

# **United States-China Competition in the Philippines in the Context of a New World Order**

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**Received:** 10 October 2022 **Revised:** 2 March 2023 **Accepted:** 9 March 2023

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## **Abstract**

The Philippines is a key component to Chinese expansionist plans in Southeast Asia. China has attempted to limit the expanding footprint of the United States of America (US) in Southeast Asia by using the Philippines as a foothold in the South China Sea. China requires the Philippines to expand and maintain regional influence. To avoid marginalization, China must promptly assert control in the Philippines, especially as the US is continuously monitoring and influencing the region. Politically, China increases power in Southeast Asia through closer cooperation that leads to control. The Philippines has benefited by developing relations with China, whose influence is present in economic, cultural, social, and military spheres as well as development assistance projects. The Philippines remains a key motivator and target for Chinese strategy for advancement into Southeast Asia. Yet the Philippines continues among US allies in Asia, alongside Japan, South Korea, and Australia as a participant in the policy of expanding US influence in the Asia-Pacific region. This is reflected in historical US military priorities in the Philippines. This article will analyse how a new world perspective may clarify competition between China and the US for the Philippines from 2016 to 2021.

**Keywords:** Competition, China, The United States of America, Relations, Cooperation

## **1. The transformation of the world in the new world order**

After the end of the Cold War and the dissolution of the Soviet Union, the bipolar world order collapsed, replacing it with a unipolar world order led by the United States. With its superior strength compared to other great powers, the United States allowed itself to storm the world and interfere in the internal affairs of many countries, especially those in the Middle East and Central Asia. In Europe, the US encouraged the expansion of the EU to the East, opening NATO to attract new EU members from Eastern Europe. America's goal was to shrink Russia's post-Soviet space, constraining its recovery. In Northeast Asia, the US has upgraded relations with Japan and South Korea, supporting Taiwan's independence trend to contain China's rise. Those unilateral actions of the US have met with resistance from many different political forces in the world, especially the Muslim community in the world. As a result, on August 11, 2001, international Islamist extremists carried out a terrorist attack against two economic and military symbols of the United States. The myth of an untouchable America has fallen. Not accepting that fact, the United States has launched a global war on terror. The world is divided by the US into two forces: for or against the US war on terror. The spearhead of the US terrorist attack is aimed at the Middle East. In 2003, the US unilaterally launched a war against Iraq, killing leader Saddam Hutsen, who was believed by the US to be responsible for the 9/11 terrorist attacks. Not stopping there, the US also sent troops into Libya, overthrowing the country's constitutional President Kadaphi. Those military actions of the United States do not make the United States stronger, but vice versa. Not only being bogged down in the Middle East, at the end of the first decade of the twenty-first century, the United States was also dealt an economic blow due to the impact of the financial-currency crisis that broke out in the heart of the United States. The country's economy fell into an unprecedented crisis since the Second World War. The economic downturn made unemployment worse. On average, from January to September 2008, 84,000 US workers lost their jobs. A series of financial institutions, including giant financial institutions, collapsed (CJJ Staff, 2008). Although still considered the only superpower in the world, the military and economic advantages of the United States have declined sharply since entering the second decade of the twenty-first century. While the overall strength of the United States is dwindling in the eastern Pacific, a new political-economic force is emerging with increasing force. In just three decades since reform and opening up, China has surpassed Britain, France and Germany to become the world's third largest economy. In 2013, the country overtook Japan to become the world's second-largest economy, after the United States.

Economic development has created favorable conditions for China to strengthen its military power and modernize national defense. China's defense budget is increasing day by day. If in 2005,

the country's defense budget was only 7.3% of the entire national budget, by 2007, China's defense budget accounted for 7.5% of the entire national budget, with value amounted to 350.92 billion yuan (US\$44.94 billion) an increase of 17.8% compared to 2006 (News agency, 2007, p. 5). This is the highest level of defense spending in the past 10 years. With its rapidly growing economic and military power, Chinese leaders such as Chinese President Xi Jinping (2012 to present) have aspired to revive the power and influence of the Chinese Communist Party. That ambition is reflected in the idea of the Chinese Dream that he proposed in his first speech on March 19, 2013, as President. In that speech, Xi Jinping declared: "The realization of the Chinese Dream of a great national revival means that China becomes a prosperous country, a nation renewed in vitality. and have happy people" (VOV, 2014). The formation of a new world order has had a strong impact on ASEAN-China relations. As China became a pole in the new world order, Beijing's attraction, especially in economic terms, has become stronger, especially for developing countries, including member countries. ASEAN. These countries hope to find more development opportunities in economic cooperation with China. Beijing's implementation of the BRI will provide those countries with concessional loans to build new or modernize their weak or inconsistent infrastructure systems. However, China's rapidly growing military power also worries Southeast Asian countries, especially those that are having territorial disputes with China in the East Sea. More than ever, ASEAN and its member countries need cooperation with other powers, especially the US, Japan and India to balance relations with China. As for China, with its position as the new pole in the "One Super, Multi-Power" order, Beijing has become more assertive in its foreign policy, not only the US but also towards other countries. Southeast Asia, which is considered by China as a top priority in the implementation of the BRI grand strategy. China's new behavior towards ASEAN countries is reflected in the statement of Chinese Foreign Minister Yang Jiechi: China is a big country and ASEAN countries are small countries. With such a view, despite the objections of international opinion and Southeast Asian countries, China has unilaterally carried out a series of activities to reclamation of islands and reefs that it is occupying in the East Sea. seriously violated the DOC which they signed and committed to respect since 2002. Such both positive and negative impacts have created both a push and a drag on the development of ASEAN-China relations since 2004 to present.

At the regional level, ASEAN has also made new developments, especially in building the ASEAN Economic Community (AEC) which is one of the three main pillars of the ASEAN Community established in December 2015. The remaining pillars are: Political-Security Community (APSC) and Socio-Cultural Community (ASCC). The objective of the ASEAN Economic

Community is to enhance cooperation and economic development among ASEAN countries, namely i) Establishing a single market and common production base, ii) Building a competitive economy, iii) Balanced economic development, and iv) Integration into the global economy. When entering the twenty-first century, countries, large or small, have begun to make moves to adjust their international cooperation strategies, adjust foreign policies to match the development process of human history in the past. new era. It is the peaceful international relations that have helped countries link together and cooperate for economic development. Thus, it shows that the new world is no longer formed by an imposition of one or a group of national interests, but consensus, recognition, respect for freedom, democracy, peace and prosperity is the development foundation of the world in the new context. In that flow, the Philippines is one of the pioneering countries in adjusting foreign policies to strengthen international integration cooperation, especially towards China and the US when entering the early years of the 21st century.

## **2. Philippine Policy towards China under President Duterte.**

In general, the Philippines continues to pursue an independent foreign policy, protecting national sovereignty and territorial integrity; promoting relations with other countries through economic diplomacy in order to seek and expand national interests as well as increase the ability to protect the rights and interests of Filipinos abroad; Actively and responsibly participate in international obligations. Regarding the objective, the Philippines continues to promote friendly relations and cooperation with all countries through strengthening bilateral and multilateral relations; strengthen relations with allies and strategic partners to promote new security cooperation arrangements; Strengthen and expand commitments, promote cooperation with international and regional organizations, focusing on areas of national benefit; Expand the presence of Philippine diplomatic missions abroad and establish diplomatic representations in strategic areas; Expand security, defense, economic and social diplomacy to support the national vision program and the development of national security. Regarding China, the Philippines advocates actively and proactively improving bilateral relations, minimizing disagreements, and avoiding confrontation in order to take advantage of China's potential for economic development and maintain sovereignty. Under President Duterte, he actively separated the issue of maritime disputes into a separate content in relations with China and did not want the effects of this issue to affect the goal of promoting cooperation between the Philippines and China. Country. Bilateral relations between the two countries began to shift from a tense state of confrontation to friendliness and cooperation. Under President Duterte's administration, the Philippines-China relationship has gradually improved. After about four years of adjusting

foreign policy in the direction of “independence” of trade, investment and funding from China has gradually improved markedly. In addition, the Philippines still ensures its territorial sovereignty and stabilizes the domestic situation to continue its economic development. Moreover, the Philippines has partly enhanced its position and role in relations with major countries, both improving its relations with China but also adjusting its relations with the US in a more substantive and balanced direction. Although under President Duterte’s rule, conflicts in the South China Sea are still ongoing, but President Duterte once said that political conflicts should not affect the trade and investment relations between the two countries. Besides the rapid economic development, the Philippines is also facing great challenges when investment capital and investors come from China. It is these same challenges that make the Philippines adjust its diplomatic strategy continuously during the four years in office of the incumbent President R. Duterte. Recently, there are many negative opinions about the relationship between the Philippines and China because the increase in disagreement between the two countries will inevitably lead to competition and conflict. But the change in the two sides' policies, as well as the dependence on international and regional factors, have greatly influenced this relationship, forcing the two countries to pay attention to peace and security. Besides, the most common strategic interests of the Philippines and China are derived from the bilateral economic relationship, therefore, in the coming time, there is a basis to believe that the relationship between the two sides will continue to develop in a positive direction.

### **3. The America's pivot policy and engagement in the Asia-Pacific region**

After the cold war ended, the US no longer paid much attention to Southeast Asia, and the Philippines, the US returned to isolationism, withdrawing its troops from two military bases in “Clark” and “Subic” (1992) which created a power vacuum in Southeast Asia. This has created conditions for China to increase its influence in the region through activities related to the East Sea. The moves to increase China’s influence in the East Sea area have directly threatened the interests of the Philippines and challenged the US power in this area (Tan & Trang, 2017, p. 13). However, after the events of September 11, 2001, at the same time as launching the Global Counterterrorism Strategy, the United States implemented the policy of “Americanizing the world” to maintain hegemony based on the superiority of power (Jarvie, 1988). With the goal of counter-terrorism becoming a top priority, the United States takes advantage of the problem of counter-terrorism and weapons of mass destruction to launch pre-emptive strategic attacks, exerting influence in various fields such as economy, trade, democracy by

various measures. To accomplish this goal, the United States sent troops back to many key regions in the world, including Southeast Asia and the Philippines (Lan, 2018, p. 210).

In 2011, the administration of President Barack Obama announced the strategy of Pivoting (Rebalancing) to the Asia-Pacific with 06 main pillars, including: (1) Strengthening relations with traditional allies (Japan, Korea, Philippines, Thailand, Australia); (2) Strengthening relations with friends and emerging powers (India, Singapore, Indonesia, ...); (3) Actively participate in regional architecture building, such as: East Asia Summit (EAS), Asia-Pacific Economic Cooperation (APEC), ASEAN Regional Forum (ARF), Initiative Lower Mekong River (LMI), ASEAN Defense Ministers Meeting Plus (ADMM+); (4) Strengthening military presence, deploying rotation of troops to the region (Singapore, Australia, Philippines, ...), continuing to maintain presence in the region through bilateral and multilateral military exercises; (5) Promoting economic cooperation with the region, including: negotiating the Trans-Pacific Partnership (TPP), supporting APEC, the Initiative for Expanding Economic Engagement with ASEAN (E3); (6) Continue to propagate and promote democratic values and human rights (Government agency, 2023). In Southeast Asia, President Obama has become more fully engaged in the region and personally attends annual forums such as the East Asia Security Summit. In recent years, the United States has deployed more troops and military equipment to the region, while strengthening security alliances with ASEAN member states. The Supreme Court of the Philippines also recently ratified a bilateral security treaty, allowing US troops and weapons to be stationed and rotated at five military airports and two naval bases. Washington is also providing maritime assistance to many other ASEAN countries. Most significantly, it has increased US strategic presence and influence in the Asia-Pacific area, putting some restraints on China's rise (Zhao, 2018). The military build-up with the Philippines to gradually deal with China's expansionist ambitions in the South China Sea has made the Philippines-US relationship stronger and stronger. In that context, the increasing influence of China in this region further worries the US side. In order not to lose its influential role in Southeast Asia, the United States has made it the second front in the global war on terrorism. The United States advocates "encouraging cooperation with partners in the region to undertake concerted efforts to corner, tighten, and isolate terrorist groups" (The White House, 2003).

Accordingly, the United States has implemented a series of bilateral and multilateral cooperation activities with ASEAN countries. In particular, the United States increased training and support for the Philippine military in combating armed insurgent groups. According to data from the Philippines, in 2001 the US aided the Philippines with 30.08 million USD, this number increased to 94.5 million USD in 2002. These figures show the determination of the US side

in carrying out the goal of fighting terrorism and other issues related to security in Southeast Asia. In order to tighten the relationship and domination of the United States in regional security issues, in 2003, the United States declared the Philippines to enjoy the status of a key ally outside of NATO (Lan, 2018). From 2008 onwards, the US implemented the policy of pivoting to Asia, taking Asia - Pacific as the centre, the Philippines was increasingly focused. This is also the period when China has stepped up activities to strengthen and protect its claims in the South China Sea, which have threatened the oil and gas exploitation activities of US oil and gas companies, as well as the economic interests of the economy of the US.

#### **4. The competition between the US and China in the Philippines**

##### **4.1 In Political Diplomacy and Military Security**

The US-Philippines alliance relationship has been established for a long time and is bound by the main pillars, which are: (1) Mutual Defense Treaty (MDT) signed in 1951, the Treaty stipulates that the two sides will protect defend each other in the event that one party is attacked by foreign forces; (2) Visiting Forces Agreement (VFA) was signed in 1998, effective from 1999; (3) Enhanced Defense Cooperation Agreement (EDCA) signed by US President Barack Obama and Philippine counterpart Benigno Aquino III in 2014, The Agreement allows the US military to use 05 military bases on Philippine territory . These agreements are the legal basis for thousands of US troops and vehicles to be rotated in the Philippines and allow the militaries of the two countries to conduct annual joint exercises, organize military training as well as implementing humanitarian assistance, etc. According to statistics, each year the US military has about 300 such operations in this Southeast Asian country, including visits by warships. Among the above agreements and agreements, the Visiting Forces Agreement is considered to play an important role, as it provides the rules, guidelines and legal status for the US military when operating in Philippines. Specifically, the VFA is an integral part of the MDT - an important factor in improving the ability to coordinate combat between the Philippine military and the US military. For a country that is in dire need of investment to improve its military strength like the Philippines, the VFA will help them acquire more military equipment and facilities and be the country that receives the largest military support from the US among Southeast Asian countries. In the period 2012-2015, the cost of US military support to the Philippines is estimated at about 50 million USD/year; in the period 2015-2016, this support even skyrocketed to 127.1 million USD. Each year, the two countries also conduct nearly 30 joint exercises, including three large drills equivalent to the annual Balikatan (shoulder-to-shoulder) exercise in the East Sea to prepare for disasters and events. In addition, the presence of VFA in combination with

MDT and EDCA is considered a “security umbrella” to help the Philippines avoid aggressive actions from outside and turbulence in the strategic competition between major countries in the world. regional chess board (Government agency, 2023).

Although relations with the US deteriorated in the last months of US President Obama’s term, it was quickly “recovered” during the US President Donald Trump’s era. The phone call between US President Donald Trump and Philippine President Rodrigo Duterte on April 29, 2017 was considered “very good” and the two countries’ alliance relationship is on the right track (Ftchinese, 2023). When Mr. Duterte met Mr. Trump in Manila in November 2017, the US side avoided criticizing the Philippine leader. Donald Trump seems to “turn a blind eye” to extrajudicial killings in Duterte’s war on drugs. At the same time, Philippine President Duterte announced that the Philippines continued to cooperate and coordinate with the US after Donald Trump appointed new Secretary of State Mike Pompeo. This makes the relationship between the two countries quickly “warm up” and the two sides actively promote comprehensive bilateral relations.

From 2016 up to now, the security and military relations between the Philippines and the US are showing signs of going down. After taking office (October 2016), President Dutert adjusted his foreign policy towards balancing relations with major countries, especially with China. The Philippines has broken the ice with China, which began after the Scarborough incident, in search of stronger economic cooperation. In contrast, the Philippines-US relationship, including security and military cooperation, tends to decrease. President Duterte had unfriendly words towards the US Ambassador to the Philippines.

Meanwhile, the Diplomatic relations between the Philippines and China were established in 1975, and since then, the bilateral cooperation between the two countries has developed positively thanks to the consensus in the relevant views for the peace and prosperity of the region. Both countries have opportunities to strengthen cooperation in the fields of politics, security, trade, investment, tourism, as well as cultural and people-to-people exchanges for the benefit of the two countries.

During President Duterte’s Administration, President Duterte made several state visits to China from 2016-2019. During the visits, the two sides signed a Joint Declaration to strengthen friendly cooperation between the two sides. Especially in April 2019 President Duterte attended the second Belt and Road Forum for International Cooperation. During the bilateral meeting between President Duterte and President Xi Jinping, the two leaders witnessed the signing and exchange of agreements between the National Economic and Development Authority (NEDA) and the National Recovery Center Project. Dangerous Drug Abuse Recovery and Treatment

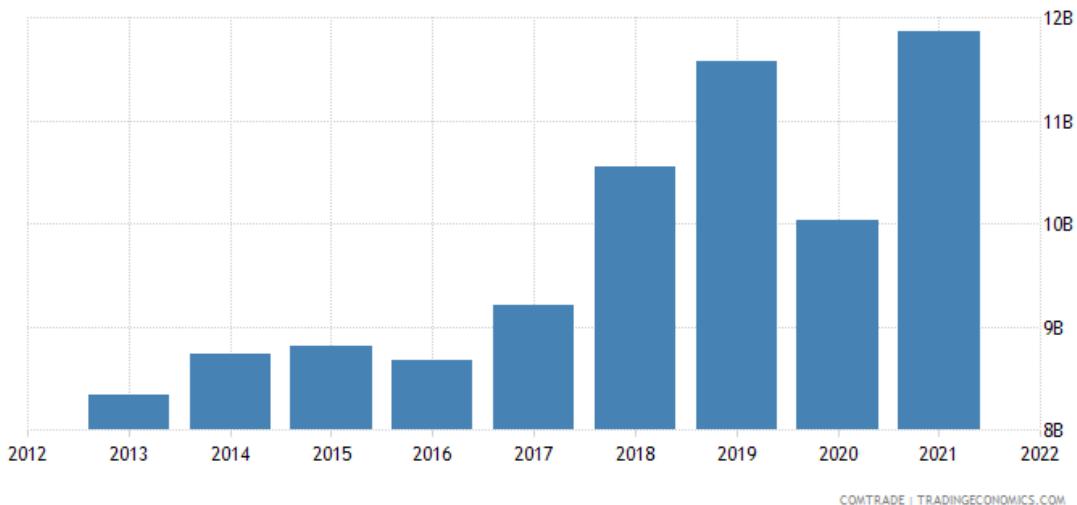
between the Government of the Republic of the Philippines and the Government of the People's Republic of China. The Philippines has marked a drastic change in the way it adapts to the increasing influence of China during the period of President Rodrigo Duterte in the direction of Manila getting closer and closer to China in political-diplomatic relations in order to find seeking China's support as well as increasing bilateral economic ties. Since Philippine President Rodrigo Duterte made an "ice-breaking" trip to China in October 2016, at the same time Duterte announced his separation from the US. This event marked a new turning point in Manila's relationship with China and Washington. The growing relationship with China is mainly in the economic sphere, and the United States remains a key security partner of the Philippines. President Duterte's performance in relations with China and the US shows that this country is implementing a balanced foreign policy between these two powers in the direction of increasing economic growth with China and continuing the alliance with the US. In other words, the Philippines is implementing a more balanced and independent foreign policy. Since Philippine President Duterte came to power, the Manila government has moved from a tough foreign policy in relations with China to increased contact with Beijing: (i) Full praise of China and Chinese President Xi Jinping in public speeches; (ii) Moderately asserting the Philippines' legitimate victory over China on the South China Sea issue; (iii) Declare changes to military activities that might make China "angry"; (iv) Allow Chinese aircraft and ships to land or dock at Davao city; (v) Inviting Chinese traders and investors (Pia, 2018). Philippines also expands its contact space with China in terms of defense and security. China and the Philippines increasingly have space to increase comprehensive cooperation with each other, in addition to the economic factor, the security factor has also been strongly promoted. In addition to the fact that the Philippines and China are promoting increased maritime security cooperation in the region, the recent conflict event in the southern Philippines can be considered an "opportunity" for the two countries to strengthen cooperation in the field of security. The attack by a militant group affiliated with the Islamic State (IS) in Marawi city, southern Philippines on May 23, 2017 was seen by the Chinese side as a good opportunity to increase cooperation in defense - security with the Philippines and at least both countries have the same religious problem - that is the separatist tendency of the Muslim forces. On May 23, 2017, Chinese Foreign Ministry spokesman Lu Kang affirmed that China strongly supports the anti-terrorism activities of the Philippine government. He stressed that terrorism is a common enemy of mankind and that China shares and supports the anti-terrorism efforts of the Philippine government. In addition, on May 15, 2017, a representative of the Philippine Department of Defense signed an agreement with China on the procurement of weapons and other military

equipment. This news was confirmed by Philippine Secretary of State Delfin Lorenzana, and he also added that the list that the Philippines wants to buy includes aircraft, drones, speedboats. At the same time, Lorenz also emphasized, China has provided a loan of 500 million USD for the procurement of defense equipment, but the Government of this country will only spend the money allocated for modernization programs first. Armed Forces of the Philippines (AFP) before accepting the offer. “If we still have money, we will buy them with our own money,” Mr. Larezana said. When we run out of money, we will access Chinese loans” (Inquirer, 2017). The fact that China and the Philippines embarked on this defense cooperation took place shortly after the US announced its refusal to sell weapons to the Philippines on the grounds of human rights, and Lorenzana said that the Philippines began to shift its focus to arms procurement from Russia and China. Previously, in February 2017, China also provided US\$140 million in military aid to the Philippines to fight terrorism (Militarydwnews, 2023).

However, in the field of security, the Philippines remains suspicious and wary of China and continues its military alliance with the US. The Philippine military has a different view from Mr. Duterte’s attitude towards China. Especially in light of the recent scene where the two countries continue to have controversies related to the South China Sea issue, such as Philippine President Rodrigo Duterte in his response to the media also revealed that in August 2018 the Chinese military tried to drive away the Philippine navy plane after they flew over the disputed area in the South China Sea and there was a dispute with China (Dnews, 2023). The Philippines and China's involvement in sovereignty disputes in the East Sea, as well as China's increasingly powerful military presence in the South China Sea, also make the Philippines worry about security risks.

#### **4.2 In the field of Economy**

The Philippines appears to be seeking the restoration of stronger economic ties with the United States. This change is intended to balance the country's growing dependence on China. In October 2017, the Philippines' foreign ministry said it was “seeking to strengthen economic cooperation” in an effort to improve ties with the United States, while the Philippines also said stronger economic ties would “be over security” (VOA news, 2017). The US is currently the Philippines’ top trading partner. Bilateral trade relations between the two countries have been relatively stable in recent years and the balance of trade has always been in favor of the Philippines. The United States is an important export partner of the Philippines, and as of 2017 became the 31st largest trading partner of the United States (Philippine embassy, 2023)

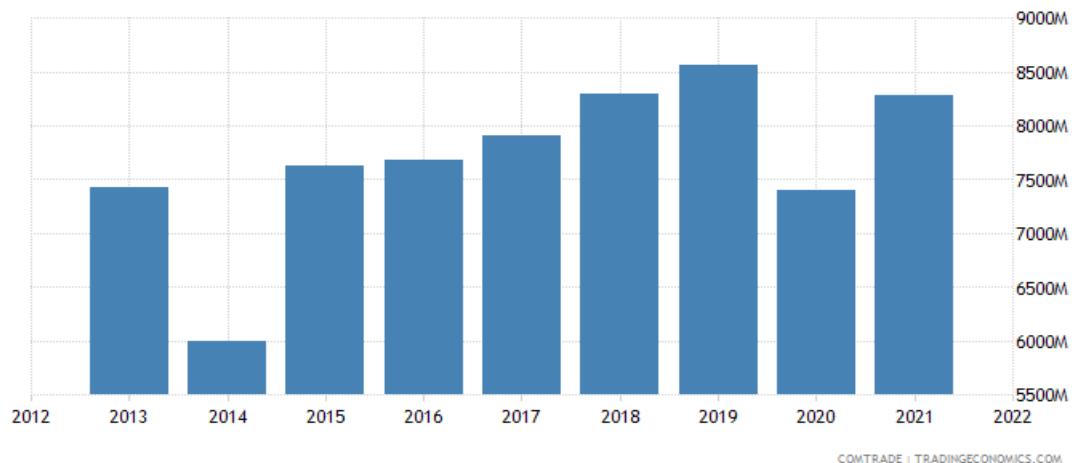


**Figure 1** Philippines Exports to United States

**Source:** Trading Economics. (2023). *Philippines Exports to United States*.

<https://tradingeconomics.com/philippines/exports/united-states>

Philippines Exports to United States was US\$11.86 Billion during 2021, according to the United Nations COMTRADE database on international trade. Philippines Exports to United States - data, historical chart and statistics - was last updated on February of 2023.



**Figure 2** Philippines Imports from United States

**Source:** Trading Economics. (2023). *Philippines Imports from United States*.

<https://tradingeconomics.com/philippines/imports/united-states#:~:text=Philippines%20Imports%20from%20United%20States%20was%20US%248.28%20Billion%20during,updated%20on%20February%20of%202023>

Philippines Imports from United States was US\$8.28 Billion during 2021, according to the United Nations COMTRADE database on international trade. Philippines Imports from United States - data, historical chart and statistics - was last updated on February of 2023.

The US is one of the Philippines' top foreign investors. An American diplomat in Manila said that the US has invested \$4.5 billion in FDI in the Philippines (VOA news, 2017) According to statistics of the Philippine Statistics Authority (PSA), the top FDI suppliers to this country in 2017 are as follows: Japan accounted for 30%, Taiwan accounted for 10.3%, Singapore accounted for 9.6%, the Netherlands accounted for 9.1% and the US accounted for 8.3%. China contributes only 2.2% of FDI to the Philippines (aecnewstoday, 2018). The United States is the 6th largest source of Foreign Direct Investments (FDI) in the Philippines, registering \$226.45M approved investments in 2019. According to U.S. data, United States' FDI in the Philippines (stock) stood at \$7.1B in 2017. U.S. direct investments in the Philippines is led by manufacturing, wholesale trade, and professional, scientific, and technical services.

In the area of economic aid, although Philippine President Duterte often complains that US aid often comes with conditions. In 2016, the US government stopped a plan to sell 26,000 artillery pieces to the Philippines. The United States also said it would withdraw from the Philippines \$9 million in aid for anti-drug training. The US government has criticized Duterte's anti-narcotics campaign, where many drug suspects are killed without trial. However, experts also say that the pressure on the military and the public could increase pressure for Mr. Duterte to try to strengthen the relationship of the Philippines with the US (VOA news, 2017).

The year 2010 marked the rise of China when it surpassed Japan to become the second largest economy in the world, after the US. In the opposite direction, after the global economic crisis period 2008-2009, President Benigno Aquino III continued to implement the foreign policy of diversification and multilateralization to promote economic - trade relations. and China is the new destination in Aquino's economic policy. Thanks to that, the relationship between the Philippines and China has achieved many achievements in the field of economy - trade. The total trade turnover of the two countries will reach 30.5 billion USD in 2020, more than double the 13.6 billion USD in 2010. After the meeting between President Aquino III and Xi Jinping since 30/03 September 8 - 2, 2011, the two sides issued a Joint Statement reiterating the China-Philippines Joint Action Plan on Strategic Cooperation signed on October 29, 2009 (China embassy, 2023). Since then, two-way trade turnover has continuously increased rapidly, although both the Philippines and China have been affected by the global economic crisis before.

**Table 1** Philippines-China trade 2001-2017

(Unit: Thousand USD)

Year	Export	Import	Balance of trade	Total trade turnover
2001	792,757	953,110	-160,353	1,745,867
2002	1,355,825	1,251,727	104,098	2,607,552
2003	2,144,647	1,797,486	347,161	3,942,133
2004	2,653,036	2,659,375	-6,339	5,312,411
2005	4,076,996	2,972,595	1,104,401	7,049,591
2006	4,627,660	3,647,354	980,306	8,275,014
2007	5,749,864	4,001,235	1,748,629	9,751,099
2008	5,466,881	4,245,553	1,221,328	9,712,434
2009	2,933,923	3,807,418	-873,495	6,741,341
2010	5,724,467	4,627,559	1,096,908	10,352,026
2011	6,237,326	6,085,075	152,251	12,322,401
2012	6,169,285	6,680,352	-511,067	12,849,637
2013	7,025,215	8,072,328	-1,047,113	15,097,543
2014	8,467,435	9,869,762	-1,402,327	18,337,197
2015	6,174,784	11,470,735	-5,295,951	17,645,519
2016	6,372,524	15,564,900	-9,192,376	21,937,424
2017	8,017,132	17,463,603	-9,446,471	25,480,735

**Source:** Compiled from Philippine Statistical Yearbook (PSY), 2014; Philippine Statistical Yearbook (PSY), 2017.

However, the two countries' trade relations slowed down and somewhat declined since January 2013, when the Philippines officially confronted China's expansionist claims in the sea (Renato, 2015, p. 100). This led to a disturbance in economic relations between the two countries in the period 2013-2016. Specifically, the export situation tended to decrease, from US\$7,025 billion in 2013 to US\$6.372 billion in 2016. The deficit level is getting higher and higher, the trade body is tilted towards China with an increasing trend. (See Table 1). The two countries' trade cooperation was further promoted with President Duerte's "pivot" policy towards China, in addition, the two countries also discussed the 6-year development program on Economic Cooperation and Development.

From 2016 to 2018, China has always maintained its position as the leading trading partner in the Philippines. In general, the Philippines - China bilateral turnover market share in the total annual trade of the Philippines is quite high and occupies an important position. At the same time, the import and export value of goods in this country has also increased gradually over the years, partly thanks to the policies of expanding external relationships and the advantages

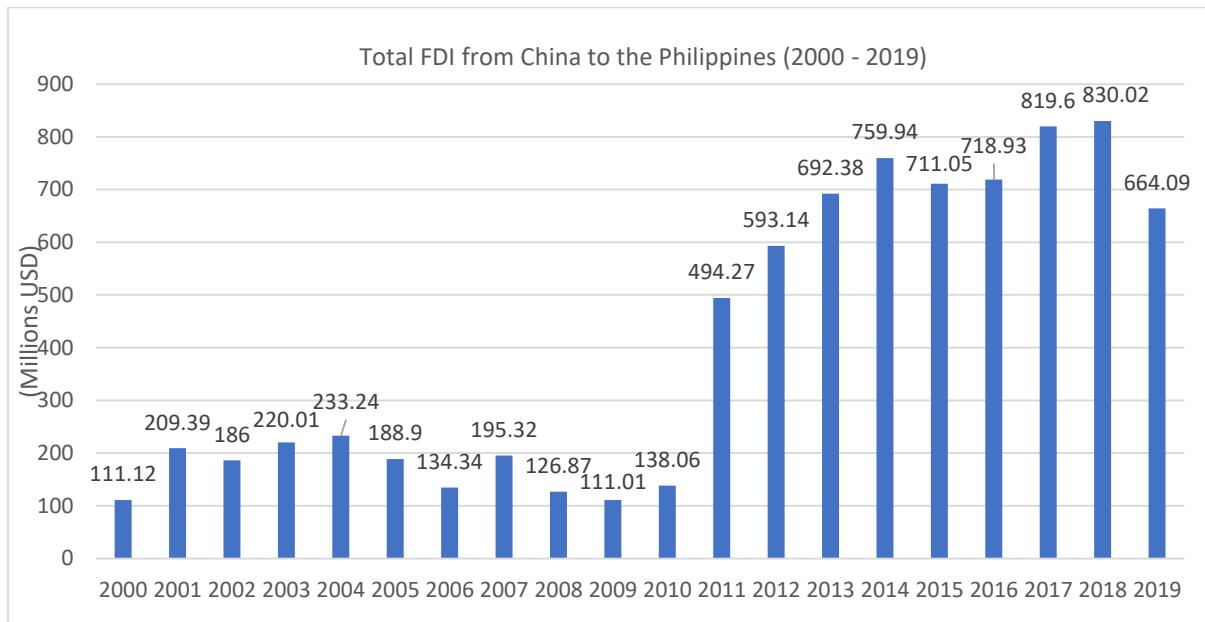
of reasonable prices, rich sources of goods and services. many incentives suitable for the Philippines in many areas.

Although there are positive signals, the bilateral trade balance between the two sides still has a large deficit. This deficit was caused by a decline in export sales of 4 of the top 10 items, namely machinery and transport equipment; coconut oil; electronic products; and other manufactured goods. In addition, this decline was triggered by the negative growth of the main import items, namely: transport equipment; other manufactured products; mineral fuels, lubricants and related materials; telecommunications equipment and electrical machinery; food and other live animals; and electronic products (Republic of the Philippines, 2021).

Entering the 2018-2019 period, the Philippines has rapidly improved its trade and economic position with China, although there are still many unresolved issues between the two countries, especially the disputes at sea. Also from 2018, the Philippines - China relations continued to have new developments, especially the Philippines' support and direct participation in the “Belt and Road” initiative initiated by China (Liang, 2017).

In 2020, the bilateral trade between our two countries reached 61.15 billion USD, with a year-on-year increase of 0.3%. China's non-financial direct investment in the Philippines hit \$140 million USD, which was 1.36 times more than the number in 2019. During the first quarter this year, the bilateral trade reached 16.49 billion USD and China's non-financial direct investment in the Philippines 27.36 million USD, increased by 34.7% and 85.2% respectively. China remains the largest trading partner, the largest source of imports, the third largest export market and the second largest foreign investors of the Philippines. Tropical fruits from the Philippines such as bananas and avocados have been served on the dining tables of more and more Chinese families (MFA, 2022).

In terms of investment, the Philippines is in need of mobilizing large investment capital to transform its economic structure, from agriculture to relying on modern industry and services to develop the country. China with two policies “*Going out*” and “*One Belt One Road*” (Chuong, 2016) has facilitated investment in the Philippines with many advantages. Total Chinese FDI inflows into the Philippines was US\$387.34 million in 2010 and increased 2.5 times in 2019 to \$830.6 million. Trade, this is considered the overall cooperation framework for the two countries' economic relations from 2017-2022 (Xinhua, 2020). China became the Philippines' top trading partner in 2016 with a total trade of \$21.937 billion, accounting for 15.5% of the Philippines' total trade in the same year. Exports from China reached \$6.373 billion, while payments for imported goods were worth \$15.565 billion, resulting in a \$9.192 billion trade deficit (PSA, 2021).



**Figure 3** Total FDI from China to the Philippines (2001-2019)

**Source:** C. Textor. (2021). *Total FDI stock from China to the Philippines*. Statista.

<https://www.statista.com/statistics/720978/outward-fdi-stock-from-china-to-the-philippines/>

This growth is led by businesses and companies from sectors such as information and communication technology, food production, real estate and electricity. The biggest project is to develop a third telecommunications provider, a joint venture with China Telecom. This investment is attracting related projects in the telecommunications, infrastructure and services sectors. Other notable Chinese investors in the Philippines include: C&U Group Ltd., New Hope Liuhe, Azure Gaming (Hongkong) Ltd., Suzhou Boamax Technologies Group Co., Ltd. and JTK Technology (Suzhou) Co., Ltd. These are corporations that promise huge resources to invest in the Philippines in the next period.

Thus, during the period of President R. Duterte's leadership, economic relations between the Philippines and China have developed rapidly. With the policy of prioritizing the economy and promoting trade cooperation, the two sides have achieved many encouraging achievements. These results have created impetus for both countries to continue to strengthen economic cooperation, despite the difficulties of territorial disputes. However, looking back at more than 20 years of trade and investment cooperation between the Philippines and China, it can be said that the cooperation between the two countries depends on the development of the security and political situation. China's commercial investment has not really met the needs and development plans of the Philippines. Environmental issues have not been paid attention to, towards sustainable development.

## 5. Conclusion

In recent years, with the rise of China, economic relations between China and the Philippines have developed rapidly fast. Manila can hardly turn away from Beijing when the most populous country in the world. This is still the most important and indispensable partner of the Philippines in the field of commercial economy. The situation of “politically hot, economic cold” with Beijing forcing Manila to balance its economic and political interests. America is one of the Philippines’ leading trade and investment partners but has not yet been able to keep up with the trade relationship between China and the Philippines.

The current state of security and military relations in the Philippines – In the United States, the characteristics of this relationship have also been revealed and pointed out. Security relations Philippine - US military in the 2001-2021 period continues to be developed and deepened broader, but unstable, influenced by individual leaders and directly by Chinese element. The Chinese factor affects this relationship even in development and when going downhill. China is both a common threat, but also a human cooperation between the Philippines and the United States. That's why this relationship is happening downward trend due to President Duterte's policy towards the US and China. The trend of security and military relations between the Philippines and the US is decreasing, causing many people to worry about the breakup between the Philippines and the US. However, through the analysis and assessment, the needs and interests of the two sides and the need for each other in policy implementation of the two countries are still close. High level relationship is still maintained. Therefore, President Duterte may not be leaving the US but just wants to show the US that the Philippines also has value in US policy.

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