we are proposing is something permissible. You have to keep pace with the economies that fully support WFH," he added.

In September, the FIRB issued a resolution that allowed PEZA-registered IT and business process outsourcing firms to implement 100% WFH and still enjoy fiscal incentives if they shift their registration to the Board of Investments. — **Revin Mikhael D. Ochave**

OPINION

How sustainable supply chains enable business transformation

SUITS THE C-SUITE

BENJAMIN N. VILLACORTE

Supply chains underscore sustainability and serve as the core of an organization's ESG-related goals and objectives. With this in mind, supply chain leaders are taking the necessary measures to safeguard resources while identifying new opportunities to drive results.

EY teams conducted a global supply chain survey, the *EY Supply Chain Sustainability 2022 Report*, which polled respondents from countries like Argentina, Canada, and the US for insights from the retail, technology, and agriculture sectors. The findings indicate that several executives have long-term goals for sustainable supply chains, but only some have the acumen, programs, and technology to assess their progress. Some challenges included costs and a need for a strong business case to justify expenditures.

According to the US Environmental Protection Agency, more than 90% of an organization's greenhouse gas emissions and around 50% to 70% of its operating costs are attributed to supply chains. As such, executives can clearly realize significant sustainability-related benefits to greening their supply chains in the long term.

The study discovered that eight in 10 supply chain leaders are gearing their initiatives toward more sustainable operations. They are increasing efforts toward decarbonization, proper use of natural resources, ethical sourcing, and fair trade. They are also trying to increase innovation, lessen risk, and realize a greater return on investment for ESG-related initiatives.

In the Philippines, many manufacturers, retailers, and local governments have taken steps to reduce plastic use in favor of more environmentally friendly materials. For example, several cities have implemented ordinances banning the distribution and/or use of single-use plastics for onsite dining. Several cities have also banned the distribution of plastic bags in their establishments.

With the Philippines counting as a significant contributor to the plastic problem, accounting for 750 thousand metric tons of plastic waste entering the ocean in 2010, the Philippine Alliance for Recycling and Materials Sustainability (PARMS) and its member companies have committed to the Zero Waste to Nature, Ambisyon 2030 (ZWTN 2030) initiative. The initiative aims to divert waste from landfills by recycling materials and resources, supported by strategies and a roadmap with specific implementation timelines and targets to ensure that none of the industrial or post-consumer packaging waste generated by PARMS members ends up in nature by 2030.

In addition, with the government's passage of Republic Act No. 11898, also known as the Extended Producer Responsibility (EPR) Act of 2022, obliged enterprises established their own EPR programs for the EPR registration deadline in February. With the Act now being implemented, there is greater anticipation that the country will see a significant increase in its overall recycling rate. While the EPR Act initially covers plastic packaging, the coverage will gradually expand to encompass other materials as well.

This article will delve deeper into the most salient insights from the report with the aim of supporting executives in achieving their sustainability-related goals.

LACK OF TRANSPARENCY AND ROI-BACKED SUSTAINABILITY EFFORTS

The demand for supply chain-related visibility has increased with the burgeoning expectations of employees, regulators, and stakeholders. Consumers are becoming more mindful of ESG-related matters, such as sustainable sourcing, organizational health, and work conditions.

The report showed that supply chain visibility was a top priority that year for executives, compared to it being a second priority for previous years. In addition, there is a crucial need to assess risks and plan for disruptions and crises. However, only 37% of respondents reported end-to-end supply chain visibility.

Collaboration programs, data analytics, and digital tools can help businesses set KPIs and establish overall governance. Organization-wide visibility is a comprehensive initiative, and companies can use it to assess program effectiveness, track resources, and understand labor conditions. Management can also capitalize on technology to identify and home in on operational efficiencies.

Notably, the report revealed that 33% of organizations lack a business case for sustainable supply chains, whereas almost half of the respondents reported that their companies have difficulties in measuring sustainability-related returns. Consequently, lacking a solid business case could lead to a shortage of financial support for long-term efforts.

FOCUS ON END-TO-END SUPPLY CHAIN TRANSFORMATION

As much as 61% of businesses reported that cost savings and efficiency were primary motivators for undergoing supply chain sustainability initiatives. Even so, financial gain was not the only benefit.

According to Andrew Winston from a Harvard Business Review Whiteboard Session, organizations should prioritize four elements to concretize return on investment for supply chain sustainability:

1. Cost reduction. Improve operational efficiency, lessen material waste, and minimize carbon footprint.

2. Revenue growth. Assess how sustainable supply chains influence market share, profitability, and stock price.

3. Supply chain risk management. Create long-term sourcing strategies and manage compliance and regulatory risks.

4. Intangibles. Delve into sustainability's relationship with brand reputation, customer loyalty, and talent retention.

Moreover, 55% of supply chain executives expect improved operational risk management in the next three years, whereas 31% already reported more efficiency and productivity. Regarding long-term returns, 54% of respondents said they expect an increase in share price or other benchmarks of shareholder value.

TAILOR-FIT SUSTAINABILITY-RELATED INITIATIVES

Executives must determine how sustainable supply chains fit into their business strategies. Businesses can structure their efforts by identifying how supply chains enable their goals. Deploying technological capabilities to improve visibility can boost supplier and stakeholder engagement. Organizations can broaden their RoI metrics to include intangible impacts and sustainability results.

Given the ever-changing nature of the global market, companies need to go beyond standard business-case drivers such as customer loyalty, market share, and revenue. Enterprises should adopt an end-to-end approach, focusing on cross-functional collaboration, planning, and distribution to identify new opportunities.

C-LEVEL CONSIDERATIONS

Around 10% of respondents stood out in terms of progress in sustainability-related areas, and their organizations are realizing considerate benefits. One thing they have in common is their considerable focus on transparency. More than half (57%) of this group have public-facing sustainability goals. In terms of material gain, almost half of these trailblazing leaders have already reported a better employee experience.

Compared with other respondents, these executives are reaping financial gains despite focusing less on cost-saving measures. At least 25% have reported increased revenue from their supply chain sustainability initiatives, while 43% expect an increased share price in the next three years. Lastly, the data show they are more likely to use sustainable supply chains to protect their corporate brand.

Supply chain sustainability has become increasingly important as global market expectations evolve. Organizations are starting to identify financial and nonfinancial opportunities of ESG-related efforts, and executives who know which KPIs to prioritize are already reaping the benefits.

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.

BENJAMIN N. VILLACORTE is a partner from the Climate Change and Sustainability Services team of SGV & Co.

Meat imports up 3.78% in first 5 months

MEAT imports rose 3.78% year on year in the five months to May, driven by higher shipments of chicken, buffalo meat, lamb, and duck, according to the Bureau of Animal Industry (BAI).

The BAI said import volume amounted to 478 million kilograms of meat and meat products in the first five months.

Chicken imports, which accounted for 36% of meat imports overall, totaled 172.62 million kilos, up 32.25% from a year earlier.

Some 55.18% or 95.26 million kilos came in the form of mechanically deboned meat (MDM). Chicken MDM imports rose 293.89% during the period.

Brazil supplied 99.57 million kilos of chicken, followed by the US (58.20 million) and Canada (6.68 million).

The Department of Agriculture recently lifted a ban on poultry products from the Netherlands and the US state of Minnesota after these locations were declared free of H5N1 Highly Pathogenic Avian Influenza.

Buffalo meat imports rose 41.56% year on year to 22.67 million kilos, while lamb imports rose 39.15% to 384,417 kilos. Duck imports rose 581.42% to 139,753 kilos.

Lower import volumes were recorded for pork, beef, and turkey.

Pork imports — mostly offal and pork cuts — fell 8.66% year on year to 229.20 million kilos. This is equivalent to 47.92% of all meat imports.

Spain was the primary source of pork with 66.65 million kilos, followed by Canada (36.60 million kilos) and Brazil (31.26 million kilos).

Imported beef and turkey meat also dropped 15.38% to 53.21 million kilos and 64.23% to 89,889 kilos, respectively.

Brazil supplied 148.61 million kilos of meat, followed by the US (78.52 million), Spain (67.22 million), and Canada (43.72 million).

Last month, the Meat Importers and Traders Association asked the government to impose a 5% tariff across the board on all meat and edible offal imports for the next five years.

The group proposed the 5% tariff as the executive order (EO) setting the current tariff rates for imported pork is set to expire by the end of 2023, at which time they would revert to 30% for shipments within the minimum access volume (MAV) quota and 40% for shipments in excess of the quota.

At present, the pork tariff is set at 15% for MAV shipments and 25% for those in excess of the MAV, following EOs issued by presidents Rodrigo R. Duterte and Ferdinand R. Marcos, Jr. — **Sheldeen Joy Talavera**