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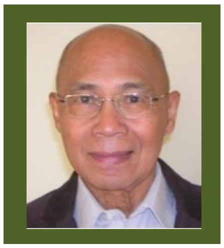

"MAPping the Future" *column in INQUIRER*

"Finding a New Social Role for the University"

January 9, 2023

Dr. NICETO "Nick" S. POBLADOR

The Board of Regents of the University of the Philippines (UP) has recently elected a new UP President in the person of Atty, Angelo A. Jimenez, a former member of UP's Board of Regents and erstwhile Labor attaché to Kuwait.

The UP's incoming President has vowed to transform the country's premier university into a world class institution. In pursuing this vision, he faces the daunting task of burnishing the University's image which has been tarnished by its recent decline in the world's ranking of universities.

The function of the university in modern society

The universally accepted role of a university as a specialized social institution is to create and disseminate knowledge. In free societies, it also serves as the citadel of academic freedom and open expression of ideas.

In most of the developing world, the university also has the added responsibility of serving the material needs of society. This goal is achieved not by directly engaging in the production of goods

(continued on page 2)

"MAP Insights" *column in BUSINESSWORLD*

"What are Energy REITs?"

January 10, 2023

Ms. CHIT U. JUAN

Many investors stick to blue chip stocks, real estate and telcos usually, as these are proven to have a high demand and limited supply. Besides these two categories, food and beverage despite the challenges to agricultural products remain a top favorite of investors. Sexy businesses like restaurant chains have lots of appeal as consumers feel their ownership especially when they directly patronize the very establishments their stockholdings support.

But what about the new breed of investments called REITs? First, they are a new category worth a deeper look because they live on incomes of the chosen sector—be it real estate and in the case of the even newer subcategory, energy REITs. Take solar, for example.

I recently went on a field trip to see how a solar farm works and how important it is to build more of these farms. I got very interested because solar farms seem to be like lifeless industrial farms, yet they also can create value with agricultural crops

(*continued on page 3)*

"Finding a New Social Role for the University". . .
(from page 1)

and services as do business firms, nor through acts of altruism, but by implementing appropriate strategies for the creation of new knowledge and making this accessible to the relatively deprived and economically disadvantaged members of the community.

A major problem faced by Philippine society today is the disenfranchisement of a large segment of society that is mired in abject poverty and the increasing concentration of wealth and income in a small number of individuals.

While economic inequality is largely the outcome of the failure of the state to serve the material needs of economically disadvantaged members of the community and to provide equal access to economic opportunities to all, business, too, has been equally culpable.

Curricular reform and the alleviation of poverty

The University can help address the problem of poverty and economic inequality in the country by designing and implementing innovative programs and courses in business management.

The UP System today has several academic units that offer degree courses in management and business administration. These include the Virata School of Business in UP Diliman, the School of Management at UP Mindanao, and the Institute of Management at UP Baguio.

By and large, the programs and courses offered by these units are business friendly and emphasize measures by which business firms can enhance profits, or shareholder wealth – often at the expense of the wellbeing of the other contributors to the production of economic value – customers, workers, business partners, and the community.

We hold the contrary view that business enterprises can achieve their traditional strategic objectives by creating rather than by appropriating economic value for all their stakeholders. [This is the central theme of my recently published book, STRATEGY IN THE NEW AGE OF CAPITALISM: Collaborative and Inclusive Approaches to Value Creation (UP Press, 2022).]

To do so, however, business practices – and business education! – should be rethought to make them more focused on the material interests of the economically disadvantaged members of society, notably manual workers, small investors and owners of small business enterprises.

We also urge the Commission on Higher Education (CHED) to encourage other colleges and universities in the country to rework their business curricula along the lines that we recommend.

(The article reflects the personal opinion of the author and does not reflect the official stand of the Management Association of the Philippines or MAP. The author is a Retired Professor of Economics and Management at UP Diliman. Feedback at <map@map.org.ph> and <nspoblador@gmail.com>).

"WHAT ARE ENERGY REITs?". . .
(from page 1)

growing around the property. Root crops like turmeric, for example, can grow around the solar panels without changing the output of each panel. Other free areas can be planted to sun-hungry vegetables, even high-value arugula or the lowly pechay.

What are other advantages of Solar farms?

Feed in Tariff (FIT) is a fixed payment

As explained by experts in the team during our field trip, the electricity generated from solar, wind, run-of-river hydro and biomass power plants approved by the Department of Energy (DOE) and Energy Regulatory Commission (ERC) are delivered to us consumers to our homes immediately through different transmission and distribution lines. These renewable energy (RE) plants then receive payments from the market operator in the spot market and the National Transmission Corporation (TRANSCO) under the Feed In Tariff (FIT) system of government for a fixed period of 20 years. ERC has approved FIT rates for each of these RE projects based on reasonable return of investment in these RE projects. If the payments of the market operator are not enough, then remaining FIT cost of generated electricity shall be paid by consumers through FIT-allowance (FIT-All) charge per kWh in our electricity bills. So, there is in fact a sure taker or buyer for the electricity generated by these solar farms: us electricity consumers. FITs then become a sure winner and the ERC-approved margin becomes a sure profit for the investing public. This is why REITs in solar power can promise certain returns for the next 20 years. That's sure income for a long period of time.

Energy demand will remain higher than supply

The electricity demand rises during summer months as more people use air conditioners, electric fans, air coolers and even ref and freezers run on overtime. Why do brownouts or power outages occur? There just is not enough supply available, whether coal or renewable. Why did this happen? We sat on our power choice decisions too long, too late. And in the past, the focus was all about the supposed cheaper coal. So for the next 5-6 years, unless half of us decide to live elsewhere where we do not need air-conditioning, power supply will be negative. And this is why solar farms need to be multiplied many times over. But for those who will only invest now, profits may not be as handsome as those of the first-movers, who were able to get into the FIT program. But still, there are profits to be made.

Agro-solar farming is a reality

When you put up solar farms, you need a whole village to maintain and protect the hard assets while looking for soft profits like community engagement, livelihood opportunities and agriculture production. This will be the case in every project as agricultural land will need soil regeneration and projects that contribute to biodiversity. Besides using the soil as the surface for installation of the solar panels, helping dry acidic soil recover is another plus point for solar farming. You can watch soil recover, you can actually make soil while watching the solar panels do their work. The regenerated soil can then be a medium for various crops that the community can consume as well as sell, if they have any extra production.

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It was also unfamiliar to invest in, except for forward-thinkers and first movers.

When something is so new, it takes a gutsy entrepreneurial mindset to enter a new field, literally a new energy field. Putting up solar also poses challenge in terms of finding large tracts of land. The government needs to make sure that we also keep enough lands for agriculture and our food security.

With coal prices now at P9-11/ kilowatt and solar at P3.50-4.00/ kilowatt you will not need rocket science to know where to invest your money. Solar and even wind power are the better choices.

Maintenance-wise, you just need to wipe these panels clean of dust, like cleaning your glass windows, or your walls. And if you have plants growing around the panels, you will even have less dust and more vegetables.

If the demand is there for the next 5-6 years until we play catch up, it is worth investing in solar energy for your home, for your plant or even just for your portfolio. Diversifying your portfolio and adding some renewable energy REITs may do well for your financial planning.

It is amazing to hear about the state of our energy demand and supply from experts I met from Department of Energy (DOE). It is worth sitting down with your board on how to participate in this opportunity to not only stay away from coal and oil, but to do Mother Nature a favor. In our own manufacturing plant, we installed solar panels on the roof and so far we have already reduced our electric bill by 10%. Imagine a whole farm –tracts of land as far as your eyes can see—which can generate free power.

As I was on a road trip in Spain recently I googled their use of Renewable Energy (RE) and found out is a happy 45% because I saw a lot of wind farms and solar farms along the way. We could do this, too.

In the meantime, you can also join the joyride by supporting companies who invest in Renewable energy (RE) and watch your profits grow while taking care of the environment, too.

It’s time to ask your investment counselor about energy REITs.

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PHILIPPINE DAILY INQUIRER

BOARD TALK

Business Features Editor
Doris Dumlao-Abadilla

Which of these trends will you miss in 2023?

PROFIT PUSH

TOM OLIVER

The more you become aware of trends, the more you can surf them like waves and use them for your business. If you do not, you risk being caught blindsided and even drowning

Big changes bring big opportunities. It is fundamentally important to keep your ears close to the ground and constantly obsess over trends.

I will highlight some of the global trends that will surely influence many of my readers' businesses to sharpen your awareness, and hopefully those of your teams, for the importance of trends and how they can impact your business.

Why trends are the basis of your success—or failure

As the trusted advisor and counselor to many of the world's most influential companies, family businesses, market leaders and conglomerates, I am like a doctor who sees many, many cases. This allows me to not only see patterns, but also clear cause-effect relationships.

One of these cause-effect relationships is that the companies that constantly obsess over trends have much less to worry about than the ones that do not. Many of the famous failures in corporate history—from Nokia to Blackberry, from Myspace to Yahoo, from Kodak to Pan Am and Toys R Us—can be traced back to clear neglect of trends analysis.

If you are still not worried because you think you are in a comfortable market position or even a market leader, think again: Since 2000, around 52 percent of Fortune 500 companies have either ceased to exist, been purchased or gone bankrupt.

Case studies

Most companies don't analyze trends and their impact and are caught being reactive rather than proactive. The more you become aware of trends, the more you can surf them like waves and use them for your business. If you do not, you risk being caught blindsided and even drowning like the famous failures I mentioned above.

One of our Asian clients in the fast-moving consumer good industry asked us to do a five-year strategic road map with their entire group of companies before their massive global expansion. What became clear during our work with them was that they had not taken some fundamental trends into account that would have a big effect on their customer base. One of these trends could have easily eroded their profits.

We taught them that relevance creates response. As a result, they changed their expansion model, diversified the group and changed the marketing approach toward their younger audience to become more relevant.

Coca-Cola approached us with a request for support to one of their largest bottlers at a time when they were facing political and economic uncertainty in some of their key territories. In our analysis of trends, we found that despite all the uncertainties and major changes in these countries, the underlying trends would still support the rising consumption of their core products. What they rather had to focus on to weather the storm was to unify their teams across borders.

ILLUSTRATION BY RUTH MACAPAGAL

Global trend: Deglobalization

If the pandemic and the Russian-Ukraine-North Atlantic Treaty Organization (NATO) conflict have taught the world a lesson, it is above all how much more interconnected and truly globalized our world economies have become. As one of our Asian clients in the food manufacturing industry put it, "At a time when the effects of the pandemic were still ongoing, who would have ever imagined that a distant war would have such a crippling impact on the global economy?"

However, the pandemic and the Russian-Ukraine-NATO conflict have also instilled fear in most countries and have started to cause de-globalization. Countries want to become more self-reliant and independent to avoid overdependence on others.

Global trend: Independence and self-sufficiency

Think about how resources are going to be allocated going forward. In the last decades, the allocation of resources has mostly been driven by economic considerations and profit. Resources and capital would go where products could be produced for the least amount of money.

We are now moving to a situation where there is more ideological or political resource allocation due to conflicts like the one between Russia and Ukraine. But it's also due to the two superpowers China and the United States competing for global dominance. Thus, we will certainly be witnessing more problems like trading restrictions in the future.

We will also be seeing considerably more nationalism, independence and self-sufficiency in countries. Why? Because countries are worried that they could be cut off in the event of a war but also that they might be too dependent upon other countries if a similar unforeseen event like the global pandemic may strike out of the blue.

Global trend: Rising prices and inflation

In a world where we are moving away from an efficient global economy to one where resources are allocated in part due to ideological or political considerations, this drives up prices and increases inflationary tendencies. Inflation is additionally supported by rising supply chain prices and bad monetary policy. Economies such as the United States have been printing too much money and accumulating too much debt.

The Russian-Ukraine-NATO conflict has changed the entire energy consumption economics for a large part of the world, away from a most efficient sourcing model to one motivated by political and ideological alliances. Countries have to take political sides, which impacts their economic decisions.

With the United States and China continuing to battle for superpower domination, countries the world over will have to take sides again and again in the future. Power alliances will dictate political decisions and therefore economic decisions as well.

Global trend: China's impact on the world

China's population is in decline for the first time now since the great famine in the 1950s. Its population projections could mean higher labor costs and that this may no longer become the "Chinese century." India, whose population is expected to overtake China within this coming decade, could assume a much stronger position then.

However, if China will no longer be one of the leading economic engines as it has been for much of the last 20 years, this will mean higher, not lower, costs for the global economy and the production of goods.

A global recession?

While forecasts like these are always tricky, and timing is even harder to predict, gurus like renowned investor Stanley Druckenmiller warn that rising inflation, the war in Ukraine, rising interest rates and deglobalization could push the odds of a global recession to the highest in decades.

Three to thrive

Someone in your company needs to know how to translate the impact of these global trends and others on your economy, your industry and your businesses.

If you have not made trends impact analysis a core priority of your annual strategic planning sessions and long-term road maps, you are in for some big surprises. Analyze these: How can we exploit this trend for our business? What impact will it have on our industry? How will it change the needs and preferences of our customers and clients? How can we serve them even better knowing this? Do we need to pivot or introduce new products or services?

If you don't have the expertise in trend analysis in-house, get the right experts to support you. INQ

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 Tom.Oliver@inquirer.com.ph.

Finding a new social role for the university

MAPPING THE FUTURE

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A major problem faced by Philippine society today is the disenfranchisement of a large segment of society that is mired in abject poverty and the increasing concentration of wealth and income in a small number of individuals.

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To do so, however, business practices—and business education—should be rethought to make them more focused on the material interests of the economically disadvantaged members of society, notably manual workers, small investors and owners of small business enterprises.

Proposed reforms

Specifically, I recommend the following guidelines for curricular reform in the university:

• Management courses and programs should be revised to give more emphasis on the creation and utilization of human capital, today's most important resource, of which knowledge is a major component, and less on the management of physical and financial assets;

• Put more emphasis on the development of worker and entrepreneurial skills and technical capabilities, and less on sophisticated and complex corporate managerial decision-making tools; and

• Greater importance should be given to the training of workers, individual entrepreneurs and managers of small and medium enterprises—which comprise the majority of productive enterprises in the country and employ the larger majority of workers—and less on the development of managerial and technical skills of future executives of large corporate entities.

We also urge the Commission on Higher Education to encourage other colleges and universities in the country to rework their business curricula along the lines that we recommend. INQ

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What are energy REITs?

MAP INSIGHTS
CHIT U. JUAN

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But what about the new breed of investments called real estate investment trusts (REITs)? First, they are a new category worth a deeper look because they live on incomes of the chosen sector — be it real estate and, in the case of the even newer subcategory, energy REITs. Take solar, for example.

I recently went on a field trip to see how a solar farm works and how important it is to build more of these farms. I got very interested because solar farms seem to be like lifeless industrial farms, yet they also can create value with agricultural crops growing around the property. Root crops like turmeric, for example, can grow around the solar panels without changing the output of each panel. Other free areas can be planted to sun-hungry vegetables, even high-value arugula or the lowly *pechay* (bok choy).

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FIT IS A FIXED PAYMENT

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ENERGY DEMAND WILL REMAIN HIGHER THAN SUPPLY

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So, for the next five to six years, unless half of us decide to live elsewhere where we do not need air-conditioning, the power supply will be negative. And this is why solar farms need to be multiplied many times over.

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AGRO-SOLAR FARMING IS A REALITY

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Ten predictions on energy markets in 2023

MY CUP OF LIBERTY
BIENVENIDO S. OPLAS, JR.

Continuing this column's "Top 10" economic series, this 4th installment will cover energy projections for 2023, five global and five national predictions.

1. World oil demand will reach 102 million barrels per day (mbpd).

Data from the Organization of the Petroleum Exporting Countries (OPEC) show that world oil demand was 100.18 mbpd in 2019, 91.16 mbpd in 2020, and 97.01 mbpd in 2021. OPEC projects 99.56 mbpd in 2022, and 101.77 mbpd in 2023. Big demand will come from the US and China, with a combined 36 mbpd next year.

2. World oil supply will likely reach 102 mbpd too.

The liquids supply — crude, non-gas liquids or NGLs, other non-conventional liquids — from non-OPEC countries, which include the USA, Russia, and Canada, will reach 67.1 mbpd. OPEC crude and other liquids will likely reach 35.5 mbpd, so this column predicts a world supply of 102.6 mbpd this year. All oil-producing countries except Russia are expected to have a continued rise in output (*see Table 1*).

3. The decline in fossil fuel (FF) consumption by rich countries will continue.

Using the data in Table 2 of this column's "Top 10 energy stories/ideas 2022" (Dec. 19, 2022) to make projections for 2023, the USA and Canada — with a projected consumption of 223-230 petajoules (PJ) per million population — will soon be overtaken by South Korea and Taiwan with 202-214 PJ this year. Singapore will remain the most fossil-fuel intensive country in the world with about 660 PJ this year.

4. China will overtake Germany in kilowatt hours (kWh) per capita power generation.

In 2021, China saw power generation of 6,042 kWh/person while Germany had 7,026 kWh/person. This year, China will have about 8,076 kWh/person while Germany will have 7,021 kWh/person. Because China and most Asian countries will expand their fossil fuel use, their power generation per capita keeps rising, which is not happening in Germany and the industrialized west.

5. The industrialized west will slowly realize the folly of ditching fossil fuel plants and relying on intermittent power production.

Germany, the largest economy in Europe, is currently led by the politically socialist Social Democratic Party (SPD), and the ecological socialist Greens Party. Their smaller partner, the Free Democratic Party (FDP), will try to inject some sanity into economic and energy policies but both SPD and Greens ran on a strong anti-fossil fuel, anti-nuclear power platform. Such an ideology is detached from the reality of possible blackouts in winter, so Germany has begun to run their old coal power plants again to void blackouts. This trend will continue in many other industrialized countries.

6. The Philippines will finally reach 1,000 kWh/person in power generation.

From 589 kWh/person in 2000 and 982 in 2021, we should reach around 1,044 kWh/person in power generation this year — the first time that we will reach the 1,000 kWh/person mark. It should be clear that we should aspire to expand power generation in megawatt-hours (MWH), not just megawatts (MW). A 1,000 MW solar farm will have a dependable capacity of only around 180 MW, while a 1,000 MW coal or gas plant will have a dependable capacity of around 800 MW. So, power generation in 24 hours is much higher under fossil fuel plants than intermittent solar or wind power.

7. But yellow-red alerts, and near blackouts will continue this year.

Until December 2022, both the Luzon and Visayas grids experienced yellow alerts due to thin and insufficient power reserves.

TABLE 1

World oil demand and supply, mbpd

Country, region	Oil demand 2021	Oil demand 2022*	Oil demand 2023*	Country, OPEC and Non-OPEC	Liquids supply 2021	Liquids supply 2022*	Liquids supply 2023*
US	20.03	20.54	20.69	US	17.85	18.98	20.13
China	14.97	14.79	15.32	China	4.31	4.46	4.49
Russia	3.61	3.53	3.62	Russia	10.8	10.96	10.11
India	4.77	5.16	5.41	Canada	5.4	5.6	5.8
Europe	13.13	13.65	13.68	Brazil	3.6	3.7	3.9
Other Asia	8.63	8.98	9.33	Total Non-OPEC	63.68	65.57	67.11
Middle East	7.79	8.22	8.55	Saudi Arabia	9.11	10.5	--
Latin America	6.23	6.41	6.55	Iraq	4.05	4.42	--
Africa	4.22	4.36	4.55	UAE	2.73	3.06	--
Other Eurasia	2.93	2.84	3.06	Kuwait	2.42	2.7	--
Processing gains	2.29	2.40	2.47	Iran	2.39	2.55	--
				OPEC crude	26.35	28.8	--
				OPEC other liquids	5.28	5.39	5.44
Total World	**97.01**	**99.56**	**101.77**	**Total World**	**95.3**	**99.76**	--

*FORECAST 2022 AND 2023. FOR OPEC CRUDE, 2022 IS Q1-Q3 AVERAGE, ACTUAL.
SOURCE: OPEC, MONTHLY OIL MARKET REPORT, DEC. 2022. DEMAND, TABLES 4-1, 4-2; SUPPLY, TABLES 5-1, 5-2, 5-6, 5-1.

TABLE 2

GDP per capita, fossil fuel (FF) consumption and electricity generation

Country	FF, PJ per million 2000	2021	2000-21 % ch.	Implied % ch./yr	Projection 2023	kWh/person 2000	2021	2000-21 % ch.	Implied % ch./yr	Projection 2023
A. US	296.2	227.8	-23.1	-1.1	222.8	14,355	13,265	-7.6	-0.4	13,169
Canada	277.2	234	-15.6	-0.7	230.5	19,702	16,769	-14.9	-0.7	16,531
Mexico	54.5	46.3	-15.0	-0.7	45.6	2,061	2,605	26.4	1.3	2,670
Brazil	26.6	31.2	17.3	0.8	31.7	2,008	3,078	53.3	2.5	3,234
B. Germany	149.8	114.9	-23.3	-1.1	112.4	7,077	7,026	-0.7	0.0	7,021
UK	146.3	81.3	-44.4	-2.1	77.9	6,403	4,601	-28.1	-1.3	4,478
France	105.1	71.7	-31.8	-1.5	69.5	9,174	8,361	-8.9	-0.4	8,290
Italy	123.3	87.6	-29.0	-1.4	85.2	4,860	4,848	-0.2	0.0	4,847
Russia	156.4	186.8	19.4	0.9	190.3	6,000	7,949	32.5	1.5	8,195
C. Japan	143	120.6	-15.7	-0.7	118.8	8,670	8,125	-6.3	-0.3	8,076
Korea	147.4	206.6	40.2	1.9	214.5	6,179	11,606	87.8	4.2	12,577
Taiwan	144.7	195.5	35.1	1.7	202.0	8,297	12,446	50.0	2.4	13,039
China	31.5	92.3	193.0	9.2	109.3	1,070	6,042	464.7	22.1	8,716
India	11.7	22.8	94.9	4.5	24.9	541	1,231	127.5	6.1	1,381
D. Singapore	398	626.2	57.3	2.7	660.4	7,861	10,229	30.1	1.4	10,522
Malaysia	90.2	116.9	29.6	1.4	120.2	2,975	5,420	82.2	3.9	5,844
Thailand	41.3	67.8	64.2	3.1	71.9	1,517	2,521	66.2	3.2	2,680
Indonesia	19.5	27.4	40.5	1.9	28.5	452	1,136	151.3	7.2	1,300
Vietnam	7.8	33.9	334.6	15.9	44.7	335	2,485	641.8	30.6	4,004
Philippines	**11.5**	**15.7**	**36.5**	**1.7**	**16.2**	**589**	**982**	**66.7**	**3.2**	**1,044**

SOURCES: IMF WEO OCT 2022, BP SRWE 2022. PER CAPITA ARE AUTHOR COMPUTATIONS.

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75TH MAP INAUGURAL MEETING and INDUCTION OF MAP 2023 BOARD OF GOVERNORS

January 31, 2023, Tuesday, 11:45 AM to 2:00 PM
Grand Ballroom A and B, Level 3, Shangri-La The Fort

Guest Speaker and Inducting Officer
Chief Justice ALEXANDER G. GESMUNDO
Supreme Court of the Philippines

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MAP Theme and Priority Programs for 2023

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MAP Circular 002 - 2023

1. "Tycoons' thoughts" from MAP Governor CIELITO *"Ciel"* F. HABITO's *"No Free Lunch"* Column in the PHILIPPINE DAILY INQUIRER on January 10, 2023

Can big business conglomerates become forces for promoting inclusive economic development? The casual observer might find this hard to expect. After all, the history of business empires in rich countries pointed to a seemingly natural tendency for growing concentration of economic power—i.e., more exclusion rather than inclusion.

At its peak, the Rockefeller business empire controlled 90 percent of the American oil industry, after growing from much smaller beginnings. In a 2001 book about John D. Rockefeller, Grant Segall described the tycoon's approach to growing his petroleum business as a "self-reinforcing cycle of buying the least efficient competing refiners, improving the efficiency of his operations, pressing for discounts on oil shipments, undercutting his competition, making secret deals, raising investment pools, and buying rivals out." Similar stories could be found in the origins and growth of the zaibatsus of Japan and chaebols of Korea.

This tendency for increased concentration and exclusion in a free market economy draws from the principle of economies of scale, which bestows a cost advantage on larger firms, allowing them to undercut and drive smaller competitors out of business. Many end up selling out to the dominant firm as it "eats up" the competition, Pac-Man style. The counterforce to this natural trend in order to achieve a more inclusive economy can only come from either the state (via regulation) or big business itself (via voluntary and responsible action).

Who takes responsibility for achieving inclusive development? I asked this question of four business tycoons I interviewed last year for a forthcoming Ateneo book on the topic. There appears to be consensus that inclusive development is a shared responsibility among the three major pillars of society, namely, government, private business, and civil society. Jaime Augusto Zobel de Ayala noted: "Given the broad scope of inclusive development, the challenges that it seeks to address are certainly more complex and cannot be resolved by a single or even a couple of sectors. It takes a broad coalition, with each member playing its respective part, in ensuring that these complex challenges are effectively addressed." Hence, he believes that "government, civil society, and private enterprises must all contribute their unique, complementary strengths; and contribute their fair share."

Josephine Gotianun-Yap agrees, noting that inclusive development is multidimensional, with each sector having an important role to play. Sabin Aboitiz stresses the urgent need for a truly cooperative "whole of society approach" in the pursuit of inclusive development, where "it is imperative that each sector of society work not just together, but also with equal contributions of effort and commitment, towards a common goal for the common good, which is closing the gap for the marginalized."

Still, Lance Gokongwei observes that in the end, much rests on the government. "If you look at how things have played out elsewhere, you have civil society and business trying to influence government, which ultimately decides and acts as final arbiter." He notes how American President Theodore Roosevelt, under his Square Deal platform, effectively ended the "Gilded Age" of powerful trusts and monopolies that had widened the gap between rich and poor in 19th-century America. But while the government makes the rules, observes Aboitiz, they must view the business sector as an essential partner. "They must provide and sustain an environment that enables, encourages, and promotes investments," he asserts, "particularly to spur rural development in areas farthest away from the 'corridors of power.'" But as the government plays its role, Gokongwei stresses the need for proper balance, and cautions against "too much regulation to the point of stifling entrepreneurship, or too little to the point of fostering massive inequality."

In this day and age when even big businesses have taken the United Nations' Sustainable Development Goals to heart, we look to business leaders to take responsible actions to make their conglomerates forces for inclusion, rather than exclusion.

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2. "2023? (2)"
from MAP Governor PETER WALLACE's *"Like it is"* Column in the PHILIPPINE DAILY INQUIRER on January 9, 2023

The new government is still learning its way. Hopefully, as the year progresses, we'll get a better idea of where President Marcos Jr.'s priorities lie and what his style of management will be. He's said agriculture is the top priority, as it must be, but he's started off on the wrong foot by appointing himself secretary. Sooner rather than later, he needs to change that and appoint a permanent head. So, too, with health, it cannot go on headless. It needs strong and inspired leadership now. His new year's resolutions must include making those two appointments with utmost urgency.

Tourism should be high on the list of sectors to promote since, more than any other sector, it employs the poorly educated of which we have far too many. Workers in the hospitality industry need minimal skills that can be readily learned, and tourism develops in the countryside, where employment is most needed.

At the other end of the scale is IT. This is the world of 2023, and beyond. A hybrid one where the virtual melds with the physical. The Department of Information and Communications Technology assumes a leading role here. As does the Department of Science and Technology and Department of Education who should all work together toward providing highly skilled workers so the Philippines can be a leader in this future world. A place it certainly isn't now, but could be with inspired leadership.

Mining, I'd put up there, too. The demand for the minerals we have in abundance is accelerating as transport goes electric, and energy shifts to otherwise unreliable power that needs batteries to store the RE power produced. If possible, first-stage processing should be done here. But only if it can be profitable. A mandatory demand or a punitive tax won't work. Providing the conditions for a profitable business to flourish can.

I'm of two minds about manufacturing. We're just not competitive in the costs that matter. There may be niche ones where we've already proved successful such as electronics, where the Philippines has been quite successful with $58.31 billion in exports this year. These should be encouraged. Elsewhere, best to not waste time.

Whilst we remain outside the Regional Comprehensive Economic Partnership (RCEP) grouping of 14 nations, I don't see much recovery in foreign direct investment until we join. Foreign investors will put their businesses into the eight billion people market, not a 110 million low-income one. So I'm at a loss as to why the President hasn't certified this as urgent to get the same rushed attention he created with his introduction of a Maharlika Wealth Fund. Subsequently reoriented as a Maharlika Investment Fund (MIF) after widespread opposition to it from many sectors. He seems determined to have this fund even though we're not in a position to safely fund it. MIF may be a good idea, but now as we face so many problems, it is not the time to do it. And it needs a far greater investigation into what it should be. There's certainly no urgency to it. Joining RCEP is far more urgent and important, and would create a far, far greater positive impact on our country, and our people.

What will keep our economy growing are the two stalwarts of the past years: OFW remittances and the BPO industry. Both contribute around $30 billion to our economy. They are expected to continue modest growth, with some risk of losing our seafarers, if Mr. Marcos doesn't get the educational system in order. He'll need to exert some forceful leadership on this. Inadequate schools have to be closed.

The President has introduced an eight-point economic plan that no one could object to. But it cries out for definition, and time-bound action. The just-released Philippine Development Plan 2023-2028 should give us the details of what the Marcos Jr. administration intends in the coming years. If Mr. Marcos goes along with his economic team's recommendations. But worryingly, as I mentioned last week, corruption isn't mentioned at all.

We've had a year of holding it all together, but witnessing little of the dramatic shifts the Philippines really needs to join the first world. I see a country exhibiting modest growth at somewhere around 5 to 6 percent in GDP growth, which puts it up near the top in Asia, but principally because it's coming from a low base that others had recovered from earlier. Real growth in economic activity will be much less. The forecast assumes that there is no major resurgence of COVID cases via a new strain that could bring back those days of massive restrictions.

2023 is going to be a most unsettled year worldwide, thanks to that madman in the Kremlin and the worrying actions of Xi Jinping. In the Philippines ever so much will depend on how wisely Mr. Marcos leads.

Email: wallace_likeitis@wbf.ph

3. **"A closer look at the Maharlika fund" from MAP Governor ROMEO L. BERNARDO's *"Introspective"* Column in the BUSINESSWORLD on December 18, 2022**

I am pleased to share with readers a post we released to Globalsource Partners subscribers (globalsourcepartners.com) on Dec. 14 on the Maharlika Wealth Fund. I end with a postscript — a recommendation to address concerns of the critics on its governance.

Last Friday (Dec. 9 – Ed.), after over a week of intense public debate about the rationale and source of funds of a congressional initiative to set up a sovereign wealth fund, Finance Secretary Benjamin Diokno stepped up to own the proposal. In a press briefing, he read a statement signed by the core members of the economic team strongly endorsing the creation of the Maharlika Wealth Fund (MWF) as a vehicle to help achieve the medium-term economic objectives of the administration.

But beyond showing legislative-executive cooperation in this particular instance, the finance secretary failed to provide what critics of the MWF have been looking for: a clear Exposition of first principles, defining what the problem is, why current institutions are not up to the task and how the MWF will fill in the gap. Rather the statement was uncharacteristically vague, suggesting in part that the MWF would enhance. Fiscal space, increase investments in development projects while offering improved risk-reward trade-offs.

Following the economic managers' embrace of the proposal, the draft bill was further tweaked with congressional proponents deciding to label it an investment rather than a wealth fund. The name change is noteworthy as it reflects the public's rejection of the original concept of tapping the BSP's (Bangko Sentral ng Pilipinas) foreign reserves and the two pension funds' assets as sources of capital. It ought to be a recognition as well that the funds involved are not surplus monies in search of higher yields but are scarce resources that have competing uses in the short to medium-term.

SOURCES OF FUNDS

Under the latest draft bill, the major source of capital for the Maharlika Investment Fund (MIF) are the two government banks, Landbank of the Philippines (LBP) and Development Bank of the Philippines (DBP), and the Bangko Sentral ng Pilipinas (BSP). The first red flag is that all three have histories of government bailouts and recapitalizations.

In the case of the LBP and the DBP, both banks are already performing developmental lending of the kind that the MIF is envisioned to go into. This raises the basic question of what added value the MIF, a startup with no track record, can bring to the table in the short to medium-term. The second question has to do with their more immediate role in government's pandemic recovery program. Under the proposal, both banks are asked to chip in P50 billion each. The combined P100 billion is almost double the P53.3 billion capital infusion of the previous administration in the two institutions, a large portion of which was added lately to enable them to implement pandemic recovery leading programs.

The third question has to do with the size of their contributions. For LBP, the amount represents close to 25% of its net worth which just meets the prudential cap for bank investment in a single enterprise. For DBP, which asset-wise is less than half the size of LBP, P50 billion is about two-thirds of its net worth, quite a high concentration of risk in a single investment. Thus, not only does the mandate to capitalize the MIF expose the banks to an unfamiliar risk will be difficult to manage thus weakening their financial condition, it also increases the odds of more capital calls on the national government down the road. Considering the high likelihood of the latter, directly budgeting the amounts in the annual appropriations would be more in keeping with fiscal transparency.

The case of the BSP is somewhat more complicated with the MIF intending to tap only declared dividends; but the plan similarly raises red flags. Under the BSP charter, dividends declared, representing 50% of its profits, are remitted to the Treasury. The Treasury then turns around and give the amount back to the BSP in the form of national government contribution to build up its capital over time, i.e., from P50 billion currently to the target P200 billion. The draft bill seeks to amend this provision by directing the BSP to send those dividends, in whole or in part following a set schedule, to the MIF. Thus, creating the MIF would be at the expense of fully capitalizing the BSP at the soonest possible time, a delay that may be defensible if push comes to shove but seems unwise at the present time given all the economic and financial uncertainties, global and local.

However, there is the separate issue of trying to rope in the BSP as part of the formal governance structure of the MIF. Lay persons like us are inclined to take the view that those dividends belong to the national government (since it was the national government that capitalized the BSP) and that the BSP need not have any role or responsibility in the MIF itself. However, framers of the MIF seem to prefer to consider those dividends as belonging to the BSP rather than the national government. The danger here is saddling the BSP anew with quasi-fiscal functions that could interfere with its primary monetary policy setting role and, over time, erode its credibility and independence. The resources of the old central bank were similarly deployed in expansive developmental work that contributed to its eventual bankruptcy.

USES OF FUNDS

The economic managers' statement suggests that the MIF will drive strategically important investments in the country, funding "big ticket infrastructure projects, high-return green and blue projects, and country development, including agriculture." This raises a whole slew of issues related to government trying to pick winners and brings to mind the failed experience of the National Development Co. (NDC). Over the course of its over 100-year history, this investment arm of the government ventured into a diverse range of pioneering commercial, industrial, mining, and agriculture enterprises, including several of the so-called 11 major national projects, whose foreign debts were guaranteed by government financial institutions that eventually had to be recapitalized and rehabilitated. This misadventure contributed majorly to the Philippines being the only Asian country that fell into the 1980s Latin American debt crisis.

The implicit assumption that the MIF, by its sheer size, will do better than the contributing institutions in terms of investment returns goes against the NDC experience. Even more worrisome, we have not seen supporting studies that spell out the MIF's basic investment strategy or identify prospective high-yielding economically and financially superior projects nor any financial plan that maps out recoverability of the proposed high overhead costs. The excessive hype about potential high investment returns is without reference to the (at least equal) probability of potential huge losses. Thus, despite recent tweaking of the proposal, including replacing the President with the finance secretary as chairman of the board, the lack of complete staff work and the rush in congress to pass the bill makes brushing aside suspicions of political motivations and future interference impossible.

THE IMMEDIATE RISKS

Clearly, the economic managers' endorsement of the MIF is intended to lend it credibility. Yet, the business sector, civil society, the academe, and the public in general continue to oppose it. For now, with the President openly supporting its creation, the Speaker of the House of Representatives, a cousin of the President, is still actively pushing for the quick passage of the proposed bill. Despite the high odds of the measure passing the lower house, it will likely face rougher sailing in the Senate which usually does more thorough research, analysis and deliberation.

The hope now is that having owned the proposal, the economic managers could prevail upon the proponents of the MIF to give more time for the necessary background work to be done that would also benefit from wider consultations with experts in the field. The President's chief legal counsel, the influential 98-year-old former defense secretary of his father, has likewise cautioned the President to study the proposal carefully.

The fear is that pushing forward and insisting on the proposal in its current form, which as we said add to Philippine financial and fiscal risks, may negatively affect investors' perception of the country's sovereign risk and hamper fiscal consolidation efforts. At a minimum, it distracts economic managers from attending to more urgent and critical matters that affect short to medium-term economic growth. In the event, the collateral damage to the economic team's credibility, including in their relationship with the President who is losing political capital on the issue, may lead to possible changes in the composition of the economic team, not necessarily for the better.

A POSTCRIPT:

A straightforward way to address the governance concerns of critics is for government to own under 50% of the shareholdings, with the balance to be subscribed by multilateral organizations (the Asian Development Bank or ADB, the International Finance Corp. or IFC, Asian Infrastructure Investment Bank or AIIB) and private investors. For example: 40% Republic of the Philippines, 20% ADB, 20% IFC, 20% private sector. By attracting other investors, they can multiply the size of what is now just a P100-billion fund. If co-investors are not attracted to join, then perhaps government should re-think whether this is truly as remunerative and developmental as its proponents represent?

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.

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4. "Can the Philippines remain neutral?" from MAP Member ELFREN S. CRUZ's *"BREAKTHROUGH"* Column in The PHILIPPINE STAR on January 5, 2023

The ideal foreign policy of the Philippines in the ongoing struggle for power between China and the United States is to adopt a policy of neutrality. However, this is going to be very difficult for a country like the Philippines to sustain. The first reason is that the conflict between these two powers, United States and China, is going to continue accelerating. This conclusion is based on historical precedent.

The second reason is that in spite of Philippine desire to remain neutral, the fact remains that there are Philippine territories that China continues to illegally claim as their territory. There may be strategic reasons for the benefit of China that will make China continue to assert dominance in these Philippine territories. The reality as I see it is that China will not accept the reality that these are legally Philippine territories because of the fact that China sees their need for dominance in the South China Sea. Even the possibility of their claim risking the loss of possible friendship ties with the Philippines will be of no value to China.

The United States, on the other hand, is seeking to contain any move by China to expand its sphere of influence. It is therefore in the interest of America that the disputed territories remain under the control of Philippine sovereignty. Based on these strategic objectives of China and the United States, the Philippines will have no choice but to align with the United States because of their shared interests.

The biggest problem for the Philippines, therefore, is the possibility that the tension between China and the United States will become an open conflict. In that event, China will obviously find a way of making the Philippines as part of its Fortress China to defend its mainland.

On the other hand, the United States must find a way to prevent the use by China of strategic areas like the South China Sea. This means that the United States will be forced to defend Philippine claims in the South China Sea. The big question therefore is if conflict between China and the United States is inevitable.

Unfortunately for us, history tells us that the need to secure a military advantage between the two powers is bound to happen. In history we learn that a rising state has an interest in revising the status quo while the existing power sees the necessity to preserve its dominant influence.

This argument of inevitable conflict between a rising power and an existing power leading to the danger of war has been written about by one of the earliest known scholars of war, the Greek historian Thucydides. In the 5th century BCE, he sought to explain the Peloponnesian Wars between the two Greek states, Athens and Sparta. The wars arose because Sparta had once dominated the region and was seeking to contain the growing power and ambition of Athens, which was increasingly challenging Sparta's predominance. Thucydides wrote: "What made war inevitable was the growth of Athenian power and the fear which this caused in Sparta." Even in other more recent periods, this key dynamic of conflict between a rising and an existing power has happened several times. Before World War I, the potential conflict, for example, was between the British Empire and Germany which was the rising power. The result was World War I.

Most of these conflicts resulted in violent warfare. There have been rare exceptions. One notable exception was the rise of dominance of the United States and the peaceful acquiescence to US dominance in the western hemisphere by the British empire.

One current example of continuing conflict for dominance in Europe is between Russia and the NATO alliance led by the United States, United Kingdom, France and Germany. In 1991, it seemed that Russia had peacefully accepted the dominance of Western powers in Europe. However, the Thucydides principle seemed to have again proven to be a historical reality early this year. Russia again invaded Ukraine in open defiance of the western alliance.

In recent times, the rise of Germany and Japan was peacefully accommodated because these two countries peacefully accepted the leadership of the United States.

The rise of China is proving to be a different case. China's interests are radically different from the United States. Its demands for status, recognition and influence will continue into the future. Furthermore, China's political and economic systems are incompatible with the US-led alliances which value democracy, human rights and some form of capitalism. China is a single-party autocracy that does not permit any competition to the Communist Party and suppresses individual rights to freedoms of expression, association and religion.

Furthermore, US power stands in the way of Chinese interests in the region. Foremost among these is China's longstanding desire to bring the island of Taiwan back under its rule. Aside from the US presence in the region, China's territorial interests have led to disputes with other countries including American allies and partners like Japan, the Philippines, Malaysia, Vietnam and India.

China is therefore expected to continually seek to overturn existing international systems and ultimately seek to institute its own world order. In addition, President Xi Jinping's national style of leadership and foreign policy assertiveness have also led to the conclusion that US and Chinese interests are simply incompatible.

On the other hand, Philippine territorial interests are also incompatible with Chinese territorial ambitions. Viewed from a historical perspective, it would seem that an alliance with the US versus Chinese expansionist policies will dominate the strategic perspective of Filipino leaders in the years to come.

*   *   *

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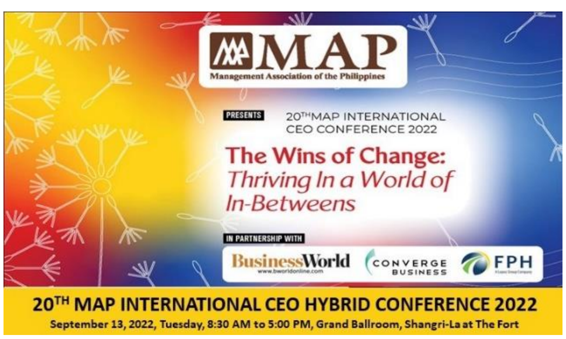
MAP Talks on Youtube

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

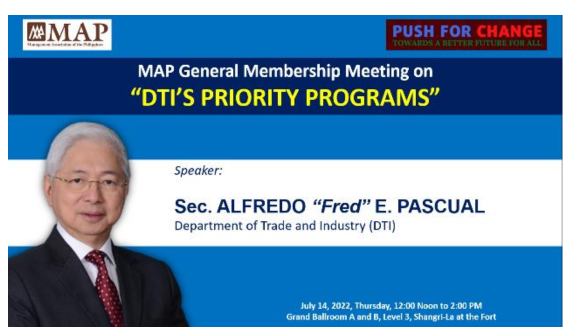
September 13, 2022
MAP International CEO Hybrid Conference



September 8, e2022
MAP – PMAP Joint GMM

August 19, 2022
MAP GMM

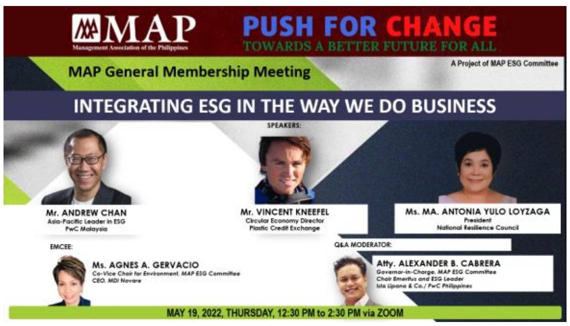
July 14, 2022
MAP GMM



July 1, 2022
MAP Webinar

June 23, 2022
MAP GMM

May 19, 2022
MAP GMM



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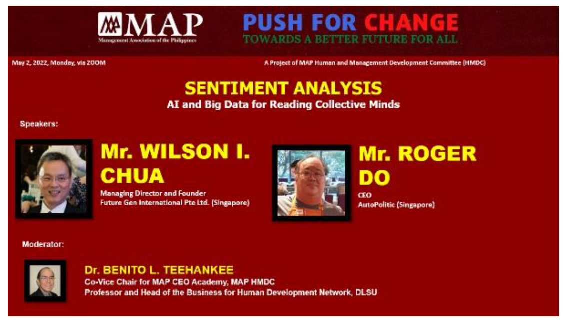
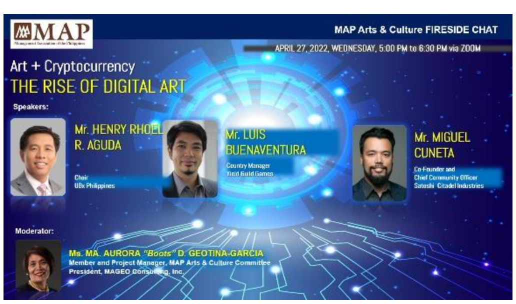
MAP Webinar



April 29, 2022
MAP Webinar

April 29, 2022
MAP Webinar

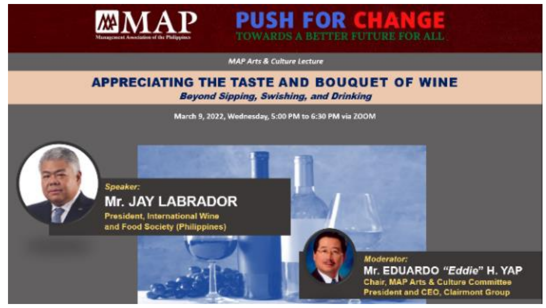
April 27, 2022
MAP Lecture



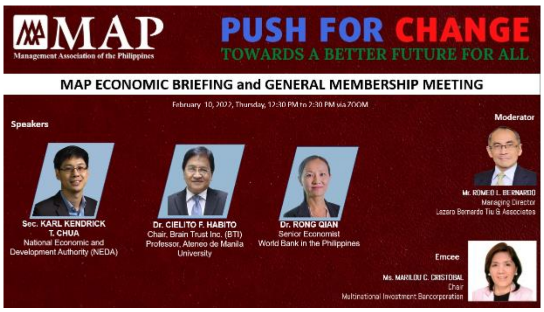
April 22, 2022
MAP Webinar

March 24, 2022
MAP General Membership Meeting

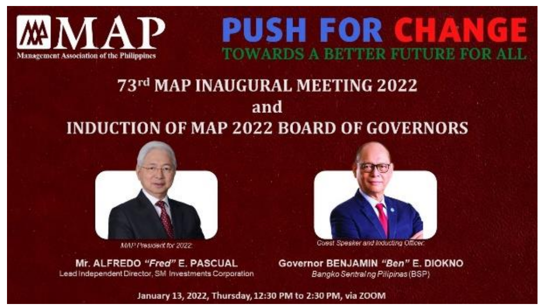
March 9, 2022
MAP Lecture



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 January 1 to 31, 2023

JANUARY 1

1. **Mr. ADOR *"Ador"* A. ABROGENA**
   EVP, BDO Unibank, Inc.
2. **Usec. ROWENA CRISTINA *"Gev"* L. GUEVARA**
   Undersecretary for Research and Development, Department of Science and Technology (DOST)
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   COO, University of Pangasinan

JANUARY 3

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   President and CEO, Ayala Properties Management Corporation (APMC)

JANUARY 4

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   COO and SEVP, Guagua Rural Bank, Inc. (GRBank)

JANUARY 5

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    Chief Executive, Zuellig Pharma Corporation
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    Chair and President, Pacific Northstar, Inc.
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JANUARY 7

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JANUARY 8

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JANUARY 28

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JANUARY 29

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JANUARY 30

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JANUARY 31

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VP for Business Development, Metro Pacific Investments Corporation (MPIC)

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