

## REVIEW ARTICLE

## ADVICE OF ECONOMIC COOPERATION FOR CHINA AND THE PHILIPPINES IN THE NEW ERA

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### ABSTRACT

With the joint efforts of the leaders of China and the Philippines, the relations between the two sides have been pushed to an unprecedentedly new level. The economic cooperation between China and the Philippines is multi-faceted. The economic exchanges and cooperation between the two countries in trade, investment, infrastructure and other fields are getting closer, and the traditional friendship has gained new vitality in the new era. In the new era, the economic cooperation between China and the Philippines urgently needs a new direction of economic cooperation. The article explains the current situation and existing problems of China-Philippines cooperation of economics in the new era, and puts forward corresponding countermeasures and advice for further promoting China-Philippines economic cooperation, and looks to the future of economic cooperation between the two countries.

#### KEYWORDS

China, Philippines, New Era, Economics, Cooperation

## 1. INTRODUCTION

Under the strategic guidance and leadership, China-Philippines relations have ushered in a fresh "Golden Age". The leaders of China and the Philippines have upgraded the bilateral relations to a comprehensive strategic cooperative relationship. In particular, the economic cooperation between the two countries is multi-layered and multi-faceted. The exchanges and cooperation between the two countries in trade, investment, infrastructure and other fields are getting deeper and deeper (Hu, 2009). The traditional friendship is radiating a new vitality in the new era. China has become the Philippines' largest trading partner, the largest source of imports, the third largest export destination, and the second largest source of tourists (Shen, 2003). China's "Belt and Road Initiative" and the Philippines' "Build, Build, Build" program is highly compatible. China-Philippines relations are entering the fast lane with steady development and upgrading. The development of China-Philippines relations reflects the wishes of the two peoples and brings more and more dividends to the two peoples, which makes the two sides become an increasingly close community of common destiny. In the new era, China-Philippines cooperation needs to explore new areas. This article discusses the current situation and existing problems of China-Philippines economic cooperation, and gives advice and prospects for future economic cooperation.

## 2. THE CURRENT STATUS OF ECONOMIC COOPERATION BETWEEN CHINA AND THE PHILIPPINES

Economic cooperation is a win-win option and the cornerstone of

bilateral relations. The two sides have extensive cooperation in trade and investment. In particular, the mutually beneficial cooperation between the two countries under the "Belt and Road Initiative" has many bright spots, realizing the new characteristics of "political and economic enthusiasm", and the all-round and multi-level development in various fields have attracted the gaze of people.

### 2.1 Trade Flows

The development of China-Philippines relations has significantly benefited the two peoples. The bilateral trade volume between China and the Philippines exceeded US\$50 billion for the first time in 2017, among which China's exports to the Philippines were US\$19.2 billion, up 10.9 percent year-on-year, and China's imports from the Philippines amounted to US\$32.1 billion, up 7.7 percent year-on-year. The increasingly close trade relationship has allowed many Philippine companies to gain a foothold in the mainstream Chinese market. Statistics show that the bilateral trade volume between China and the Philippines in 2018 reached US\$55.7 billion, up 8.5 percent year-on-year. The Philippines's imports from China were US\$35.1 billion from China, up 9.4 percent from the same period, and the Philippines's exports to China were US\$20.6 billion, up 7.3 percent from the same period. The Philippines' main exports to China include electronic products, mechanical parts, bananas, and mineral products. According to statistics from the Ministry of Commerce of China, the bilateral trade volume between China and the Philippines was US\$61 billion in 2019, up 9.5 percent from the previous year, among which China's imports from the Philippines were US\$20.2 billion, down 1.9 percent year-on-

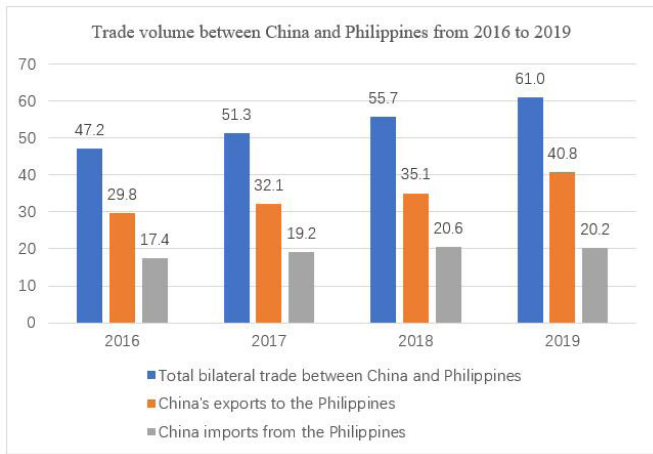
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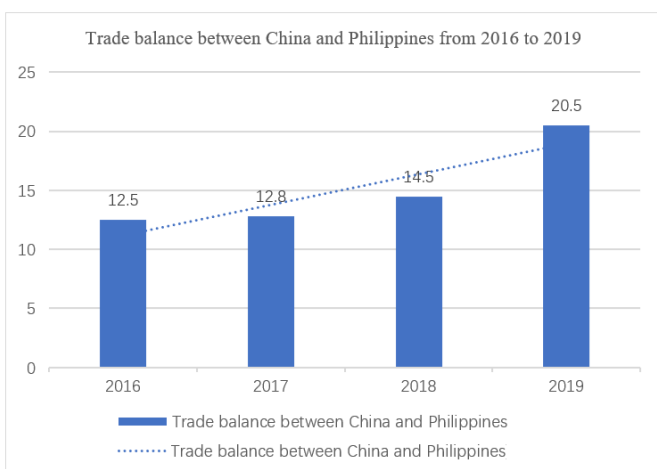
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**Figure 1:** Data Source from Ministry of Commerce of China (billion US\$)



**Figure 2:** Data Source from China Customs (billion US\$)

year and China's exports to the Philippines were US\$40.8 billion, up 16.2 percent year-on-year. In recent years, the value of China's exports to the Philippines has been increasing year after year (Figure 1), and the total trade volume between China and the Philippines has maintained an upward trend. The reason is that since President Duterte took office, China-Philippines trade relations have become closer and the two sides have introduced a series of policies that help promote bilateral trade.

In addition, China's trade surplus with the Philippines has been showing an upward trend in recent years (Figure 2). While the Philippines has been showing a trade deficit with China, and the trade deficit has expanded further in 2019. Philippine Secretary of Trade and Industry Ramon Lopez expressed the hope that China's imports from the Philippines can be more diversified, thereby reducing the Philippines' trade deficit with China (Hara, 2010).

## 2.2 Investment Cooperation

Under the concern and guidance of the leaders of China and the Philippines, the relationship between the two countries has become closer, and China has continuously increased its investment in the Philippines. China's new investment in the Philippines was US\$53.84 million in 2017. Although the total amount of China's investment in the Philippines was still relatively small, the growth rate was rapid with a year-on-year increase of 67 percent. According to statistics from the Philippine Statistics Authority, China's investment in the Philippines reached US\$930 million in 2018, and it has become one of the major investors in the Philippines. In 2019, China's investment in the Philippines reached US\$1.7 billion, up 74.9 percent year-on-year, making China the second largest source of foreign investment

in the Philippines, second only to Singapore (Lee, 2017). In recent years, China's investment in the Philippines has grown rapidly, mainly due to the fact that since Rodrigo Duterte took office, he has spent a lot of efforts fighting corruption. In the past three years, not only the efficiency of government departments has greatly improved, but the business environment has also been significantly changed. In addition, the Philippine government also promulgated the Ease of Doing Business Act of 2018 and revised the Corporation Code of the Philippines to lower the entry barrier for foreign investment in order to promote the increase in investment.

## 2.3 Infrastructure

China's "One Belt One Road Initiative" is highly compatible with the Philippines' "Build, Build, Build" Program. The two sides take this opportunity to conduct in-depth cooperation in railways, airports, ports, and bridges. The value of newly signed construction contracts between China and the Philippines was US\$6.24 billion in 2019, up 102 percent year-on-year. China has become an important partner in the infrastructure construction of the Philippines. China's "One Belt One Road Initiative" is highly compatible with the Philippines' "Build, Build, Build" Program. The two sides take this opportunity to conduct in-depth cooperation in railways, airports, ports, and bridges. The value of newly signed construction contracts between China and the Philippines was US\$6.24 billion in 2019, up 102 percent year-on-year. China has become an important partner in the infrastructure construction of the Philippines. The cooperation projects of the two countries mainly include bridges across Pasig River, drug rehabilitation centers, Chico River Pump Irrigation Project, Kaliwa dam, Subic-Clark Railway, Philippine National Railways South Long-Haul Project, Sangley International Airport Project, and Safe Philippines, etc. (World News, 2019). In addition, the Philippine Ministry of Transportation and CRRC signed a supply contract for internal combustion EMUs in December 2019. As an important part of the "Build, Build, Build" plan, this project will not only help enhance the passenger transport capacity of the Philippine National Railway Corporation, but also help deepen the cooperation between China and the Philippines.

## 2.4 Tourism

In recent years, with the increasing number of direct flights between the two countries and the Philippine government's policy of visa-on-arrival to China, the number of Chinese tourists to the Philippines has continued to grow rapidly. According to the statistics of the Philippine Department of Tourism, the Philippines welcomed 490,000 tourists from China in 2015, which increased to 968,000 tourists in 2017. Although the famous Boracay was closed for half a year for reconstruction in 2018, other tourist attractions in the Philippines still attract many tourists. In 2018, the number of Chinese tourists reached 1.3 million, up about 30% year-on-year. In addition, the Philippine government has promulgated a policy that the RMB and peso can be directly exchanged, further accelerating the growth of the number of Chinese tourists. This enabled the number of Chinese tourists to the Philippines to exceed 1.74 million in 2019, up 38.6% year-on-year. China has become the Philippines' second largest source of tourism for many years, greatly enhancing the understanding between the two peoples. However, since 2020, due to the impact of COVID-19, the number of flights and the number of tourists between China and the Philippines has decreased significantly.

## 2.5 Agriculture

At the Sixth Meeting of the China-Philippines Joint Working Group on Agriculture in July 2019, the two sides discussed the areas of cooperation in the Action Plan on Agricultural Cooperation between China and the Philippines (2020-2022) in the next three years. The two countries are engaged in in-depth cooperation on building capacity, agricultural technology cooperation, agricultural trade and investment cooperation and deep processing of agricultural products. The agricultural economies of China and the Philippines show strong complementarity (People's Republic of China Economic and Commercial Counsellor's Office, Embassy of the Republic of China in the Republic of the Philippines, 2011). Most of China's land is not suitable for agriculture, while the Philippines can provide abundant agricultural products, especially tropical fruits. China imported about 900,000 tons

of tropical fruits such as pineapples, mangos, coconuts and bananas from the Philippines in 2017. In recent years, China has imported more and more bananas from the Philippines. The number of bananas exported from the Philippines to China increased from 748,500 tons in 2017 to 1.273 million tons in 2018, up 70%. China has become the Philippines' largest banana exporter. President Duterte and President Xi Jinping signed an agreement during the Belt and Road Forum in April 2019 to allow the Philippines to export 64.5 million tons of green coconuts to China. The agreement has achieved preliminary results. In July 2019, the Philippines has begun to export 48 tons of, or about 36,000 coconuts, to cities in China such as Guangzhou and Xiamen.

## 2.6 Digital Economy

The strong development of innovative science and technology and the global digital transformation have brought opportunities and challenges to countries around the world, especially developing countries. In the context of the new era, countries all over the world need to uphold the spirit of unity, cooperation and innovation as well as a sense of responsibility to the international community. In particular, since China and the Philippines are friendly neighboring countries, the role of both sides in strengthening innovation cooperation is more prominent than ever. China and the Philippines support accelerating the pace of 5G commercial cooperation and encourage the strengthening of cooperation in the construction of new infrastructure such as artificial intelligence, industrial Internet and Internet of Things. New types of interconnection projects can make the trade between the two countries more efficient and convenient. The rapid development of e-commerce and financial technology will also help the cooperative enterprises of both sides to better reach consumers, thereby driving the economic development of the two countries.

## 2.7 Cooperation on Anti-Covid-19

2020 is an extraordinary and unstable year. The entire world is facing the huge impact of Covid-19, which poses a huge threat to the lives and health of people in all countries. Since the outbreak of the epidemic, China and the Philippines have supported each other, helped each other and overcome difficulties together, which writes a new chapter for the friendship between China and the Philippines and injects new connotations into the comprehensive strategic cooperation between the two countries.

During the most difficult period of China's fight against the epidemic, the Philippine government and all sectors of society have provided valuable support and assistance to China in various forms. In more than two months, nearly 4 million pieces of protective and medical supplies and more than 70 million yuan were donated to China. Faced with the outbreak of the domestic epidemic in the Philippines, China has fully supported the Philippines fight against the epidemic through various channels. It has assisted the Philippines with more than 200,000 test reagents, hundreds of ventilators, nearly 2 million pieces of medical masks, protective clothing, goggles and other medical and epidemic prevention materials, and donated over 10 million doses of COVID-19 vaccines, and assistance continues. China has also sent a team of medical experts to pass on China's experience in fighting the epidemic to the Philippines, which has strongly supported the Philippines in its fight against the epidemic and greatly enhanced the Philippines' confidence in overcoming the epidemic.

## 3. PROBLEMS IN CHINA-PHILIPPINES ECONOMIC COOPERATION UNDER THE BACKGROUND OF THE NEW ERA

In the new era, China and the Philippines have been interacting with each other and meeting each other half way. For our economic cooperation to keep moving forward, deepen and improve, we need to continue to work hard.

### 3.1 Trade Deficit

In the trade between China and the Philippines, some people in the Philippines have been complaining about the Philippines' trade deficit with China. At present, the main products exported by the Philippines to China include bananas, mangoes, coconuts and other agricultural products, as well as some mineral products, electronic products, and

chemical products, while a large number of electronic products, steel and industrial machinery equipment are imported from China. In order to reduce the Philippine trade deficit, China and the Philippines have also increased trade in agricultural products, but the problem now is that the agricultural output of the Philippines cannot meet the huge Chinese market demand. Therefore, if the Philippines wants to expand trade with China, it should have a broader mindset and look for innovative cooperation under the background of the new era to gradually solve the trade deficit problem.

### 3.2 Tourism Services

With the continuous improvement of relations between China and the Philippines, the Philippines has become an increasingly popular tourist destination for Chinese tourists. However, more and more Chinese tourists not only bring benefits to Philippine tourism practitioners, but also bring some pressure to them, which gradually exposes the lack of reception capacity of the local tourism industry in the Philippines. Philippine tourism practitioners will work closely with the government to improve the infrastructure environment of the tourism industry, open more hotels in tourist attractions, and provide better services. At the same time, the government promulgated some policies to reduce tourist spending (Hu, 2009). The Philippine National Tourism Department is also working to improve the quality of tourism products and strengthen tourism infrastructure to attract tourists to the Philippines. In particular, amid the COVID-19 pandemic, travel protection measures should be taken.

### 3.3 Cooperation on Anti-Covid-19

As the most serious global crisis since World War II, the epidemic has had a huge impact and far-reaching impact on the economic development of countries including China and the Philippines from both the demand and supply sides: logistics, business and people flow congestion, consumption, investment, weakness of imports and exports, the interruption of industrial chain, supply chain and value chain. Faced with the impact of the epidemic on the economies of the two countries, China and the Philippines should consider how to cooperate in joint prevention and control to better contain the spread of the epidemic, so as to promote the resumption of work and production. China and the Philippines should find some innovative ideas and methods under the normalization of epidemic prevention and control, and coordinate and promote comprehensive cooperation to help their respective economies recover.

## 4. SUGGESTIONS AND COUNTERMEASURES FOR ADVANCING CHINA-PHILIPPINES ECONOMIC COOPERATION IN THE CONTEXT OF THE NEW ERA

Under the strategic leadership of the leaders of the two countries, we will continue to strengthen our common interests, meet the needs of economic and social development, and benefit the people, the people and the people. The following are suggestions and countermeasures for enhancing China-Philippines economic cooperation in the new era.

### 4.1 Increasing the Scale of Trade and Investment

Both China and the Philippines are working hard to reduce the trade deficit. The Chinese government has promised to increase imports from the Philippines, the Philippines has received many orders for agricultural products from China and has newly obtained China's frozen fruit market access. China's growing middle-income class and its increasingly mature and diversified consumer preferences are also huge opportunities for the Philippines. The Philippines should increase the output of agricultural products and other innovative products, and bring more Philippine local products into the Chinese market. The Chinese and Philippine governments and enterprises should meet the needs of cooperation, jointly explore good partners, good projects, and good measures to promote the extension of the agricultural industry chain, the increase of industrial added value, and the increase of investment income, and jointly promote bilateral cooperation in key industries.

### 4.2 Implement Infrastructure

Under the China-Philippines infrastructure cooperation plan, China

and the Philippines, based on their respective needs and economic conditions, as well as their strategic advantages, growth potential, and driving effects, have reached a lot of consensus between the two heads of state, the two countries have many infrastructures cooperation projects. The important thing is to implement these consensus so that these projects will not only be created, but also bring benefits to the people of the two countries. The two sides should earnestly implement the communicative spirit and innovate ideas of the leaders of the two countries, cooperate closely, and promote related projects as early as possible, so that the two peoples can share the results of the "Belt and Road" initiative and the project of "Build, Build, Build".

#### 4.3 Accelerating Innovation Cooperation

In the new era of China-Philippines cooperation, the two countries should expand cooperation areas, encourage innovative cooperation, and cultivate new drivers of sustainable growth. During the epidemic, various new business formats and new models emerged one after another; "home economy", "cloud office", remote investment promotion, online exhibitions, etc. became new trends, and online communication became an important way for global cooperation in the fight against the epidemic. Including China and the Philippines, many companies from countries along the "Belt and Road" should actively and effectively use the "Silk Road E-commerce" platform, give full play to the absolute advantages of cross-border e-commerce, and strive to cope with the challenges brought by the epidemic to cross-border trade and investment. In the "post-epidemic era" where epidemic prevention and control may become normal and long-term, China will actively adapt to the new normal and actively explore and promote the strengthening of wider and deeper cooperation in e-commerce, 5G, big data, artificial intelligence, cloud computing and other larger areas with the Philippines, jointly build the "Green Silk Road", "Innovative Silk Road" and "Digital Silk Road", and promote the innovation and upgrading of the two countries' economies on the basis of recovery, which will share high-quality, sustainable development.

#### 4.4 Strengthening Medical Cooperation

Through this epidemic, the two sides should strengthen cooperation in medical and health care, and the two countries can learn from each other on Chinese herbal medicine and traditional health practices. During President Xi Jinping's visit to the Philippines, the leaders of the two countries supported further cooperation and exchanges in traditional medicine, training of medical experts and scientific personnel, public health, medical information technology, and health management (Wu, and Ju, 2011). In particular, as the Philippines is a service-oriented country, China can hire more nurses from the Philippines. Covid-19 is a crisis for us, but we must learn to bravely explore new opportunities in the crisis and expand new situations in the changing situation.

### 5. PROSPECTS FOR FUTURE CHINA-PHILIPPINES ECONOMIC COOPERATION

The relationship between China and the Philippines has been consolidated

and improved on the basis of the profound traditional friendship. Under the joint leadership, the two countries have taken the project of "Build, Build, Build" and the "Belt and Road" strategy as an opportunity. The launch of comprehensive strategic cooperation has brought tangible benefits to the two peoples. Standing at a new starting point for the two countries' comprehensive strategic economic cooperation, good-neighborly friendship is the only correct choice for the two countries to move toward prosperous development. Looking forward to the future, China and the Philippines will make more achievements. The friendly cooperation, mutual benefit and win-win situation between China and the Philippines are the common expectations of the two peoples. Hopefully, China and the Philippines will always be good neighbors and friends, and continue to uphold the traditional friendship and mutually beneficial cooperation between the two countries.

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