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"MAPping the Future" *column in the INQUIRER*

"The time to build PH branding is now"

December 5, 2022

Mr. JUNIE S. DEL MUNDO

In 2018, I made a case for why the Philippines should invest in its nation branding. I said then that we needed one powerful enough to draw in more investors and create a positive impact on the economy and the lives of all Filipinos.

Four years later, in the aftermath of a pandemic and on the precipice of another global recession, that necessity only becomes starker. A solid nation branding not only raises a country's profile in the international market during the best of times. In times of crisis, it also positions a country better for recovery.

Sadly, we're far from being in such a position.

How do you brand a country like the Philippines?

While the world has known that it's indeed more fun in the Philippines, a successful tourism campaign isn't quite the same as nation branding. Neither is it the grocery list of traits that we tout as distinctly and admirably Filipino: being hospitable, resilient, creative, and family-oriented. Nation branding also isn't a whitewashing campaign to turn around the country's reputation into something more positive.

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"MAP Insights" *column in BUSINESSWORLD*

"Foreign retailers and investors in Philippine retail trade"

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Atty. CESAR L. VILLANUEVA

The legal topography in the country's retail trade sector has become obscure with the promulgation of the Twelfth (12th) Regular Foreign Investment Negative List (RFINL) in the last month of President Rodrigo R. Duterte's term of office, since it includes in its "No Foreign Equity" listing "Retail trade enterprises with paid-up capital of less than PhP25,000,000.00 (Section 2 of Republic Act (RA) No. 11595, amending RA 8762)."

RA 8762, officially entitled as the "Retail Trade Liberalization Act of 2000" (RTLA), was enacted into law in March 2000. It expressly repealed RA 1180, more popularly known as the "Retail Trade Nationalization Law" (RTNL). The Supreme Court (SC) has separately ruled the constitutionality of both the old RTNL, and the RTLA, with each being held to be a valid exercise of the State's police power.

In December 2021, RA 11595 amended the RTLA and such amendments included complete deletion of the following categories of retail trade:

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"The time to build PH branding is now". . .
(from page 1)

I've always maintained that a strong nation branding comprehensively covers and presents a country's assets—its people, its culture, and its uniqueness—not just in a positive but also an authentic light. Because of the amount of work involved, it can't be carried out solely by the government, the private sector, or a group of communication consultants. Rather, it demands multi-sectoral cooperation, the investment of time, labor, and money from everyone involved, and a realistic and informed view of the country's circumstances.

Because at its core, nation branding is about building trust in the international community.

It starts with a central idea as the foundation. This would be the Filipinos' shared vision of the future that's based on an understanding of our history and a clear view of our present, including the complicated dynamic between our identity, culture, and society.

Given our country's current state, this is undoubtedly an uphill battle. Yet as contentious as our political differences are, we're at least learning more and more how deeply rooted the Philippines' Gordian knot of issues is. We learn of the perspectives of those whose backgrounds and experiences differ vastly from ours. We're tired of being praised as "resilient" yet offered no reprieve. Slogans and catchphrases that used to easily catch the public's imagination ring hollow now with our growing awareness of how systemic socio-economic problems can't be fixed by individualistic measures.

Non-negotiable tools for nation branding

As painful as it is to face reality, it's the first step in finding lasting solutions.

Think of it as research — a necessary tool in nation branding. Taking stock of different perspectives rarely yields a clean-cut picture, especially with the Philippines' long-standing problem of regionalism exacerbated by severe economic inequality. But audits, interviews, and surveys across stakeholders from all levels will always present insights into the values we share underneath our differences and what we envision national progress to be. From there, we can glean and develop a truth-based central idea that would resonate with us Filipinos even as it is intended to connect with the international audience and compel them to experience it firsthand.

This is where communication comes in. Each stakeholder must be willing to engage in constant dialogue to make the development and implementation of nation branding as smooth as possible, especially when circumstances call for quick pivots and adjustments. Effective communication is also essential in presenting our nation branding to the international community, where the right message is crafted with the right tone, accompanied by the right visuals and shared through the right information channels.

We must also be willing to listen to feedback so we can properly measure our nation branding's impact and adjust accordingly. There must be an effective system in place to keep the exchange of information and ideas clear every step of the way.

Filipinos at the heart of the PH brand

I've highlighted the importance of authenticity in nation branding because the last thing we need to do is misrepresent ourselves to the world. And authenticity comes when Filipinos are at the heart of our branding.

Our citizens have been great ambassadors of Filipino culture wherever they may be that we're now recognized for certain traits and practices. Although reputation doesn't constitute nation branding, leveraging our cultural strengths by supporting Filipinos both here and abroad can enhance it.

Support means citizens have reliable social services so Filipinos don't need to seek greener pastures elsewhere, and local industries and communities would no longer suffer from "brain drain". It means investing in local talent to create products and services that reflect our uniqueness and excellence and offer solutions to local issues. It means taking care of our human capital so Filipino workers earn livable wages, find purpose in their work, and feel valued. It means building on Filipino ingenuity, diligence, and collaborativeness to make international financiers keen on pouring investments into the country.

A strong collaboration between the government and the business sector can deliver on this support, one where transparency, accountability, and efficiency take precedence over bureaucracy.

Finally, to keep all the stakeholders on track, there must be a national branding council of research, communications, and branding professionals to oversee this massive undertaking, guiding everyone involved in the nuances of building trust in the Philippine brand. Have experts do what they do best and teach everyone how to raise standards and consistently meet them.

Defining our nation branding is a tall order because it must represent Filipinos' minds, hearts, and souls — no more, no less. It's a worthy endeavor, though, because in the process, we strengthen the country against the next crisis. We make progress more attainable not just for a few individuals but for every Filipino. We make the Philippines a place worthy of investment not just to foreigners but, more importantly, to ourselves.

(The author is Chair of the Tourism Committee for 2023 of the Management Association of the Philippines (MAP), and Chair and CEO of The EON Group. Feedback at <map@map.org.ph> and <junie.delmundo@eon.com.ph>.)

"Foreign retailers and investors in Philippine retail trade"" . . .
(from page 1)

these factors, the peso will continue to fluctuate. Should the peso depreciate in 2023, small and medium enterprises (SMEs) must be ready to manage its negative effects, and seize the rare opportunities it presents.

(a) CATEGORY A – Enterprises with paid-up capital of the Philippine peso equivalent of less than US$2.5 Million (M) which were "reserved exclusively for Filipino citizens, [former natural-born Filipino citizens residing in the Philippines,] and corporations wholly owned by Filipino citizens."

(b) CATEGORIES B & C – Enterprises with a minimum paid-up capital of the Philippine peso equivalent of US$2.5M with upper limits on capital stock, provided that in no case shall the investments for establishing a store be less than the Philippine Pesos equivalent of US$30,000, which "may be wholly owned by foreigners."

(c) CATEGORY D – Enterprises specializing in high-end or luxury products with a paid-up capital of the Philippine peso equivalent of US$250,000 per store, open to foreign retailers or wholly-owned by foreigners under the conditions provided in the RTLA."

As now amended by RA 11595, the RTLA provides: (a) a uniform minimum paid-up capital of P25M, (b) a reciprocity by the country of origin allowing the entry of Filipino retailers, and (c) per store investment of P10M, for retail enterprises with foreign ownership.

Essentially, RA 11595 removed the remaining reservation clause for Category A retail trading in favor of Filipino citizens and domestic juridical entities wholly-owned by Filipino citizens, by formally opening the entire retail trade industry to foreign retailers, subject only to compliance with paid-up capital requirements, reciprocity of country of origin, per store investment requirements, and other conditions discussed hereunder.

It is our position that with the amendment of the RTLA under RA 11595, there is no legal basis to ban foreign investment in the retail trade industry, much less to apply the provisions of the Anti-Dummy Law to Philippine citizens allow foreigners to invest in retail trade enterprises with paid-up capital of less than P25M.

Salient Historical Background on Philippine Retail Trade

The SC in its decision in Inchong v. Hernandez, recognized the importance of retail trade in the national economy: "Under modern conditions and standards of living, in which man's needs have multiplied and diversified to unlimited extents and proportions, the retailer comes as essential as the producer, because thru him the infinite variety of articles, goods and commodities needed for daily life are placed within the easy reach of consumers. Retail dealers perform the functions of capillaries in the human body, thru which all the needed food and supplies are ministered to members of the communities comprising the nation… The retailer, therefore, from the lowly peddler, the owner of a small sari-sari store, to the operator of a department store or a supermarket is so much a part of day-to-day existence."

The enactment in June 1954 of the old RTNL or RA 1180, which nationalized the country's entire retail trading system by expressly reserving the commercial sector only to Filipino citizens and domestic juridical entities (partnerships, corporations and associations) 100%-owned by Filipino citizens, was held to have sprung "from deep, militant, and positive nationalistic impulse" which sought to "protect citizen and country from the alien retailer."

Employing the "control test" for determining the nationality of corporations based on the nationality of the stockholders who control the capital stock, the SC held that even domestic juridical entities engaged in retail trade (partnerships, associations and corporations) could not even accept any minority equity investments from foreigners since RA 1180 required their equities to be wholly-owned (100%) by Filipino citizens. In short, the old RTNL prohibited foreigners from both engaging in retail trade and investing in juridical entities engaged in retail trade.

Almost half a century later, the RTLA liberalized both the engaging and investing sides of the retail trade industry in accordance with the declared policy of the State "to promote consumer welfare in attracting, promoting and welcoming productive investments that will bring down prices for the Filipino consumer, create more jobs, promote tourism, assist small manufacturers, stimulate economic growth and enable Philippine goods and services to become globally competitive through the liberalization of the retail trade sector." Pursuant to this policy, RTLA liberalized the Philippine retail industry to encourage Filipino and foreign investors to forge an efficient and competitive retail trade sector in the interest of empowering the Filipino consumer through lower prices, higher quality goods, better services and wider choices.

The passage of RTLA is a confirmation of the truism that Filipino welfare and best interest, especially those of the Filipino merchants and retailers, cannot be promoted by insulating them from competition, whether local or international; and that unreasonable protectionism hampers the growth and development of the affected commercial sectors in the economy.

Conditions on Foreign Retailers and Foreign Investors in Retail Trade

Section 5 of the RTLA, as amended by RA 11595, retaining the caption "Foreign Equity Participation," provides that "Foreign-owned partnerships, association, and corporations may, upon registration with the …SEC.., or in case of foreign-owned single proprietorship, upon registration with the …DTI.., engage or invest in the retail trade business, under the following conditions:

(a) A foreign retailer shall have a minimum paid-up capital of P25M;

(b) The foreign retailer's country of origin does not prohibit the entry of Filipino retailers; and

(c) In the case of foreign retailers engage in retail trade through more than one (1) physical store, the minimum investment per store must be at least P10M…"

In addition, Section 5 provides that that failure to maintain in the Philippines the minimum paid-up capital of P25M prior to notification of the SEC or DTI "shall subject the foreign retailer to penalties or restrictions on any future trading activities /business in the Philippines."

Prior to the amendments of RA 11595, the RTLA clearly distinguished between "foreign investor" from "foreign retailer," and provided different conditions or qualifications.

a. Registration with the SEC/DTI

A reading of the RTLA, as amended by RA 11595, indicates that the first legal requirement for a foreigner to engage or invest in retail trade in the Philippines would be the act of registration with the SEC or DTI, and that such registration can be accomplished only with compliance with the minimum P25M paid-up capital, reciprocity and per store investment of P10M and other requirements/conditions laid out in the RTLA.

If a foreign retailer engages in retail trade in the Philippines, even with the requirement and conditions being present, it may constitute a violation of the RTLA and punishable under Section 11 providing for criminal penalties and disqualifications.

b. Reciprocity Requirements

Section 5 of the RTLA requires that a foreign-owned partnership, association or corporation may engage or invest in retail trade only when "the foreign retailer's country of origin does not prohibit the entry of Filipino retailers." Strictly speaking, the RTLA's reciprocity requirement has no application to Filipino citizens and to domestic corporations which fall within the definition of "Philippine nationals" under the Foreign Investment Act of 1991, since they are not subject to regulations under the RTLA, much less would they have a foreign country of origin.

However, the RTLA's IRR, under Section 5 (Philippine Nationals) of its Rule III (Registration), provides that "the minimum paid-up capital requirement … as well as the minimum investment per store requirement … shall not apply to corporations engaged in retail trade of which at least sixty percent (60%) of the capital stock outstanding and entitled to vote is owned and held by citizens of the Philippines," which does not do away with the reciprocity requirement.

The implication of such provision, as it covers corporations engaged in retail trade, whether domestic or foreign, which are classified as "Philippine nationals" (i.e., they have at least 60% of their voting equity held by Filipinos) is the need to comply with the reciprocity requirement insofar as their qualified minority foreign investors (40% or less) are concerned.
It seems therefore, that under the RTLA's IRR, all juridical retail enterprises with foreign equity must always comply with the reciprocity requirement, i.e., that the country of origin of the foreign equity holders must provide for reciprocity to Filipinos.

Nonetheless, when the foreign investors in a retail enterprises operating in the Philippines with at least 60% of its equity held by Filipino citizens and with a paid-up capital of less P25M do not register with the SEC or DTI compliance with the reciprocity requirement, neither the retail enterprise nor the foreign investor can be held criminally liable for violating the RTLA, since the retail enterprise is not a foreign retailer covered by Section 5 of the RTLA, nor is the foreign investor deem to be investing in a "foreign retailer," but actually in a "Philippine national retailer".

c. Minimum Paid-Up Capital Requirement

The RTLA's IRR define "paid-up capital" to mean "the total investment in a business that has been paid-in in a corporation; or working capital for partnerships and single proprietorships; or assigned capital in the case of foreign corporations or its branch offices." The IRR define "minimum paid-up capital" to mean originally invested in cash.

For purposes of registration with the SEC or the DTI, the foreign retailer shall submit a certification from the Bangko Sentral ng Pilipinas (BSP) of the inward remittance of its capital investment, or in lieu thereof, such other proof certifying that its capital investment is deposited and maintained in a bank in the Philippines.

The foreign retailer shall be required to maintain in the Philippines at all times the paid-up capital of P25M, unless it has notified the SEC or the DTI, whichever is appropriate, of its intention to repatriate its capital and cease operations in the Philippines.

Failure to maintain in the Philippines the required paid-up capital, prior to notification of the SEC or the DTI, whichever is appropriate, shall subject the foreign retailer to penalties or restrictions on any future trading activities/business in the Philippines.

d. Investment Per Store Requirement

The term "store" means "a physical outlet established in the country where goods are sold on a retail basis. For purpose of online retailing, the warehouse where goods are stored shall be deemed as store."

The "minimum investment per store" covers the gross assets, tangible or intangible, including but not limited to buildings, leaseholds, furniture, equipment, inventory, and common use investments and facilities, such as administrative offices, warehouses, preparation or storage facilities.

Investments for common use and facilities, as reflected in the financial statements following the accounting standards adopted by the SEC and DTI shall be pro-rated among the number of stores being served.

(This article reflects the personal opinion of the author and does not reflect the official stand of the Management Association of the Philippines or MAP.)

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PHILIPPINE DAILY INQUIRER

BOARD TALK

Business Features Editor
Doris Dumlao-Abadilla

The billionaire's secret weapon of reaching goals—and how you can use it, too

PROFIT PUSH

TOM OLIVER

The focus on one image in your mind is more important for your success than anything else. The world's most successful business leaders focus on a clear image of what they want to accomplish to the exclusion of everything else. This secret allows them to accomplish their goals much faster without giving in to distractions.

If you do not know how to do this properly, then you may work as hard as you want but still fall far short of accomplishing your goals.

The missing piece

During this time of the yearend planning season, most executives, CEOs and business owners focus on their company's annual planning sessions. But few take their mental focus into account when it comes to the performance of themselves and their business.

If you are at the top, then what you focus on habitually in your mind will drive most of your strategic decisions. And most companies, even the biggest ones in the world, are only one or two major strategic decisions away from monumental failure. The long list of famous failures, from Nokia to Blackberry, from Pan Am to Kodak, are a testament to that.

The secret

What is it that you habitually focus on in your mind? If you are the captain of the ship, then you are the business leader all others look up to so that you can guide them toward safe harbors and new shores of golden treasures. As a result, your mental focus is more important than anything else.

In my work as the "mentor of the giants," as Fortune magazine has called me, I regularly interact with the presidents of some of the world's largest companies, Fortune 500 CEOs, and even dollar-billionaire entrepreneurs. I have seen firsthand what separates those at the top from the rest of the pack and the average performers: their clear mental focus.

I have also seen how scattered the mental focus of most of the average executives is. They could be doing so much more in less time, making better strategic decisions, becoming better leaders for their people, and avoiding major pitfalls if they only knew how to keep the proper mental focus.

ILLUSTRATION BY RUTH MACAPAGAL

The steps

I was recently coaching the founder and CEO of a tech company. In one of my sessions with him, I taught him the power of focus and the mindset of champions. Immediately, he had a breakthrough realization which made him change strategy. Only a few days later, he was able to kick off a major wave of expansion.

In practice, how do you achieve that focus?

You need to create a clear conceptualized image of your major breakthrough goal. Let us break this down into several steps.

What is the number one, most important goal that would change your professional success significantly? A goal that is so powerful that all else would become secondary to that goal?

What would be the mental image of you successfully achieving that goal?

Performance

This is where most people are challenged. They do not want to let go of secondary goals. If you are one of them, let me help you with a few secrets that govern personal and corporate performance.

1. Decisions of focus are painful by nature. Growing up in Germany, my first foreign language was Latin, not English. "Decide" comes from the Latin word "decidere." This means to "cut off." To decide, you need to go through alternatives and ruthlessly cut them off. This is painful and it has to be.

This is why most people and companies avoid that process and rather be comfortable by pretending they can do a lot of things at the same time. You can—but not well. This is not how you trigger exponential growth or conquer major challenges. On the contrary, singularity of focus is how you achieve that.

This is the reason why most companies survive, but not thrive. In the words of one of our clients: "Before working with the Tom Oliver Group, we were dragging ourselves along, but they set us on the path of explosive growth."

2. You can do everything you want, but not at the same time. People and companies that focus on one major goal—and only set a new goal once that is reached—end up reaching far more goals than the ones that try to accomplish too many things at the same time.

3. You have to say no to the good to say yes to the great. I have talked about this before, and it bears repeating. Decisions are painful. If they are not, then you have not considered all alternatives or are still not pursuing one major breakthrough goal.

How do you get to the mental image?

Once you have decided what the best mental focus for yourself should be, your goal is to create one conceptualized image of what it is that you want to accomplish. This will serve as a powerful focus. You will keep that image as the main focus in your mind, no matter what you do, just like a "tunnel vision." This tunnel vision will serve as a powerful focus for your direction, strategic decisions, leadership, energy, work-life balance, etc.

One of my clients wanted to kickstart a wave of global expansion. As I coached him through the process of visualizing this in one clear mental image, he created an image in which he saw the new locations his business would be in as lights on a globe. This image became his powerful guide.

The owner and president of a family business conglomerate who inherited the business wanted to finally shed his responsibilities and make a switch to devoting himself full-time to philanthropy. His mental image was one of symbolically handing over the reins to his sister and stepping into his new world of uplifting others.

Examples of absolute focus

A philanthropist wanted to complete a three-year sprint to reach an important milestone for his foundation that would establish it as a major global player—an inaugural event with famous world leaders. Since this sprint would take up a lot of his energy and time, his mental image of focus was to board a plane to Maui, Hawaii, where he would surf and recharge after successfully reaching the next major milestone for his foundation.

Elon Musk is an example of absolute focus. His success has proved him right. He managed to build several multi-million dollar businesses and even skyrocket to becoming the richest man in the world in 2022, with a net worth of $203 billion.

His secret? Extreme mental focus on the next breakthrough goal. And a clear definition of the cohesive larger vision and strategy of the business to which all other goals are linked.

He founded SpaceX in 2002 with the goal of the colonization of Mars. His mental focus? Putting a man on Mars.

Employees who have worked with Elon at SpaceX attest to the fact that for any major strategic decision in the company, Elon asks them, "Will that allow us to put a man on Mars faster?"

Your 'three to thrive'

What is the number one, most important goal that would change your professional success significantly?

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Tom Oliver, a "global management guru" (Bloomberg), is the chair of The Tom Oliver Group, the trusted advisor and counselor to many of the world's most influential family businesses, medium-sized enterprises, market leaders and global conglomerates. For more information and inquiries: www.TomOliverGroup.com or email TomOliver@inquirer.com.ph.

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MAPPING THE FUTURE

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MAP INSIGHTS
CESAR L. VILLANUEVA

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SALIENT HISTORICAL BACKGROUND

The SC in its decision in Inchong v. Hernandez, recognized the importance of retail trade in the national economy: "Under modern conditions and standards of living, in which man's needs have multiplied and diversified to unlimited extents and proportions, the retailer comes as essential as the producer, because thru him the infinite variety of articles, goods and commodities needed for daily life are placed within the easy reach of consumers. Retail dealers perform the functions of capillaries in the human body, thru which all the needed food and supplies are ministered to members of the communities comprising the nation... The retailer, therefore, from the lowly peddler, the owner of a small *sari-sari* store, to the operator of a department store or a supermarket is so much a part of day-to-day existence."

The enactment in June 1954 of the old RTNL or RA 1180, which nationalized the country's entire retail trading system by expressly reserving the commercial sector only to Filipino citizens and *domestic* juridical entities (partnerships, corporations and associations) 100%-owned by Filipino citizens, was held to have sprung "from deep, militant, and positive nationalistic impulse" which sought to "protect citizen and country from the alien retailer."

Employing the *"control test"* for determining the nationality of corporations based on the nationality of the stockholders who control the capital stock, the SC held that even domestic juridical entities engaged in retail trade *(partnerships, associations and corporations)* could not even accept any minority equity investments from foreigners since RA 1180 required their equities to be wholly-owned (100%) by Filipino citizens. In short, the old RTNL prohibited foreigners from both engaging in retail trade and investing in juridical entities engaged in retail trade.

Almost half a century later, the RTLA liberalized both the engaging and investing sides of the retail trade industry in accordance with the declared policy of the State "to promote consumer welfare in attracting, promoting and welcoming productive investments that will bring down prices for the Filipino consumer, create more jobs, promote tourism, assist small manufacturers, stimulate economic growth and enable Philippine goods and services to become globally competitive through the liberalization of the retail trade sector."

Pursuant to this policy, RTLA liberalized the Philippine retail industry to encourage Filipino and foreign investors to forge an efficient and competitive retail trade sector in the interest of empowering the Filipino consumer through lower prices, higher quality goods, better services and wider choices.

The passage of RTLA is a confirmation of the truism that Filipino welfare and best interest, especially those of the Filipino merchants and retailers, cannot be promoted by insulating them from competition, whether local or international; and that unreasonable protectionism hampers the growth and development of the affected commercial sectors in the economy.

CONDITIONS ON FOREIGN RETAILERS AND FOREIGN INVESTORS

Section 5 of the RTLA, as amended by RA 11595, retaining the caption *"Foreign Equity Participation,"* provides that *"Foreign-owned partnerships, association, and corporations* may, upon registration with the ... SEC..., or in case of foreign-owned single proprietorship, upon registration with the ... DTI..., engage or invest in the retail trade business, under the following conditions:

(a) A *foreign retailer* shall have a minimum paid-up capital of P25M;

(b) The *foreign retailer's* country of origin does not prohibit the entry of Filipino retailers; and

(c) In the case of *foreign retailers* engage in retail trade through more than one (1) physical store, the minimum investment per store must be at least P10M..."

In addition, Section 5 provides that failure to maintain in the Philippines the minimum paid-up capital of P25M prior to notification of the SEC or DTI "shall subject the *foreign retailer* to penalties or restrictions on any future trading activities /business in the Philippines."

Prior to the amendments of RA 11595, the RTLA clearly distinguished between *"foreign investor"* from *"foreign retailer,"* and provided different conditions or qualifications.

a. Registration with the SEC/DTI

A reading of the RTLA, as amended by RA 11595, indicates that the first legal requirement for a foreigner to engage or invest in retail trade in the Philippines would be the act of registration with the SEC or DTI, and that such registration can be accomplished only with compliance with the minimum P25M paid-up capital, reciprocity and *per store* investment of P10M and other requirements/conditions laid out in the RTLA.

If a foreign retailer engages in retail trade in the Philippines, even with the requirement and conditions being present, it may constitute a violation of the RTLA and punishable under Section 11 providing for criminal penalties and disqualifications.

b. Reciprocity Requirements

Section 5 of the RTLA requires that a foreign-owned partnership, association or corporation may engage or invest in retail trade only when "the foreign retailer's country of origin does not prohibit the entry of Filipino retailers." Strictly speaking, the RTLA's reciprocity requirement has no application to Filipino citizens and to domestic corporations which fall within the definition of *"Philippine nationals"* under the Foreign Investment Act of 1991, since they are not subject to regulations under the RTLA, much less would they have a foreign country of origin.

However, the RTLA's IRR, under Section 5 *(Philippine Nationals)* of its Rule III *(Registration)*, provides that "the minimum paid-up capital requirement ... as well as the minimum investment per store requirement ... shall not apply to corporations engaged in retail trade of which at least sixty percent (60%) of the capital stock outstanding and entitled to vote is owned and held by citizens of the Philippines," which does not do away with the reciprocity requirement.

The implication of such provision, as it covers corporations engaged in retail trade, whether domestic or foreign, which are classified as "Philippine nationals" (*i.e.*, they have at least 60% of their voting equity held by Filipinos) is the need to comply with the reciprocity requirement insofar as their qualified minority foreign investors (40% or less) are concerned.

It seems therefore, that under the RTLA's IRR, all juridical retail enterprises with foreign equity must always comply with the reciprocity requirement, i.e., that the country of origin of the foreign equity holders must provide for reciprocity to Filipinos.

Nonetheless, when the foreign investors in a retail enterprises operating in the Philippines with at least 60% of its equity held by Filipino citizens and with a paid-up capital of less P25M do not register with the SEC or DTI compliance with the reciprocity requirement, neither the retail enterprise nor the foreign investor can be held criminally liable for violating the RTLA, since the retail enterprise is not a foreign retailer covered by Section 5 of the RTLA, nor is the foreign investor deem to be investing in a "foreign retailer," but actually in a *"Philippine national retailer."*

c. Minimum Paid-Up Capital Requirement

The RTLA's IRR define *"paid-up capital"* to mean "the total investment in a business that has been paid-in in a corporation; or working capital for partnerships and single proprietorships; or assigned capital in the case of foreign corporations or its branch offices." The IRR define *"minimum paid-up capital"* to mean originally invested in cash.

For purposes of registration with the SEC or the DTI, the foreign retailer shall submit a certification from the Bangko Sentral ng Pilipinas (BSP) of the inward remittance of its capital investment, or in lieu thereof, such other proof certifying that its capital investment is deposited and maintained in a bank in the Philippines.

The foreign retailer shall be required to maintain in the Philippines at all times the paid-up capital of P25M, unless it has notified the SEC or the DTI, whichever is appropriate, of its intention to repatriate its capital and cease operations in the Philippines.

Failure to maintain in the Philippines the required paid-up capital, prior to notification of the SEC or the DTI, whichever is appropriate, shall subject the foreign retailer to penalties or restrictions on any future trading activities/business in the Philippines.

d. Investment Per Store Requirement

The term *"store"* means "a physical outlet established in the country where goods are sold on a retail basis. For purpose of online retailing, the warehouse where goods are stored shall be deemed as store."

The *"minimum investment per store"* covers the gross assets, tangible or intangible, including but not limited to buildings, leaseholds, furniture, equipment, inventory, and common use investments and facilities, such as administrative offices, warehouses, preparation or storage facilities.

Investments for common use and facilities, as reflected in the financial statements following the accounting standards adopted by the SEC and DTI shall be pro-rated among the number of stores being served. ■

The article reflects the personal opinion of the author and does not reflect the official stand of the Management Association of the Philippines or the M.A.P.

CESAR L. VILLANUEVA is a member of the Management Association of the Philippines (M.A.P.), the former chair of the Governance Commission for GOCCs and the founding partner of the Villanueva Gabionza & Dy Law Offices.
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State assets should finance Philippine sovereign wealth fund

MY CUP OF LIBERTY
BIENVENIDO S. OPLAS, JR.

At the BusinessWorld Economic Forum on Nov. 29 at the Grand Hyatt Manila in Bonifacio Global City in Taguig, Finance Secretary Benjamin Diokno outlined in his keynote speech an optimistic growth trajectory for the Philippines, the overall fiscal resources and debt reduction needed, and investment liberalization policies that have been institutionalized. He also briefly mentioned the establishment of a state-owned sovereign wealth fund (SWF).

THE MAHARLIKA INVESTMENT FUND (MIF)

The MIF, the Philippines' SWF as proposed by the House leadership under House Bill 6398, has attracted mostly negative reactions from researchers and corporate players in the country. See for instance these reports and columns in *BusinessWorld*:

"Medalla voices caution over plans to create $4.9B sovereign fund" (Dec. 2),

"PHL not ready for sovereign wealth fund — analysts" (Dec. 5),

"The Maharlika Wealth Fund," Yellow Pad by Filomeno S. Sta. Ana III (Dec. 4),

"Some leadership gaps and uncertainties," Introspective by Romeo L. Bernardo (Dec. 4).

What makes the proposed MIF controversial is that it will get funds from these four government agencies: the Government Service Insurance System (GSIS), P125 billion; the Social Security System (SSS), P50 billion; Land Bank of the Philippines (LBP), P50 billion; and Development Bank of the Philippines (DBP), P25 billion. The initial investment totals P250 billion.

Then it will get P25 billion from the National Government, plus foreign currency reserves from the Bangko Sentral ng Pilipinas (BSP) equivalent to 10% of OFW remittances and 10% of contributions from the Business Processing Outsourcing (BPO) sector.

These are indeed objectionable because GSIS and SSS funds are not tax money but private contributions by members and their employers meant for emergency and retirement needs of those members. The BSP also needs to keep a high level of gross international reserves (GIR) so that anytime external financial shocks occur, it will have sufficient foreign currency for companies to buy important imported commodities for several months.

To address these objectionable provisions, SWF should be sourced from government assets. In particular (a) Malampaya royalties, currently around P16 billion/year, (b) privatization of some wide government lands, and (c) privatization of many government-owned and -controlled corporations (GOCCs).

I propose five GOCCs and their assets as priorities for quick privatization, and about 20 others for long-term privatization (*Table 1*).

To avoid further public suspicion, this should not be rushed. Have the Malampaya royalties remain intact for at least 2023–2024, hasten the privatization of hydro power plants in Mindanao managed by PSALM, and fast track the privatization of PAGCOR and PCSO.

It is possible that by 2024–2025, the P275 billion initial investment target can be raised without compromising private funds like SSS and GSIS, taxes from the public, and GIR of the BSP.

This column has advocated large-scale privatization of GOCCs and other government assets mainly to pay and reduce public debt, not earmarked for whatever programs or agencies. And spare the taxpayers of higher and/or new taxes. Now should be the time to have wider public discussion on this subject.

TABLE 1.

GOCCs with good potentials for privatization, P Billion in 2022

Government corporations	Acronym	Total Assets	Net Worth
I. Short- Medium-term candidates			
Power Sector Assets & Liabilities Management Corp.	PSALM	472.61	-67.10
National Power Corp.	NPC	47.85	28.43
Phil. Amusement and Gaming Corp.	PAGCOR	45.84	18.37
Phil. National Oil Company	PNOC	38.49	33.75
Phil. Charity Sweepstakes Office	PCSO	34.04	16.28
II. Long-term candidates			
National Irrigation Administration	NIA	352.58	243.31
National Transmission Corp.	TRANSCO	321.30	163.14
Metropolitan Waterworks and Sewerage System – Corp. Office	MWSS-CO	249.94	47.16
Bases Conversion Dev't Authority	BCDA	194.15	157.98
National Housing Authority	NHA	187.14	162.43
Philippine Ports Authority	PPA	142.89	135.43
Mactan Cebu Int'l Airport Authority	MCIAA	128.68	126.89
Philippine National Railways	PNR	66.95	34.95
Civil Aviation Authority of the Phils.	CAAP	60.08	56.31
Light Rail Transit Authority	LRTA	52.10	-7.42
Manila Int'l Airport Authority	MIAA	45.85	40.79
Subic Bay Metropolitan Authority	SBMA	34.34	21.67
Philippine Reclamation Authority	PRA	31.54	17.62
Lung Center, Heart Center, Children's Center, Kidney Institute		30.76	21.04
National Development Company	NDC	25.71	20.57

SOURCE: DBM, BESF 2023, TABLE E.3. THIS LIST IS AUTHOR-PROPOSED, NOT BESF.

TABLE 2.

Biggest state universities, budget in P Million

State University		2021	2022	2023
A. University of the Philippines System	UP	19,899	25,601	23,107
Of which: Philippine General Hospital	PGH	6,900	6,300	5,930
Polytechnic University of the Phils.	PUP	1,691	2,708	2,474
Batangas State University	BatSU	947	2,027	1,595
Cavite State University	CvSU	572	1,633	1,430
Don Mariano Marcos Memorial State University	DMMMSU	1,127	1,633	1,353
Bicol University	BU	1,148	1,511	1,377
Bulacan State University	BulSU	1,131	1,460	1,392
Isabela State University	ISU	1,069	1,430	1,371
Pangasinan State University	PSU	815	1,260	1,194
Cagayan State University	CSU	866	1,253	1,142
Technological University of the Phils.	TUP	726	1,194	1,204
Nueva Ecija University of Science & Technology	NEUST	627	1,112	1,007
Central Luzon State University	CLSU	984	1,067	1,051
Mariano Marcos State University	MMSU	872	1,103	977
Central Bicol State University of Agriculture	CBSUA	574	1,941	961
Don Honorio Ventura State University	DHVSU	442	1,019	970
B. West Visayas State University	WVSU	1,665	1,966	1,911
Cebu Technological University	CTU	1,453	1,936	1,837
Capiz State University	CapSU	681	1,005	1,019
Negros Oriental State University	NORSU	719	1,011	946
C. Mindanao State University	MSU	6,190	5,057	3,951
MSU-Iligan Institute of Technology	MSU-IIT	1,283	1,406	1,365
Western Mindanao State University	WMSU	662	1,014	946
University of Southern Mindanao	USM	633	1,021	884

SOURCE: DBM, BESF 2023 TABLE B.9.

THE UP PRESIDENCY

On Dec. 9, the University of the Philippines (UP) Board of Regents (BoR), the university's policy-making body, will elect the next UP President.

Last week, 58 National Artists, National Scientists, and Emeritus Professors of UP — high caliber and well-respected minds — signed a joint statement outlining important characteristics of the next UP President.

One, he must be an exemplary scholar with a lengthy teaching experience, a deep-thinking intellectual, a competent administrator and committed public servant. Two, he must have an unblemished track record and proven experience in running a university and a full understanding of the needs of the UP community. Three, he must appreciate and treasure the intellectual and socio-political responsibilities of defending UP's singular status as a safe haven and secure refuge for the pursuit of nurturing of critical thinking. Four, he must have access to an extensive regional and global network as a means for UP to collaborate with its counterparts in Asia and the world. And five, he must have an intricate grasp of data and analytics overlayed with the ability to link and apply these to the hard sciences, the social sciences, humanities, and others.

With these five clear, categorical characteristics of a university leader, the 58 academics and scientists have endorsed the current UP Diliman Chancellor Fidel Nemenzo, a noted mathematician who has done research and taught in universities outside UP, including educational institutions in Singapore, Phnom Penh, Tokyo, Amsterdam, and Munich.

I congratulate these brilliant minds for the clarity of their criteria and choice of a leader. Six of them were my former teachers at the UP School of Economics (undergrad and graduate): Drs. Raul Fabella, Florian Alburo, Dante Canlas, Epictetus Patalinghug, Gerardo Sicat, and Rolando Danao.

Esteemed BoR members should heed the advice of these brilliant minds and elect Dr. Fidel Nemenzo as the next UP President.

STATE UNIVERSITIES BUDGET

Related to the issue of UP Presidency is the rising budget of state universities from P66.9 billion in 2019, P77.4 billion in 2020, P81.4 billion in 2021, P108.4 billion in 2022, to P97.7 billion in 2023.

Below are the biggest state universities in the country. I chose only those whose budget has touched at least P1 billion in 2022 or 2023. UP has the biggest budget partly because funding for the Philippine General Hospital is shouldered entirely by UP (*Table 2*).

Many of these state universities have wide lands, the use of which should be optimized through long-term leases that will reduce their dependence on taxpayers. This is not happening except maybe with the UP–Ayala Land Techno-Hub long-term lease. The establishment of MIF perhaps will force some state universities to sell part of their wide lands, proceeds to go to MIF.

Finally, as public debt continues to rise in the Philippines and many countries around the world, people should go back to assuming more personal responsibility in running their own lives. To say that their children's healthcare and education from elementary to university is not personal and parental responsibility, only state responsibility, is wrong. This is a formula for endless state dependence instead of self-reliance — a formula for endless tax-gouging instead of tax cuts and more individual freedom. ■

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December 1, 2022 FINEX-Led Joint Letter to SEC on the Proposed Amendments to the Consolidated Listing and Disclosure Rules and Revised Trading Rules

1 December 2022

The Philippine Stock Exchange
Tower One and Exchange Plaza
Ayala Avenue, Makati

Subject: **PROPOSED AMENDMENTS TO THE CONSOLIDATED LISTING AND DISCLOSURE RULES AND REVISED TRADING RULES (Nov 2022)**

Attention: **VERONICA VICEDO – DEL ROSARIO**
Office of the General Counsel

We read about or received on the last week of November 2022, the Exchange's Memorandum of CN No. 2022-045 on the *Proposed Amendments to the Consolidated Listing and Disclosure Rules and Revised Trading Rules (2022 Amendments – Part II)* (the "Proposed Amendments"). However, the Exchange requires comments to be sent back by **01 December 2022**, this Thursday.

We believe that the proposed amendments need adequate time and deliberations for evaluation and discussion, especially in light of the role of the market participants (publicly listed companies, brokers, dealers, etc.) to <u>approve rules</u> to be promulgated and enforced by Self-Regulating Organization, such as the Exchange, as stated in Rule 3.1.22 of the Securities Regulation Code, to wit:

> **3.1.22. Self-Regulatory Organization**, or **SRO**, means an organized Exchange, registered clearing agency, organization or association registered as an SRO under Section 39 of the Code, and which has been authorized by the Commission to: (1) enforce compliance with relevant provisions of the Code and rules and regulations adopted thereunder, (2) **promulgate and enforce its own rules which have been approved by the Commission, <u>by their members and/or participants</u>**, and; (3) enforce fair, ethical and efficient practices in the securities and commodity futures industries including securities and commodities exchanges.

May we further point out the need to understand the rationale for the amendments or supplements to the rules in our common interest of pursuing the goal of ensuring and enforcing "fair, ethical and efficient practices" in the securities trading.

We therefore respectfully request an extension of the deadline for comments and recommendations to **15 January 2023, considering the Christmas holidays and to propose that the Exchange conduct public consultations on the Proposed Amendments,** and to please ensure that market participants get fully notified of the Proposed Amendments and the schedule for public consultations on said Rules.

Thank you very much and have a most blessed Season!

Very truly yours,

MR. MICHAEL ARCATOMY H. GUARIN
President
FINANCIAL EXECUTIVES INSTITUTE OF THE PHILIPPINES
(FINEX)

MR. CARLOS JOSE P. GATMAITAN
CEO
INSTITUTE OF CORPORATE DIRECTORS
(ICD)

MR. ROGELIO L. SINGSON
President
MANAGEMENT ASSOCIATION OF THE PHILIPPINES
(MAP)

MR. CONRADO F. BATE
President
SHAREHOLDERS ASSOCIATION PHILIPPINES
(SharePHIL)

cc: Securities and Exchange Commission (SEC) Markets Regulation Department

December 5, 2022 FEF-led
Joint Statement of Concern on the Sovereign Wealth Fund (SWF)

Competitive Currency Forum

THE PROPOSED SOVEREIGN WEALTH FUND: A STATEMENT OF CONCERN

We, the undersigned business associations and economic policy groups, do not support the government's move to establish a Sovereign Wealth Fund (SWF) in the form of the Maharlika Wealth Fund (MWF) as proposed in House Bill No. 6398. We register our serious concerns and reservations against the proposed MWF on the principles of fiscal prudence, additionality, solvency of social pension funds, contingent liabilities, monetary independence of the Bangko Sentral ng Pilipinas (BSP), government in the economy, and transparency.

Fiscal prudence

In other countries, commodity-based SWFs[1] are designed to optimally manage the windfall from the appropriate disposition of their natural resources for the benefit of future generations. These countries recognize that such natural resources are exhaustible and commodity prices are uncertain in the long run, while their current absorptive capacity for commodity earnings remains limited.

[1] See Massimiliano Casteli & Fabio Scacciavillani (2012). The New Economics of Sovereign Wealth Funds. Wiley & Sons, Ltd., United Kingdom.

On the other hand, non-commodity-based SWFs are designed to manage the accumulated foreign assets from persistent external trade surpluses and surpluses of state-owned enterprises (SOEs) with the objectives of preserving the value of their capital and realizing returns on investments in order to keep the long-term sustainability of the fund.

In contrast, the Philippines has neither commodity-based surpluses nor surpluses from external trade and SOEs.

Although the country is rich in mining resources, they remain undeveloped because of restrictive laws. In recent years, the supposed structural current account surpluses proved more transitory when import demand was muted by the pandemic. With economic recovery, the country is now experiencing large deficits, reflected by the decline in international reserves. Massive public spending has increased the fiscal deficit to 8%-9% of Gross Domestic Product (GDP) from only around 3% before the pandemic, and the national government debt has ballooned from 40% to 64% of GDP. Government-owned-and-controlled corporations (GOCCs) are no different; they are not generating large operating surpluses. The existential priority of the government is the management of the fiscal deficit and the public debt in order to avoid a downgrade of the country's credit rating. The priority for national government revenues and GOCCs' revenues is to cover public expenditures to keep the fiscal deficit and public debt from increasing further and undermining the delivery of public services.

Additionality

There is at present no gap nor "missing institution" in the economy that needs to be solved by the creation of an SWF. The country does not have a bonanza of commodity surpluses that need to be deployed. Instead of leaving a legacy of surplus funds to be managed for future generations, the current generation is leaving a legacy of heavy indebtedness which future generations need to pay or refinance. There is no need, or even justification, to pool the reserves of government financial institutions (GFIs) and pension funds into larger amounts in order to earn higher returns.

Requiring the Land Bank of the Philippines (LBP) and the Development Bank of the Philippines (DBP) to fund the SWF on the ground that they invest in government securities is in no way a creation of wealth. The LBP and DBP deposits exist because of the requirement for GOCCs to deposit their funds in government financial institutions.

Hence, there is no creation of wealth, or generation of new deposits, but mere round tripping, when funds of the LBP and DBP are diverted to the SWF.

Actuarial solvency of pension funds

The funds of the Government Service Insurance System (GSIS) and Social Security System (SSS) belong to the members. Pension funds are intended to pay for pension liabilities, benefits, salary, and housing loans of their members. The primary objective of the respective Investment Funds of the GSIS and SSS is therefore capital preservation with sufficient returns which demands conservative investment strategies. Currently, these strategies are properly being implemented. Therefore, there is no reason for diverting some of the funds of the GSIS and SSS to an SWF as it would simply expose the members' retirement funds to investments in assets with additional market risks and performance risks. It is not appropriate to impose on the GSIS and SSS members such risks on their retirement funds.

As it is, the actuarial life of the GSIS and SSS at present is around 40-43 years, which is far below the ideal 70 years which is the international standard for an actuarially "infinite" life. Should a portion of their investment funds be diverted to an SWF, their actuarial lives will likely be shortened further, because the funds will be invested in higher risk assets.

Contingent liabilities

The liabilities of the GSIS and SSS are guaranteed by the national government. Should their funds in the SWF suffer losses, their pension liabilities remain the same and will have to be settled by the National Government because of such guarantees. These potential losses will crystallize the contingent liabilities of the government in the pension funds into actual liabilities which will worsen the fiscal deficit and increase the need for further government borrowing.

BSP Independence

The provision requiring the BSP to contribute 50% of its cash dividends to the national government is problematic in many aspects.

Directed investments of the Gross International Reserves override the BSP's judgment on the macroeconomic and financial situation and its decision on the appropriate allocation of its foreign assets.

This is a direct assault on the constitutional mandate of the BSP as an independent central bank in promoting price stability and managing exchange rate volatilities.

Under the newly revised BSP charter, whatever the BSP declares as dividend should remain with the BSP as equity infusion of the National Government to complete its P250 billion capitalization. Instead of putting in more capital to the BSP, the SWF bill, in effect, deprives it of quicker capitalization and in the process, undermines the BSP's independence and its ability to discharge its role as the country's central monetary authority and systemic risk regulator.

The House Bill fails to realize that sequestering the dividends of GOCCs to the SWF will also impair the National Government's own ability to fund the fiscal deficit and increase the pressure to borrow more from both domestic and foreign sources. In the first place, we see no guarantee that this diversion of funds will result in higher returns to the National Government but instead more definitely result in higher interest rates and greater crowding out of private sector investments.

Government in the economy

In more ways than one, the proposed SWF will create a platform for the government to actively participate and intervene in the economy, a role which administrations since 1986 have tried to de-emphasize, learning the lessons of statist interventionist economic policies which resulted then in high fiscal deficits, high debt, and large losses of government corporations. There is wide concern that the creation of the SWF which is proposed to be exempted from the safeguards for good governance such as the Civil Service Act, Government Procurement Act, Governance Commission for GOCCs Act, Salary Standardization Law, and other similar safeguards signals a return to less transparent and centralized economic decision making as opposed to the market-oriented, decentralized private sector economy which has been the engine for growth in the last 36 years.

Under a more desirable decentralized decision making in the economy, there will be winners and losers who should be responsible for and will reap the benefits and losses of their decisions. In a centralized economy, the dominant decision maker can make bad decisions whose cost will affect the whole economy. Even supposedly professionally-run SWFs such as Temasek has incurred large losses from bad decisions. The case of the losses of the Malaysian SWF 1Malaysia Development Berhad (1MDB) due to corruption are well known.

The adoption of voluntary Santiago Principles in the MWF does not provide a strong assurance that the retirement funds of the GSIS and SSS members, or the reserves of GFIs will not be at risk.

In place of this SWF, we respectfully suggest that the executive and legislative branches continue to implement existing initiatives to strengthen the areas of transportation, public health, education and infrastructure, especially digital and agriculture, that can boost productivity and lower inflation. These initiatives can be executed within existing legal framework, without resorting to an untested approach with many potential infirmities.

Approved:

Foundation For Economic Freedom (FEF)
Competitive Currency Forum (CCF)
Filipina CEO Circle (FCC)
Financial Executives Institute of The Philippines (FINEX)
Institute of Corporate Directors (ICD)
Integrity Initiative, Inc. (II, INC.)
Makati Business Club (MBC)
Management Association of The Philippines (MAP)
Movement for Good Governance (MGG)
Philippine Women's Economic Network (PHILWEN)
UP School of Economics Alumni Association (UPSEAA)
Women’s Business Council Philippines, Inc. (WOMENBIZPH)

Date Released: December 5, 2022

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Call Lulu Casas 09175708301 Maricar Alamodin 09175384508 CCP Box Office 8832-3704 Ticketworld 8891-9999 SM Tickets 8470-2222; 0917-870-2222
Rustan's Makati - 8813-3739 Loc 280 Rustan's Shangrila - 8633-4636 Loc 400 Rustan's Alabang - 8850-5592 Rustan's Gateway - 8931-2460
December 9, 2022, Friday Gala 8:00 PM December 11, 2022, Sunday Matinee 3:00 PM
Tanghalang Nicanor Abelardo (CCP Main Theater)

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Darrel Ching, Commercial Attaché
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1. "Drop the Maharlika fund"
from MAP Governor CIELITO *"Ciel"* F. HABITO's *"No Free Lunch"* Column in the PHILIPPINE DAILY INQUIRER on December 6, 2022

The Maharlika Wealth Fund (MWF) that House Bill No. 6398 seeks to create has drawn such wide opposition from a broad spectrum of critics, including the President's own sister in the Senate, that one has to wonder if it has any redeeming value at all.

Much of the resistance seems based on distrust. It doesn't help that its main sponsors are led by the President's cousin and his wife, who are Speaker and party-list representative in the House of Representatives, respectively, and the President's son, also a congressman. These alone raise a red flag. Then they had to choose the controversial name from the spurious guerilla group that Ferdinand Marcos Sr. claimed to have led during World War II, and the name he favored at the height of his dictatorship to rename the country with. The bill also has the President himself chairing the fund's Board. But giving more substantive basis for the distrust are unsettling provisions granting the fund and its company blanket exemptions from taxes, and from laws meant to ensure transparency and good governance (GOCC Governance Act of 2011, Civil Service Act, Salary Standardization Law), prudent fund management (Dividends Law of 1994), and fair competition (Philippine Competition Act). And given how Malaysia's similar sovereign wealth fund was plundered by a former prime minister, fears for the same outcome here are not unfounded.

Even so, distrust alone cannot be enough basis to oppose an idea that is neither new nor unique. But beyond distrust, there are substantive reasons to oppose the measure, well rounded up in a statement released by several business and economic policy advocacy groups. The proposed fund, it notes, violates principles of fiscal prudence, additionality, social pension fund solvency, central bank independence, and good governance.

Several writers, including fellow Inquirer columnist Prof. Randy David, have noted how sovereign wealth funds elsewhere are created to manage accumulated surplus funds to best preserve and grow them for future generations. These may be proceeds of abundant natural resources such as oil, or funds from persistent trade surpluses and profits of state-owned enterprises. The Philippines has no such surplus funds; what we now have is excess debt and persistent trade deficits, especially following the pandemic and global trade disruptions. The government's focus must be on managing expenditures to keep the fiscal deficit and public debt from further growing and undermining public service delivery.

There is neither a need for nor added value from pooling funds from government banks (Land Bank and Development Bank of the Philippines) and pension funds (Government Service Insurance System and Social Security System) to earn higher returns. These institutions already have professionals managing their funds for maximum return, and pooling those funds could only raise vulnerability and risk from "putting all eggs in one basket." Requiring LBP and DBP to fund the MWF creates no new wealth. It merely leads to round-tripping money to the MWF and back—with substantial costs (and fat salaries) incurred in the process.

There's already a loud outcry against dipping into funds owned by paying members of GSIS and SSS, whose only focus must be maximum financial growth for those funds, and not mix economic and employment growth objectives professed for the MWF. As it is, GSIS and SSS funds reportedly give them an actuarial life of 40-43 years, far below the international norm of 70 years for actuarial sustainability. On the other hand, earmarking funds from the Bangko Sentral ng Pilipinas (BSP) and other government corporations to the fund clips the BSP's constitutional monetary policy independence, and reduces the government's ability to fund its deficits from those funds. The various exemptions already mentioned signal a dangerous return to less transparent and centralized economic decision-making, reversing the market-based private sector-driven economy that has propelled our economic growth for the last 36 years.

With no compelling reason to pursue the MWF, yet so many compelling reasons to be wary of it, the compelling imperative would be to drop it.

cielito.habito@gmail.com

2. **“The end of the world? (2)”**
from MAP Governor PETER WALLACE’s *“Like it is”* Column in the PHILIPPINE DAILY INQUIRER on December 5, 2022

The worst polluters paying the most susceptible, poorer countries to adjust to a higher temperature world, called “the loss and damage agreement” was the only positive outcome of the conference, achieved after a tumultuous two-day extension. But, desirable as that is, it does little to reduce the pollution of the atmosphere. What is particularly worrying is that the rich countries had tried to keep this funding off the agenda, but they were forced into it.

I’m impressed they did it. World leaders of the rich agreed to help the poor. The loss and damage fund will be created. A very reluctant United States, given the huge sums involved, was left with little choice if it wanted to escape global condemnation. But how Republicans will react now that they control the House puts a question mark on Biden’s capitulation. Achieving firm agreement and action on reducing carbon and methane emissions, which is the whole purpose of these conferences, was not successful.

There’s no question that the polluters should pay for the damage they’ve caused. But for it to have a sufficient impact, the bill will run into the many hundreds of billions of dollars, if not trillions. Where will you find a voting public willing to vote for their leaders to give the money they believe would be better used on themselves to some faraway land? Making it worse, how do you convince them to agree to turn over vast sums to politicians in countries ranked high in Transparency International’s corruption index? This will particularly be a problem if Trump, or one of his ilk, wins in 2024. US agreements can well be rescinded. Trump doesn’t even believe there is climate change.

Where will you find a dictator who will sacrifice the purchase of his new mega-yacht to fund a poor he despises?

A minor technicality: who defines who is rich and who is poor. Under the bizarre terms of the United Nations’ climate convention, China is defined as a developing country, so would be entitled to be a recipient. China’s climate envoy Xie Zhenhua even said that it was the responsibility of developed countries to help poorer countries pay for addressing climate change, but developing countries like China could contribute to loss and damage or other funds on a voluntary basis. So far, China has committed nothing.

So far, only five countries have pledged funding to help finance the loss and damage to developing countries. But what they’re committing is a joke: $92.5 million when hundreds of BILLIONS are needed. (Austria, $50 million; Canada, $18 million; New Zealand, $12 million; Ireland, $10 million; Belgium, a petty cash of $2.5 million.)

The US has done somewhat better with $100 million for climate adaptation (whatever that involves), and $150 million for disaster emergency response in Africa. As far as I can tell, none of this is toward reducing carbon emissions, only adapting to it.

A panel has been created that will spend the year till COP28 determining what the fund will look like, who will fund it, and who will get it. No easy task. At the 2009 COP, it was recognized that $100 billion per year was needed to support the climate-vulnerable poorer countries. The rich world promised $100 billion to fund help to the smaller countries. Thirteen years later, virtually, none of it had been provided. Political promises.

The outcome is likely to be long-delayed, and a fraction of need. Turning those promises into actual fund releases will be a different matter. Meanwhile, the world will continue warming.

As to reducing emissions, the commitments agreed to in Glasgow last year to keep the temperature rise to 1.5 degrees Celsius were not done. One has to ask, what were 500 people from fossil fuel companies doing at COP? They should be banned.

Russian president (hopefully not for much longer) Vladimir Putin has single-handedly accelerated pollution by his unconscionable war, forcing Europe to start up their coal plants again. But, in contrast, it may lead to cleaner air quicker — if Europe completely stops buying gas from Russia. As they certainly now want to do, as Russia can no longer be relied on. They should not shift back to fossil fuels, but to clean energy. The pressure will be immense for them to do so. That shift will need to include nuclear for 24/7 reliable baseload power. Solar and wind are good, but supplying only 2-3 percent today. Getting up toward 100 percent of renewable energy is an awfully optimistic scenario, but must be aimed for.

The rest of the agenda followed history, a history that dates back to 1965 when climate warming was first publicly recognized. The final agreement skirted key issues. They failed to agree to cut the use of all fossil fuels, as keeping temperature rise below 1.5 degrees Celsius commands. Instead, all they could agree on was sticking to the COP26 “phase down of unabated coal use.”

Mind you, there is quite a bit going on outside COP. Countries are independently working toward cleaner energy, green buildings, etc. And companies, too, with the shift to electric vehicles, more efficient solar panels, etc. But it’s not enough, it needs the actions COPs have promised.

The Economist summarized it perfectly when it said: "'We rose to the occasion,' crowed Egypt's foreign minister after COP27, the global climate summit that ended on Nov. 20. Hardly. The delegates failed to make a clear commitment to phase out the use of fossil fuels. The best they could produce was a vague agreement that rich countries should pay poor ones for climate-related 'loss and damage.'"

What this all says is that the drastic, immediate actions that have to happen, won't. We are doomed to an earth hotter than humans can adjust to. It's hard to see how the apocalypse can be avoided.

Email: wallace_likeitis@wbf.ph

3. "The end of the world? (2)" from MAP Assistant Treasurer ROMEO *"Romy"* L. BERNARDO's *"Introspective"* Column in the BUSINESSWORLD on December 4, 2022

"I am pleased to share with readers the political section of our latest quarterly outlook report for Globalsource Partners (globalsourcepartners.com), a subscriber-based network of independent analysts in emerging market countries, with headquarters in New York. Christine Tang and I are their Philippine Advisers.

President Ferdinand Marcos, Jr. gave himself a pat in the back for picking the "best and the brightest," when asked about accomplishments in his first 100 days. Those in business circles would readily agree that he made inspired choices, not only in the core economic departments but also in key line agencies critical to unlocking the economy's post-pandemic growth potential. Nevertheless, the general sentiment is that his cabinet is a mixed bag and many would be quick to add the hope that he will be able to find a suitable health secretary soon and a replacement for himself in the Agriculture department.

By now, political observers have come to the realization that the President is contented to give free rein to his cabinet in overseeing their respective portfolios. For departments led by any one of the "best and brightest," this may well be something welcomed. Indeed, one could see the positive outcomes in, for example, financial markets' buy-in of the fiscal consolidation program, the private sector's backing of the revised PPP rules, the re-centering of foreign policy after the past two administration's excessive pro-US then pro-China stances, and the swift actions on the energy front to encourage investments in oil exploration and power generation for energy security.

But while good results go with good leadership, the reverse appears true as well. Regrettably, soaring food prices has put the limelight on the President's turf, the Agriculture department. Early hopes that he would use his abundant political capital to hold sway over competing entrenched interests in the sector and exert a positive influence on bureaucratic inertia have faded away. Food prices have gone up by nearly 1% per month between the time he took office in July and October, and the price of sugar, the subject of an importation order he called illegal, increased 44% during the four-month period. Even now, we are told that decision makers in the agriculture sector are bickering unendingly over the size of import volumes for specific crops that are in short supply.

In the meantime, over at the Health department where the President has bafflingly said he would appoint a secretary after the health crisis is over, the vaccination drive appears to have lost momentum and it is unclear what the roadmap is for the highly under resourced sector. Currently, both the Health department and PhilHealth, government's struggling health insurance corporate vehicle, are headed by caretakers who are not empowered to take strategic policy reform decisions.

Given the mixed performance of the administration, dependent as it is on the leadership of individual cabinet members, the question of how President Marcos' cabinet will evolve in six to 12 months' time arises. The question has come up not only because the agriculture and health sectors feel rudderless at the moment but also because of two forthcoming developments. One, by mid-year, those who ran and lost in the May elections, who are not allowed by the Constitution to be appointed to government positions within a 12-month period, will become eligible. This will give the President an expanded pool of, possibly, electoral teammates to choose from, and, obversely, open the floodgates to hard lobbying by more political, less qualified office seekers. Two, crucial in a time of financial turbulence, BSP (Bangko Sentral ng Pilipinas) Governor Felipe Medalla, who has won the acclaim of the financial and broad business sector, is merely serving out the remaining term of his predecessor which expires end of June next year. Hopes have been pinned on his appointment to a full term to continue the excellent navigation during this time of global financial turbulence.

Adding to the uncertainty in the business environment is a widely publicized rumor suggesting that the economic team, especially the finance secretary, has lost the confidence of the President. The rumor, possibly orchestrated, followed the sudden appointment of a new chief in the powerful internal revenue bureau, Romeo Lumagui, Jr., a close family associate of the President. Mr. Lumagui replaced Secretary Diokno's choice, Lilia Guillermo, after less than five months on the job. Ms. Guillermo is a 30-year veteran of the tax bureau, whose last post was as assistant governor in the BSP after serving as undersecretary in the Budget department, both under Secretary Diokno.

The rumor was put to rest after the heads of the leading business organizations, the Makati Business Club, the Management Association of the Philippines, and the Philippine Chamber of Commerce and Industry, expressed full confidence in Secretary Diokno and the entire economic team, and the President subsequently dismissed it as fake news.

Nonetheless, speculations about changes in the composition of the economic team continue. It has not been lost on financial market players that the most prominently mentioned rumored replacement for Secretary Diokno is a close associate of former president, now congresswoman, Gloria Macapagal-Arroyo and the vice-president and daughter of the former president, Sara Duterte.

*****

And we also made a cautionary observation on a bill being rushed now in Congress.

The hotly debated congressional bill to create a sovereign wealth fund through the pooling of resources of government financial institutions will add to Philippine financial and fiscal risks. The proposal is poorly timed, with external balances under stress and government debt and borrowings elevated, and it raises the specter of Malaysia's 1MDB scandal, traced ultimately to poor governance.

Romeo L. Bernardo was finance undersecretary from 1990-1996. He is a trustee/director of the Foundation for Economic Freedom, the Management Association of the Philippines, and the FINEX Foundation. He also serves as a board director in leading companies in banking and financial services, telecommunication, energy, food and beverage, education, real estate, and others.

romeo.lopez.bernardo@gmail.com

PICTURES FROM THE DECEMBER 6, 2022 MAP CHRISTMAS PARTY


Vice Chair, MAP Health Committee
DICK


MAP
PROJECT 8 Jazz & Retro Band


BABES
CHARLIE


MAP


GRAND PRIZE
P50,000 CASH


EXIT


GRAND PRIZE
₱50,000 CASH


EXIT
EXIT
MAP
MAP Christmas Party 2022
featuring
PROJECT 8 Jazz & Retro Band


MAP
MAP Christmas Party 2022
featuring
EXIT

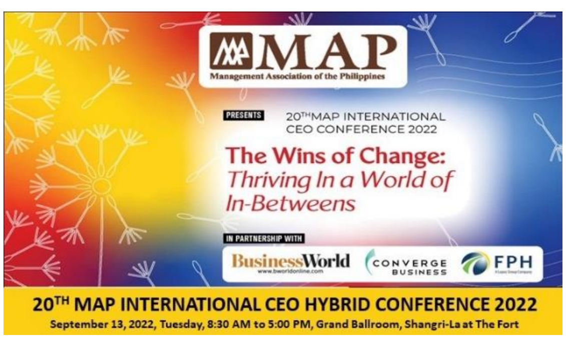
MAP Talks on Youtube

November 22, 2022
MAP Annual General Membership Meeting and
“MAP Management Man of the Year 2022”
Awarding Ceremony

November 11, 2022
3rd MAP NextGen Conference 2022

October 13, 2022
MAP GMM

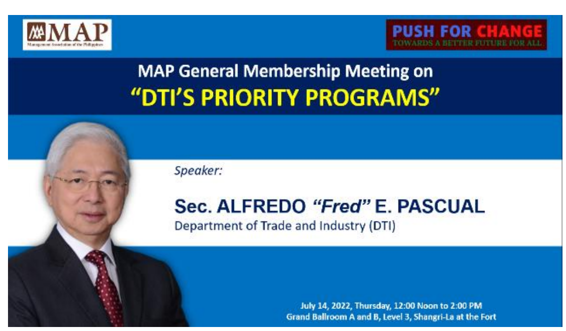
September 13, 2022
MAP International CEO Hybrid Conference



September 8, e2022
MAP – PMAP Joint GMM

August 19, 2022
MAP GMM

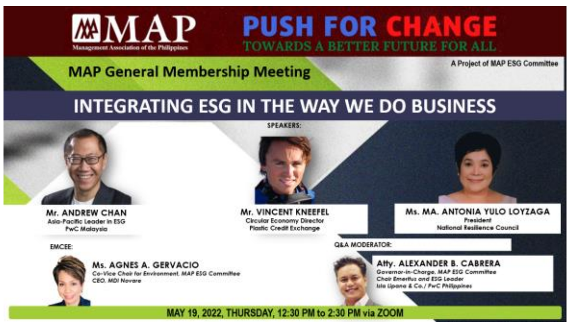
July 14, 2022
MAP GMM



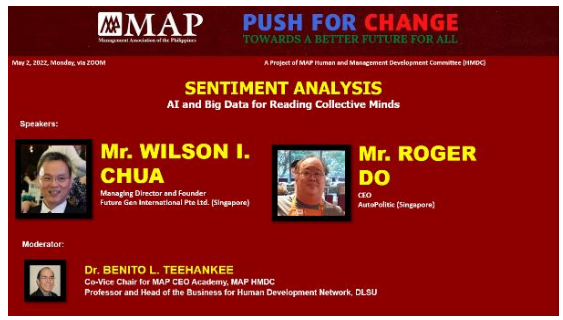
July 1, 2022
MAP Webinar

June 23, 2022
MAP GMM

May 19, 2022
MAP GMM



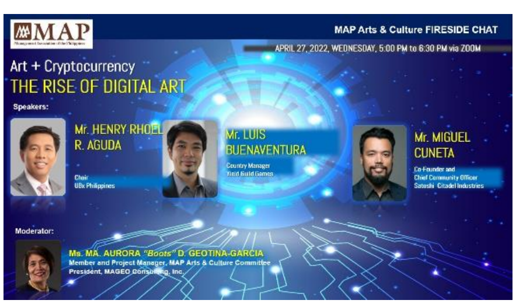
May 2, 2022
MAP Webinar



April 29, 2022
MAP Webinar

April 29, 2022
MAP Webinar

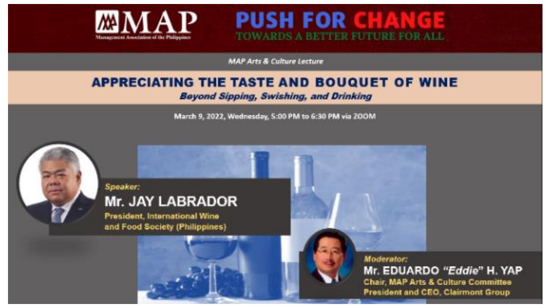
April 27, 2022
MAP Lecture



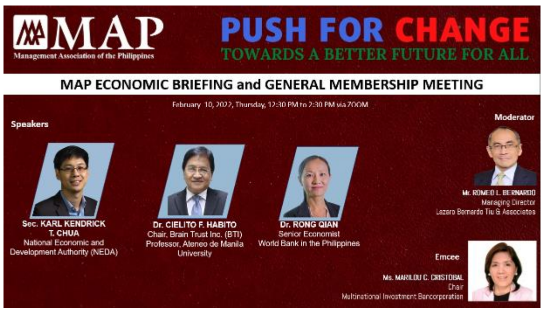
April 22, 2022
MAP Webinar

March 24, 2022
MAP General Membership Meeting

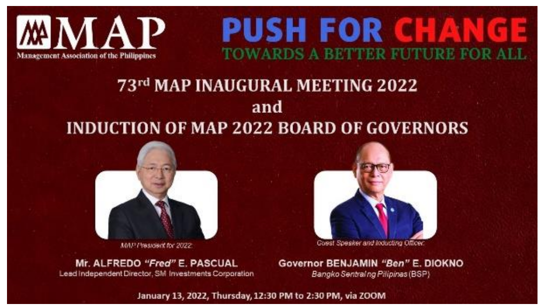
March 9, 2022
MAP Lecture



February 10, 2022
MAP Economic Briefing and
General Membership Meeting



January 13, 2022
MAP Inaugural Meeting and
Induction of MAP 2022 Board of Governors



Happy Birthday to the following MAP Members who are celebrating their birthdays within December 1 to 31, 2022

DECEMBER 1

1. **Mr. WINSTON *"Winnie"* A. CHAN**
2. **Mr. VENJOSEF *"Ven"* M. SIO**
   President, Sanitary Care Products Asia, Inc. (SCPA)

DECEMBER 2

3. **Atty. ENGELBERT *"Jojo"* C. CARONAN JR.**
   President and CEO, Development Academy of the Philippines (DAP)
4. **Dr. CHITO B. SALAZAR**
   President and COO, PHINMA Corporation

DECEMBER 3

5. **Mr. NOEL E. BONGAT**
   President & CEO, Corinthians Integrated Security, Inc.
6. **Mr. RONALD FRANCIS *"Ron"* M. DOMPOR**
   CEO, Fast Distribution Corporation
7. **Ms. EMMA IMPERIAL**
   President and CEO, Imperial Homes Corporation

DECEMBER 4

8. **Ms. PAMELA *"Pam"* M. DONATO**
   Vice President for HR-PHANZ, Sitel Philippines Corporation
9. **Mr. BENJAMIN *"Ben"* V. RAMOS**
   President and CEO, Eternal Gardens Memorial Park Corporation

DECEMBER 5

10. **Ms. MARIA CORAZON *"Corrie"* D. PURISIMA**
    Treasurer and Head of Global Markets, HSBC Philippines

DECEMBER 6

11. **Mr. EDMUNDO *"Ed"* S. ISIDRO**
    President, EI Operations Management Group, Inc.
12. **Mr. ROBERT *"Bob"* C. MEILY LEHMANN**
    President and CEO, Amalgamated Investment Bancorporation
13. **Ms. MARIA AZALEA *"Lea"* S. PACIS**
    Marketing Communications Director, Sanitary Care Products Asia, Inc. (SCPA)
14. **Mr. DANIEL RODRIGO *"Danny"* D. REYES**
    VP for Business Development, University of Asia and the Pacific (UA&P)
15. **Mr. ANTHONY JOSE *"Anthony"* M. TAMAYO**
    President, University of Perpetual Help System DALTA

DECEMBER 7

16. **Mr. ERIC NG MENDOZA**
    President and CEO, Mastercraft Philippines, Inc.

DECEMBER 8

17. **Mr. JOEY A. BERMUDEZ**
    Chair, Maybridge Finance and Leasing, Inc.
18. **Mr. LAWRENCE *"Law"* Y. FERRER**
    President and CEO, CIS Bayad Center, Inc.
19. **Atty. FELIPE *"Henry"* L. GOZON**
    Chair and CEO, GMA Network, Inc.

DECEMBER 9

20. **Mr. TOMAS *"Tim"* S. CHUIDIAN**
    SVP and Head of BPI Private Banking, Bank of the Philippine Islands (BPI)
21. **Mr. RICHARD ANTONIO *"Richard"* MORAN TAMAYO**
    President, University of Perpetual Help System DALTA Medical Center
22. **Atty. EDGAR S. TORDESILLAS**
    Corporate Counsel, Sun Life of Canada (Philippines), Inc.

DECEMBER 10

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25. **Ms. MHARICAR *"Cai"* CASTILLO REYES**
    President and CEO, Asticom Technology Inc.

DECEMBER 11

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    Representative, 1st District of Iloilo, House of Representatives
27. **Ms. MARIA CRISTINA *"Cristy"* C. GOTIANUN**
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29. **Mr. ALEXANDER *"Alex"* S. NARCISO**
    President, Sun Life of Canada (Philippines), Inc.

DECEMBER 12

30. **Mr. HERBERT *"Herby"* M. CONSUNJI**
    Chief Finance Officer, DMCI Holdings, Inc.
31. **Dr. ARTURO *"Art"* S. DE LA PEÑA**
    President and CEO, St. Luke's Medical Center
32. **Mr. FERDINAND *"Perry"* A. FERRER**
    Chair and CEO, Gruppo EMS, Inc.
33. **Dr. ANDREAS *"Andi"* KLIPPE**
    President and CEO, FLOOD CONTROL Asia RS Corporation
34. **Mr. AVIN CO ONG**
    CEO, Fredley Group of Companies
35. **Cong. ROMERO *"Miro"* F.S. QUIMBO**
    Representative - 2nd District of Marikina City, House of Representatives
36. **Ms. CHRISTINA *"Tina"* CHUA TAN**
    President, Suy Sing Commercial Corporation
37. **PM CESAR E.A. VIRATA**
    Corporate Vice Chair, Rizal Commercial Banking Corporation (RCBC)

DECEMBER 13

38. **Mr. SHIJU VARGHESE**
    President and Country Head, Tata Consultancy Services (Philippines) Inc.
39. **Sen. MANUEL *"Manny"* B. VILLAR JR.**
    Chair, Vista Land and Lifescapes, Inc.
40. **Mr. ROBERT L. YUPANGCO**
    President, Zoomanity Group

DECEMBER 14

41. **Mr. FRANCISCO *"Frank"* R. BILLANO**
CEO, President and General Manager, Interphil Laboratories, Inc.
42. **Ms. VICTORIA *"Viksi"* Z. EGAN**
43. **Dr. JESUS *"Jess"* P. ESTANISLAO**
Chair Emeritus, Institute of Corporate Directors (ICD)
44. **Mr. EUSEBIO *"Bimbo"* M. GARCIA JR.**
Director, Chemphil Group of Companies
45. **Mr. ZDENEK *"Z"* JANKOVSKY**
Executive Director and Corporate Treasurer, HC Consumer Finance Philippines, Inc. – Home Credit
46. **Dr. PHILIP *"Popoy"* E. JUICO**
Chair, Kennedy Energy and Development Corporation

DECEMBER 15

47. **Mr. RAMON *"Mon"* F. GARCIA**
Managing Partner, Ramon F. Garcia and Company, CPAs
48. **Mr. GIL B. GENIO**
Chief Technology and Information Officer, Globe Telecom, Inc.
49. **Mr. WILSON P. NG**
President and CEO, Ng Khai Development Corporation
50. **Mr. ELFREN ANTONIO *"Boyie"* S. SARTE**
President and CEO, Robinsons Bank Corporation

DECEMBER 16

51. **Mr. VINCE LAWRENCE *"Vince"* L. ABEJO**
Chief Sales and Marketing Officer, Filinvest Land, Inc.
52. **Mr. JAMES PATRICK *"James"* A. ALBA**
CEO, Vendo Corporation
53. **Mr. MICHAEL *"Mike"* L. ESCALER**
CEO, All Asian Countertrade, Inc.
54. **Mr. PHILLIP *"Phil"* L. ONG**
Chair, Santeh Feeds Corporation
55. **Ms. SUSAN GRACE *"Susan"* C. RIVERA**
Managing Consultant, Talent, Leadership and Change (TLC)

DECEMBER 17

56. **Mr. CHRISTIAN DANIEL *"Chris"* S. FERRERAS**
COO, Manila Uni Capital Group of Companies
57. **Mr. RAUL L. IGNACIO**
President and General Manager, MPTC / MPT Mobility
58. **Atty. MARIA PURISIMA *"Mimi"* Q. SISON**
Board Director, Caleb Motor Corporation

DECEMBER 18

59. **Mr. CESAR A. BUENAVENTURA**
Senior Partner, Buenaventura, Echauz and Partners
60. **Ms. MA. RHODORA *"Ayhee"* L. CAMPOS**
Country Head, Infosys BPO Limited

DECEMBER 19

61. **Ms. GINA MARIE *"Gina"* G. ANGANGCO**
Deputy CEO, Armscor Global Defense, Inc.
62. **Dr. ELFREN S. CRUZ**
Chair, Lockton Philippines Insurance and Reinsurance Brokers, Inc.
63. **Atty. JOHN PETER FERDINAND *"Ferdi"* S. ECHIVERRI**
Head of Stakeholder Relations, Global Communications, PMFTC, Inc.

DECEMBER 20

64. **Engr. LIBERITO *"Levy"* V. ESPIRITU**
President, Datem, Inc.
65. **Mr. GENARO VISARRA *"Genju"* LAPEZ**
Independent Director, China Banking Corporation (Chinabank)
66. **Ms. ROWENA LIZA *"Rowena"* D. SAQUIN**
VP and General Manager, Fisher Rosemount Systems Inc. - Philippine Branch (FRSI-PB)

DECEMBER 21

67. **Ms. OLIVIA *"Olive"* LIMPE AW**
President and CEO, Destileria Limtuaco and Company, Inc.
68. **Mr. LEONARDO *"Jun"* D. CUARESMA JR.**
Managing Partner and COO, P&A Grant Thornton
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Independent Director, SM Investments Corporation
70. **Mr. GERARDO *"Gerry"* A. PLANA**
President and CEO, Investors in People Philippines
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Consultant, Inter Pacific Capital Corp.
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Chair and President, Capital Shares Investment Corporation

DECEMBER 22

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President, Manila Hotel
74. **Ms. SYLVIA STOLK**
VP - Operations, Maxicare

DECEMBER 23

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Chair and President, Mejora Ferro Corporation
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SVP and CFO, Torre Lorenzo Development Corporation
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DECEMBER 24

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President, Pamantasan ng Lungsod ng Maynila (PLM)

DECEMBER 25

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President and CEO, Asia Select, Inc.
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CEO and Founder, Intellection Corp. Philippines / Singapore
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DECEMBER 26

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Director, Intra Strata Assurance Corporation
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Chair, Jolliville Holdings Corporation

DECEMBER 27

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Managing Director and Head - Macquarie Capital Philippines, Macquarie Group of Companies (Manila Office)

DECEMBER 28

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CEO, Rudolf Lietz, Inc.

DECEMBER 29

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    Chair and CEO, Concepcion Industries, Inc.
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    Chair, RFM Corporation
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    Chair, Caelum Developers Inc.
92. **Mr. REMY *"Rem"* T. TIGULO**
    Chair, Chemitron Enterprises, Inc.
93. **Ms. IMELDA *"Ida"* C. TIONGSON**
    President and CEO, OPAL Portfolio Investments (SPV-AMC) Inc.

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94. **Mr. EXEQUIEL *"Jun"* P. VILLACORTA JR.**
    Chair and President, Financial Advisers and Strategic Thinkers, Inc.

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