Villar seeks six more years of RCEF, funding boost to P20B

THE SENATOR who chairs the chamber's agriculture and food committee expressed her support for a six-year extension of the Rice Competitiveness Enhancement Fund (RCEF), with funding raised to P20 billion a year.

"(Another) six years. (We plan to change) some aspects of the law," Senator Cynthia A. Villar told reporters at the sidelines of a poultry industry conference on Wednesday.

The RCEF is intended to modernize the rice industry and is funded by import tariffs generated as a result of Republic Act 11203, or the Rice Tariffication Law.

The fund supports the supply of machinery, seed, and fertilizer, among others to farmers. The rice tariffs support RCEF to the tune of P10 billion annually. The tariff allocations are set to expire in June.

The law, which took effect in 2019, allowed private traders to bring in rice shipments without restriction. At the time, they had to pay a 35% tariff on Southeast Asian grain.

Ms. Villar added that changes being planned for the extension period include a dedicated budget for water impounding and to support organic fertilizer production.

"*Magdagdag kami sa* water impounding facilities *at dagdagan ang* composting machines to make organic fertilizer *para may* regular *na* budget *para doon* (we will add provisions to fund water impounding and composting)," she said.

Ms. Villar added that she is proposing an increase in annual RCEF funding to P20 billion, also funded by tariffs collected by the Bureau of Customs (BoC).

The Philippines collected P30 billion in rice tariffs in 2023, according to the BoC.

Executive Order No. 50, signed by President Ferdinand R. Marcos, Jr., extended the lowered tariff regime for rice imports, which was at 35% for shipments both within or over the minimum access volume quota.

Ms. Villar added that she will seek approval of the RCEF extension by June. — **Adrian H. Halili**

Marcos expects to reap benefits from Australia's pivot to Southeast Asia

PRESIDENT Ferdinand R. Marcos, Jr. said on Wednesday that he is looking forward to a bigger Australian footprint in the region in the wake of Canberra's economic pivot to Southeast Asia to better leverage the free trade agreement (FTA) which it and New Zealand signed with the Association of Southeast Asian Nations (ASEAN).

In a speech at the ASEAN-Australia special summit in Melbourne, Mr. Marcos also invited Australia to invest in the Philippines' green-economy initiatives.

Mr. Marcos was quoted as saying by his press office in Manila that he looks forward to Australian participation in developing Philippine agriculture, infrastructure, health, tourism and the digital economy.

Australia's Southeast Asia Economic Strategy to 2024 seeks to broaden and deepen Canberra's economic ties with ASEAN.

Mr. Marcos noted the signing by his government last month of the second protocol to the FTA among ASEAN, Australia, and New Zealand, which he said would benefit micro, small and medium enterprises (MSMEs) and boost the digitalization efforts of member countries.

The second protocol boosts MSMEs' participation in international trade by "improving their access to markets and participation in the global value chains, as well as promoting the use of e-commerce," he said.

The FTA should be responsive to "multidimensional challenges in the business environment and complement region-to-region efforts to strengthen supply chain resilience."

Like the Philippines, Australia is a member of the Regional Comprehensive Economic Partnership, thought to be the world's largest FTA.

Mr. Marcos, meanwhile, reiterated the Philippines' offer to host the Board of the United Nations' Loss and Damage Fund, which was approved last year.

"Hosting the Board in the Philippines would showcase global commitment to inclusivity, ensuring that the voices and experiences of the most affected countries are heard and considered in shaping the most urgent of global climate policies," he said. — **Kyle Aristophere T. Atienza**

Agricultural trade deficit narrows in Q4 to $3.02B

THE DEFICIT in the trade of agricultural goods declined 6.6% year on year to $3.02 billion in the fourth quarter, according to preliminary data issued by the Philippine Statistics Authority (PSA).

In a report, the PSA said that the overall trade in agriculture — or the sum of exports and imports — slipped 0.9% to $6.27 billion during the quarter, a reversal of the 5.1% growth posted a year earlier.

Agricultural imports, which accounted for 14.7% of overall imports for the period, dropped 2.9% to $4.78 billion during the quarter.

Cereals remained the top agricultural import during the quarter, accounting for 22% of the total, or $1.02 billion.

Agricultural imports from the Association of Southeast Asian Nations (ASEAN) amounted to $1.67 billion, or 17.8% of all farm shipments.

"Vietnam was the leading supplier of agricultural products to the Philippines among ASEAN member countries. It contributed $479.29 million, or 28.6%, to the country's total value of agricultural imports from ASEAN," the PSA said.

Meat and edible meat offal were the top imports from the European Union (EU) during the fourth quarter.

"Agricultural imports from EU member countries amounted to $391.29 million or 19.7% of the total value of imports in the fourth quarter," it added.

During the quarter, Spain was the Philippines' top supplier of agricultural commodities, with its shipments valued at $101.5 million.

The PSA reported that exports of farm goods increased 5% to $1.63 billion during the period.

"In the fourth quarter, the value of agricultural exports accounted for 8.8% of total exports," it added.

The leading exports were edible fruit and nuts, as well as peel of citrus fruit and melons, valued at $501.12 million or 30.8% of the total.

Exports to ASEAN during the fourth quarter totaled $204.31 million, equivalent to 7.2% of farm exports for the period.

Tobacco and manufactured tobacco substitutes were the top exports during the quarter. — **Adrian H. Halili**

House committee approves RBH on charter economic amendments

THE HOUSE Committee of the Whole approved on Wednesday Resolution of Both Houses (RBH) No. 7 via voice vote, paving the way for amendments to the Constitution's economic provisions to move forward.

House Deputy Majority Leader Neptali M. Gonzales II said that the House deliberations on liberalizing economic provisions of the Constitution are on track.

The House seeks to approve the proposed constitutional amendments before the Easter break on March 23.

On the last day of RBH deliberations, legislators heard arguments from the Department of Foreign Affairs, a representative of which testified that foreign ownership limits in the Constitution violate World Trade Organization (WTO) rules on equal treatment and restrict government participation in free trade deals.

Undersecretary Jesus Gary S. Domingo told the panel reviewing RBH 7 that the foreign-ownership restrictions in the charter run counter to the national treatment exception rules of the WTO.

Under WTO rules, economies are allowed to make exceptions regarding foreign entry for industries like media and aviation. Mr. Domingo said, "But not economy-wide restrictions."

"The WTO principles recognize the right of members to regulate foreign investments for prudential reasons, but no blanket restriction bans," he said in his statement to the committee.

Mr. Domingo said the principles of non-discrimination promoted by the United Nations (UN) are also meant to protect foreign companies and investors.

"Non-discrimination, a core UN principle outlined in agreements and charters such as the Universal Declaration of Human Rights, applies to discrimination against foreign companies and investors," he told the panel.

The WTO also promotes the principle of progressive liberalization of markets to allow the entry of foreign entities and investors, increasing their market participation over time, he added.

Mr. Domingo also said economic integration in Southeast Asia has been hindered by the Constitutional limits on foreign participation.

"The trend in ASEAN (Association of Southeast Asian Nations) is towards regional economic integration," he said. "It is very difficult to harmonize our policies and activities given that our neighbors have liberal investment regimes," Mr. Domingo said.

"If the phrase 'unless otherwise provided by law' is added... Congress would have control over lifting restrictions (via) regular legislation," he added. "The addition of the suggested phrase provides flexibility."

Former Finance Secretary Margarito B. Teves said that "removing these restrictive provisions in our Constitution would send a clear and compelling message to foreign investors" that their investments are welcome in the Philippines.

"Our investment environment should be at par with our ASEAN counterparts to be more competitive in attracting foreign direct investment," he said. "Removing the restrictive provisions in the Constitution will enable the Philippines to have the flexibility to adjust quickly to changing international and domestic economic conditions," he added.

Emmanuel Santos, an economist for the South Australia state government, noted that Vietnam has recently overtaken the Philippines in per capita gross domestic product (GDP) due to its economic liberalization in 1986.

"In 1985, the Philippine per capita GDP was three times that of Vietnam," he said. "But due to their opening up through the Doi Moi economic reforms of '86, they have finally overtaken us 35 years later."

Mr. Santos also included in his discussion the need for an affordable and reliable domestic power distribution system to allow industries uninterrupted operations that could spur economic growth.

"Our energy-intensive industries are not able to thrive as a result of high energy costs," he said. "Highest (electricity costs for consumers) in the region, double that of Vietnam."

Electrical distribution expenses in the Philippines account for 30% of the charge paid by consumers. — **Kenneth Christiane L. Basilio**

OPINION

Generative AI reshapes financial landscape

TAXWISE OR OTHERWISE
JAN BRIAN DESPI

The financial sector has, for a long time, experienced numerous technological disruptions. Generative Artificial Intelligence (AI), the latest of these, can sift through massive volumes of data to create distinctive insights.

Generative AI isn't a new concept; it has been around since the 1960s. But with the entry of Generative Adversarial Networks (GANs) in 2014, it finally dawned on us how this technology could impact the world. This machine learning model has advanced beyond just creating authentic videos and images of people. In business, it has changed the approach to accounting and finance, allowing companies to soar to new heights in data insight, efficiency, and accuracy.

For financial analysts and accountants, the impact of this technology means several things, including redundancy. But as this technology brings about transformative change, our focus should be on using it to enhance human expertise rather than replace it.

AUTOMATED DATA EXTRACTION AND ENTRY

For a long time, the financial sector has relied on manually extracting and keying in data. Apart from being time-consuming, it's susceptible to corruption and errors. Generative AI eliminates these challenges and gives accountants the time to complete complex duties that require human perception.

FRAUD DETECTION AND PREVENTION

If there's one aspect of generative AI that executives can really appreciate, it's deterring fraud. Statista, a platform that provides global data and insights for businesses, forecasts that the global economy will lose over $13 trillion due to fraud by 2028. This is 69.94% more than what was reported in 2023. To protect your hard-earned investments, you need to leverage the power of AI to combat cybercrime.

The financial sector can use generative AI to monitor crucial data about transactions, such as location, devices, and technologies used. It can flag anomalies or suspicious activities that don't conform to the patterns expected. Financial analysts can then use their wits to filter the transactions and decide if they need to be investigated further.

FINANCIAL FORECASTING

Generative AI can learn from past financial data and make forecasts, as well as generate synthetic data. This technology can easily identify existing patterns in data, run simulations, and generate forecasts using theoretical scenarios. Using this forecast, financial planners and CFOs can evaluate various possibilities and plan the financial future of a firm.

OPTIMIZING EXPENSES

Repetitive tasks that don't add significant value to the financial model of a company cost a lot of money. By identifying and performing these tasks using process intelligence capabilities, generative AI can optimize financial processes and cut costs.

REGULATION: A THREAT TO GENERATIVE AI?

The transformative changes brought about by generative AI cut across the board. Firms continue to benefit while experts are rendered redundant. There are also apprehensions and identified threats because of generative AI's capabilities which have far-reaching implications, such as the ability to fabricate data that is practically impossible to distinguish from real data. The result of this is a revolt against this technology. In the past, we've seen legislatures suggesting regulating AI to create a balance.

From a regulatory standpoint, the Asia-Pacific (APAC) was the first to implement AI regulations as other regions like the EU rally to actuate their AI regulatory framework. For instance, China has taken on the mantle of regulating AI by implementing a series of laws. Its latest move on Aug. 20, 2023 was to enact measures governing the provision of generative AI services.

In what is termed GenAI Measures, China has set up strict regulations on entities, particularly individuals, that use this technology. One of the regulations imposed by the Cyberspace Administration of China (CAC) that could impact the finance sector is algorithm filing and local security assessment. Another restrictive measure is the ban on using generative AI algorithms and data to monopolize the market. Also, service providers must disclose if any content was created by or has generative AI influence.

Other key players in APAC, such as Singapore, Japan, Australia, and South Korea, are also starting to see the need to regulate AI. Some of the key areas raised by these nations revolve around data privacy, transparency, and ethics.

While generative AI surely needs some sort of regulation, it mustn't be too restrictive. Otherwise, it could potentially affect not just the adoption of this technology, but also people's trust in financial firms that utilize it. The increased oversight and scrutiny seen in China could lead to stricter regulatory requirements. The effect of this could be that firms invest more resources on compliance. Subsequently, it could lead the slowing of the pace at which the finance and accounting sectors adopt the innovation.

While AI is an unstoppable force cutting across every sector, it seems like a percentage of the global populace isn't ready for it. Owing to the fact that generative AI can do more than 95% of tasks performed by experts, the public's faith in AI is not yet sealed. For that reason, governments should create an avenue that promotes trust in AI. With China taking the lead as other APAC nations follow in AI regulation, it's up to individual firms to coin an angle that promotes generative AI's use in finance and accounting.

While the future of finance and accounting will undoubtedly be fueled by generative AI, its implementation requires a thoughtful approach. Implementation can be easier and more effective if decision-makers embrace it early enough. CEOs, CFOs, and executives who welcome this technology and adjust to the landscape dynamics will be well equipped to achieve unimaginable growth.

The views or opinions expressed in this article are solely those of the author and do not necessarily represent those of Isla Lipana & Co. The content is for general information purposes only, and should not be used as a substitute for specific advice.

JAN BRIAN DESPI is a manager at the Digital Solutions Development of Isla Lipana & Co., the Philippine member firm of the PwC network.
jan.brian.despi@pwc.com