

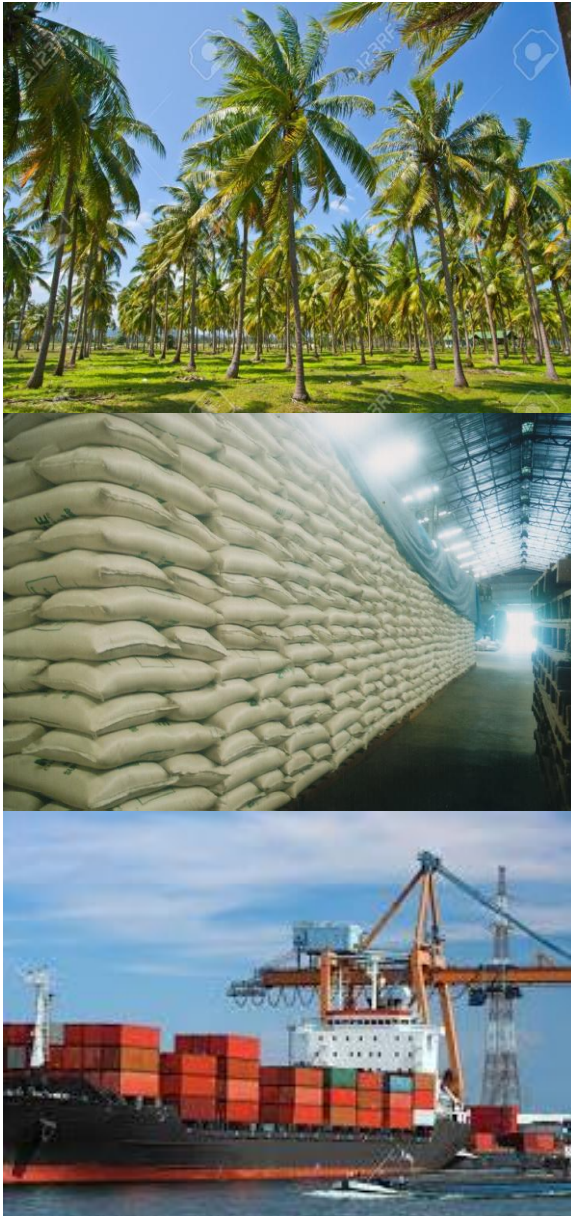
APPFI Roundtable Discussion on BRI  
Astoria Plaza, Pasig City  
July 11, 2017

# Belt & Road Initiative

## How Can the Philippines Fit In?

**Cielito F. Habito**

Professor, Ateneo de Manila  
University



Chief of Party  
USAID Trade-Related Assistance for  
Development (TRADE) Project

# Overview

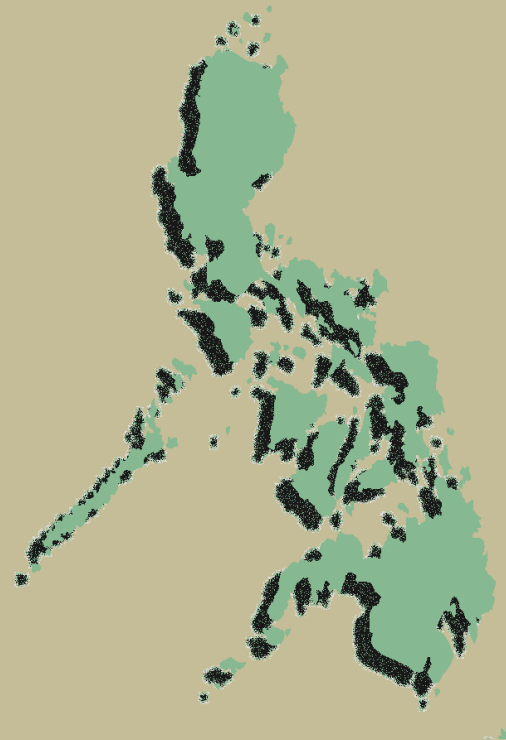
1. ASEAN has done us good.
2. China looms large in our economy.
3. China is coming – and coming big.
4. PH needs to be proactive to benefit from BRI.

P.S.

There's a silent crisis in our midst

# 1. **ASEAN has done us good.**

It's more about complementation, less of competition



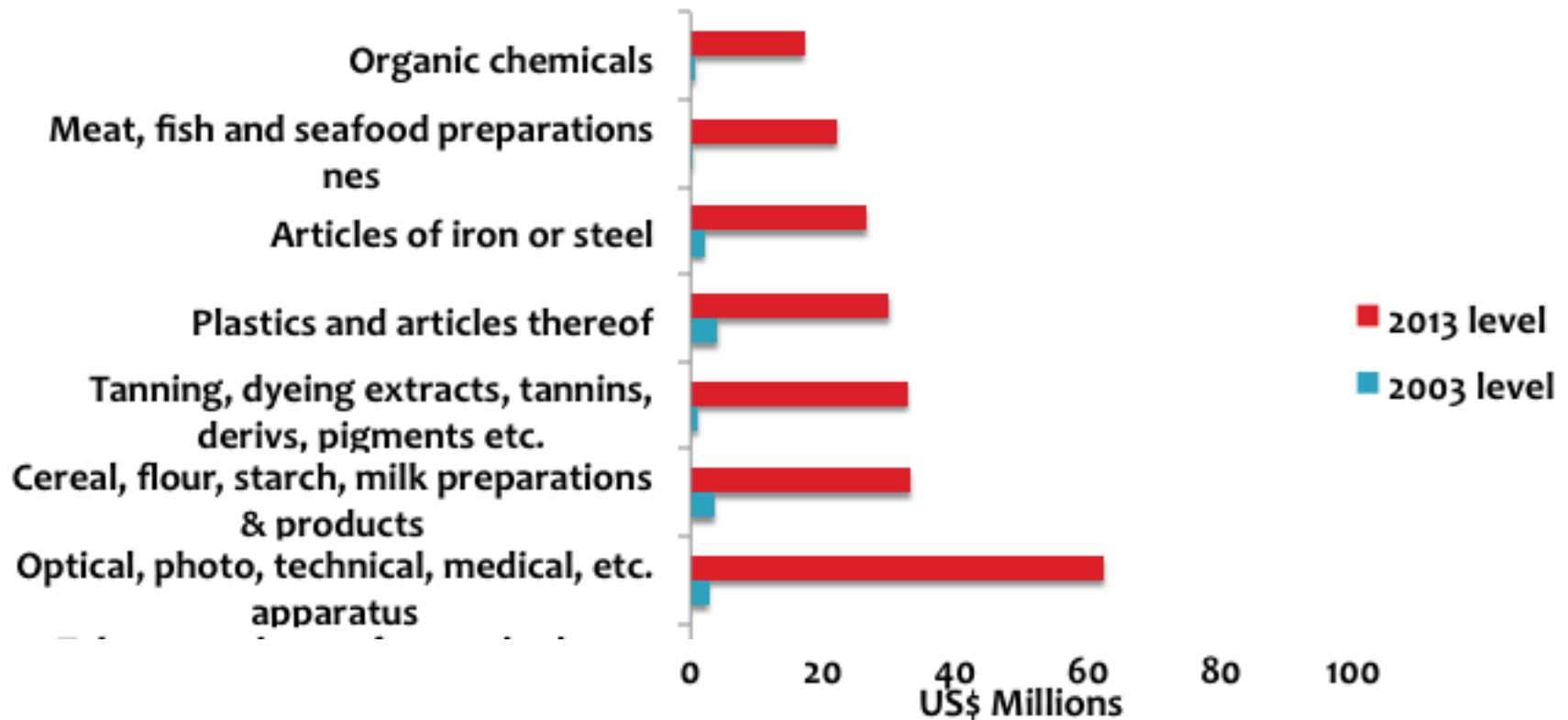
# ASEAN is now our largest trading partner.

Partner	% of PH (2016):		
	Exports	Imports	Trade
ASEAN	15.1	26.4	21.7
Japan	21.4	11.6	15.6
China	10.1	18.4	15.0
USA	15.9	8.7	11.6
EU	12.4	8.0	9.8
UK	0.9	0.7	0.7
Russia	0.3	0.5	0.4

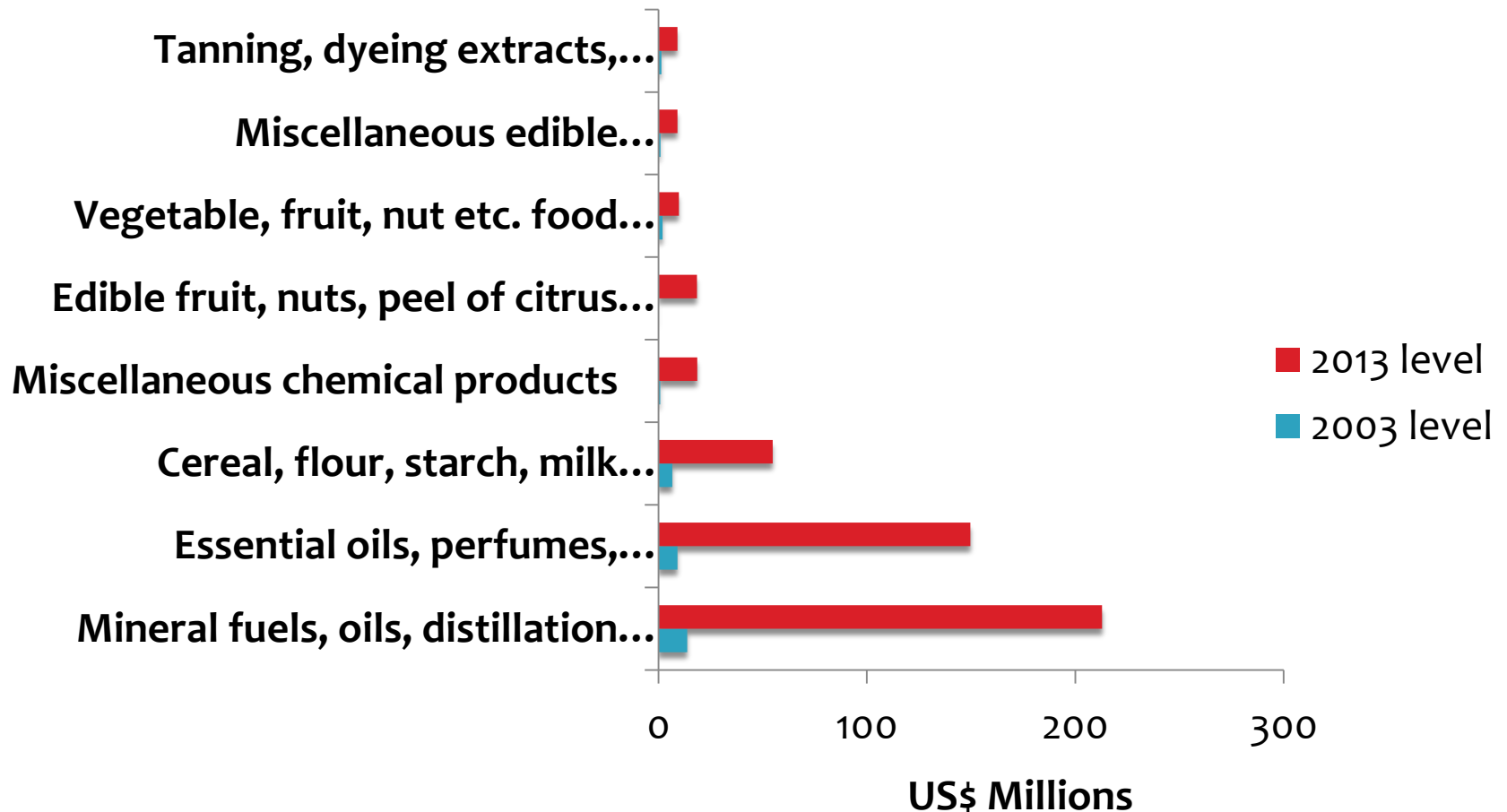
Sources: PSA, BSP

*Trade has done us good.*

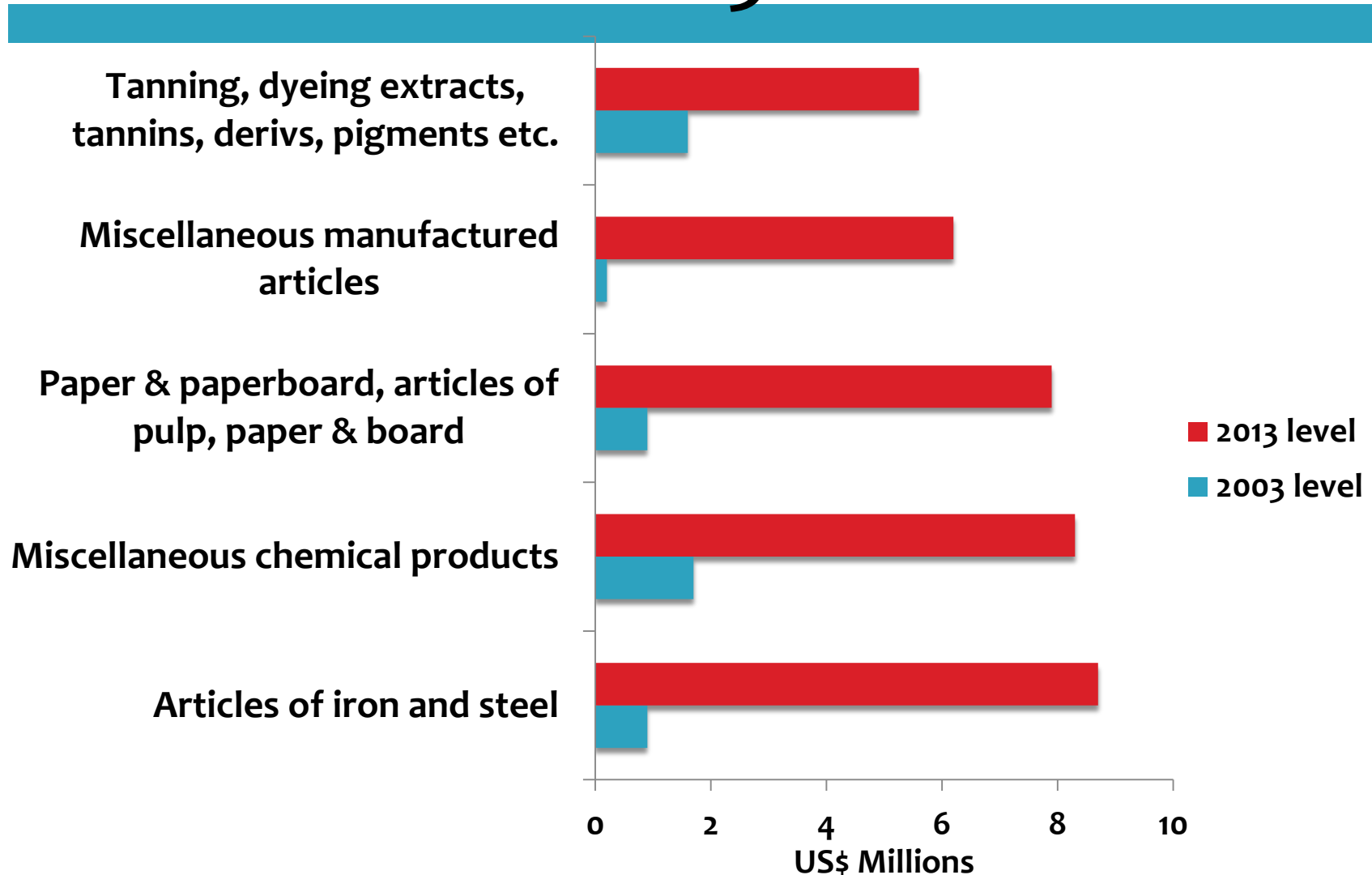
## PH Exports to Thailand, 2003 vs. 2013



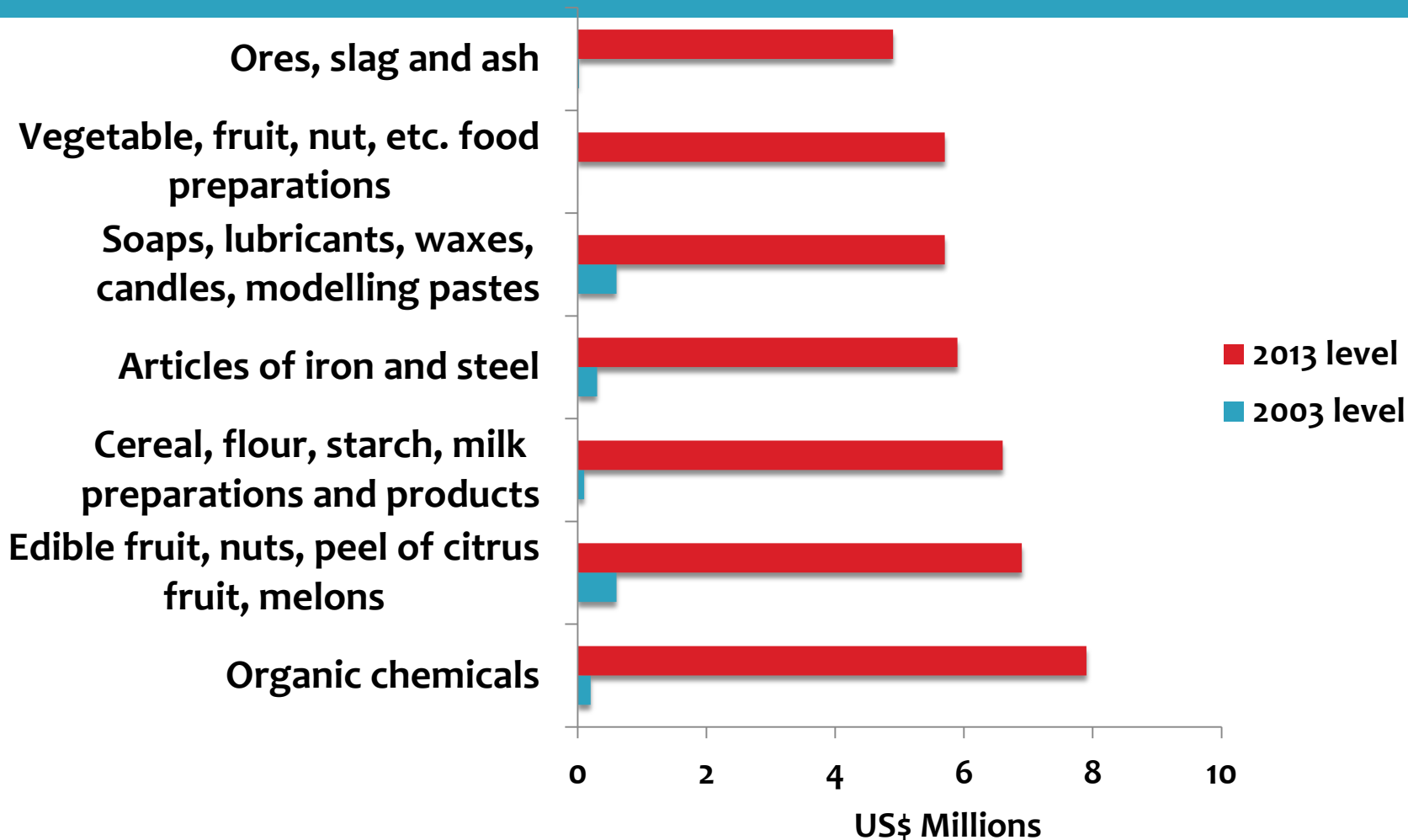
# PH Exports to Malaysia, 2003 vs. 2013



# PH Exports to Indonesia, 2003 vs. 2013



# PH Exports to Viet Nam, 2003 vs. 2013

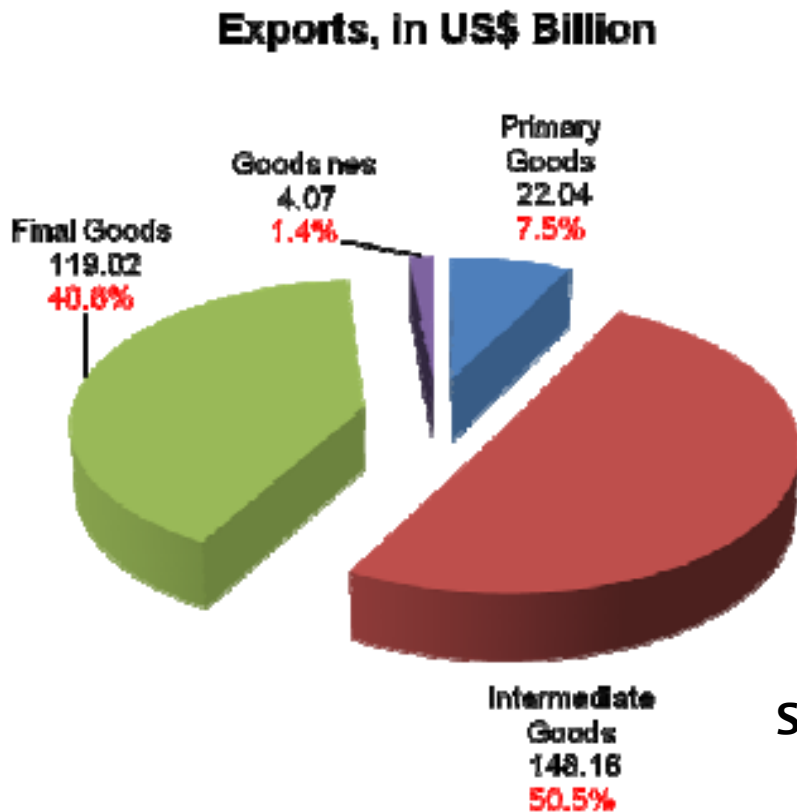




# ASEAN Trade: Shift to Intermediates

Growth of trade in **intermediate goods** with the development of cross-border value chains

ASEAN Exports, 1995



ASEAN Exports, 2011



Source: UN COMTRADE

# Changing Trade Patterns

1995:

Goods with almost 100% domestic content

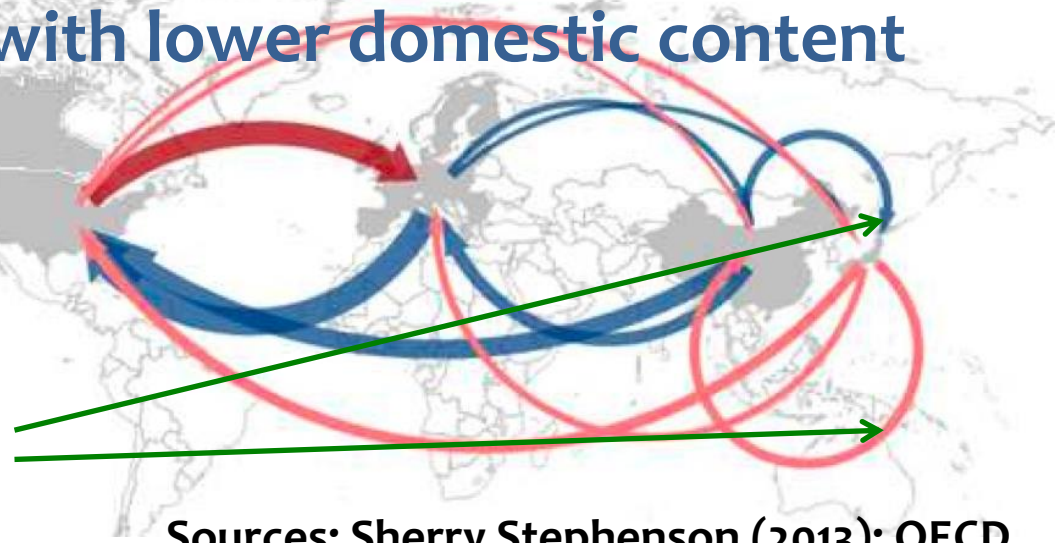
Value chains cross national boundaries:  
Boeing jets,  
iPhones/iPads are  
“Made in the World”  
(not ‘Made in USA’ or  
‘Made in China’)

2005:

1. Goods with lower domestic content



2. More intra-regional trade within Asia especially South East Asia



Sources: Sherry Stephenson (2013); OECD



# What Do We Trade with our ASEAN Partners?



## ■ With Thailand

**Top imports:** Motor vehicles, electronics, petroleum and chemicals

**Top exports:** Motor vehicle parts, electronics & electricals, and minerals

## ■ With Singapore

**Top imports:** Electronics, machinery and petroleum

**Top exports:** Electronics & electricals, machinery, and petroleum

## ■ With Malaysia

**Top imports:** Electronics, petroleum and chemicals

**Top exports:** Electronics, coconut oil, petroleum

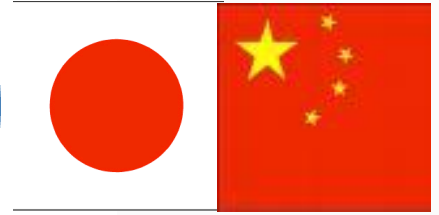
# Trade in ASEAN/AEC

## Features

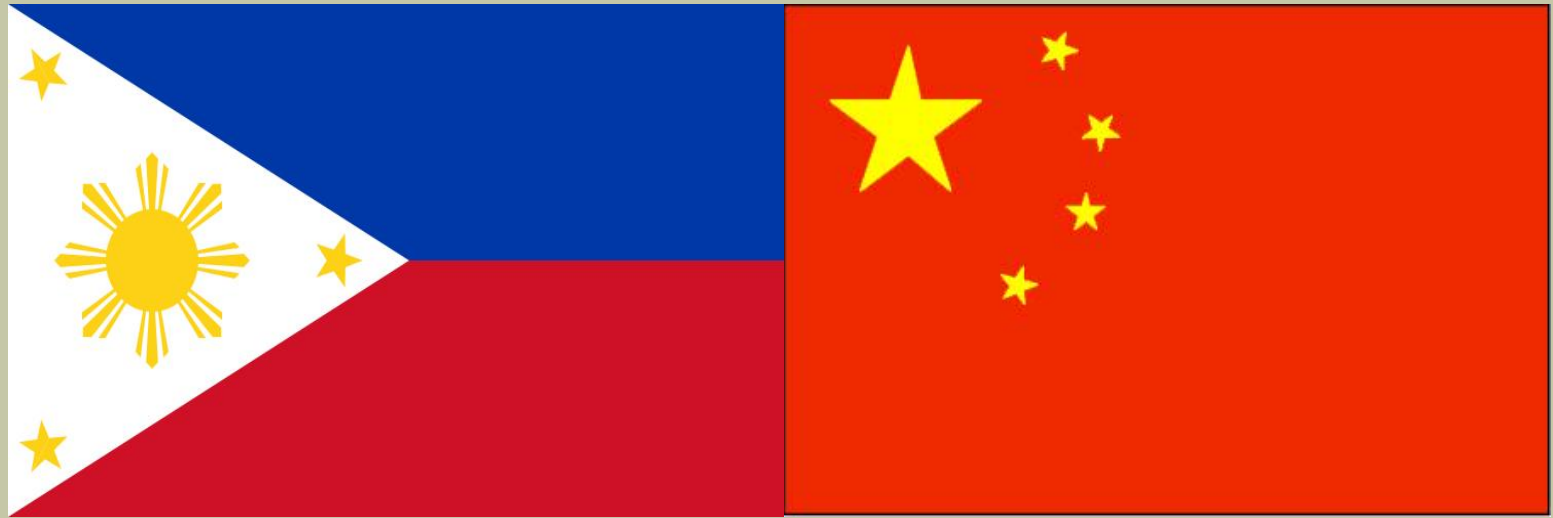


- Largely ***intra-industry*** in nature (we trade in products within the same industries, e.g. electronics, vehicles, chemicals)
- Trade relationships have become more complementary than competitive; ***trade protection can actually be self-penalizing***
- Opportunities lie in regional and global production networks or value chains

## ... However,



- PH trade with ASEAN appears to have leveled off
- PH Trade growth in last 6 years has more been with non-ASEAN Asian partners:
  - Japan – PH exports grew 15.4% from 2010 to 2014; due to PJEPA (2008)
  - **China – PH exports to China grew 23% from 2010 to 2013; due to ASEAN-China FTA (2010)**



## **2. China looms large in our economy.**

Presence and influence is widely felt,  
and expected to magnify.

# Philippines' Major Trading Partners

Partner	% of PH (2016):		
	Exports	Imports	Trade
ASEAN	15.1	26.4	21.7
Japan	21.4	11.6	15.6
China	10.1	18.4	15.0
USA	15.9	8.7	11.6
EU	12.4	8.0	9.8
UK	0.9	0.7	0.7
Russia	0.3	0.5	0.4

Sources: PSA, BSP

# Philippines' Major FDI Sources

Partner	New FDI (2014-2016):				
	2014	2015	2016	Total	Share
<b>USA</b>	968.89	633.72	76.63	1,679.24	30.81
<b>Japan</b>	117.50	394.06	993.10	1,504.66	11.00
<b>ASEAN</b>	78.65	165.87	187.64	432.16	3.16
<b>EU</b>	176.83	307.51	-125.35	358.99	2.63
<b>UK</b>	141.94	384.31	-241.21	285.04	2.08
<b>China</b>	41.38	0.57	10.77	52.72	0.39
<b>Russia</b>	0.00	-0.05	0.01	-0.04	0.00
<b>World</b>	1,599.35	1,816.13	2,035.25	5,450.73	100.00

Sources: PSA, BSP

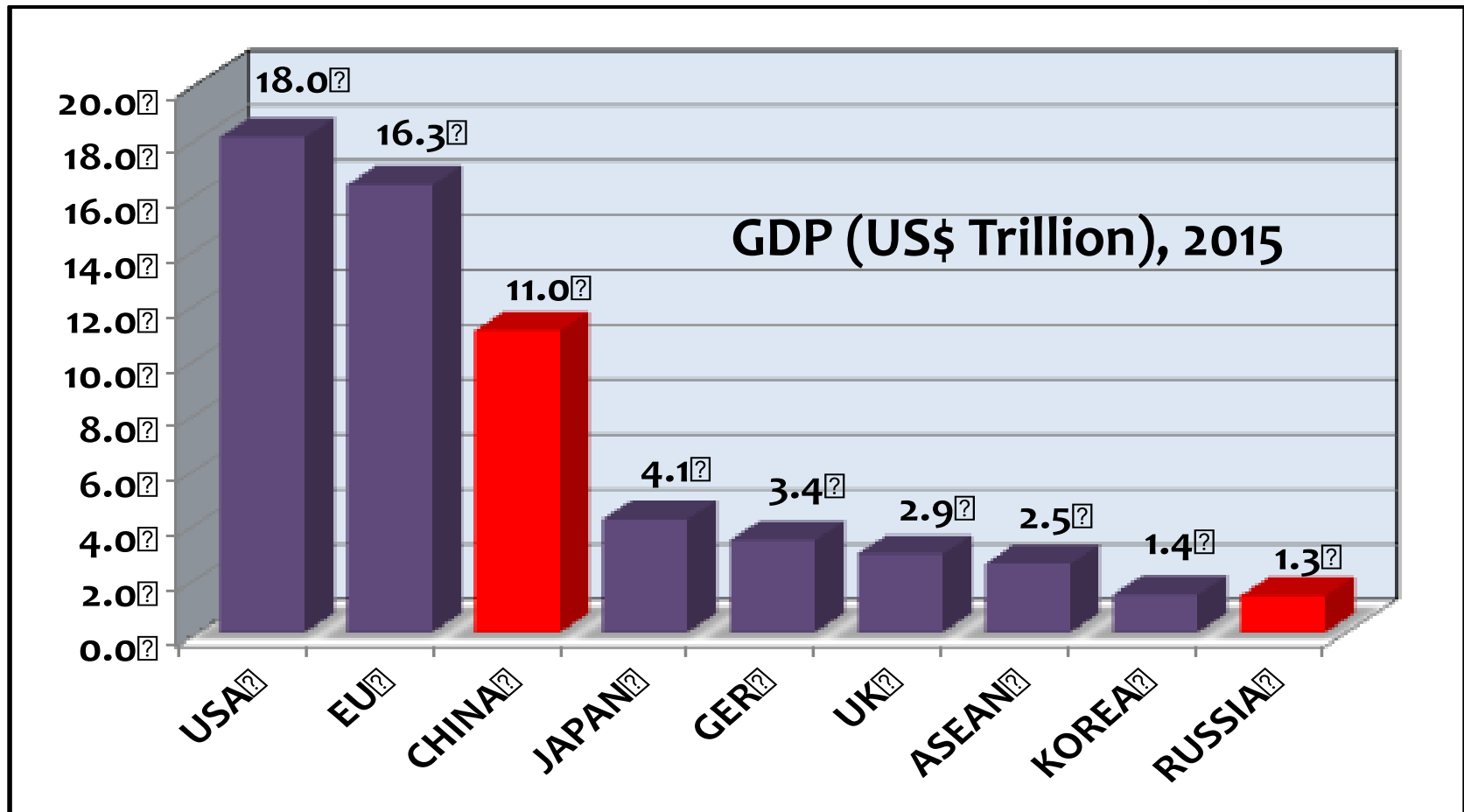


# Philippines' Major Remittance Sources

Partner	Remittances (2016)	
	Levels (\$000)	Share (%)
<b>USA</b>	8,931,269	33.20
<b>Europe</b>	3,801,658	14.13
<b>ASEAN</b>	2,040,886	7.59
<b>UK</b>	1,423,909	5.29
<b>Japan</b>	1,362,645	5.07
<b>China</b>	169,654	0.63
<b>Russia</b>	43,023	0.16

Sources: PSA, BSP

# Major Economic Partners: Where are opportunities largest?



Source: WB

**Inclusiveness applies to our foreign partnerships too.**

# China Presence: Widely Felt in PH



- PH-China bilateral trade grew 2.7% in 2015 (\$45.6B) when China-ASEAN trade fell 1.7%
- China's growing presence in the PH consumer market is palpable (Novo, New Star, etc.)
- FDI statistics show Chinese FDI insignificant, yet 27 Chinese mining firms are in PH
- New relations unleashing new trade, tourism, investment, ODA



**3. China is coming – and coming big.**  
We must plan for an economy closely linked to China (and beyond).

# China's New Directions



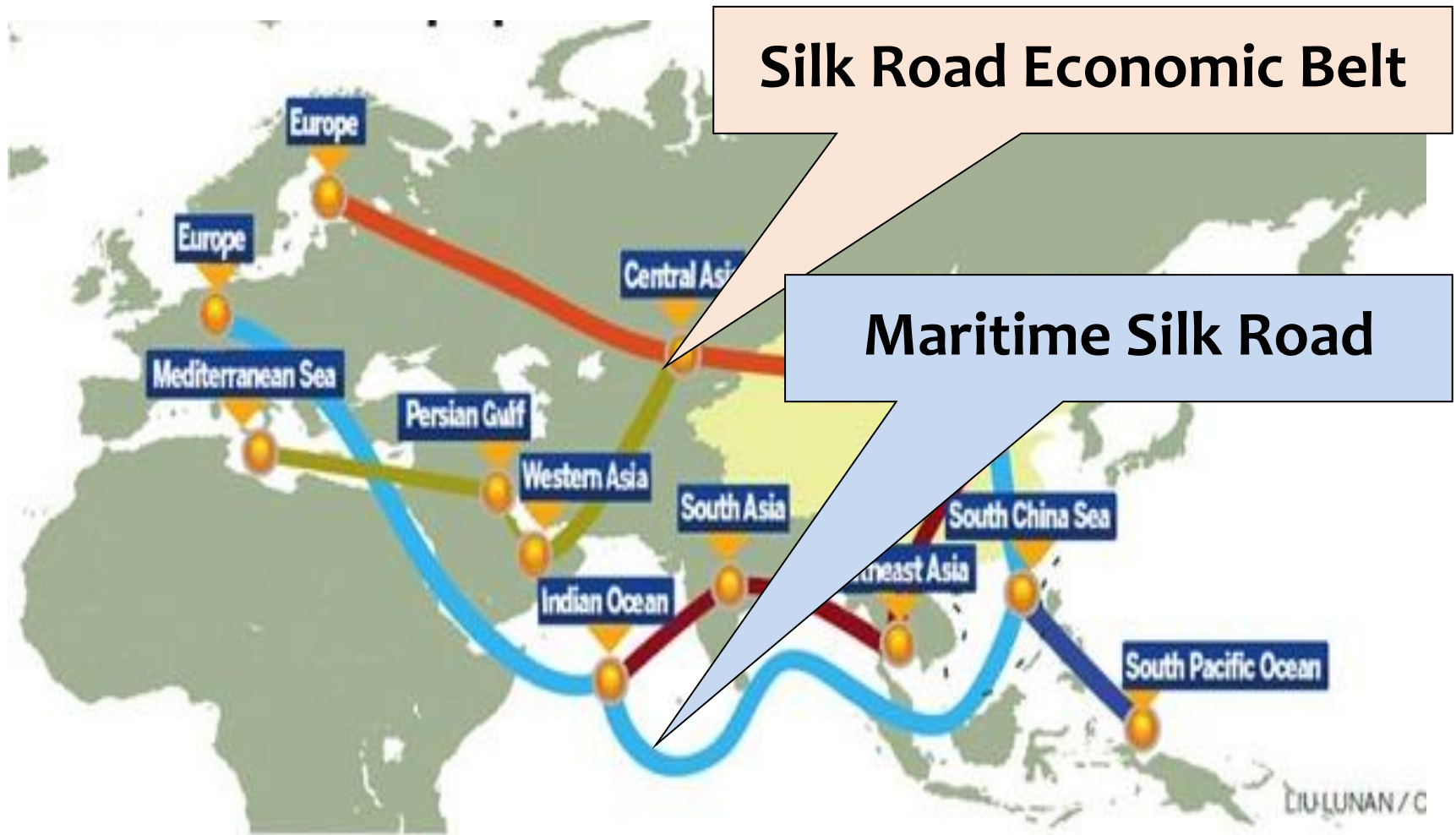
- Growth has tempered at 6-7% range
- Saddled with overcapacity (steel, cement, solar panels, etc.)
- China's Strategy:
  - Redirect capital abroad
  - Diffuse excess domestic industrial capacity
  - Reap improved financial returns
  - Build goodwill with neighbors, Europe, Africa
  - Take the lead in higher level knowledge-based industries and renewable energy

# China's Economic Trends Are Widely Felt



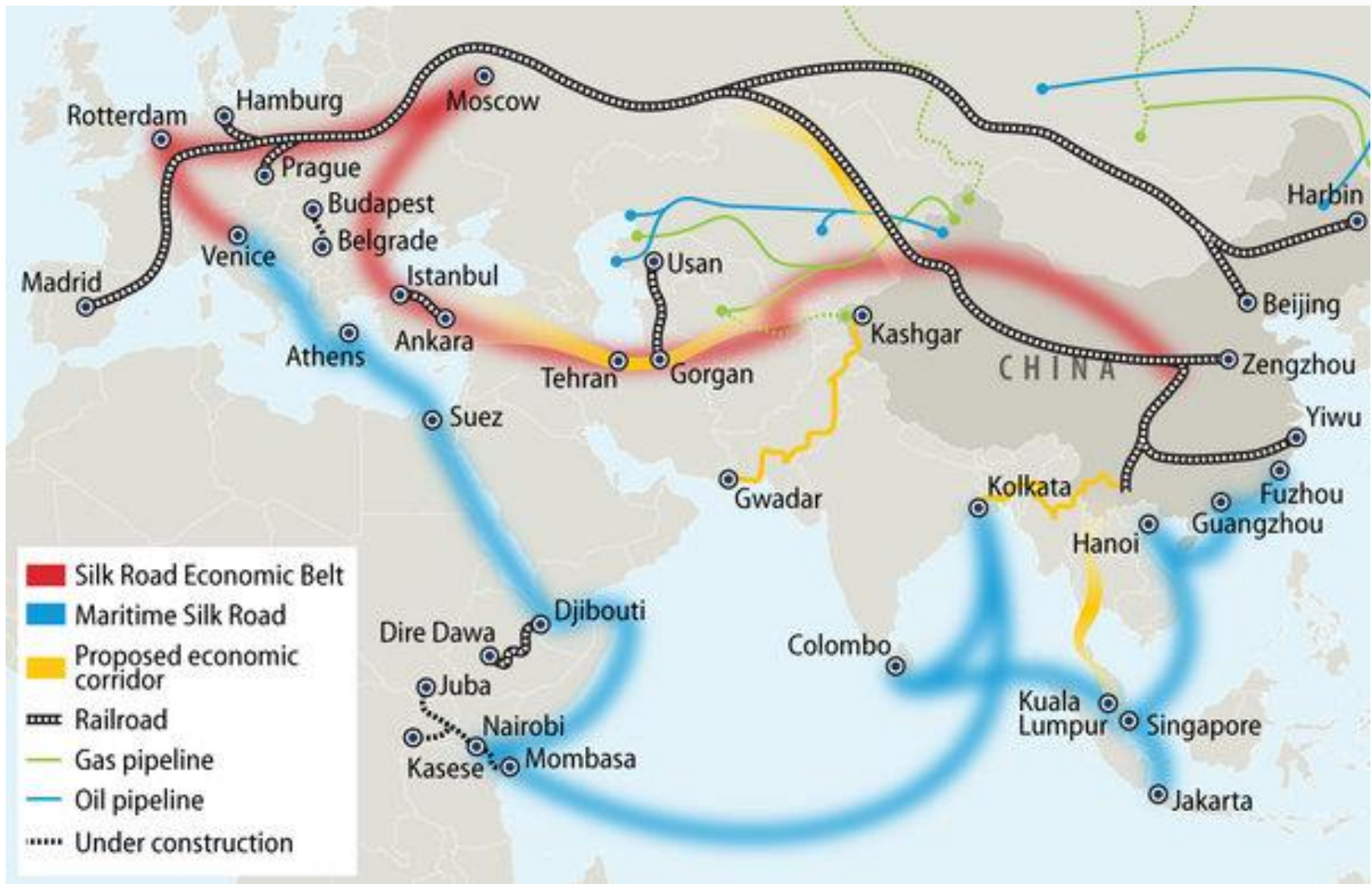
- IMF: World economic growth to lose 1.5 percentage points if China stops growing
- China economy slowdown is ‘exported’ to “resource economies” (Australia, Canada, Brazil, PH, Indonesia)
- China needs to do something different, and do something fast...

# Belt & Road Initiative





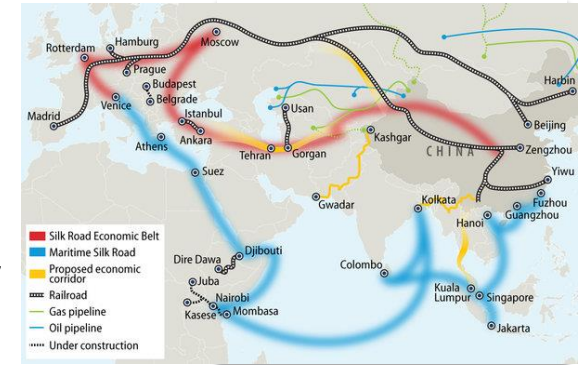
# Belt & Road Initiative





# BRI: Scope & Coverage

- Price tag: \$2-3 Trillion (12x bigger than Europe's Marshall Plan)
- Will encompass 4.4 billion people (2/3 of humanity)
- Accounts for well over half of global GDP
- Covers 75% of known energy reserves
- Integrates Asia, Africa and Europe through closer diplomatic, commercial and financial cooperation



# BRI: Some Elements (1)

- Upgrading of Piraeus port (Greece)
- Bullet train from Belgrade to Budapest
- Network of rails, roads and pipelines from Central China stretching all the way to Belgium
- 8,000-mile cargo rail route between Yiwu and Madrid
- \$46 billion economic corridor (pipeline, rail, roads, bridges++) through Pakistan connecting NW China to Gwadar port on the Arabian Sea



## BRI: Some Elements (2)

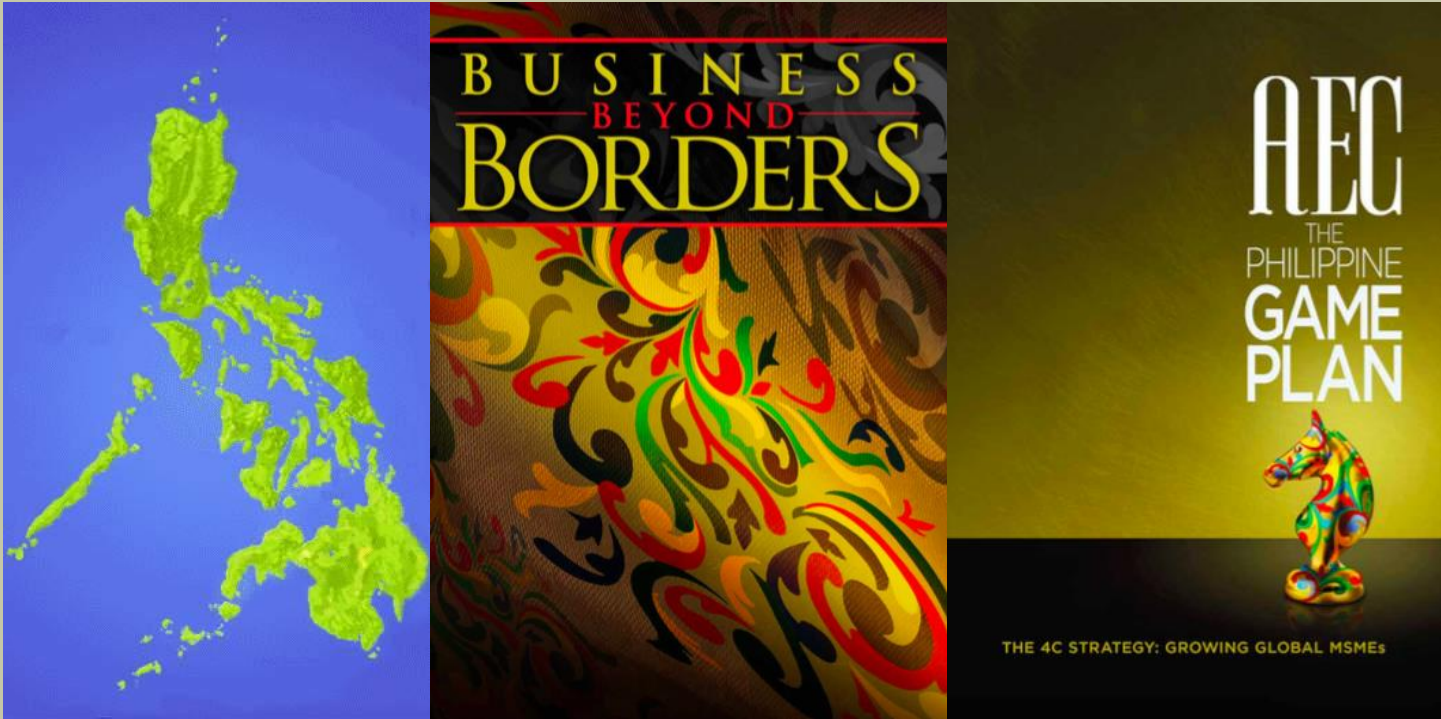
- High-speed rail system connecting China with Southeast Asia
- Series of transport grids consisting of railroads (2,233 km), bridges and paved highways (3,350 km) linking 54 African countries (>1,000 projects)
- Freight train from eastern China to Tehran, Iran via Kazakhstan and Turkmenistan takes 14 days, less than 1/3 the time if by sea



# BRI: Financing



- Asian Infrastructure Investment Bank (\$100 Billion initial capital, with 57 members including PH)
- China's \$40 billion Silk Road Fund (to support private investments)
- BRICS's New Development Bank (\$100 B)
- Export-Import Bank of China (\$80B loans in 2015)
- Singapore with China Construction Bank (\$22B for BRI projects)
- International pension funds, insurance companies, sovereign wealth funds, private equity funds

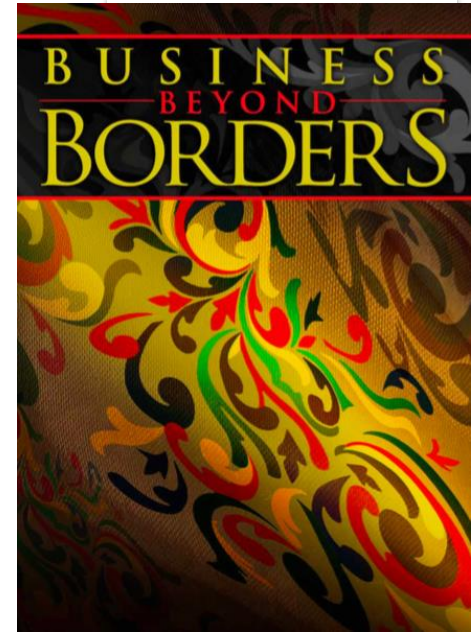


#### **4. PH must be proactive to benefit from BRI.**

Wide new markets will open up, but our physical separation is a challenge.

# Many Filipino firms are already AEC-engaged

- **Large:** Jollibee, Oishi (Liwayway), Golden ABC (Penshoppe), ICTSI, URC, Mama Sita, KLT Fruits, Pointwest, Splash, many more
  - **Medium:** Fountainhead, Manila Catering
  - **Small:** Human Nature, Great Women
  - **Micro:** Tubigon Loomweavers
- Common Thread: **Proactive**, not **Defensive**





# Moving Beyond ASEAN

- Shed defensive posture in favor of a proactive and aggressive one
- Leverage AEC regional integration to address food security, advance strategic economic interests
- Tap BRI opportunities via ASEAN business partnerships
  - Mango, coconut with Myanmar
  - JV in rice production, processing
  - Manufacturing (GVCs)





P.S.

**There's a silent crisis in our midst.**  
Our social & economic future is at risk.



# Long Term Outlook



## Fact 1:

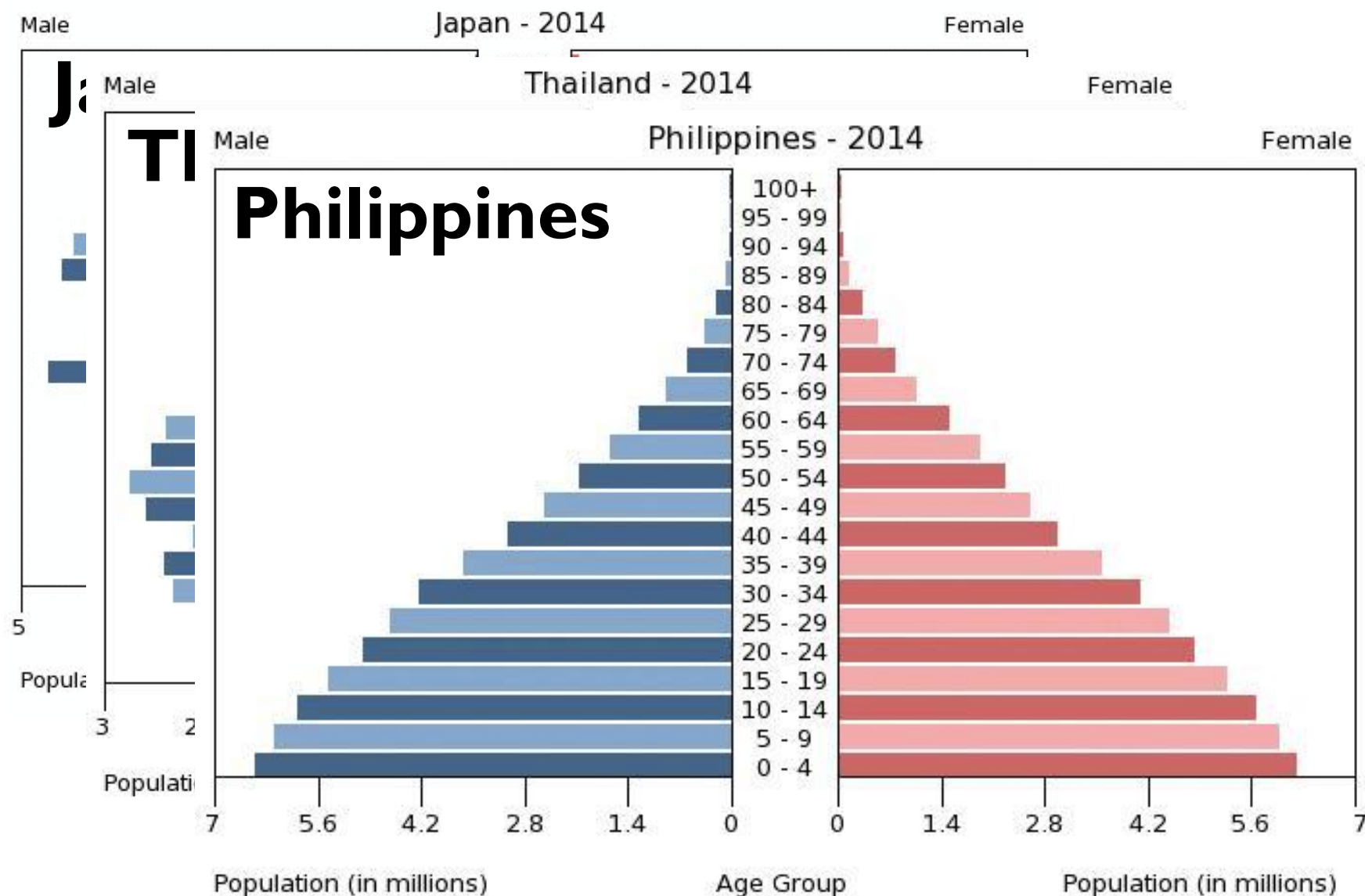
- In 2050, working age Filipinos will well outnumber the dependent elderly & very young (“Demographic Sweet Spot”)

## Fact 2:

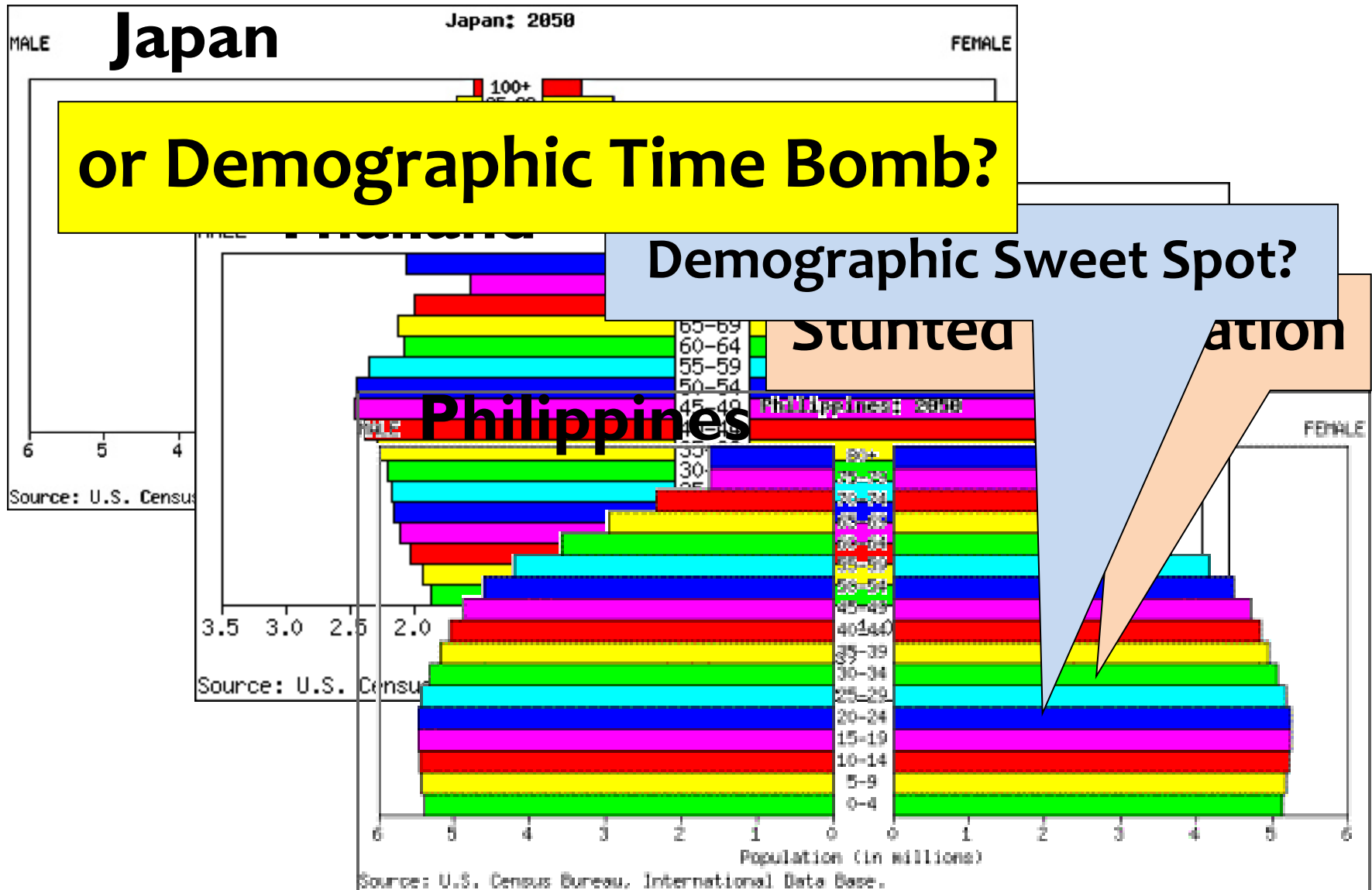
- 33.6% (1 out of 3) of Filipino children <5 years old suffer from stunting (hence permanently impaired from reaching full brain & physical development)
- Another 7% are wasted (underweight)



# Population Age Profiles, 2014



# Population Age Profiles, 2050



# We must feed our youngest children.



## Mabuhay!

[chabito@ateneo.edu](mailto:chabito@ateneo.edu)