

Philippines-China Economic Relations

Counsellor Wu Zheng Ping
Commercial Counsellor
Embassy of the People's Republic of China

This year marks the 35th anniversary of diplomatic relations between China and the Philippines. Our shared blood and similar culture remind us that more than 1,000 years ago, our two peoples had already started friendly exchanges across the strip of water that separates our two countries. We can choose a friend, but a nation cannot choose its neighbors. We are borne to be neighbors and destined to be partners and friends.

Status Quo

I start by reviewing the achievements made in our bilateral trade and economic ties.

In a nutshell, the Philippines has become an important economic partner of China in the Association of Southeast Asian Nations (ASEAN). The Philippines is now the fifth largest ASEAN trade partner of China and the fourth largest ASEAN investor to China. On the other hand, China is the third largest trade partner to the Philippines, third largest bilateral donor and the fourth largest source of tourists.

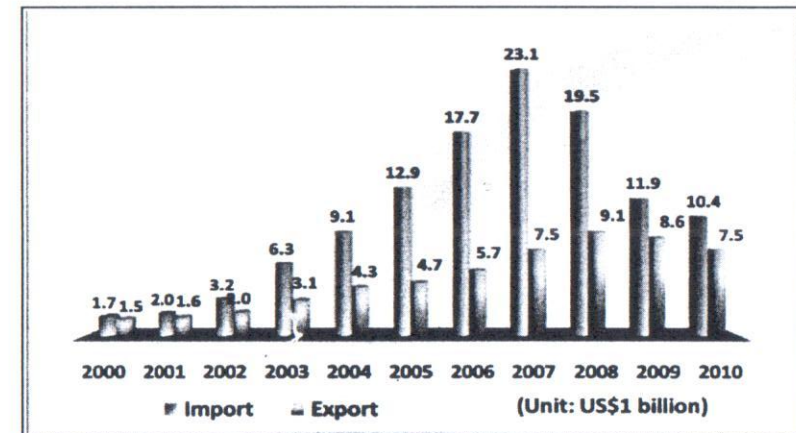
According to the Chinese Customs Statistics, China-Philippines bilateral trade totaled US\$30.6 billion in 2007, realizing the target of US\$30 billion as set by leaders of our two

countries three years ahead of time.

Trade among us went down in 2008 due to the international financial crisis. Thanks to the recovery of global economy and the full implementation of China-ASEAN Free Trade Agreement (China-ASEAN Free Trade Area) on January 1, 2010, bilateral trade soared by 47.4 percent to US\$ 17.94 billion in the first eight months of this year.

China exported US\$ 7.544 billion to the Philippines, registering a growth rate of 47.6 percent, while China imported US\$ 10.399 billion, up by 47.3 percent. The Philippines continues to enjoy a surplus with China amounting to US\$ 2.855 billion.

Import and Export



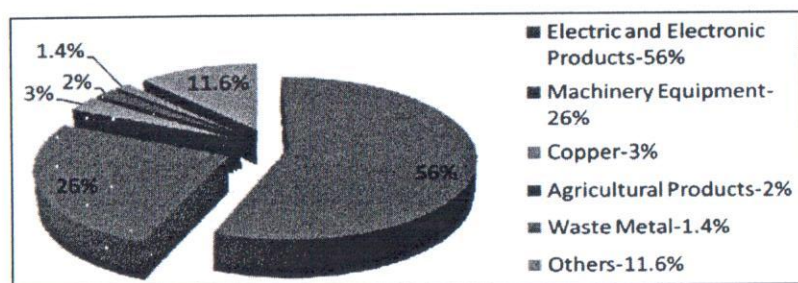
Special attention should be given to the full implementation of CAFTA. More than 7,000 tariff-free commodities could be traded among China and ASEAN countries. With a population of 1.9 billion and a combined gross domestic product of US\$6 trillion, CAFTA has become the biggest free trade area for developing countries according to market size

and biggest in the world in terms of population.

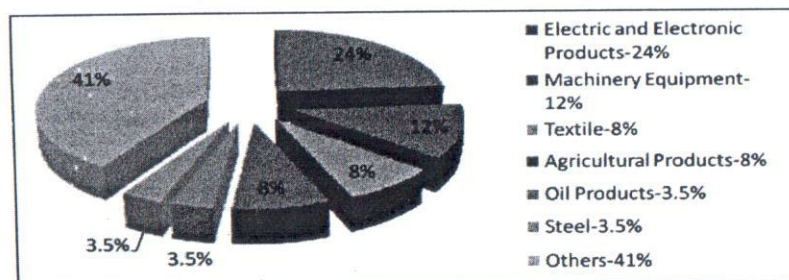
Average tariff rates for imports from six original members of the ASEAN to China dropped from 9.8 percent to 0.1 percent, while tariff rates for imports from China to ASEAN 6 went down from 12.8 percent to 0.6 percent.

Trade in service and cross-border investment is also more liberalized between China and ASEAN. We believe that CAFTA has and is going to bring more tangible benefits to our peoples and consolidate our bilateral relations.

Trading Commodities
China's Import from the Philippines, 2009



China's Export to the Philippines, 2009



Two-way investment is also on the increase. As of August 2010, China invested an accumulated amount of US\$202.07 million in the Philippines, while the Philippines invested US\$2.742 billion in China.

The investment from China is comparably small by its absolute value; however, the trend of Chinese investment in the Philippines is promising. In the first eight months of this year, the investment from China reached to US\$38.61 million, registering a growth rate of 144.3 percent over the corresponding period of last year.

China is willing to strengthen the cooperation in the field of Human Resource Development with ASEAN countries, including the Philippines. During the five-year period of 2007-2012, 8,000 participants, including government officials, technicians, academicians, and corporate managers from South East Asian nations, would have benefitted from various training opportunities in China. All the expenses are shouldered by the Chinese government.

Each year, some 100 Filipinos are invited to make a study tour in China. They come back with better understanding about China and act as goodwill ambassadors in promoting bilateral exchange and cooperation.

Favorable Factors

In the once-in-a-century financial crisis that has battered the world economy in the last two years, both China and the Philippines have successfully weathered the crisis and stood the test. With additional favorable factors ahead, we have every confidence in joining hands to tap the potential of our economic and trade cooperation.

First, our bilateral relations are sound and strong. In 1975, our leaders translated the traditional and centuries-old friendship between China and Philippines into diplomatic ties, which has now grown into a strategic and cooperative relationship. As the two countries celebrate 35

years anniversary of the diplomatic relations this year, we see our endeavor reap fruits, marked by stronger political mutual trust, flourishing economic and trade cooperation, more frequent personnel exchanges and better cultural understanding.

Second, both economies are dynamic and strong. China maintained an average annual economic growth rate at 9.3 percent for the past 30 years, and the economic and overall national strength has substantially increased. China turns out to be a powerhouse of world economy. This year, the Philippines also witnessed fastest economic growth in decades.

Third, both countries have sizable domestic markets. With more than 1.3 billion people, China is the most populous country and has one of the largest domestic markets in the world.

This year, China's GDP per capita will be close to US\$4,000. The Chinese government is determined to build up a comprehensive well-off society by 2020. No one could afford to ignore the purchasing power released by increasing number of mid-income Chinese nationals. Many Philippine conglomerates, like Shoe Mart, Ayala, Liwayway Corporation, among others, have grasped the booming Chinese market and expanded their business.

Meanwhile, the Philippines is the second most populous country in Southeast Asia. Just considering the amount of overseas Filipino workers' remittance each year, the billions of dollars of remittance provide entrepreneurs with tremendous business opportunities.

Fourth, the Philippines has great development potential in such sectors as agriculture, infrastructure, renewable energy, mining, and tourism where the Chinese companies enjoy certain advantage and they are willing to work with local partners to help the Philippines be better positioned both at regional and international arena. I'm always thinking of a

blueprint for cooperation between our two countries. With Chinese capital and technology and Philippine resources well utilized, we can work together to achieve win-win solution for our two peoples.

Future Path

Following a road of peaceful development, China is committed to build a harmonious world with lasting peace and common prosperity. China pursues the principle of "being a good neighbor and partner" and the policy of "bringing harmony, security, and prosperity to our neighbors."

It is China's established policy to prosper with our neighbors and achieve common prosperity with Southeast Asian neighbors. We believe that a rich and stable Asia will contribute to the peace and harmony of the world.

China attaches great importance in furthering trade and economic ties with the Philippines. We will continue to encourage Chinese companies and businesses to invest in the Philippines, either through foreign direct investment or private public partnership (PPP) which President Benigno S. Aquino III and the current administration advocate. The Chinese side is determined to do its utmost to cooperate with the new administration to ensure that China-Philippines economic cooperation gets off to a good start and continues to forge ahead.

We stand ready to render a helping hand to the Philippines whenever needed. So far, China has committed US\$1.8 billion in preferential buyer's credit or concessional loan to the Philippines, to fund projects like railways, irrigation and water supply facilities, which are all dedicated to help the Philippines upgrade infrastructure, investment environment and most importantly, to make a real difference for millions of Filipino lives.

As part of a package plan to boost China-ASEAN cooperation, China has set up China-ASEAN investment

cooperation fund totaling US\$10 billion. The Philippines would be well poised to attract investments from China. Last year, China committed a new package of US\$15 billion in credit to ASEAN countries, US\$6.7 billion of which are of concessional nature.

Enhanced Cooperation

We have much to do together to exploit our economic complementarities and further enhance cooperation in the following areas:

Agriculture: Food is always a primary concern for developing countries with large population like China and the Philippines. China managed to feed 20 percent of the world's population with only seven percent of the world's arable land.

The Philippines is endowed with abundant fertile land and beautiful sunshine, which is good for agriculture. China is willing to import more agricultural products from the Philippines, share our experiences in agriculture development and make joint efforts in fostering high-yield hybrid rice and corn.

We can work together to generate jobs, harvest crops and fruits, reduce hunger, increase income for the ordinary Filipinos and help this country realize the program of rice self-sufficiency.

Infrastructure: Last year, 50 Chinese companies were listed in the Engineering News-Record's top 225 international contractors, and some of them had already sent their country managers to the Philippines years ago.

As you may be aware, by the end of 2009, expressway mileage in China reached 65,000 kilometers. The operating railway mileage reached 86,000 kms., the second longest in the world. By 2012, a 13,000-km. high-speed railway will be in operation.

One week ago, the speed of a high-speed railway

from Hangzhou to Shanghai was tested at 416.6 kms. an hour, breaking the world record. We are willing to share our experience in constructing modern infrastructure with the Philippines and strengthen cooperation in the field of infrastructure, contributing to economic development and the improvement of investment environment.

Renewable energy: China is dedicated to perform as a responsible stakeholder in tackling climate change.

Take wind power for example, China installed 13,000 megawatts wind turbine in 2009, accounting for one-third of global installment and it also marks more than 100 percent annual growth for five consecutive years.

Against the backdrop of the daunting task of dealing with climate change and addressing major concerns on power shortage and high power rate in the Philippines, the Chinese government fully supports Chinese companies that engage themselves in constructing hydropower dams, biomass power plants, wind turbines, and solar panels, not only to supply sustainable energy but also leave our next generation a blue sky.

Mining: The Philippines is home to massive reserves of precious minerals. However, gold is of no value if it lies in the earth. Policy makers and businessmen should make use of this opportunity to turn natural resources into national wealth. The Chinese companies are willing to cooperate not only in mining exploration, but also in minerals processing, which can provide employment opportunities for the people and add tax revenues to the government.

Tourism: Last year, more than 220,000 tourists from the Chinese mainland visited the Philippines, registering a nearly 40 percent growth over the year of 2008.

However, if we get to know that 47 million tourists from mainland China traveled abroad last year, there is a potential for more Chinese tourists to come. The hostage-taking incident caused downturn in the number of tourists from

China. But the effect is temporary and our bilateral relations remain solid. As long as the Philippines can ensure the safety of tourists and do the necessary promotion, it is expected that this unique country with thousands of beautiful islands will be able to attract more Chinese travelers.

We strongly believe that whatever difficulties and hardships lie ahead, as long as we join our hands together and make concerted efforts, we will face the challenges, remove whatever obstacles, embrace various opportunities, achieve mutual development, and enjoy a brighter future.

China: The World's Economic Dragon

Joseph Anthony Lim

Department of Economics, Ateneo de Manila University

1. Economic Aspects of China's Socialism in Simple Terms

China's socialist period from 1949 to 1978 included the following:

- Massive agrarian reform and collectivization of agricultural land.
- Agricultural surpluses being siphoned to build a strong industrial base (the Great Leap Forward period had been known to cause great famine).
- Main production structure through state-owned enterprises (SOEs) in the industrial sector.
- Use of planned system – quotas with directed destinations for important industrial goods.
- Market sector was still used for petty commodities.
- Centralized planning and distribution for vital sectors (defense, steel, equipment).
- Local planning for other commodities – e.g. agricultural products.
- Social services and housing provided by state enterprises

The author acknowledges the financial assistance of the Institute of Philippine Culture of the Ateneo de Manila University for the research of this topic.