PEZA broadening search for economic zone investments

THE Philippine Economic Zone Authority (PEZA) said it is seeking "nontraditional" countries of origin for economic zone investments.

"*Ang* strategy *kasi ng* PEZA is how we can diversify *'yung* basket of eggs *natin* (PEZA's strategy is how we can diversify our basket of eggs). It cannot be reliant on one country alone so we're reaching out to non-traditional sources," PEZA Director General Tereso O. Panga told reporters last week.

He added that PEZA will also seek to ride the wave of Middle Eastern countries making clean energy investments.

"That's why we're looking into the Middle East (which is) veering away from fossil-based investments, so they want to diversify. And it cannot be just for the Middle East," Mr. Panga said.

The Philippines had recently allowed full foreign ownership of renewable energy (RE) projects, as authorized by the Department of Energy's Circular No. 2022-11-0034.

This had triggered an increase in RE investment. Foreign ownership of renewable projects was previously limited to 40%.

Mr. Panga said that the "China plus one" approach taken by investors seeking to diversify their manufacturing sites will be the main driver for the growth of PEZA investments in 2024.

He added that PEZA is in continued talks with China-based investors. "That's one way we can mitigate the impact and the ones coming here are also industry leaders in their own right."

Last week, PEZA said it is likely to take in P170 billion in investment for 2023, which would exceed its P154.77-billion target. — **Adrian H. Halili**

End-September net external liability position widens

THE Philippines' net external liability position widened at the end of September due to a decline in the central bank's reserve assets, the Bangko Sentral ng Pilipinas (BSP) said late Friday.

Preliminary data released by the BSP indicated that the international investment position (IIP) was a net external liability of $50 billion at the end of September, as against a net liability of $49.6 billion at the end of June.

Year on year, the IIP was 62.1% wider against the net external liability of $30 billion a year earlier.

"This development was driven mainly by the 1% contraction in external financial assets, offsetting the 0.7% decline in external financial liabilities," the BSP said in a statement.

The IIP is an indicator of the value and composition of a country's financial assets and liabilities. It gauges an economy's external exposure in financial assets and liabilities.

The central bank reported that external financial assets fell 1% to $227.9 billion at the end of September against $230.3 billion at the end of the previous quarter.

The BSP attributed the decline in financial assets to the combined decreases in reserve assets ($98.1 billion as of September from $99.4 billion as of June), portfolio investments ($32.5 billion from $33.5 billion), and other investments ($26.9 billion from $27.5 billion).

"The lower level of reserves was attributed to the National Government's payments of its foreign currency debt obligations, coupled with the downward adjustments in the valuation of the BSP's foreign currency-denominated reserves (or non-gold reserves) and gold holdings," the BSP said. — **Keisha B. Ta-asan**

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ERC says rules for retail power consumer choice programs to be out soon

THE Energy Regulatory Commission (ERC) and the Department of Energy (DoE) are preparing to release omnibus rules on consumer choice programs in the retail electricity market.

"We have included the green energy option program" in the consumer-choice rules, Chiara Angela LB. Blanco, division chief of ERC's Contestable Market Division, told reporters last week.

The Energy department is hoping to release the circular outlining the rules early this year, she said.

Ms. Blanco said that the proposed guidelines will cover all the rules under the Retail Competition and Open Access (RCOA), Retail Aggregation Program, and Green Energy Option Program (GEOP), which she said are "consumer choice programs."

"All of those — eligibility, procedures, licensing, magna carta for the rights of the retail customers — so that we will have a sole reference for the retail market," she said.

The timetable for the release of the omnibus rules was meant to align with the implementation of RCOA, Retail Aggregation Program, and GEOP in Mindanao, which was originally targeted for Dec. 26, 2023.

Qualified contestable customers, or end-users consuming at least 500 kilowatts (kW) a month, may choose their own power suppliers through the RCOA scheme, as stipulated in the Electric Power Industry Reform Act of 2001.

Under the aggregation program, two or more electricity end-users or all end-users within a contiguous area can be treated as a single contestable customer.

Meanwhile, GEOP allows users consuming at least 100 kW of power to source power from accredited retail energy suppliers which generate electricity from renewables. — **Sheldeen Joy Talavera**

Chinese to skip flying overseas in 2024 even as domestic travel booms

CHINA'S aviation market has been picking up as the pandemic trauma fades, relations with other countries improve and international routes expand. But many analysts are concerned about the outlook for 2024.

Despite steps by China to get people flying overseas, like resuming group tours, the appetite for international travel is limited. A sluggish economy, weaker currency and high ticket prices are among the factors keeping people at home.

Morgan Stanley noted that China's international recovery has been slower than expected due to soft demand. Seat capacity between China and the US, for example, was only at 22% of 2019 levels in the week through Dec. 26, it said.

"Non-domestic demand resumption remains uncertain," analysts Qianlei Fan, Tenny Song and Jasmine Qiu wrote earlier in December. "It may take longer than expected for demand to recover from 70-80% of pre-COVID levels."

Morgan Stanley doesn't expect China's international air travel to fully recover until 2025, a view shared by Bloomberg Intelligence.

"International demand on China routes is set to stay subdued due to economic challenges at home and reduced inbound business sentiment," BI's Tim Bacchus and Eric Zhu wrote. "Manpower, capacity, ticket prices, FX rates and visa issues may hit overseas travel too."

The Lunar New Year break in February should provide a welcome boost. China's main holiday is usually one of the busiest times on Earth for travel, but it was muted in 2023 as restrictions had only recently been lifted and there was a wide COVID outbreak, making people even less willing to risk going abroad.

"This will be the first Chinese New Year without worrying about COVID," said Parash Jain, head of transport research for Asia Pacific at HSBC Holdings Plc. "The only place where the post-COVID recovery will be talked about is China's international travel. Everywhere else is done and dusted."

Air travel within China has been a different story, even stronger than before the pandemic. In the third quarter, which includes the busy summer season, passenger traffic hit a record 180 million, according to the aviation regulator.

However, even that now may be fading.

"After upbeat performances during peak seasons, China's air travel demand appears to have been weaker than expected since late October," the three Morgan Stanley analysts wrote in their latest note, dated Dec. 28. "Looking at 2024, we think margin pressure will linger especially for low seasons amid the soft economic outlook and weak income expectation from households."

China has loosened visa restrictions to coax people to travel — both inbound and outbound — and inject life back into its economy. Citizens from several countries including France and Germany can now visit without a visa, and China has also said it is cutting the cost of applying for travel documentation through 2024.

The international travel recovery is still only likely to be gradual, "with passenger numbers lagging seat increases as challenges to outbound and inbound business persist," BI's Mr. Bacchus and Mr. Zhu said. "The overseas market won't rebound to 100% of 2019 levels by yearend."

The top three carriers — Air China Ltd., China Southern Airlines Co. and China Eastern Airlines Corp. — should at least achieve strong profits in 2024, while low-cost Spring Airlines Co. and Hong Kong's Cathay Pacific Airways Ltd. are set to benefit as international traffic creeps higher, according to the BI analysts.

China Eastern could post the biggest turnaround after being the only member of the trio set to post a loss for 2023, they said, as tour groups return. BI sees a swing of 10.5 billion yuan ($1.5 billion) over 2023 projections for the airline.

Developments in China's relationship with the outside world should also help prise open doors to international travel, not least President Xi Jinping meeting with US leader Joseph R. Biden in San Francisco in November. That trip helped smooth ties and accelerate the reintroduction of more flights. European services are also expanding.

"A faster-than-expected restoration of China-US flights is a key catalyst for the recovery of international flights and thus easing overcapacity on domestic routes," HSBC's Mr. Jain said.

The scars of COVID are reflected in the stock markets. Nine of the 10 worst-performing stocks on the Bloomberg World Airlines Index are Chinese, all falling more than 22% since the start of January. The other in the worst 10 is Southwest Airlines Co., down about 13% through Dec. 28. — ***Bloomberg***

US economic data on spending, wages point to 'real momentum' for 2024 — White House

HIGHER consumer spending over the holiday season, real wage gains over the last nine months and a jump in consumer confidence point to a good start for 2024, said Jared Bernstein, chair of the White House Council of Economic Advisers on Sunday.

Mr. Bernstein told "Fox News Sunday" that President Joseph R. Biden would continue to focus on lowering costs for Americans if he won a second term in the November 2024 presidential election.

"If you actually look at the trend in the economy ... I think you see some real momentum getting us in a good start for the new year," Mr. Bernstein said.

US consumer confidence increased to a five-month high in December, the Conference Board reported on Dec. 20, mirroring a nearly 14% increase in the University of Michigan's benchmark Consumer Sentiment Index, its biggest jump in more than three decades. For most of Mr. Biden's term, the Michigan index has reflected widespread pessimism among households about the economy, but the new data showed Americans' growing confidence that inflation was finally trending lower.

Michigan survey director Joanne Hsu noted the upswing in December reversed "all declines from the previous four months. These trends are rooted in substantial improvements in how consumers view the trajectory of inflation."

Indeed, inflation has eased substantially over the course of 2023. The Labor Department's Consumer Price Index began the year with annual price increases averaging 6.4%. By November, that was down to 3.1%. Mr. Bernstein noted that gasoline was below $3 a gallon in more than half the states.

The US national average retail gasoline price could drop by 13 cents next year to $3.38 a gallon, a second straight year of dropping fuel costs, according to price tracker GasBuddy.com's annual outlook.

"This has been a very strong Christmas season," Mr. Bernstein said, adding that spending at restaurants rose 8% from Nov. 1 to Christmas Eve, with spending on online sales up 6%, with overall retail spending rising 3%.

Despite the growing optimism, the Biden administration says it remains alert to geopolitical risks, including Russia's ongoing war in Ukraine, which has the potential to disrupt grain markets and push up inflation again.

In the Middle East, Israel predicts its war with Hamas militants will last for months, increasing the risk of regional escalation. In the Red Sea, attacks by Iranian-backed Houthi militants in Yemen have disrupted world trade. Maersk, one of the world's major cargo shippers, on Sunday said it would pause all sailing through the Red Sea for 48 hours after a Houthi attack on one of its container vessels.

Mr. Bernstein also cited big gains in the startup of new businesses, especially by people of color, which he said reflected more optimism and confidence about the US economy.

Mr. Bernstein said the Biden administration was keeping an eye on rising credit card debt but saw it as a return to normal levels of delinquencies or debt levels. Record increases in wealth among Americans of all income levels and among people of color would also help offset the increases, he said. — ***Reuters***

New Zealand says China's safeguard duties on milk powder now removed under free trade deal

SYDNEY — New Zealand said on Monday all its dairy products were now able to enter China duty-free as safeguard duties on milk powder ended on Dec. 31, marking the removal of all remaining tariffs agreed upon in the free trade deal between the two countries.

New Zealand was the first developed country to sign a free trade agreement with China in 2008, with the imports of milk powder subjected to the longest phase-out. An upgraded trade deal was entered when former Prime Minister Jacinda Ardern met President Xi Jinping in 2022.

"This is good news for our dairy sector. The removal of these remaining tariffs is expected to deliver additional annual tariff savings of approximately NZ$350 million ($221 million)," Trade Minister Todd McClay said in a statement.

"The (free trade agreement) continues to deliver benefit to the New Zealand economy and to underpin the New Zealand-China trade relationship."

China is New Zealand's largest trading partner, with two-way trade exceeding NZ$37 billion ($23.40 billion) in 2021. Annual dairy exports to China have averaged 1.4 million tons, worth about NZ$8 billion each year over the past three years, around half of which was milk powder, official data showed.

Safeguard duties are emergency tariffs that countries use to shield domestic industries against intense competition from a sudden surge in imports of a particular product.

The so-called special agricultural safeguards mechanism in the free trade deal was designed as a temporary measure. The tariff preferences are applied up to a designated volume and China's standard tariff applied to imports above the safeguard trigger.

Safeguards duties on milk and cream, butter, and cheese ended in 2021, while those on milk powders ended on Dec. 31, 2023. — ***Reuters***

US Chief Justice Roberts urges caution as AI reshapes legal field

WASHINGTON — Artificial intelligence (AI) represents a mixed blessing for the legal field, US Supreme Court Chief Justice John Roberts said in a year-end report published on Sunday, urging "caution and humility" as the evolving technology transforms how judges and lawyers go about their work.

Mr. Roberts struck an ambivalent tone in his 13-page report. He said AI had potential to increase access to justice for indigent litigants, revolutionize legal research and assist courts in resolving cases more quickly and cheaply while also pointing to privacy concerns and the current technology's inability to replicate human discretion.

"I predict that human judges will be around for a while," Mr. Roberts wrote. "But with equal confidence I predict that judicial work — particularly at the trial level — will be significantly affected by AI."

The chief justice's commentary is his most significant discussion to date of the influence of AI on the law, and coincides with a number of lower courts contending with how best to adapt to a new technology capable of passing the bar exam but also prone to generating fictitious content, known as "hallucinations."

Mr. Roberts emphasized that "any use of AI requires caution and humility." He mentioned an instance where AI hallucinations had led lawyers to cite non-existent cases in court papers, which the chief justice said is "always a bad idea." Roberts did not elaborate beyond saying the phenomenon "made headlines this year."

Last week, for instance, Michael Cohen, Donald Trump's former fixer and lawyer, said in court papers unsealed last week that he mistakenly gave his attorney fake case citations generated by an AI program that made their way into an official court filing. Other instances of lawyers including AI-hallucinated cases in legal briefs have also been documented.

A federal appeals court in New Orleans last moth drew headlines by unveiling what appeared to be the first proposed rule by any of the 13 US appeals courts aimed at regulating the use of generative AI tools like OpenAI's ChatGPT by lawyers appearing before it.

The proposed rule by the 5th US Circuit Court of Appeals would require lawyers to certify that they either did not rely on artificial intelligence programs to draft briefs or that humans reviewed the accuracy of any text generated by AI in their court filings. — ***Reuters***