Lockheed Martin facility to service PAF aircraft

LOCKHEED Martin Corp. said that it will establish a repair and maintenance facility in the Philippines to service the F-16 fighter jet and the C-130 cargo plane.

"One of the flagship programs from a direct military perspective in supporting our forces is this repair capability… (serving) existing platforms like the C-130 and the F-16," said Aimee P. Burnett, Lockheed Martin's vice-president for Integrated Fighter Group Business Development.

The Philippine Air Force (PAF) operates the C-130 Hercules, a turboprop transport aircraft, and is set to receive 20 F-16 Vipers.

The US State Department recently cleared the sale to the Philippines of the F-16s in a package worth $5.58 billion, including spares, munitions, avionics, and technical support services.

Lockheed Martin plans to "work with and through local partners. We connect into and help develop and expand the aerospace and defense ecosystem, that's in training and capability," according to William L. Blair, Lockheed Martin Global, Inc. regional chief executive for Asia.

He noted the critical role played by maintenance, repair and overhaul in supporting the US bilateral engagement with the Philippines.

The Philippines has sought to bolster its ability to defend its territory in the face of Chinese encroachments in the South China Sea. Its defense spending plans include a P35-billion military modernization program over the next decade. — **Adrian H. Halili**

Cosmetics industry poised to maintain 10% growth this year

THE beauty and personal care industry is expected to sustain 10% growth this year, driven by product innovation and improved regulation.

"There are a lot of innovative products. And the regulations are also improving," according to Christine Michelle P. Reyes, president of the Chamber of Cosmetics Industry of the Philippines, Inc.

Speaking on the sidelines of the Cosmobeauté Philippines 2025, she said beauty and personal care products continue to register "healthy" growth at retail level by volume and value. Last year, the value of beauty and personal care products grew at retail by 10.1%.

"The consumption pick-up in the previous year was due to lifestyle changes and easing of inflationary pressures," she said.

"Middle-income groups are also growing in the Philippines alongside urbanization, with provincial areas attracting new consumers through the development of modern grocery retailers," she added.

She said growth can also be attributed to improved consumer purchasing power due to easier access to credit.

She noted growing demand for sun care and sustainable products.

"The best-selling products are products that integrate SPF protection, and also climate and environmental issues are increasingly top of mind for players in beauty and personal care," she added.

Trade Secretary Ma. Cristina A. Roque said Philippine beauty and personal care companies are ready to go global.

"This is our first time joining an international trade show such as this… I feel we really have companies that are ready to go global, especially those with products that are coconut-based and healthy," she said.

"That will be the direction of Philippine products. We also have to be strategic in our approach when we sell our products because there are so many products from all over the world, and what can be our edge? Definitely the coconut-based products," she added.

She said that most Philippine products are plant-based and organic, which could present a favorable contrast to products in the market that are heavy on chemicals.

However, she said domestic companies are being challenged by the growth of e-commerce.

"We have a lot of products now from Korea, China, and Japan, some of which are really low-priced," she said.

"But we are very competitive also because the cost of production in the Philippines is not that high," she added.

She said that prospective countries for beauty and personal care exports include Thailand and Hong Kong, as well as the rest of ASEAN.

Scheduled to run from June 4 to 6, Cosmobeauté Philippines will be showcasing 250 brands and companies and business-to-business events.

"The journey towards Cosmobeauté Philippines 2025 is an interesting and empowering one," said Rungphech Chitanuwat, country general manager of Informa Markets Philippines, the organizer of the event.

"This edition holds importance as it sets the latest trend and standard in events focused on skincare and cosmetics in the country," she added.

Cosmobeauté Philippines serves as the kick-off event for the Cosmobeauté trade shows in Southeast Asia, such as Vietnam, Malaysia, and Indonesia. — **Justine Irish D. Tabile**

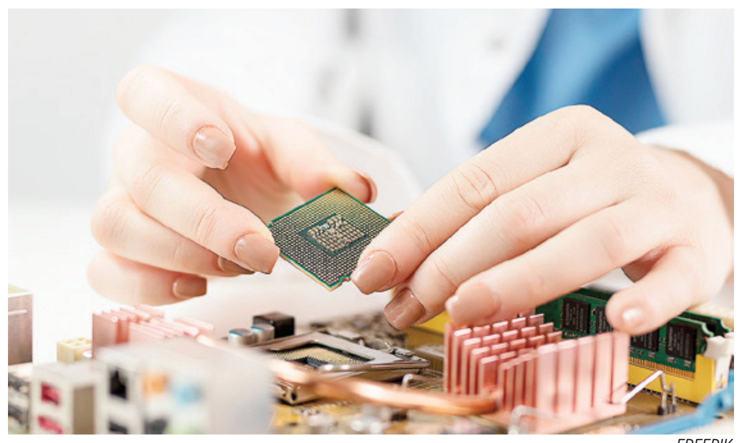
Semiconductor industry council to look into ease of doing business, talent dev't issues

THE Semiconductor and Electronics Industry Advisory Council (SEIAC) said that it will focus on improving the ease of doing business and developing a talent pool.

"The SEIAC aims to address the problems, issues, and concerns of industry players and find solutions for these," according to Secretary Frederick D. Go, the special assistant to the President for investment and economic affairs, who also chairs the council.

In a statement on Wednesday, Mr. Go said: "The council will focus on the ease of doing business for those in the assembly, test, and packaging (ATP) industry and develop a talent pool for the integrated circuit (IC) design industry."

SEIAC said the Technical Education and Skills Development Authority (TESDA) and the Commission on Higher Education will play a role in ensuring that training, reskilling and upskilling programs are effective.



FREEPIK

"(This) will grow the integrated circuit design sector and strengthen the assembly, test, and packaging as well as the electronics manufacturing services (EMS) segments," it said.

"This likewise realizes the vision of making the Philippines a consistent and reliable global partner packaging $70 billion of semiconductors, assembling $40 billion of electronics, and providing globally recognized IC design services by 2030," it added.

Created through Administrative Order No. 31, the SEIAC is tasked with supporting the development, promotion, and competitiveness of the semiconductor and electronics industry.

At its June 2 meeting, the council approved the establishment of three technical working groups focused on investment and business environment, talent development and education, and infrastructure and cluster development.

"These groups will be led by government agencies such as the Department of Trade and Industry (DTI), TESDA, and Bases Conversion and Development Authority, along with industry and academic representatives," SEIAC said.

"Additionally, the council endorsed a private sector representative nominee, pending presidential appointment, to ensure active private sector involvement," it added.

Apart from the creation of the council, the administrative order also directed the DTI to develop the Philippine Semiconductor and Electronics Industry Roadmap to serve as the framework in accelerating the growth of the country's semiconductor and electronics industry.

According to the DTI, the 2030 Philippine Semiconductor and Electronics Industry Roadmap is still being finalized. — **Justine Irish D. Tabile**

Human element remains 'most relevant' even as organizations transition to greater AI use

By Beatriz Marie D. Cruz
Reporter

MADRID — While artificial intelligence (AI) has been replacing traditionally human tasks, human input remains the most critical element, the most important skill for entrepreneurs in an AI-driven era, an academic said.

"You'd never try to multiply numbers in your head, because you know the calculator will win, but all the things you do before and after (the automated task) are what the humans do," Ikhlaq Sidhu, dean of IE School of Science and Technology, told journalists here on Tuesday.

"It still takes an input and an output, and there's what you do with the output. So, the human parts are the ones that are the most relevant."

When asked about what skill should future entrepreneurs possess as AI rapidly transforms businesses, Mr. Sidhu said: "being human… that is the number one skill."

About 35% of Philippine leaders are considering workforce reductions to harness the productivity gains offered by AI, according to Microsoft's 2025 Work Trends Index report.

According to Mr. Sidhu, the real danger is when "human outsource their minds to AI."

"If you just say, 'I don't want to think anymore, for every question, I'll just ask AI,' and you turn off your critical thinking, curiosity, and the things that really drive a person, then it's bad news for you."

A 2025 study by Michael Gerlich, who heads the Center for Strategic Corporate Foresight and Sustainability at SBS Swiss Business School, found a negative correlation with AI tool reliance and critical thinking abilities. This emphasizes the need for "educational strategies that promote critical engagement with AI technologies," it concluded.

Mr. Sidhu also cited the importance of integrating technical practices and industry insights when teaching science and highly technical courses.

In many universities, students' understanding of science and technology-based programs tend to focus on teaching the fundamentals but with little practical application. This results in "narrow" learning experience disconnected from the needs of industries or ventures, Mr. Sidhu said.

"There's some very abstract topics that people learn in technical fields, and when you spend all your time learning these abstract things, you don't always know how to connect it to the things that are happening everyday or in the workplace," he said.

Citing his experience as the founding director of the University of California at Berkeley's Sutardja Center for Entrepreneurship & Technology, Mr. Sidhu noted that collaborations between students and industry yields superior results and better execution.

"You are able to take the learning and the results farther than you could than when there was only one type of student," he said.

OPINION

CMEPA: A new era for investment taxation

TAXWISE OR OTHERWISE
AUBREY GAYLE T. DIAZ

As we enter the second half of 2025, a new and timely tax reform has arrived — one that could influence how Filipinos invest and grow their wealth. On May 30, President Ferdinand R. Marcos, Jr. signed Republic Act No. 12214, or the Capital Market Efficiency Promotion Act (CMEPA). As the name suggests, the law is anchored on three key reforms: (1) rationalization of tax rates across financial instruments, (2) simplification of tax compliance, and (3) reduction of market entry barriers for investors.

For far too long, our taxes have generally been higher than average, and made investing in the Philippines more expensive than in most of our Southeast Asian neighbors. At the local level, few individuals hold investments. According to the 2021 Financial Inclusion Survey by the Bangko Sentral ng Pilipinas, only 8 million out of 77 million adults own investment products — roughly 1 in 10. In 2023, the Philippine stock market capitalization stood at 54% of Gross Domestic Product (GDP), considerably lower than the ASEAN average of 78%, based on the Asian Development Bank's Key Indicator Database.

By streamlining the tax treatment of passive income and capital market transactions, reducing investor costs, and harmonizing our tax policies with global practices, CMEPA aims to create a more inclusive and efficient financial system. The reform benefits not only institutional investors but also everyday Filipinos seeking to build and diversify their wealth.

In this article, I will go over the key provisions of this newly enacted law.

Prior to the enactment of CMEPA, the stock transaction tax (STT) on the sale of listed shares through the Philippine Stock Exchange stood at 0.6% of the gross selling price. This was the highest STT rate in ASEAN, which may disincentivize investors, particularly those conducting high volume trades. Under the new law, the STT has been significantly reduced to 0.1%, a move that aligns the Philippines more closely with global practice and may encourage more investors to enter the secondary markets.

In the case of unlisted shares, previously, the lower 15% capital gains tax was limited to the sale of such shares. Meanwhile, the sale of foreign shares of stock by residents formed part of their taxable income, subject to an income tax of 25% (for corporations) or progressive tax rates of up to 35% (for individuals). CMEPA now imposes the same 15% capital gains tax on unlisted foreign shares, aligning the tax treatment with domestic counterparts and addressing prior disparities.

Meanwhile, interest income from various sources was previously subject to different tax rates. For instance, interest from bank deposits and trust funds was generally taxed at 20%, while certain government securities and long-term deposits enjoyed preferential tax treatments or exemptions. With the passing of CMEPA, these varying rates have been consolidated into a uniform 20% final withholding tax (FWT) on interest income, regardless of the instrument's nature or tenure. However, this standard rate will not apply to nonresident aliens not engaged in trade or business and non-resident foreign corporations, whose interest income will still be subject to a 25% FWT.

CMEPA also introduces a significant reduction in the documentary stamp tax (DST) on the original issuance of shares. Previously set at 1% of par value, the DST has decreased to 0.75%. This adjustment aligns the tax rate with that of debt instruments and secondary share transfers outside the stock exchange, which are also taxed at 0.75%, thereby leveling the cost of investing in both the bond and equity markets. The aim is to encourage companies to raise capital through the stock market by making equity financing more attractive and accessible. Additionally, CMEPA provides exemptions from DST on the original issuance, redemption, or other disposition of shares in mutual funds and unit investment trust funds (UITFs), further promoting investment in collective investment schemes.

Last, in keeping with his administration's policy objectives, the President vetoed the proposed removal of the tax exemption on the income of nonresidents from Foreign Currency Deposit Units (FCDU) transactions in CMEPA, citing the importance of maintaining the country's financial openness and competitiveness in attracting foreign capital. Hence, income of nonresidents on their FCDU transactions remains exempt from income tax.

The changes brought by CMEPA will take effect on July 1, following its complete publication in the Official Gazette or in at least one newspaper of general circulation.

The passing of CMEPA offers a compelling blueprint for modernizing the capital markets. By lowering friction costs and creating a more equitable investment environment, the new law could unlock broader public participation and foster long-term financial inclusion. At its core, CMEPA is not merely a tax reform — it is a strategic lever for economic growth, market deepening, and investor confidence.

Yet, as with any transformative policy, the path forward invites critical reflection. How will businesses and investors adapt to streamlined tax structures and new incentives? Will these reforms lead to measurable improvements in market liquidity and participation? Crucially, how can CMEPA ensure its benefits extend beyond the financial elite to empower broader economic inclusion?

With both public and private stakeholders voicing support, the passage of CMEPA could mark a turning point in how Filipinos engage with the financial system. The coming months will be pivotal in determining whether this legislative milestone fulfills its promise of a more inclusive and dynamic capital market.

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.

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