S. Korea ready to sign trade deal; PHL working on internal approval

THE Department of Trade and Industry (DTI) said South Korea has declared its readiness to sign a free trade agreement (FTA) with the Philippines, which is still working on domestic approval processes which could take two months.

"(The Philippines-South Korea FTA) could be signed within the next two months," Trade Undersecretary Ceferino S. Rodolfo told reporters on the sidelines of the International Tobacco Agricultural Summit in Taguig City last week.

He added that formal discussions for other proposed trade deals with the United Arab Emirates (UAE) and India could begin within the year.

According to Mr. Rodolfo, "South Korea has sent a letter to us saying that they are ready to sign and that they have finished the domestic process. It is now up to us. We are completing the certificates of concurrence (CoC) so that we can get the signing authority," Mr. Rodolfo said.

"The process changed. Before, we needed to get signing authority, which will be signed by the Trade Secretary, and then it will return to the President to be ratified, and that is when we will get the CoC. But now, the Office of the President (OP) wants, out of prudence, is that before the signing authority is given, the CoC is already there. It is front-loaded," he added.

FTA negotiations between the Philippines and South Korea started in June 2019 and ended in October 2021.

Some of the Philippine products expected to benefit from the FTA with South Korea include banana, pineapple, and other tropical fruit, while South Korean vehicles and auto parts are expected to gain expanded market access.

Mr. Rodolfo said a trade deal with the UAE will take the form of a comprehensive economic partnership agreement (CEPA).

"We are already preparing for the Philippines-UAE CEPA. The next step is to start the negotiations. It could happen within the year," Mr. Rodolfo said.

In February 2022, the Philippines and the UAE signed the joint statement formally announcing the intent to pursue a CEPA.

According to Mr. Rodolfo, some of the Philippine products that could benefit from a CEPA include consumer durables, garments, leather products, halal food products, and tropical fruit.

He added that the UAE could also become an investor in the Philippine renewable energy sector.

"The UAE is more service-driven. They are really more of a market," Mr. Rodolfo said.

Meanwhile, Mr. Rodolfo said that scoping discussions for the proposed preferential trade agreement (PTA) between the Philippine and India could also start within this year.

He disclosed that the talks have been delayed due to the pandemic.

"Within this year, we could begin the scoping for the PTA negotiations," Mr. Rodolfo said.

For the PTA talks, Mr. Rodolfo said the Philippines is seeking increased trade in agricultural products.

"We will also push for some provision to ensure that we have access to critical Indian products. There should be no imposed export distinction," Mr. Rodolfo said.

Last month, the Indian government banned exports of non-basmati white rice to preserve its domestic supply. — **Revin Mikhael D. Ochave**

Philippines may extend executive order validity keeping tariff rates low

THE GOVERNMENT is considering a possible further extension of the validity period of an executive order (EO), which had reduced the Most Favored Nation (MFN) tariff rates on pork, corn, rice and coal, Finance Secretary Benjamin E. Diokno said.

"We will have a meeting in September to (see) if we have to extend," Mr. Diokno said in a chat with reporters on Friday.

In December, President Ferdinand R. Marcos, Jr. signed Executive Order No. 10, which extended the lower tariff rates on key commodities to address rising prices.

EO No. 10 kept the reduced tariff rates for imports of swine meat at 15% for shipments within the minimum access volume (MAV) quota and 25% for those exceeding the quota. The corresponding rates for corn were 5% (within the MAV quota) and 15% (exceeding the MAV quota), and rice 35% in both cases. The rates are in force until Dec. 31.

Coal also retained its zero-import duty beyond Dec. 31, provided that its rates are subject to review every half year after that date.

Finance Undersecretary Zeno Ronald R. Abenoja said that the Inter-Agency Committee on Inflation and Market Outlook (IAC-IMO) is also reviewing other commodities that could stoke inflation.

"The IAC-IMO has started reviewing all these items but given the recent developments, typhoons and also external developments, the review not only covers the four agricultural commodities under the EO but also other drivers of inflation we've seen in the past few months," he said.

However, Mr. Abenoja noted that the extension of the reduced tariffs will only cover the four original farm commodities.

"The extension will cover just four but the IAC-IMO reviews both food and non-food sources of inflation. A comprehensive review is ongoing," he added.

In March, the Tariff Commission began its comprehensive tariff review program (CTRP) of the MFN tariff schedule from 2024 to 2028.

The tariff review is conducted every five years as required by Republic Act No. 10863 or the Customs Modernization and Tariff Act.

It covers tariffs of agriculture and food products; chemicals and chemical products; textiles, paper and leather products; metal and non-metal products; and machinery and transport equipment.

Mr. Abenoja said that the Department of Finance is also participating in the CTRP review.

"If you look at the tariff structure, a lot of tariff rates have gone down quite dramatically. There are a few peaks related to certain commodities; that is being reviewed together with other private sector partners so we can prepare for any adjustments in this tariff structure, if any," he added. — **Luisa Maria Jacinta C. Jocson**

Consensus reached on mandatory MUP pension fund contributions

THE Executive branch and legislators have reached a consensus on the need for military and uniformed personnel (MUP) to make mandatory contributions towards their pensions.

"We'd like to confirm that representatives of the economic team met with leaders of the House of Representatives and we have an emerging consensus on the general terms," Finance Undersecretary Maria Luwalhati C. Dorotan-Tiuseco said in a chat with journalists on Friday.

Ms. Dorotan-Tiuseco said that the bill being prepared in Congress will require mandatory contributions from MUPs, topped up with contributions from the government.

"We have an agreement as to the mandatory contributions... (in which) the government counterpart payment will have to be bigger," she said.

"For the (exact) percentage, we still have to do the numbers. But definitely there's a bigger government share," she added.

Earlier versions of the reform proposed that current active-duty personnel contribute 5% of their monthly pay over the first three years, which will be supplemented by a contribution from the government equivalent to 16% of their pay. This shares will gradually be adjusted to 9% and 12%, respectively, in the seventh year.

Meanwhile, new MUPs will pay 9% of their base and longevity pay, with a 12% contribution from the government.

"The fund will have an oversight committee represented by some MUP members," Ms. Dorotan-Tiuseco added.

MUP pension reform is on the Legislative-Executive Development Advisory Council's list of 20 priority measures that are targeted for approval by December.

Last week, the House of Representatives approved the ad hoc committee on MUP reform. Albay Rep. Jose Ma. Clemente S. Salceda will chair the committee. — **Luisa Maria Jacinta C. Jocson**

Electronics, mining, agri seen as major beneficiaries in EU free trade agreement

THE electronics, mining, and agriculture industries are positioned to benefit the most from a possible free trade agreement (FTA) with the European Union (EU), the Philippine Economic Zone Authority (PEZA) said.

PEZA Director General Tereso O. Panga said on the sidelines of a joint memorandum circular signing event in Taguig City last week that he welcomed the resumption of FTA negotiations with the EU.

"Electronics has always been our strength. So on top of electronics, if we are able to export as well agro-based products, and mineral products, this will boost our exports to the EU," Mr. Panga said.

"EU members like Germany and the Netherlands are among our biggest investors in PEZA's ecozones," he added.

He said such a deal could simplify compliance for agricultural products for entering specific European markets.

"That should be spelled out in the FTA, including the availment of the Generalized Scheme for Preferences Plus (GSP+); how we can maximize it so that more companies in the Philippines can export to EU," Mr. Panga said.

On July 31, President Ferdinand R. Marcos, Jr. and European Commission (EC) President Ursula von der Leyen announced the resumption of the Philippines-EU FTA negotiations.

Official FTA negotiations between the EU and the Philippines began in December 2015 and last took place in 2017. The FTA talks have faced delays following disputes on intellectual property rights and data exclusivity, among others.

Trade Secretary Alfredo E. Pascual has announced that the scoping process for the FTA will begin in September and could conclude within the year, while formal negotiations could start in 2024.

Meanwhile, Mr. Panga said the FTA is needed for the protection of Philippine exporters as the country is expected to achieve upper-middle income status by 2025, which would make it ineligible for the GSP+.

"A lot of our locators are exporting to the EU and used to benefit from the GSP+. Now because of this impending renewal, whatever is the case, I think it makes sense for the Philippine government to engage the EU in terms of signing an FTA," Mr. Panga said.

"Something bilateral between the Philippines and the EU will be more a protection to our exporters to the EU," he added.

GSP+, set to expire in December, grants the Philippines zero-tariff exports on 6,274 products or 66% of all EU tariff lines. — **Revin Mikhael D. Ochave**

OPINION

Reframing the CFO role

SUITS THE C-SUITE

ARIS C. MALANTIC

In today's fast-evolving business environment, chief financial officers (CFOs) face myriad challenges such as driving long-term value, finding short-term cost efficiencies, and reinventing the finance function while grappling with complex and conflicting expectations from stakeholders.

According to the 2023 Global EY DNA of the CFO report, CFOs and finance leaders have the potential to unlock more value if they can adeptly address three fundamental paradoxes within the CFO role: balancing near- and long-term investment priorities, balancing risk with innovation and transformation, and balancing the evolving CFO role with traditional skill sets.

This article examines these issues using insights from 110 respondents in Southeast Asia, including finance leaders from the Philippines, Indonesia, Malaysia, Singapore, Thailand, and Vietnam.

NEAR- AND LONG-TERM INVESTMENT PRIORITIES

Some 84% of the Asean finance leaders surveyed say that the current market environment is putting increasing pressure on finance leaders to drive cost efficiencies and hit short-term earnings targets. This results in finance leaders having to pause or cut spending so that they can meet short-term earnings targets in areas that are also priorities for long-term value.

The Asean respondents in the study rate the top three investment priorities driving long-term value as: technology and digital innovation (57%), ESG programs (50%), and customer experience and product and service offerings (47%). At the same time, more than 30% say they are pausing or cutting spend in these areas to meet short-term earnings targets.

While balancing long-term with short-term priorities is a collective effort, 65% say that there are disagreements and tensions within their leadership team on how to balance these priorities. A CFO with the influence and credibility to challenge the CEO and executive team will likely be needed to build consensus, but finance leaders are not always prepared to do so. Only 38% of the respondents say they always speak up when they have a differing opinion from the consensus when the executive team is deciding how to balance short- and long-term priorities.

For CFOs to effectively influence the executive team's decision-making, the top two attributes identified are: using data-driven insights to inform decisions and trusted relationships with the board or key investors.

BALANCING RISK WITH INNOVATION AND TRANSFORMATION

Asean CFOs are building digitized finance functions to drive long-term and sustainable growth. They identified the following top three priorities to transform their finance function over the next three years: technology transformation (such as transforming IT architecture, building cybersecurity resilience, and modernizing core finance technology), sustainability (such as building skills and capability in ESG data controls and assurance), and advanced data analytics (such as unlocking the value of financial and non-financial data to transform decision-making). However, only 17% of respondents say they deliver "best-in-class" performance when it comes to assessing how their finance function today performs against these priorities.

Even though there is significant room for improvement, only 14% of respondents are making holistic and bold changes to transform their finance function. This could indicate potential tension in the CFO's mindset: a conflict between a risk-averse nature versus the need to embrace greater risks associated with an ambitious vision for a leading finance function.

BALANCING THE CFO ROLE WITH TRADITIONAL SKILLS

The survey also reveals a difference in the long-term career goals of respondents: 42% say the CFO role is their long-term goal, while 48% aspire to an even greater CEO role, whether in their current organization or in another. This aspiration to be CEO raises two key considerations: the need for finance leaders to elevate their skills, and the importance of developing the next generation to fill the CFO role when incumbents move to a CEO position.

The respondents identified two key challenges in achieving their priorities: finding time to build knowledge and expertise through exposure to external expertise and thought leadership access, and managing a wide range of operational responsibilities, including IT and HR. These challenges can be interconnected — as CFOs expand their operational responsibilities, they need to expand their knowledge beyond finance by acquiring skills in fields such as HR and marketing. However, their busy schedules may hinder their ability to invest in building this knowledge.

The evolving expectations for CFOs to expand their knowledge in other domains highlight a shift from domain expertise toward inspirational and strategic leadership skills, going beyond traditional finance skill sets. The study also highlights the importance of highly developed emotional intelligence and experience in people issues like diversity and well-being, which was chosen as the most critical attribute for the successful CFOs of tomorrow.

At the same time, incumbent CFOs must prioritize developing the next generation of leaders. Asean finance leaders feel that they perform well here, especially when it comes to mentoring — as much as 64% say they are investing enough time in mentoring aspiring senior finance leaders.

REFRAMING THE CFO ROLE FOR THE FUTURE

As CFOs confront the abovementioned issues, they should consider the following:

Create value for the whole organization. CFOs must articulate a comprehensive strategy that maximizes long-term value while being supported by short- and medium-term objectives. They must also provide data-driven insights to support the organization's strategic objectives and build relationships with C-suite colleagues and senior leaders.

Drive the performance of the finance function. CFOs need to drive cultural change across the finance team to elevate the performance of the finance function. This can mean embracing new mindsets and incorporating cultural goals into leadership and incentives. Also, they can consider revising hiring, development, and upskilling approaches to future-proof finance skills. This may require assessing the current workforce to identify gaps and surpluses and implementing an appropriate workforce strategy.

Achieve career ambitions while developing future CFOs. CFOs should focus on achieving their career aspirations while also nurturing the CFOs of tomorrow. External stakeholder engagement is imperative for gaining invaluable insights into market challenges, as is collaboration with the Chief Human Resources Officer for robust succession planning and training of potential candidates.

By taking these areas into consideration, CFOs can help lead their organizations and deliver better performance, positioning themselves for success in the future.

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.

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