PHL trade talks with UAE expected next week

THE PHILIPPINES is expected to start the first round of negotiations for a comprehensive economic partnership agreement with the United Arab Emirates (UAE) next week, with a target to wrap up talks within the year, the Trade department said.

Undersecretary Allan B. Gepty of the Department of Trade and Industry told reporters that the Philippines will start the first round of talks on May 6.

"That is, of course, a very important free trade agreement (FTA) for the Philippines given that we have a lot of professionals and also businesses in the UAE," Mr. Gepty said.

"Definitely, an FTA will be a big help for them as far as a stable business environment is concerned, and of course, in the same manner, it's also important for UAE investors here in the Philippines because, as always, a stable business environment would really encourage more investment in this country," he added.

Mr. Gepty said that the agreement will cover market access, intellectual property, competition, digital trade, and government procurement.

"And given the importance of the FTA, we hope to finish the negotiations within the year in time for, if I'm not mistaken, the 50th anniversary of our diplomatic relations with the UAE," he said.

"So, if we can conclude that within the year, that would be a good milestone in our diplomatic relations, particularly economic relations," he added.

He said that the negotiations will take place alternately in the UAE and in the Philippines, with the first round in Dubai.

"In the first round of negotiation, basically, it will focus on... the terms of reference. We'll have to work within those terms of reference (in later sessions)," he said.

"In the first round, we'll have to work and negotiate on the text of the FTA. We hope to conclude as many chapters as possible," he added.

Asked if there are any potential stumbling blocks in the talks, he said: "I see a lot of alignment when it comes to the trade and investment policy direction of the Philippines and the UAE, so that's why I'm confident that I think we can conclude the negotiation within the year."

He said that the Philippines will negotiate market access for its agricultural and industrial products as well as services.

"We want to secure a preferential arrangement for all our products of interest, from agricultural products to industrial products," he said. "What is interesting in the case of the UAE is that the Philippines is very strong in exporting aerospace parts to the UAE."

"We know that the UAE is also strong in the aerospace industry, as they have big airlines, so more than the parts, we are also eyeing services," he added.

According to Tradeline Philippines, total trade between the Philippines and UAE grew over 5% to $1.9 billion in 2023. — **Justine Irish D. Tabile**

PHILSTAR FILE PHOTO

Sugar farmers proposing safety nets to go with easing of import process

SUGAR producers are calling for "appropriate safety nets" as the government eases entry requirements for agricultural imports.

In a statement, the Sugar Council — composed of three planter federations — urged the government to pursue programs to raise the competitiveness of the sugar industry and the rest of Philippine agriculture.

"The removal of the (Sugar Regulatory Administration's) import rules, including its (power to set) fees and charges, would amount to loss of regulatory authority and SRA revenue," it said.

Administrative Order No. 20 (AO 20) instructed the Department of Agriculture, the Department of Finance, and Department of Trade and Industry to simplify the administrative procedures for agricultural imports, while removing non-tariff barriers.

Under AO 20, the SRA was instructed to streamline and standardize sugar import rules. It was also ordered to admit more traders into the sugar import program.

In a position paper, the council said the current rules of the SRA cannot be considered barriers to be removed.

"The integrity of SRA and its ability to perform its mandate must be preserved," it said.

It added that AO 20 can open the floodgates to sugar imports "that will kill the domestic industry."

The Sugar Council had recommended a sugar import program based on the SRA's analysis of market conditions prior to the start of the milling season. Industry stakeholders must also be consulted.

It added that imports should be subject to a so-called "trigger point" for bringing supply and demand into balance via imports.

The council is composed of the Confederation of Sugar Producers Associations, Inc., the National Federation of Sugarcane Planters, Inc., and the Panay Federation of Sugarcane Farmers, Inc. — **Adrian H. Halili**

Chipmakers see opportunity in growth of EVs, hybrids as gov't weighs tariff changes

By Justine Irish D. Tabile
Reporter

OXANA MELIS-UNSPLASH

THE semiconductor industry will be among the industries that expect to benefit from growing electric vehicle (EV) and hybrid electric vehicle (HEV) adoption, the chip industry association said.

Danilo C. Lachica, president of Semiconductor and Electronics Industries in the Philippines Foundation, Inc., told reporters on the sidelines of a briefing on Tuesday that electronics account for 90% of the components of both EVs and HEVs.

"So, yes, it does open up opportunities. But the thing is, until we have the infrastructure for EVs, like more charging stations and fast charging stations, personally, I'd rather go with hybrids first," Mr. Lachica said.

"Eventually, EV will be the way to go. It's hard to persuade jeepney drivers or even bus operators to wait 10 hours to charge an EV. We have to make sure that we have abundant fast charging stations for commercial use," he added.

In March, the Tariff Commission held a public consultation to discuss the possible expansion of the coverage of Executive Order (EO) 12, which imposed zero tariffs on various types of EVs in order to promote green transport and cut carbon emissions.

The National Economic and Development Authority has proposed to add e-motorcycles and HEVs to the EO's coverage.

The Department of Energy has said that the expanded coverage will help meet the targets of the Comprehensive Roadmap for the Electric Vehicle Industry (CREVI), while the Department of Trade and Industry has taken the position that expanded coverage will hinder efforts to rapidly expand the charging station network.

The coverage expansion is supported by the Chamber of Automotive Manufacturers of the Philippines, Inc., which said that the Philippines is recording growth in hybrid adoption, although the CREVI targets remain out of reach.

Trade Secretary Alfredo E. Pascual said a committee will meet on Friday to discuss the proposed expansion.

"We will consider their arguments, of course. But as we explained, the motivation for the lifting of the tariff on EVs is very clear: to increase the car population with electric engines for purposes of encouraging the setting up of charging stations," Mr. Pascual told reporters on Monday.

"Hybrids do not need charging stations, and to be able to boost EV population, we need charging stations. And charging stations will only be set up if there are enough EVs to patronize them; that is why we are prioritizing EVs first," he added.

For the meeting on Friday, Mr. Pascual said the committee will discuss whether there is room to broaden the scope of the EO.

"When the decision was reached to (remove) the tariff on EVs, it was very clear in our minds why we did it: to encourage the setting up of charging stations," he said.

"Now we are going to broaden our scope... but I cannot speculate now because this is committee work," he added.

Palay production drops 2% in Q1

PRODUCTION of palay, or unmilled rice, fell 2% year on year to 4.69 million metric tons (MT) in the first quarter, according to the Philippine Statistics Authority (PSA).

The PSA said first quarter output missed its projection of 4.82 million MT, based on the standing crop as of March 1.

It added that the harvest from irrigated areas was 3.6 million MT, while rainfed palay production was 1.09 million MT.

The region with the top palay production was Central Luzon with 775 thousand MT, followed by the Cagayan Valley with 754 thousand MT.

The Central Luzon and Western Visayas palay harvests during the quarter fell 11% and 3%, respectively. Palay production in the Cagayan Valley rose 15%.

The Department of Agriculture's official view of palay output this year is that it should not fall below 20 million MT. In 2023, palay production was 20.06 million MT.

Corn production was 2.53 million MT in the quarter, up 1% from the same period last year.

Yellow corn production rose 2% to 2.08 million MT.

It added that white corn output slipped 5% to 445 thousand MT for the period. — **Adrian H. Halili**

Imports necessary to ensure adequate supply during closure of key fishing grounds — DA

By Adrian H. Halili *Reporter*

REUTERS

THE Department of Agriculture (DA) said fish imports are calibrated to ensure adequate supply when certain fishing grounds are closed to allow fish species to regenerate.

"Preparations are made prior to the start of the closed fishing season, there is transparency immediately as to how big (the import volumes will be)," Agriculture Assistant Secretary and Spokesperson Arnel V. de Mesa told *BusinessWorld.*

Last week, the DA approved the import of 25,000 metric tons (MT) of pelagic fish in anticipation of the three-month closed season in key fisheries.

"*Kumbaga, hindi 'yung kung kailan may problema na at saka ka pa lang mag*-announce *ng* imports (We don't wait until the problem is here before announcing imports)," he added.

Under Memorandum Order No. 17, commercial fishing operations are allocated 80% or 20,000 MT, with the remaining 20% or 5,000 MT going to fisheries associations or cooperatives.

"The only good thing about it now is that it can be programmed right away. Because fisheries will close again by Nov. 1 in North East Palawan, and by Nov. 15 in the Visayas," Mr. De Mesa said.

The fisheries where closed seasons are declared late in the year include northern Palawan, Ilocos, Negros Occidental, Capiz, and Cebu.

Sardine fishing is not allowed in northern Palawan between Nov. 1 and Jan. 31. Herring and mackerel cannot be caught in the Visayan Sea between Nov. 15 and Feb. 15.

Closed seasons are authorized by Republic Act No. 8550 or the Fisheries Code.

Last year, the department approved fish imports of 35,000 MT for sale in wet markets.

David B. Villaluz, chairman of the Philippine Association of Fish Producers, Inc. said that the DA's importation plan may end up competing with aquaculture products.

"This is disadvantageous to aquaculture during the latter parts of the year. *Duon kami bumabawi, dun magpro*-produce *ang* aquaculture to offset supply during the closed fishing season, (That's when we make up for the slower parts of the year. That's when we hope to produce more when closed fishing season brings down supply)," Mr. Villaluz told *BusinessWorld* by phone.

In 2023, fisheries production dropped 6.5%, accelerating the 5% decline recorded in the prior year, according to the Philippine Statistics Authority.

Agriculture Secretary Francisco P. Tiu Laurel, Jr. has said that fish imports must arrive before Jan. 15.

Philippines lagging other jurisdictions in taxing digital transactions

By John Victor D. Ordoñez
Reporter

A 12% VALUE-ADDED TAX (VAT) on digital transactions is long overdue, with the Philippines lagging many countries in implementing one, a tax professional said.

"We are actually late in the game in taxing foreign digital service providers," Eleanor L. Roque, tax principal of P&A Grant Thornton, said in a Viber message.

"If the government does not tax digital transactions, it is ignoring a good source of taxes."

Senate Bill No. 2528, which seeks to require foreign online streaming platforms with subscribers in the Philippines to pay 12% VAT, is set for floor debate at the chamber.

Under the measure, nonresident electronic marketplaces will be required to withhold and remit VAT on transactions that are coursed through their platforms, if the buyer is in the Philippines.

The House of Representatives approved a similar measure in November 2022.

At least 15 countries, including France, Italy, Spain and the UK have laws on digital service taxes, according to PwC.

Calixto V. Chikiamco, Foundation for Economic Freedom president, said digital taxes would "level the playing field" between online businesses and conventional businesses.

The government should earn hefty revenue as many transactions are now occurring in the digital space on nonresident platforms.

Leonardo A. Lanzona, who teaches economics at the Ateneo de Manila, said such a measure would make these digital services more expensive for consumers.

"The large online companies will naturally transfer the taxes to the consumers, thus resulting in a greater wedge between buying and selling prices, which in turn raises prices and reduces the amount of online transactions," he said via Messenger chat.

Last month, the Asian Development Bank said the government should consider expanding taxes for digital services and enhance revenue collection efforts.

The Department of Finance has said it "seeks to level the playing field between local and foreign digital service providers by clarifying that services provided by the latter in the country are subject to VAT."

It said the measure is expected to bring in P83.3 billion in revenue from 2024 to 2028.

"This measure should obviously increase revenue, but it (Senate) should first figure out how to enforce the measure on nonresident personalities," Terry L. Ridon, a public investment analyst and convenor of think tank InfraWatch PH, said via chat.