Japanese chamber bats for pre-CREATE investors' VAT perks to be grandfathered in

THE original value-added tax (VAT) waiver for Philippine Economic Zone Authority locators, which was in force before the Corporate Recovery and Tax Incentives for Enterprises (CREATE) law, needs to be restored, the Japanese Chamber of Commerce and Industry of the Philippines, Inc. (JCCIPI) said on Tuesday.

At a Senate Ways and Means Committee hearing on Tuesday, Shigeru Shimoda, president of the JCCIPI, said the chamber is asking senators to reconsider the imposition of a 5% tax on gross income earned granted to the projects and activities registered prior to the enactment of the CREATE law.

"Attractive incentives should be offered to invite investments in manufacturing to keep up with competitors from neighboring countries," he said.

"In order to restore confidence in the investment environment in the Philippines, it is essential (for Congress) to reinstate the original PEZA incentives for the companies that had invested in the Philippines before the enactment of the CREATE Law."

The Finance and Trade and Industry departments recently approved the amendment of Rule 18 Section 5 of the CREATE implementing rules and regulations, allowing transitory domestic market enterprises availing of the 5% gross income tax scheme to register as VAT taxpayers.

Senate President Juan Miguel F. Zubiri has said Japanese companies have threatened to leave the Philippines after encountering value-added tax refund issues after the CREATE Law came into force.

Last week, the House Ways and Means Committee approved the CREATE MORE (CREATE to Maximize Opportunities for Reinvigorating the Economy) bill, which aims to introduce a "simplified and streamlined" refund system.

The measure also seeks to give the President the power to modify, draft and grant incentive packages, without the recommendation of the Fiscal Incentives Review Board.

The House bill has yet to be debated in the plenary before the House gives its final approval, which is needed before the measure can be transmitted to the Senate.

"Incentives are one of the deciding factors for Japanese companies or foreign companies in expanding overseas," Mr. Shimoda said. "I respectfully say that the Philippines should not miss this opportunity to invite a number of foreign investments." — **John Victor D. Ordoñez**

'Not right time' to increase port storage fees — AmCham

THE American Chamber of Commerce of the Philippines (AmCham) said it does not support increasing port storage fees as the economy continues to recover from the pandemic.

"We have been lobbying against any kind of storage (fee) increases; it is not just the right time," said Ebb Hinchliffe, AmCham's executive director, on the sidelines of the Management Association of the Philippines Annual General Membership Meeting on Tuesday.

"You know, we are just coming out of the mess of the pandemic ... I think (the government has) got better things to worry about," Mr. Hinchliffe said.

Last month, the Philippine Ports Authority (PPA) proposed an increase in storage rates in an online public consultation on Oct. 18, according to the Philippine Exporters Confederation, Inc. (Philexport).

In its proposal, the PPA said that it is planning to increase the storage charges by 32% for import, export, and transshipment containers and to add a 150% surcharge on the corresponding storage rates with increase for refrigerated containers.

Philexport, citing the PPA, said the increase in storage charges will ensure optimal use of the yards and encourage immediate withdrawal of containers to prevent congestion.

In its position letter submitted to the agency on Nov. 6, Philexport recommended that the proposal go through a regulatory impact assessment as a standard operating procedure under the Ease of Doing Business law.

Philexport said that the increase is too onerous if the PPA imposes fees on overstaying containers for reasons beyond the shipper's control, such as during the arming and disarming of E-TRACC devices on containers and downtime periods in the PPA's IT.

Asked to comment, the PPA had not replied at the deadline.

Meanwhile, Mr. Hinchliffe said that the chamber is currently in the process of joining other business groups in preparing a position paper.

"I think the Joint Foreign Chambers will be sending out a statement," he said.

Earlier this month, the European Chamber of Commerce of the Philippines also opposed the increase in storage charges, noting that it will make the Philippines less competitive. — **Justine Irish D. Tabile**

Maharlika must address governance, 'crowding-out' concerns — AMRO

THE Maharlika Investment Fund (MIF) has the potential to succeed if properly managed, but must address governance issues and the possible threat to fiscal stability, the ASEAN+3 Macroeconomic Research Office (AMRO) said.

"With a strong legal framework, the MIF has the potential to be a successfully managed national investment fund," AMRO said in its latest Annual Consultation Report.

"However, the MIF's success would also depend on the actual implementation of the law and whether the fund is operated with a robust risk management framework, taking cognizance of the potential risks and governance concerns addressed earlier," it added.

The revised implementing rules and regulations (IRR) of the law creating the MIF was released earlier this month after being suspended by President Ferdinand R. Marcos, Jr. in October to improve its organization structure.

Shortly after, Mr. Marcos announced the appointment of Rafael D. Consing, Jr. as chief executive officer (CEO) and president of the Maharlika Investment Corp. (MIC), which is tasked to manage the fund.

AMRO said that the MIF is more of a national investment fund as it will invest "mainly within the country to support national development strategies."

It said this is in contrast to sovereign wealth funds, which are "state-owned investment funds comprising money generated by the country." It also noted that sovereign wealth funds typically invest overseas using funds from surplus revenue from oil, natural resources, or fiscal surpluses.

Mr. Consing in a recent briefing said that the MIF is a "sovereign national development fund."

"There's a very big difference between a sovereign development fund and a sovereign wealth fund. A sovereign wealth fund typically presupposes the investment of excess financial assets, of which this fund is not, but rather a sovereign national development fund is one wherein it is being invested in the country particularly in terms of developing the needs of the country," he said.

AMRO said that the fund is expected to enhance investment capital to boost economic growth and job creation, promote infrastructure development, and attract foreign investment.

On the other hand, AMRO also noted the potential risks with the operations of the fund.

"While the new MIF Act has laid down a strong legal framework, at the operational level, the authorities should clearly define its role in infrastructure investment with appropriate governance stipulated to avoid misuse of funds. The MIF should be run by professionals and the board should comprise independent directors," it said.

"There could be a risk in terms of governance, especially if the fund's role in infrastructure investment is not clearly defined, which could lead to misuse of funds and lack of accountability," it added.

It recommended that the fund should have clear guidelines on what assets it can invest in, including "rigorous due diligence and risk assessment" especially for investments in infrastructure projects.

"Given the MIF has to ensure long-term value and promote socio-economic development, there could be a risk that the different goals might be at odds with each other in some investments, for instance, there could be a trade-off between the rate of return and the public good nature of certain projects," it said.

Mr. Consing earlier said that the fund will focus its investments on key areas such as tourism infrastructure, agro-urbanism, energy security, and digital infrastructure.

AMRO also said government agencies' contributions to the fund could "crowd out planned expenditure in other areas."

"Although the contributions to the MIF's capital from government financial institutions (GFIs) are relatively small compared with the size of their investible funds, there could be some impact on the institutions' financial position in the event of losses," it added.

Under the law, the Land Bank of the Philippines (LANDBANK) and the Development Bank of the Philippines (DBP) are required to contribute P50 billion and P25 billion, respectively, for initial funding of the MIC. The MIC has an authorized capital stock of P500 billion.

Earlier concerns were raised by analysts that the state banks' contributions could impact their financial stability.

In a Palace briefing on Tuesday, Finance Secretary Benjamin E. Diokno said that he is "confident" that the fund will be operational by the end of the year.

He also confirmed that the remaining vacant positions in the MIC board have yet to be filled.

"I understand the advisory body has submitted the list, but I don't think there has been an appointment... I have not been informed of any appointment," Mr. Diokno said.

These include the two regular directors and three independent directors.

Apart from these positions, the MIC board is also composed of the Secretary of Finance as ex-officio chair, the MIC president and CEO as the vice chair, the LANDBANK president and CEO, and the DBP president and CEO. — **Luisa Maria Jacinta C. Jocson**

Agri-marine estates proposed to ensure adequate food stocks

THE Department of Agriculture (DA) said on Tuesday that it plans to build a network of agro-industrial and marine estates to ensure the adequacy of food supplies.

In a statement, Agriculture Secretary Francisco T. Laurel, Jr. said he is planning to amend the charter of the Philippine Fisheries Development Authority (PFDA) to make it responsible for developing and managing the facilities.

Mr. Laurel added that tweaking the PFDA's functions aligns with the goals of the Philippine Rural Development Program and the current administration's plan to modernize agriculture.

The estates will serve as "one-stop shops" with ports, cold-storage facilities, silos, and warehouses.

"I've seen this model successfully implemented in South Korea and Japan. I hope the World Bank can help us realize this vision," Mr. Laurel said.

According to the DA, the World Bank has indicated that funding sources are available in the form of grants from the Global Environment Facility and the European Union, which support marine protected areas.

He added that agri-fisheries logistics needed to be improved, and called for a "logistics masterplan" for the industry.

"That is one thing I think is lacking in the DA," he added.

Mr. Laurel said he would designate an assistant secretary to take charge of logistics.

"We need to scale up and get our priorities straight," he said. "I have technically three-and-a-half years to accomplish these things. The DA, under my watch, will do its best to speed things up."

Additionally, Mr. Laurel said he was seeking possible adjustments to the DA budget for 2024 to better align with the administration's farm production goals and to raise incomes of farmers and fishermen. — **Adrian H. Halili**

International visitor arrivals breach 4.8 million DoT target

THE PHILIPPINES welcomed over 4.8 million international visitors as of late November, surpassing the target set by the Department of Tourism (DoT) for 2023.

"As of Nov. 27, the country has registered a total of 4.82 million visitors who visited the country," the department said in a statement on Tuesday.

South Korea remained the top source of foreign arrivals, accounting for 1.27 million tourists or 26.37% of the total.

Rounding up the top five were the US with 797,181 (16.53%), Japan 272,735 (5.66%), China 242,107 (5.02%), and Australia 225,464 (4.68%).

Tourism Secretary Maria Esperanza Christina G. Frasco said in a statement that the visitors spent P404 billion, "underscoring the value of tourism to our economy."

She said that tourism continues to drive growth and provide incomes and jobs following the implementation of the National Tourism Development Plan 2023 to 2028.

"We are beginning to see the merits of our strategies towards increasing connectivity, convenience, and equality in tourism development and promotions, as well as the invaluable partnership of our tourism stakeholders in the private sector," she added.

Tourism employs 5.35 million, the department said.

The DoT said it will be positioning the country as a global hub for sports tourism, including golf, through the Philippine Golf Tourism Summit this week. "It's about time that the government and the private sector come together to converge and to collaborate," she said.

The Philippines has over 100 golf courses.

"Golf tourism represents a promising frontier for the Philippines and this summit highlights our proactive approach in understanding, nurturing, listening to the golf tourism industry and developing this niche as part of our tourism industry portfolio," Ms. Frasco said. — **Justine Irish D. Tabile**

RE contract awards hit 1,300 as of end-Oct.

THE Department of Energy (DoE) said it has awarded 1,300 renewable energy (RE) contracts with a total potential capacity of 130,880.8 megawatts (MW) as of the end of October.

"As of now, we have issued around 1,300 (contracts) with a total potential capacity of 130 gigawatts (GW). So, you can see wind has a lot of projects," Energy Assistant Secretary Mylene C. Capongcol said at a forum in Makati City on Tuesday.

The forum was organized by the Institute for Climate and Sustainable Cities (ICSC), The Climate Reality Project, and the Institute of Corporate Directors.

Of the total, 225 wind energy contracts have been awarded with combined capacity of 83,079.3 MW. This was followed by 356 solar energy projects with capacity of 27,889 MW and 430 hydropower projects with capacity of 18,924.4 MW.

Geothermal energy had 37 contracts with potential capacity of 779.2 MW while biomass had 58 contracts with capacity of 174.9 MW. Nine ocean energy contracts have been awarded with capacity of 34 MW.

Noting the government's target of 35% renewables in the power mix, "We will be needing around 52 gigawatts of new additional renewable energy capacity. This is how (much) we need investors to really invest in renewable energy projects," Ms. Capongcol said.

"The offshore wind, actually, is an emerging RE technology that really challenges the Department of Energy because there's no model as far as price discovery mechanism for pricing those properly," she said.

To date, the DoE has awarded 80 offshore wind service contracts this year with a potential capacity of 62 GW.

"Based on the global energy transition, the Philippines is willing to contribute in the areas of offshore wind development — upscaling capacity building for our renewable energy workers," Ms. Capongcol said.

She said the DoE has been working on "major RE challenges" such as permitting requirements, grid integration, and limited access to financing. — **Sheldeen Joy Talavera**

WTO expects stronger global trade in 4th quarter

THE World Trade Organization (WTO) said global merchandise trade will likely post strong growth in the fourth quarter, allowing it to maintain its global trade growth forecast of 0.8% in 2023 despite the impact of geopolitical disruptions.

In its Goods Trade Barometer, WTO said world merchandise trade volume was little changed in the second quarter.

The barometer is a composite leading indicator for world trade, providing an early indication of the trajectory of merchandise trade relative to recent trends, said the WTO.

The current value of the global trade barometer index is at 100.7 in September, which is above the latest reading for quarterly trade volume and close to the baseline value of 100.

"This suggests that merchandise trade volume will gradually revert towards its medium-term trend in the second half of 2023, although uncertainty remains high due to mixed economic data and rising geopolitical tensions," WTO said.

However, it said that it expects trade statistics for the third and fourth quarters to come in stronger despite the geopolitical tensions.

"Trade statistics for the third quarter should come in slightly stronger thanks to faster gross domestic product growth in the US and China, even as the European Union economy continued to stagnate," WTO said.

Rizal Commercial Banking Corp. Chief Economist Michael L. Ricafort said that this is also the same case for the Philippines.

"The continued economic recovery narrative in which more economies worldwide are moving further towards greater normalcy or are already above pre-pandemic levels support the normalization of global supply chains and the global trade," Mr. Ricafort said in a Viber message. — **Justine Irish D. Tabile**

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