

**Paper for fourth conference of the "WTO, China, and the Asian Economies"
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Implications of China's WTO Entry on Philippine Economic Growth and Development

(Preliminary; don't quote)

SHEN Hongfang (PH.D)

Professor & Senior Fellow

Research School of Southeast Asian Studies & Center of Southeast Asian Studies

Xiamen University, P. R China

Email address: hfshen@xmu.edu.cn

Abstract

This paper probes into the impacts of China's WTO entry on bilateral trade, investment and service as well as on Philippine economic growth and development.

Section 1 introduces different viewpoints toward China's WTO entry from the aspects of Philippine official and academic as well as business circles.

Section 2 advances five issues to be discussed with regard to China's "economic threat" for the Philippines after China's entering into WTO. Analysis are to be made in understanding the challenges and opportunities for the Philippine economy brought forth by WTO acceptance of China's membership.

Section 3 illustrates China and Philippines economic cooperation from the aspects of bilateral trade, cross investment, and other forms of economic cooperation in the context of China's WTO entry.

Paper for the Conference "WTO, China, and the Asian Economies" Beijing, China on June 24-25, 2006

Impacts of China's WTO Entry on Southeast Asian Economic Growth and Development (A Case Study on Philippine Economy)

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SHEN Hongfang (PH.D)

Professor & Senior Research Fellow

Research School of Southeast Asian Studies & Center of Southeast Asian Studies

Xiamen University, P. R. China

Email address: hfshen@xmu.edu.cn

Introduction

China's WTO membership acceptance is recognized as a grand event for the global economy in the beginning of 21st century. China's WTO entry means that China could enjoy most-favored-nation clause and country treatment endowed that will benefit a great deal to its economic growth. At the same time, China has to assume its corresponding obligations as a member of WTO to further open up its market, and to increase the transparency of trade policies and other related codes and to abide by international rules, which make a contribution undoubted to the expanding of global investment and trade, and to the stimulating of global economic growth with a potential market of 13 hundred millions population. The Chinese governments as well as many countries in the world consider that the outcome for China's WTO entry will be "win-win" situation for both China and its trade and investment partners.

Nevertheless, China's accession to WTO brings also more severe clamor of China's "economic threat" on its neighboring countries particular on the aspects of "job

depriving” that caused by massive Chinese exports to Southeast Asian domestic and international markets; and large amount of foreign investment pulling into China instead of Southeast Asia resulting the dwindling of foreign investment of the later, as well as the rivals of Chinese cheap laborers on Southeast Asian overseas workers.

This paper probes into the impacts of China’s WTO entry on Philippine economic growth and development within the framework or, rather limited on Sino-Philippine bilateral trade, investment and service. The competitions of trade, investment and personal of the countries brought forth probably by China’s WTO entry in global markets will be less talked here due to the complicated status quo of investment related trade pertaining to multinational enterprises.

Section 1 introduces different viewpoints toward China’s WTO entry from the perspectives of Philippine official and academics as well as business circles.

Section 2 advances issues to be discussed with regard to China’s “economic threat” for the Philippines after China’s entering into WTO. Analyses are to be made in understanding the challenges and opportunities for the Philippine economy brought forth by WTO acceptance of China’ membership.

Section 3 illustrates China’s WTO membership acceptance is actually a booster to Philippine economy from the aspects of increased trade surplus on Philippine side, cross investment, and other forms of economic cooperation within the framework Sino-Philippine bilateral economic relations.

1. Philippines Government and Public Perspectives on China’s WTO Entry

There are two completely different opinions holding by Philippine government and its public with regard to the impacts of China’s WTO entry on Philippine economic growth. Some Filipino hold that China’s WTO entry is seen doubtlessly as a threat and encumbrance to Philippine economic recovery and sustained economic growth. The reasons cited include:

- a) China’s accession to the WTO facilitates further the competition of cheap Chinese commodities into Philippine domestic market, and as a result to smash Philippine manufacturers and to deprive employment opportunities of Filipinos.
- b) Chinese cheap export commodities are also competing with Philippine exports in international market, The situation for Philippine exports particularly its traditional markets of the United State, Japan and the European has deteriorated. Philippine is also losing the its non-traditional, but newly opened export markets including Middle-East and some other where due to the lacking of competitions of its commodities in international market with that of China’s.

* This paper represents author’s views, and not the institutions.

- c) With the facilitating of labor migration after China's acceptance to WTO, China's cheap labor migrants might have been competed with Filipino overseas laborers in Hong Kong, and probably in Taiwan and other where in the future, as a result, exerting great negative effect to Philippine employment opportunity overseas, thus affected Philippine domestic economy.

Not a few Philippine officials, merchants and scholars are inclined to admit China's WTO entry as a good thing to the Philippines. Mr. Manual Roxas, the former Secretary of Philippine Department of Trade and Industry explained that there are complementarities in the trade between the Philippines and China from the angle of natural resources as the Philippines is a tropical country. Reducing customs duties of China's market admittance pledged by Chinese government as member of WTO must be benefit to Philippine products, especially farm products, to enter into China broad market. He also pointed out that there have been years of competitions between Philippine and Chinese export goods in the market of the United States, China could ignore Philippine accusation for its "malfeasance marketing behavior" before its entering into WTO because Philippine is a small country. However, the strong mechanism and formality of dispute settlement of the trade under the framework of WTO will force the Chinese traders and investors observe the basic rule and regulation for market competition and to abandon its malfeasant competition. Simultaneously, Philippine can expand its exports to China since China has to open its domestic market by its commitment to WTO.¹

The combination of the described viewpoints reflects basically the general perspectives of the Philippine government and the public toward the impacts of China's WTO entry on Philippine economy that can be seen as a "threat" more than an opportunity. As one of the Philippine newspapers, "Inquirer" reported that "Philippine administration senators brace for the worst from China's WTO involvement because that country's labor costs, its cheap commercial inputs and its resources allowed it to flood most countries with commodities that are cheaper than Philippine exports."² Therefore, even though there might be chances for the Philippines to expand its exports to China's market, it depends on how the Philippine government uses the mechanism of WTO dispute settlement sufficiently, efficiently and dexterously if the opportunity turns into actuality. The dispute settlement mechanism provided by WTO might put pressure on the Chinese government to provide more favorite condition for Philippine exporters.

2. China's WTO Entry: Opportunities and Challenges for Philippine Economy

The qualms arising from Philippine side in relevance to China's WTO entry are engendered mostly from the personally cognitions although not excluding the problems and many unsatisfied issues raised in the past experiences of economic exchange that

¹ Philippines: We Need to Get Our Act Together, <http://www.inquirer.net>, October 16, 2001.

² China's entry to WTO seen as threat to RP, <http://www.inquirer.net>, November 25, 2001.

have described in my former studies.¹

The perceptions held by Philippine government and the public with regard to China's "economic threat" that would be even more severe after China's accession to WTO are under the following discussion:

- Whether deficits existed from Philippine side in Sino-Philippine trade intercourse should be considered as "job depriving" of Filipino by the Chinese.
- Whether certain amount of direct investments of Chinese Filipino flow into their ancestral home, Fujian province and other advanced areas of China should be regarded as complex of "Chineseness", or "loyal to their native place", or "improper way of the Chinese government in absorbing foreign investment".
- Whether competitions of all kinds of "China-made commodities" in international market are the main reason of the shrinking of Philippine traditional and non-traditional markets abroad for Philippine-made goods.
- Whether the large amount of foreign investment pulling into China in the years running is one of the important causes for the dwindling of Philippine foreign investment.
- Whether the Chinese cheap laborers are the rivals of Philippine overseas Filipino workers.

Engulfing myself in conducting the study of Sino-Philippine economic relations for quite a long period of time, I have found profoundly the coexistence of complementarity and competition in the course of economic cooperation of the two countries. The reality of diversification and expansion of the two country's economic exchange since 2000, whereas, proved that there are more opportunities than challenges to the two countries economic relations after China won the membership of WTO.

2.1 China's WTO Accession is In Favor of the Expansion of Bilateral Trade

As a member of WTO now, the Chinese government has to strictly abide by WTO rules and earnestly fulfill its pledges. The Chinese merchants must follow the international routines and regulations in conducting international trade and commerce. Therefore, while further opening to the outside world the Chinese domestic market for foreign commodities, the Chinese government has to strengthen its transparency on market information and to provide a predicable environment for trade. A massive dismantle of trade protection is taking place according to the schedule set by China's pledges. The Chinese government's commitments with regard to China import and export include:

- a) Its average tariff of farm products drops from 21 percent in 2001 to 15 percent below five years later in 2006. There is a period of protection for implementing quota system of tariff due to the weak rivalrousness of China agriculture products

¹ SHEN Hongfang, China and Philippine Political and Economic Relations in the Context of China's WTO Entry and the Framework of "10+1", *Contemporary Asia-Pacific Studies (Beijing)*, No. 11, 2004; Philippine Reversal Response to China' Entry to WTO and CAFTA, *Southeast Asian Studies (Guangdong)*, No.4, 2004; China and Philippine Economic Relations, in Wang Qin (ed), *New Pattern of China ~ ASEAN Economic Relations*, Xiamen University Press, 2003, pp. 189 ~ 217; Inquiry Into the Impacts of China's WTO Entry on Sino-Philippine Economic Relations and Philippine Economy, *Southeast Asian Affairs (Fujian)*, No.1, 2002.

following the WTO regulation. However, the implementation of the concrete quota system depends on the negotiation between China and relevant countries.

- b) Its average tariff of industrial goods drops from 24 percent in 2001 to 8.9 percent below five years later in 2006. Two thirds of the items must be in place in 2003, and the rest have to be in place in 2005. China's tariff for some specific products such as CMOS chip, semiconductor in consent by the Chinese government have lowered to zero, and China's average tariff for automobile is lowered from 80 percent in 2001 to 25 percent in July of 2006. The Chinese government has pledged and implement to lower the tariffs for various kinds of goods including paper pulp, leather, transformer, and textile and et al.

It can be seen that commitments made by the Chinese government of lowering the level of China's market admittance of many farm products and industrial products are actually in accord with those Philippine exports, which can not but benefit the Philippine export products. Those manufacturers are covering farm products, processed food, metal manufactures, furniture, jewel, toy, lumber, paper pulp, plastic products, and electronics and et al. As a matter of fact, many of Philippine exports to China have already got magnitude tariff reduction including marine products, plant oil, coconut products, garments, electric computer, calculator, tape record, diskette, paper and paper products, electronic input and output fittings.¹

2.2 China's WTO Entry Brings about Opportunity for Chinese Private Entrepreneurs to Invest in the Philippines

Approximately more than one million Chinese Filipino accounting for more than one percent of the total population of the Philippines are of Chinese origin, mostly from Southern China - Fujian and Guangdong province. While playing an important role in the country's creation of wealth and jobs, they have very close relationship with their ancestral home since China opening to the outside world in 1980's. Most of Chinese Filipino merchants have gained benefits while doing business with China. Benefiting from favorable policies empowered, the economic development in Southern China has undergone rapid growth with the private entrepreneurs playing an important role. With dismantling of the Chinese government's policy on holding back the private entrepreneurs to conducting international trade and foreign investment after China's accession to WTO, and under the encouragement of "Go out" strategy currently implemented by the Chinese government, not a few of private companies, particularly from Fujian and Guangdong provinces, intend to invest in the Philippines, where they could find many conveniences or business links. With the recognition of the possibility for increasing Chinese private capital, Philippine incumbent president Gloria Macapagal Arroyo has accredited Philippine Bureau of Migration to relax the visa for Chinese citizens who intend to conduct business in the Philippines. Whereas, Chinese investors are also

¹ Ellen Palanca, China's WTO Entry and Trade between the Philippines and China, *Around Southeast Asia*, No. 11, 2001.

looking forward to the stability of Philippine domestic political situation and social order.

2.3 China's WTO Entry is Putting High Pressure on Philippine Manufacturers

As it is known to the world, many of China-made exports have at one time or another the reputation of "cheap price, but inferior quality". However, the situation is changing with more and more multinational corporations pitching a camp in China. With the advent of foreign direct investment, the quality of China-made export products has greatly improved, and simultaneously opened up further the global market for "China-made" products through business net of multinational corporations, and thus further magnify the supply of "Chinese-made" products in Philippine and global market. The law for commodity price in the market can not but adds the pressure on Philippine government and Filipino merchants with the urgency of upgrading technology, improving the quality of manufacture product, so as to lower the price of their export commodities with an intention to enhance the competitiveness of Philippine manufactures in home and global market.

In addition, the competitions for some of similar export products of the two countries in the global market have been even more severe, particular for those textile products, electronic and manufacture products. The export value of China's textile goods accounts for 1/5 of the total value of China's exports, and the limitation for export will be greatly reduced and accessed to other country's market overall in 2008. The export of machinery covering whole set equipment, home used electronic appliance, electronic communication, generate electricity equipment, and transportation equipment are gaining access to other country's market with 8 percent tariff according to the routine. Some of preponderant products that China is striving to expand exportation are already the similar exports of the Philippines, while some will become the antagonists of Philippine exports in the near future. These include footwear, toys, box and bag, house-ware and the other labor-intensive products, and swiftly grow up software industry and integrate circuit industry.

Being afraid of excess imports of the Chinese (including other Foreign countries) cheap products and services into Philippine market, the well-known business organization, Federation of Filipino-Chinese Chamber of Commerce and Industry (FFCCCI) is taking the lead to initiate "BUY PINOY MOVEMENT"¹ in associate with some other key Filipino business organizations. It states in the covenant that "Continuing globalization and rampant smuggling pose yet greatest challenges. Even as the Philippine hopes to gain better access to global market, we also face the increased entry of foreign goods that are mass-produced at price lower than what we can offer". With a purpose of protecting home market of manufacturing and services, the covenant of "BUY PINOY" called on Filipino consumers to patronize products and services that are made in the Philippines or made by factories that employ Filipinos", and emphasize that "Every peso spent on a Filipino product is a peso contribution to the national interest and to the preservation of

¹ In Filipino language, Pinoy means "Philippine-made" goods.

jobs”.¹ The action has gained support from Philippine government. However, it is very difficult to anticipate the success of the mass movement of “BUY PINOY”, because the overwhelming population of Filipinos whose living standard are below the poverty line could not be able to spend more pesos to buy home made goods instead of cheap China-made goods. Some Filipino workers satirize “BUY PINOY” Movement as “Buy Penoy” (buy egg in Filipino) Movement, and the later might succeed. ²

2.4 Facilitating Flow of Chinese Commodities Capital and Personnel Increase the Disputes of the Two Countries

Before China entering the WTO, some of the related entanglements have already existed manifesting as follows:

- a) Taking advantages of natural relations, some of the Chinese Filipino merchants imported large quantity of cheap Chinese products while further dominate Philippine domestic market, they have obtained sudden huge profits within a short period of time. Their behaviors have raised the envies of Filipino merchants.
- b) Handful of Chinese Filipino merchants colluded with handful officials from China’s customs Houses to import inferior Chinese products that were not in accord to the products prescribed in the customs declaration. Such behavior not only shatters the appearance of the People’s Republic of China, but also damnifies the benefit of Philippine local tradesman.
- c) The relatives or family dependants of Filipino Chinese are leaving to Manila, the capital of the Philippines to identify their kinfolk since setting up of official relations of the two countries, among who do not want to be back to China, and become illegal migrates. They are doing vender’s stand illegally in Binado, Manila and somewhere else, shaping competition with Filipino’s small business and infusing adverse impact on the manufactures of Philippine small and middle manufacturers, which also arise extremely antipathy of Philippine vendors.
- d) Abusing by gangland of Hong Kong and Taiwan, quite a few illegal stayers from the mainland China are conducting illegal drug trafficking under the disguise of doing business. Such behaviors offend the law of the Philippines, and leave terrible impression to the Philippine people.

WTO regulations in relevance of relaxing goods, capitals and personnel of the member countries no doubt strengthen the flow of goods, capitals and personnel of the two countries, not only because these two countries are geographically approaching, but also because many people of the countries have consanguinity on the other side. Because of the limitation of Philippine market’s capacity and scarce of job opportunities, the implications of Chinese medium and small capital as well as personnel moving to the Philippines are not always be positive and the disputes related possibly increased. For instance, 145 Chinese accusing for selling illegal the cheap China-made Christmas

¹ ‘Buy Pinoy’- A covenant for National Economic Survival and Prosperity, <http://www.phionline.comph/dti/buypinoy.htm> Feb.26, 2003.

² Huang Xinyi, Buy Pinoy Movement, www.worldnews.com Dec.13, 2001.

adornments in Philippine market in December of 2005 who were arrested and be fined for some 50 thousand Peso each, and were repatriated by Philippine immigration.¹The Philippine government vows to use efficiently the mechanism of dispute settlement and procedures of WTO to protect the interests of Filipino merchants.

3. Empirical Studies of the Impacts of China's WTO Entry on Philippine Economic Growth and Development

This section shows Sino-Philippine economic interchanges in the four years since the year of 2000 reaching its peak and within the framework of bilateral ties that have been mainly driven by China's commitments to WTO upon its accession to the organization. The facts showed that an open China not only does no harm but a booster to Philippine economy.

3.1 The total value of bilateral trade is greatly increased and trade surplus is on the Philippine side

According to records from China's customs, the significant growth of Philippine exports to China from 2000 to 2002 helped to expand the trade turnover from US\$3.365 billion in 2000 to US\$5.259 billion in 2002 reaching an annual increase of 33%. Total trade value of both sides increased even faster in 2003 and 2004, reaching US\$9.4 billion and US\$ 13.33, an increase of 78. % and 42% respectively. Moreover, the Philippines has enjoyed favorable trade balance of US\$1.175 billion in 2002, US\$3.212 billion in 2003 and US\$4.09billion in 2004, a completely reversal in the history of their bilateral trade. (Table 1)

Since 2002, China has been listed as one of Philippine's top ten export markets. Philippine official data shows that China ranked 9th largest trading partner of the country in 2002, 6th in 2003, and 4th in 2004, accounting for about 6% of total Philippine trade with the world.

With the characteristics of low price and high quality of Chinese export commodities to the Philippines, the Chinese exports, as matter of fact, are mostly welcome by the Philippine lower and medium class, and have brought about the effects of poverty alleviation in the Philippines. The fast expansion of China's imports from the Philippines, on the other hand, has in fact provided job opportunities for Philippine workers.

3.2 Sino-Philippine cross investment are expanding

3.2.1 Chinese investment in the Philippines small but expanding

According to China's Ministry of Commerce, about 40 Chinese companies and

¹ According to the Philippine law, a foreigner is prohibited to deal in retail trade while living in the Philippines. See Editorial: "Be Back safely", from Philippine Chinese Newspaper *World News*, December 17, 2005; Zhuang Ming-ding, "145 Chinese who were arrested in China town released" , Singapore Chinese newspaper *Zaobao*, December 17, 2005.

corporations are investing in the Philippines in the form of “joint ventures” with local counterparts. The total contracted amount reached US\$39.5974 million, US\$16.4104 million of which came from the Chinese. Chinese investment in 12 service or trading corporations reached US\$2.5324 million; in 24 manufacturing or processing corporations, US\$10.083 million; in one agribusiness corporation, US\$0.7 million; in two resource-based corporations, US\$2.115 million; and in one investment corporation; US\$7 million.¹ According to the Philippine source, Chinese investment is still small when compared with other foreign investors. Total China investment in the Philippines in 2000 and 2001 accounted for only 0.2 percent of Philippine’s total foreign investment. In 2002, the percentage increased to 2.0% (Table 2) . In 2003, major investors from China were in IT-enabled services, hotel and commercial complex operation, energy generation, transport equipment and exports of silicon crystals/micro silica.(Table 3)

However, encourage by Chinese government “go out” strategy and endeavors of the both sides, more and more Chinese enterprises will invest in the Philippines. In her official visit to China from Sept.1-3, 2004, Philippine President Gloria Macapagal-Arroyo not only had witnessed some of the agreements to be signed between Filipino and Chinese businessmen on many trade deals, but also witnessed the signing of agreements of Chinese investment to the Philippines, that covering setting up a \$312-million glass manufacturing facility at Subic Bay, Olongapo City, and a \$30-million iron ore processing plant in Camarines Nort that are expected to create at least 30,000 jobs. The Chinese government also agreed to promote Chinese investments in Mindanao, particularly in the Brunei Indonesia Malaysia Philippine-East ASEAN Growth Area (BIMP-EAGA).²

3.2.2. Philippine investors benefit from China’s open-door policy and China’s WTO entry

Philippine investments have a good return after China’s open-door policy in the 1980s, some Philippine Chinese corporations and companies started to invest in their ancestral home taking advantage of the common language, blood ties, mores and practices. Their businesses grew faster because they stayed clear of Philippine domestic politics and were not affected by economic recessions from mid 1980s to early 1990s. With China’s entry into the WTO, Philippine merchants are also expanding their investment in China. The Chinese data shows that there are rapid increases in Philippine investment, contracted or utilized, in China since 2002. (Table 4) Philippine investments in China are mostly in real estate, including gin shops, resorts, mansions and villas; commerce, such as shopping malls; manufacturing including brewage, glass, and terylene and chemical fiber and so on. In the retail sector, the well-known Philipino-Chinese merchants Mr. Henry Sy Has promised to open as more as possible “SM”(Philippine-typed shopping mall) in China. He has so far already opened 2 SM in Fujian Province, South of China, and another four SM is under the construction, and will be opened recently in inland of China (including the provinces of Shan Dong, Kun Ming, and Jiang Xi) due to China’s pledge of openness its

¹ Data from China Ministry of Commerce, October 2003. <http://www.mofcom.gov.cn>.

² Philippine English newspaper ‘Business World’, September1, 2004. <http://www.bworld.com.ph>

retail sector to foreign investment. Mr. Henry Sy has promised to open 61 SM in every small and medium sized cities of China in his rest time of life.¹ In the financial sector, Lucia Tan has established in Xiamen and Beijing his Commercial Banks and Philippine Metro Bank has opened branches in Beijing, Shanghai, and Xiamen. The Filipino merchants have so far gained a good return in their investment to China, and the rich profit derived is one of the reasons that the living standard of Filipino-Chinese are much better of than the local Filipinos.

3.3 Other forms of economic cooperation inspired by China's WTO entry increasing

These include contracted projects and labor cooperation, and tourism.

According to the Chinese official source, up to the year 2000, China has completed more than 400 construction projects in the Philippines including highway, harbor, hydro-electric power plant, thermal power plant, power transmission line, rural water supply and public market. The contracted projects and labor cooperation between the two countries have gain momentum afterward, 37 joint construction projects with a total value of US\$74 million were completed only in a year of 2001. There were 33 newly signed construction agreements in 2002, with a total value of US\$184.67 million; the complete turnover in 2002 was US\$75.37 million. From January to May 2003, 10 contracts were signed with a total value of US\$45.17 million; the accomplished turnover was US\$31.78 million in that period.²

The two governments had signed a memorandum on September 1, 2003 during the state visit of Mr. Wu Bangguo, Chairman of China People's Congress, to the Philippines. China's Import and Export Bank loan to the Philippines totals US\$400 million in the form of purchaser credit based on the preferential condition of modernizing and extending railroad project in north Luzon and improving fishing ports in Mindanao.³ The initial segment of the railroad construction started on April 5, 2004 with maximum credit extended by China to the Philippines in construction.⁴ With the expansion of financial cooperation, the two countries' importers and exporters were able to settle commercial transactions without transiting through the banks. The two governments have also signed bilateral currency exchange agreement in which China's People's Bank will provide credit of US\$1 billion to Philippine Central Bank in case of emergency under the framework of the 10+3 Chiang Mai Initiative.⁵

In recognition of China's potential as a big tourist country since a part of Chinese people

¹ Hong Jun, SM must be overwhelmed among the malls in China, Xiamen Daily, Nov. 25, 2005.

² Data provided by China Ministry of Commerce, quoted from Economic and Commercial Consular of Embassy of P.R.C. in R.P. web site <http://www.chinatrade.org.ph/cn>

³ Philippine Chinese newspaper "Business Daily", p.1, September 1, 2003.

⁴ Philippine Chinese newspaper "World News", April 5, 2004. <http://www.worldnews.com.ph>.

⁵ In May 2000, ASEAN+3 finance ministers discussed the content and form of the organization in their financial cooperation, and later signed the Chiang Mai Initiative. The agreement was designed to create a regional facility to cope with volatile capital flows and speculative attacks and to economize on foreign reserve holding. According to the initiative, the original currency exchange arrangement among the ASEAN members should extend to China, Japan and ROK, capital involved to be expanded to \$1 billion, and a series of bilateral exchange agreements should be reached among ASEAN members, China, Japan and ROK.

has getting rich, the Philippine government has adopted various measures in attracting Chinese tourists to boost Philippine tourism. The Philippine Department of Tourism has targeted China as one of the priority markets; in 2003, there were 32 thousand Mainland Chinese tourists in the Philippines. In order to attract more Chinese tourists to the Philippines, the Philippine Department of Tourism has opened the first Philippine tourism office within the Philippine embassy in Beijing on July 18, 2004. The tourism attaché of the Philippine embassy in Beijing deals with tourism and travel-related services including the promotion of Philippine tourist destinations to an expanding Chinese tourist market. The Philippine tourism office in Beijing is aiming at raising the number of Chinese tourists to more than 60,000 or a 100% growth in near future. ¹

¹ Compared to other countries in Southeast Asia, the Philippines is still largely unexplored. Only 32,000 Chinese tourists visited the Philippines last year, compared to the approximately 700,000 who visited Vietnam, the 600,000 who visited Thailand, the 500,000 who visited Singapore and the 350,000 who visited Malaysia. Philippine's English newspaper Business World July 22, 2004. <http://www.bworld.com.ph>; Philippine Chinese newspaper, "World News", July 18, 2003. <http://www.worldnews.com.ph>

Table 1. China and Philippine Bilateral Trade, 1985-2004
(in hundred million US Dollars)

Year	Total Value	% Change	Exports to Philippines	Imports from Philippines	Balance of Trade
1985	4.05	—	3.11	0.94	2.17
1986	2.94	-0.27	1.57	1.37	0.20
1987	3.85	0.31	2.45	1.40	1.05
1988	4.04	0.05	2.69	1.35	1.34
1989	3.39	-0.16	2.56	0.83	1.73
1990	2.95	-0.13	2.10	0.85	1.25
1991	3.83	0.30	2.53	1.30	1.23
1992	3.64	-0.05	2.09	1.55	0.54
1993	4.95	0.36	2.81	2.14	0.67
1994	7.48	0.51	4.76	2.72	2.04
1995	13.06	0.75	10.30	2.76	7.54
1996	13.87	0.06	10.15	3.72	6.43
1997	16.67	0.20	13.39	3.28	10.11
1998	20.00	0.20	15.00	5.00	10.00
1999	22.87	0.13	13.79	9.08	4.71
2000	31.42	0.37	14.64	16.77	-2.13
2001	35.63	0.14	16.20	19.45	-3.25
2002	52.60	0.47	20.43	32.17	-11.75
2003	94.00	0.78	30.94	63.06	-32.12
2004	133.3	0.42	42.70	90.60	-40.90

Source: China Customhouse, quoted from Economic and Commercial Consular of Embassy of P.R.C. in R.P. web site <http://ph.moftec.gov.cn>

Table 2. Chinese Investment in the Philippines

(Value in US\$ Million)

Year	China's Investments in the Philippines	Total Foreign Investment in the Philippines	Percent of China's investment to Total Foreign investment
1999	3.8	1223.55	0.3
2000	3.9	1818.83	0.2
2001	2.87	1224.48	0.2
2002	16.65	858.80	2.0
2003 (Jan-June)	3.02	244.06	1.2

Sources: Philippine Board of Investment (BOI), CDC, PEZA, SBMA

Table 3 Major BOI Registered Investors from China, 2003

Company	Product/Activity
Phiweb Corp (formerly Philweb Com, Inc.)	IT-Enabled Services
New Phil-China Group Dev. Corp	Hotel & Commercial Complex Operation
Binga Hydroelectric Plant, Inc	Hydroelectric Plant Binga (ROL Scheme)
Salcon Power Corp	Naga Power Plant
Intermedia Solutions, Inc (formerly IMGAME Com., Inc.)	IT Service Firm ASP Platform
Grand Ocean (Phil) Co. Inc.	Transport equipment (evaporating & condenser coils)
United Silicom Mindanao, Inc.	Exporter of silicom crystals & microsilica

Source: Philippine Board of Investment

**Table 4. Philippine Investments to China under China's
Various Investment Incentive Law, 1986-2004**
(in million US Dollars)

Year	Number of Projects	Contract Amount	Utilized Amount
1986	9	3.81	1.08
1987	10	30.39	3.80
1988	22	7.30	3.63
1989	12	4.71	1.52
1990	18	10.78	1.67
1991	30	17.44	58.50
1992	153	273.16	16.28
1993	302	630.63	122.50
1994	162	290.69	140.40
1995	125	213.15	105.78
1996	78	165.81	55.51
1997	102	181.13	155.63
1998	86	144.37	179.27
1999	99	184.45	117.28
2000	132	361.53	111.12
2001	126	297.19	209.39
2002	153	325.48	186.00
2003	326	600.98	175.64
2004	241	684.00	233.00

Sources: Compiled by author; data of 1986 to 2002 from various issues of *The Yearbook of China's External Economic Relations and Trade*, published by China Foreign Economic Relations and Trade Publishing House; Datum of 2003 and 2004 from China Commerce Yearbook 2004, and 2005, published by China Commerce Publishing House Sept. 2004, and Sept. 2005.

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- Economic and Commercial Consular of Embassy of P.R.C. in Republic of the Philippines, web site <http://www.chinatrade.org.ph/cn>
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