

Policy Suggestions on Ensuring the Sustainability of the Belt and Road Initiative

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Surian sa mga Pag-aaral Pangkaunlaran ng Pilipinas

Outline

- I. Economic Integration**
- II. Philippine Infrastructure Needs**
- III. Philippine Demographic Transition**
- IV. Political Challenges**
- V. Conclusions and Policy Recommendations**

Economic Integration: Philippines- China

- TRADE PERFORMANCE AND PARTNERS
- FOREIGN DIRECT INVESTMENTS
- OFFICIAL DEVELOPMENT ASSISTANCE

Trade Relations

Philippine Major Trading Partners, 2015 (Million US \$, FOB)

	Total Trade		Exports to		Imports from		Balance of Trade
	Value	% Share	Value	% Share	Value	% Share	Value
Total of Top Ten Countries	101,928	100.0	48,294	100.0	53,634	100.0	-5,340
1. Japan ¹	18,669	14.4	12,301	20.9	6,369	9.0	5,932
2. People's Republic of China	17,646	13.6	6,175	10.5	11,471	16.1	-5,296
3. United States of America ²	16,491	12.7	9,023	15.3	7,468	10.5	1,554
4. Singapore	8,806	6.8	3,801	6.5	5,005	7.0	-1,205
5. Hongkong, China	8,231	6.3	6,391	10.9	1,840	2.6	4,551
6. Taiwan (Rep. of China)	7,850	6.0	2,012	3.4	5,839	8.2	-3,827
7. Thailand	7,274	5.6	2,330	4.0	4,944	7.0	-2,614
8. Republic of Korea	7,084	5.5	2,426	4.1	4,657	6.6	-2,231
9. Germany	5,233	4.0	2,632	4.5	2,601	3.7	32
10. Malaysia ³	4,645	3.6	1,204	2.0	3,441	4.8	2,236

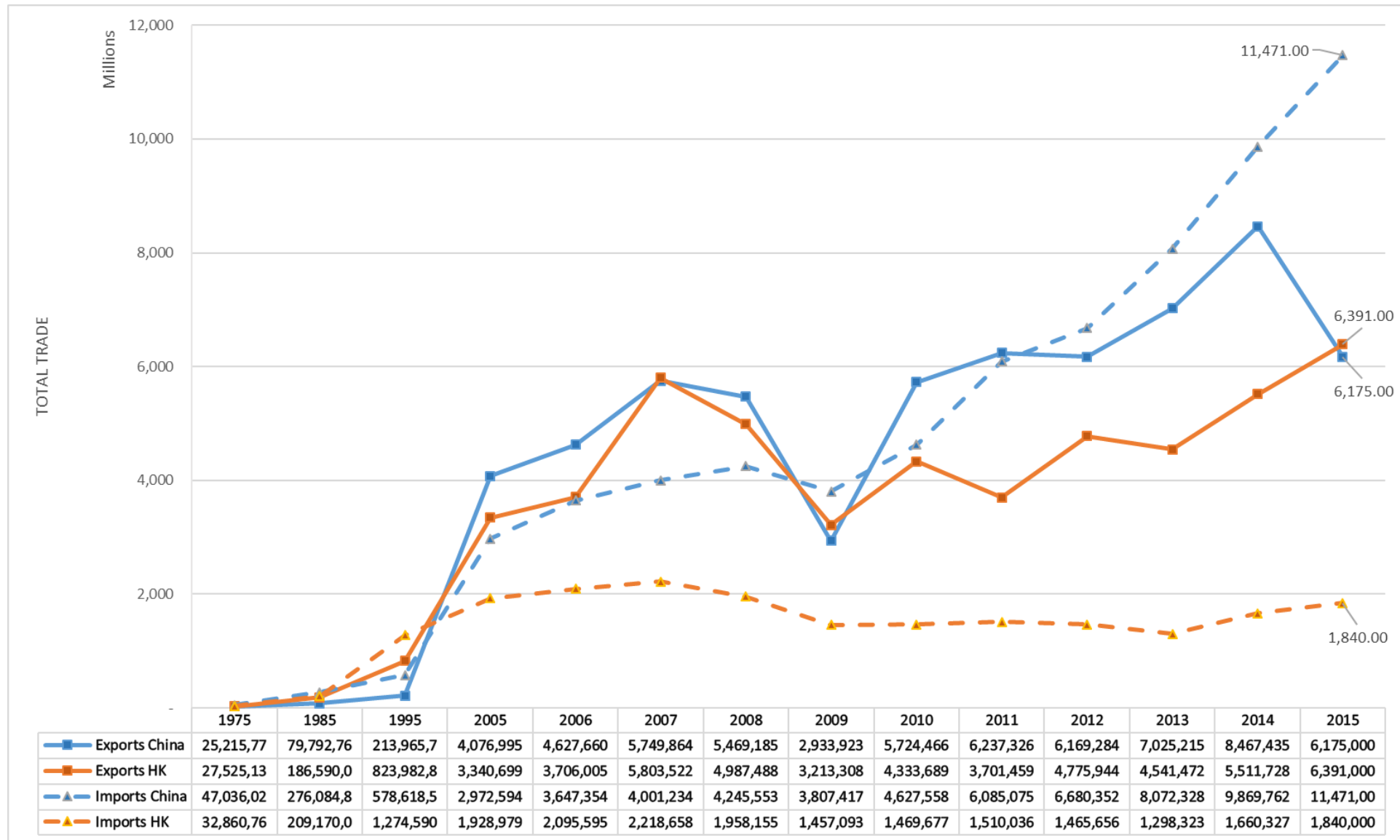
Notes:

^{1/} includes Okinawa; ^{2/} includes Alaska and Hawaii; ^{3/} includes Sabah and Sarawak

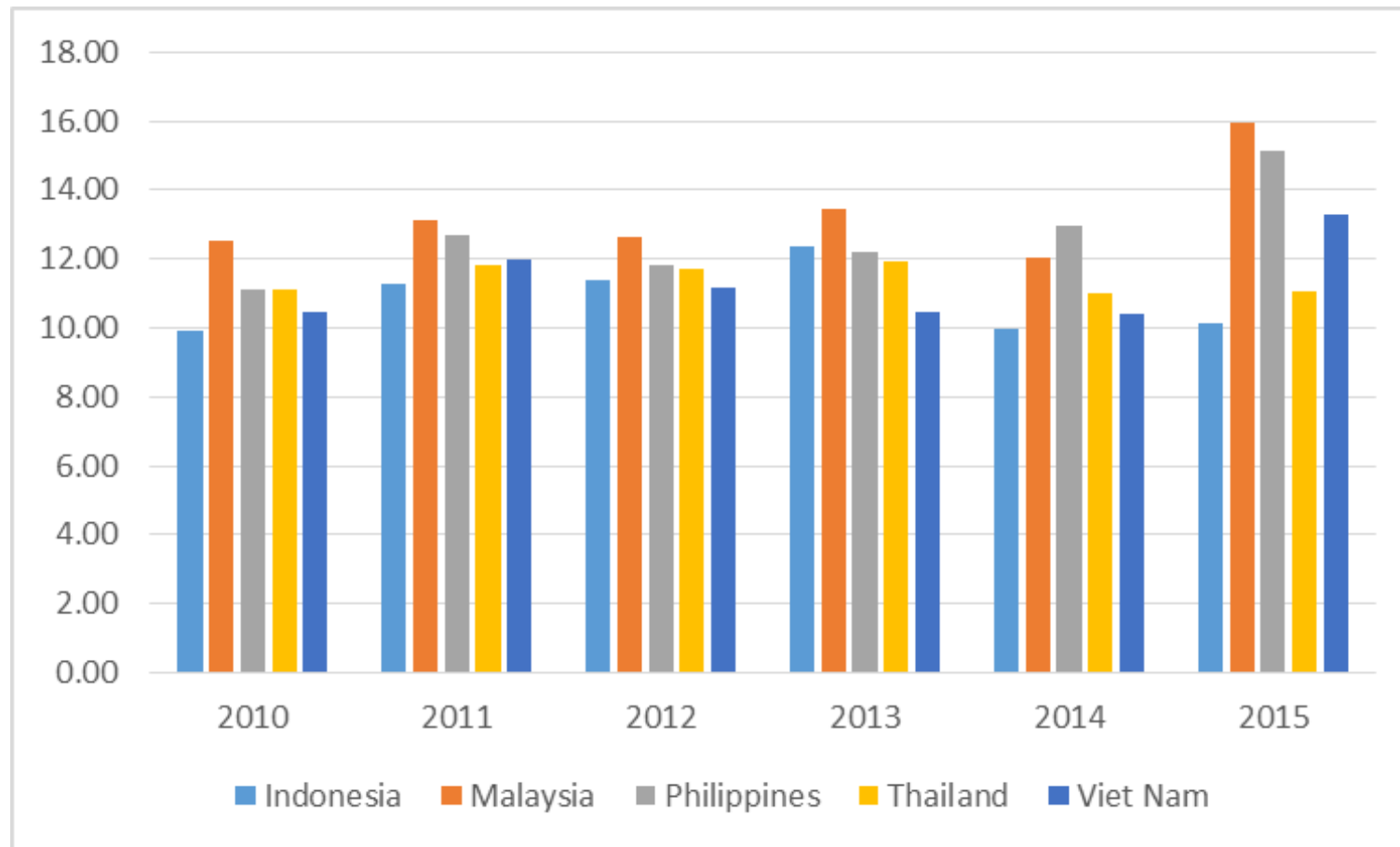
Details may not add up due to rounding

Source: Philippine Foreign Trade Statistics (2015)

PH Exports to and Imports from China and Hong Kong, 1975 - 2015 (Million US\$)



Export Shares to China, 2010-2015



Source : Asia Regional Integration Center, Asian Development Bank

Indonesia

Indicator	Partner	2015	Source
Total Trade, in million US\$	China, People's Republic of	45320.00	IMF Directions of Trade Statistics

Malaysia

Indicator	Partner	2015	Source
Total Trade, in million US\$	China, People's Republic of	74730.00	IMF Directions of Trade Statistics

Philippines

Indicator	Partner	2015	Source
Total Trade, in million US\$	China, People's Republic of	26675.00	IMF Directions of Trade Statistics

Thailand

Indicator	Partner	2015	Source
Total Trade, in million US\$	China, People's Republic of	64280.00	IMF Directions of Trade Statistics

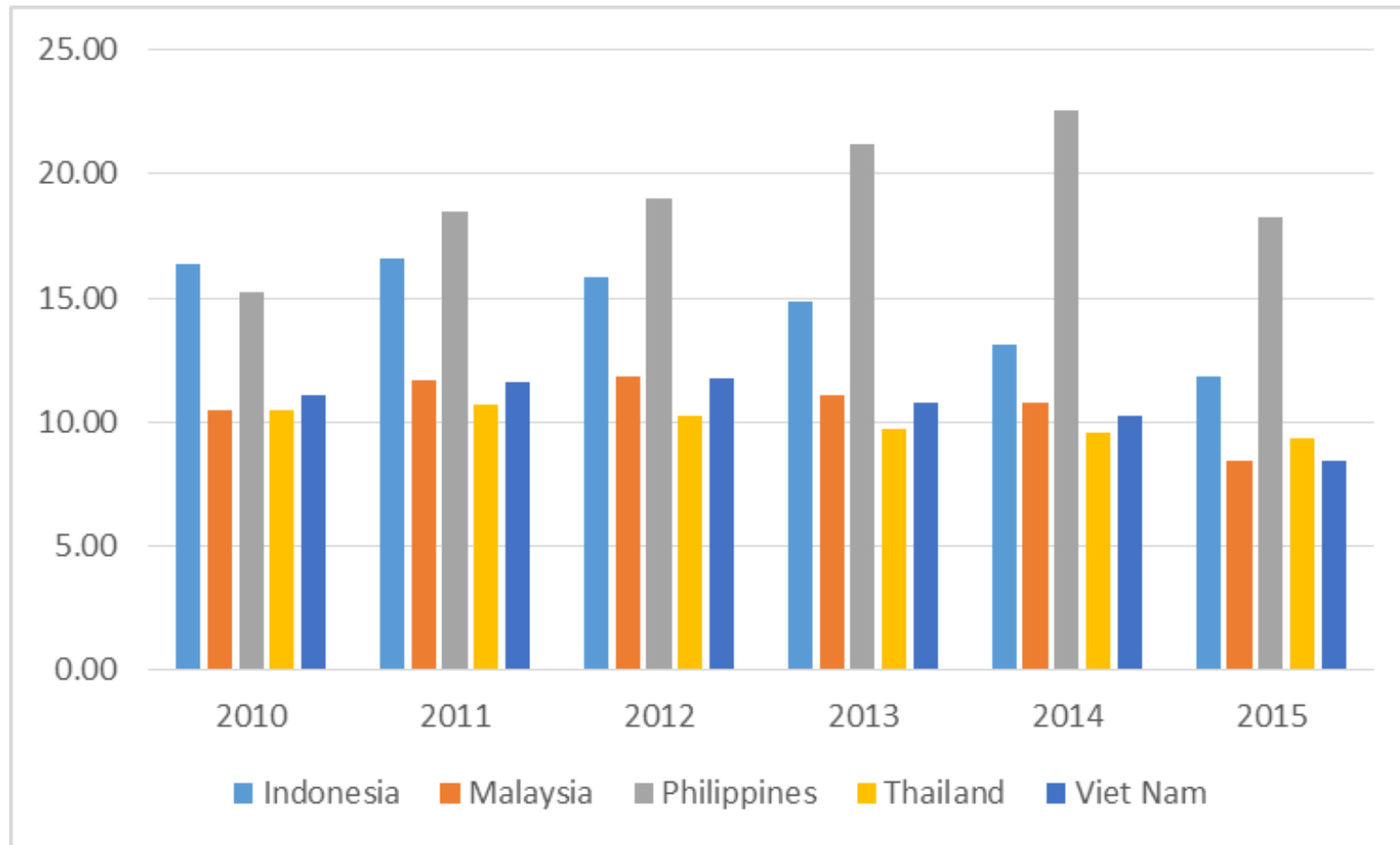
Viet Nam

Indicator	Partner	2015	Source
Total Trade, in million US\$	China, People's Republic of	94640.00	IMF Directions of Trade Statistics

End Notes:

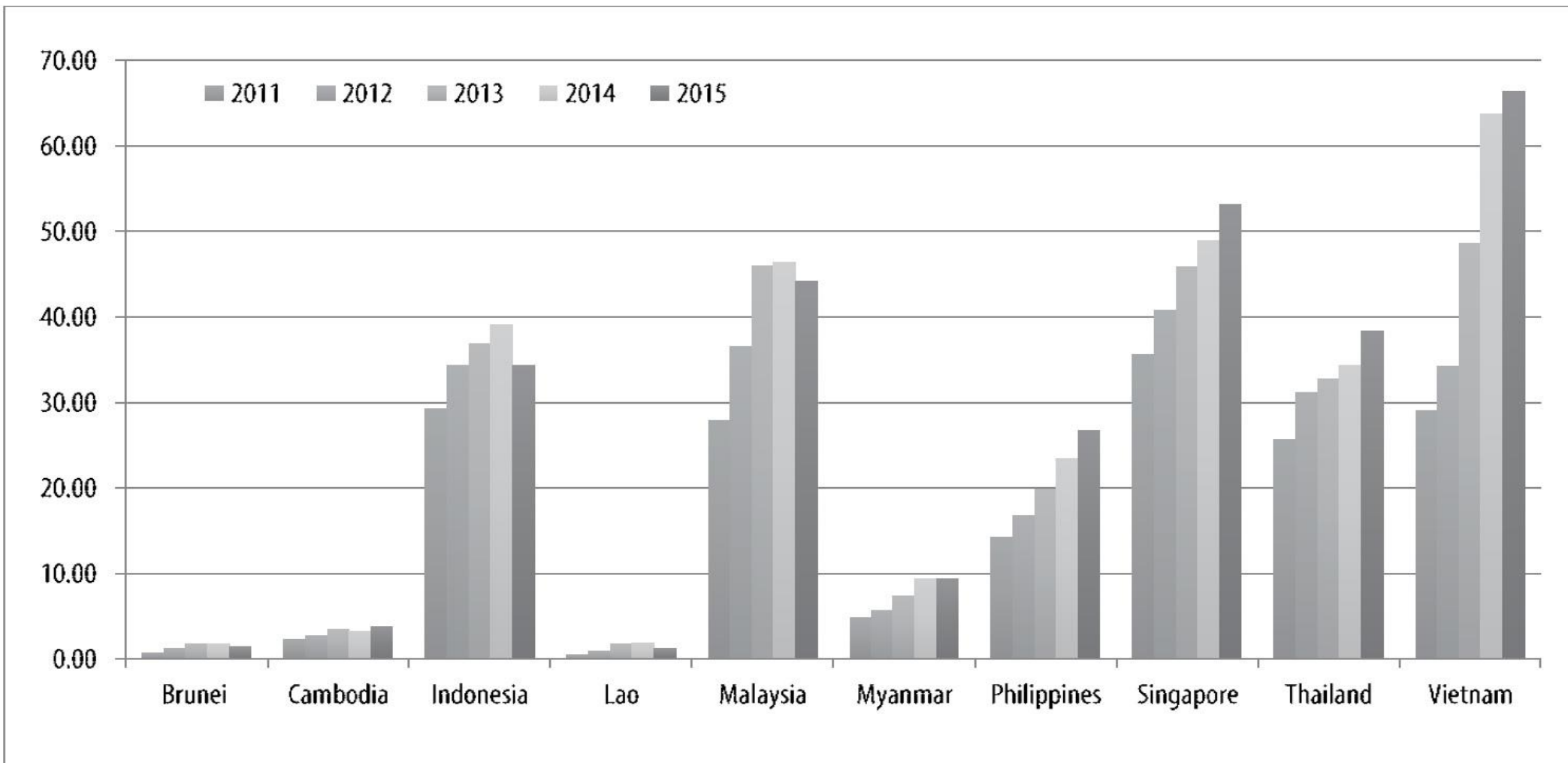
- Total trade is the sum of the value of exports and imports.

Export Shares to Japan, 2010-2015



Source : Asia Regional Integration Center, Asian Development Bank

China's Exports to ASEAN Countries, 2011- 2015 (Billion US\$)



Source: Clemente (2016)

Philippine Exports to Major Trading Partners, 2015 (Million US \$, FOB)

Country/Commodity	Value	% Share
Total Exports	58,827	100.00
1. Japan	12,301	100.0
Electronic Products	3,721	30.2
Woodcrafts Furniture, Furniture	2,853	23.2
Other Manufactures	981	8.0
Ignition Wiring Sets	874	7.1
Machinery & Transport Equipment	676	5.5
2. United States of America	9,023	100.0
Electronic Products	3,557	39.4
Articles of Apparel	1,014	11.2
Ignition Wiring Sets	621	6.9
Coconut Oil	535	5.9
Other Manufactures	531	5.9
3. Hongkong	7,025	100.0
Electronic Products	5,534	78.8
Machinery & Transport Equipment	163	2.3
Other Manufactures	142	2.0
Others	93	1.3
Fish, Fresh or Preserved of Which: Shrimps & Prawn	83	1.2
4. People's Republic of China	6,175	100.0
Electronic Products	3,388	54.9
Other Mineral Products	683	11.1
Chemicals	443	7.2
Other Manufactures	398	6.4
Machinery & Transport Equipment	165	2.7
5. Singapore	3,801	100.0
Electronic Products	3,256	85.7
Other Manufactures	160	4.2
Petroleum Products	95	2.5
Electronic Eqpt. & Parts	57	1.5
Machinery & Transport Equipment	44	1.2

- **China ranked 4th** among the countries where the Philippines export to.
- The largest exports to China were **Electronic Products** at \$3,388 million forming 54.9 percent of the Philippines' exports to China.
- **Other Mineral Products** followed with total receipts of \$683 million or 11.1 percent of the Philippines' exports to China.
- Other exports were **chemicals, other manufactures, and machinery and transport equipment.**

Source: Philippine Foreign Trade Statistics (2015)

Philippine Imports from Major Trading Partners, 2015 (Million US \$, FOB)

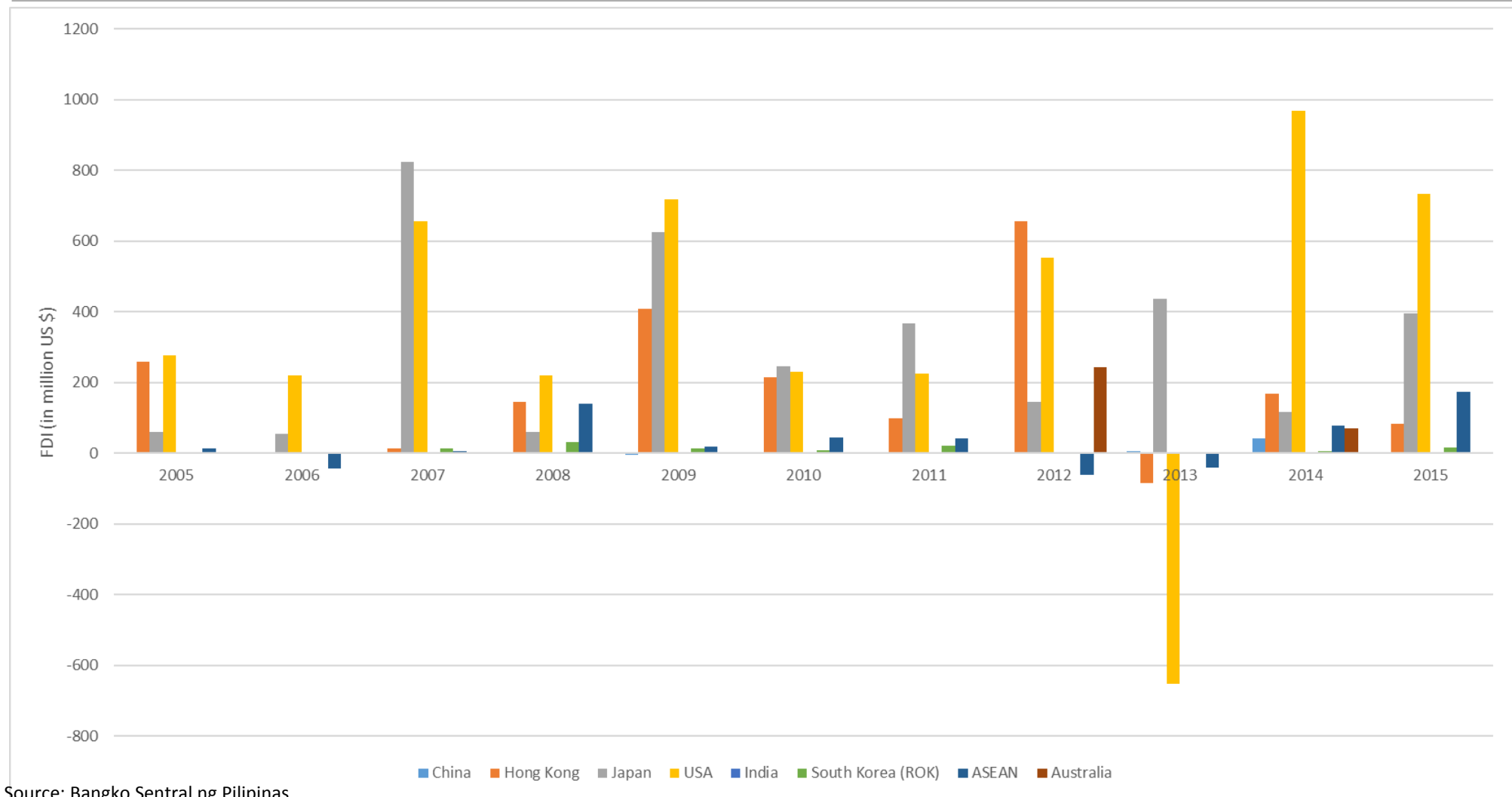
Country/Commodity	Value	% Share
Total Imports	71,067	100.0
1. People's Republic of China	11,471	100.0
Electronic Products	2,418	21.1
Iron and Steel	1,823	15.9
Industrial Machinery and Equipment	832	7.3
Miscellaneous Manufactured Articles	672	5.9
Mineral Fuels, Lubricants and Related Materials	567	4.9
2. United States of America	7,468	100.0
Electronic Products	3,322	44.5
Feeding Stuff for Animals (not including Unmilled Cereals)	716	9.6
Cereals and Cereal Preparations	637	8.5
Transport Equipment	367	4.9
Other Foods & Live Animals	350	4.7
3. Japan	6,369	100.0
Electronic Products	2,193	34.4
Transport Equipment	963	15.1
Industrial Machinery and Equipment	837	13.1
Telecommunication Eqpt. & Elect. Mach.	370	5.8
Iron and Steel	302	4.7
4. Taiwan	5,839	100.0
Electronic Products	3,188	54.6
Mineral Fuels, Lubricants and Related Materials	1,068	18.3
Industrial Machinery and Equipment	227	3.9
Power Generating & Specialized Machines	212	3.6
Iron and Steel	187	3.2
5. Singapore	5,005	100.0
Electronic Products	2,306	46.1
Mineral Fuels, Lubricants and Related Materials	807	16.1
Other Foods & Live Animals	308	6.1
Industrial Machinery and Equipment	288	5.8
Plastics in Primary and Non-Primary Forms	197	3.9

- China is the top source of imports of the Philippines.
- Imported goods from China consisted of **Electronic Products** worth \$2,418 million or 21.1 percent of the country's total imports from China.
- **Iron and Steel** followed with imports of \$1,823 million or a share of 15.9 percent.

Source: Philippine Foreign Trade Statistics (2015)

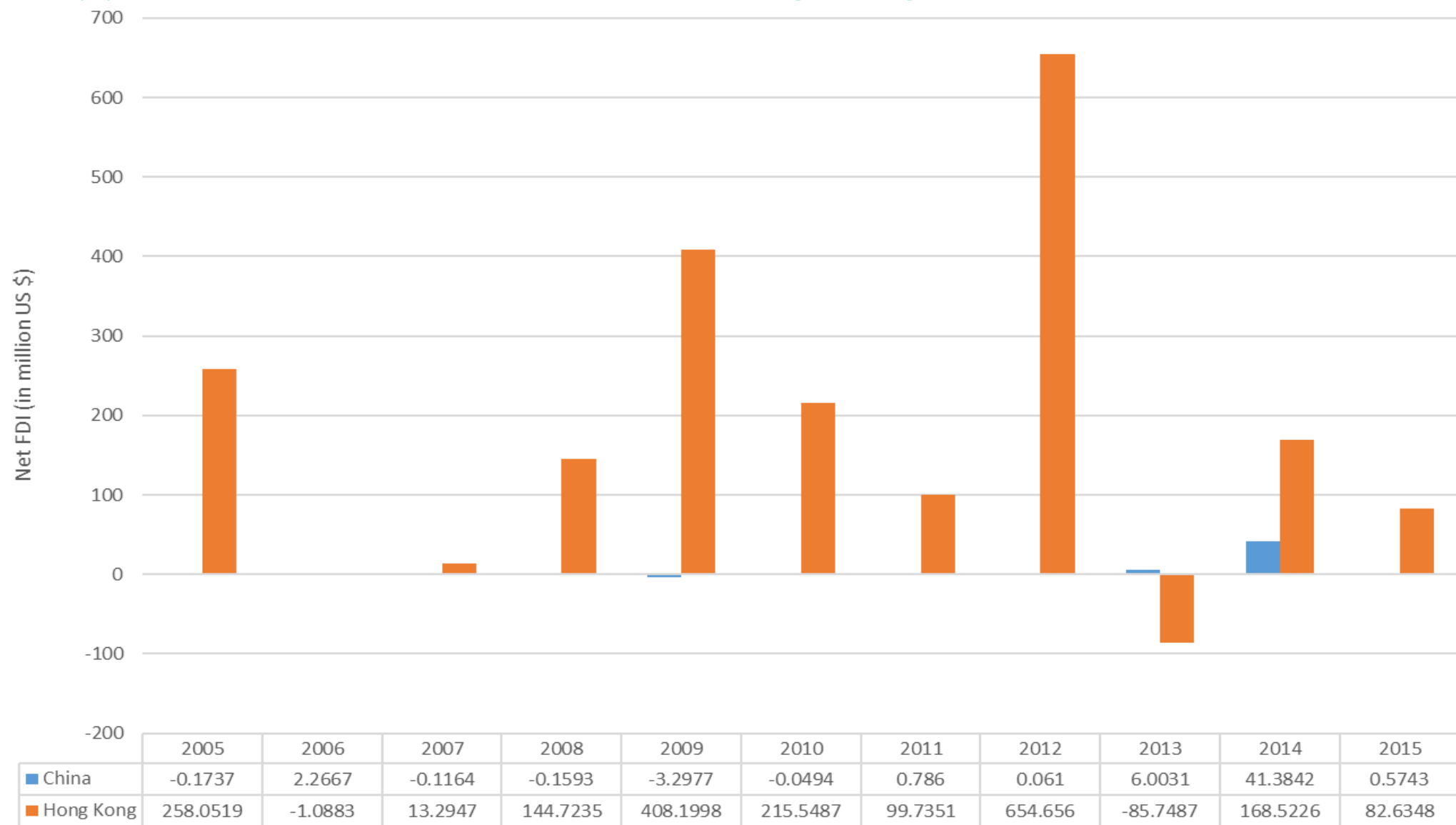
Foreign Direct Investment

Net FDI from selected economies, 2005-2015



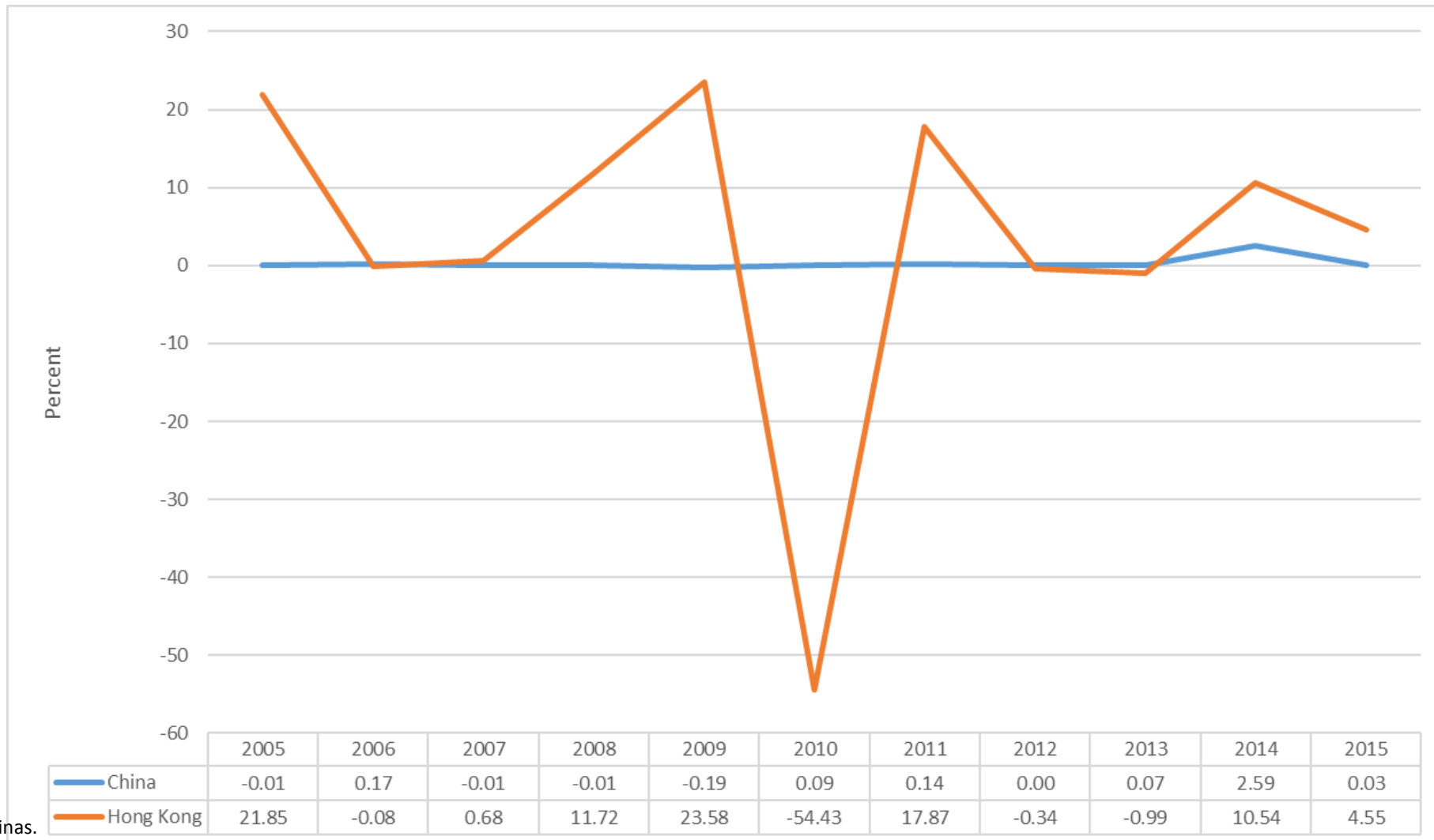
Source: Bangko Sentral ng Pilipinas

Philippines Net FDI from China and Hong Kong, 2005-2015



Source: Bangko Sentral ng Pilipinas

Net FDI as a percentage of PH's Total, 2005-2015



Source: Bangko Sentral ng Pilipinas.

Official Development Assistance

Historical New ODA Loans by Selected Development Partners, 2003 – 2012 (Billion US\$)

<i>DPs</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>Total</i>
ADB	0.22	–	0.39	0.65	0.28	0.62	0.56	0.40	0.20	0.71	4.03
China	–	0.40	–	0.05	0.60	–	0.09	0.12	–	–	1.26
JICA	0.12	–	–	–	0.25	0.27	0.61	0.38	0.52	0.94	3.09
Others	0.02	0.05	0.28	0.24	0.32	0.44	0.32	0.6	0.01	0.35	2.63
WB	0.11	0.06	0.09	0.41	0.39	0.44	0.12	0.74	0.76	0.33	3.45
Total	0.47	0.51	0.76	1.35	1.85	1.77	1.70	2.24	1.50	2.32	

Note: DPs – Development Partners, ADB – Asian Development Bank, JICA – Japan International Cooperation Agency, WB – World Bank.

Source: Clemente (2016)

Total Official Development Assistance to the Philippines by Development Partners, as of December 2014 (Million US\$)

<i>Development Partner</i>	<i>Loan Amount</i>	<i>Grant Amount</i>	<i>Total ODA</i>	<i>Per Cent Share</i>	<i>Rank</i>
World Bank	4,453.27	84.88	4,538.15	31.59	1
Japan	3,159.11	166.55	3,325.66	23.15	2
Asian Development Bank	2,231.70	118.24	2,349.94	16.36	3
United States of America	–	1,148.56	1,148.56	7.99	4
United Nations System	75.29	608.48	683.77	4.76	5
South Korea	524.75	93.84	618.59	4.31	6
Australia	–	587.02	587.02	4.09	7
France	436.95	0.54	437.49	3.04	8
Germany	55.30	124.66	179.96	1.25	9
European Union	–	174.55	174.55	1.21	10
China	115.33	5.70	121.03	0.84	11
OPEC Fund for International Development	70.00	–	70.00	0.49	12
Canada	–	54.74	54.74	0.38	13
Italy	34.21	3.84	38.05	0.26	14
Austria	25.64	–	25.64	0.18	15
Spain	–	9.34	9.34	0.07	16
Norway	–	4.34	4.34	0.03	17
New Zealand	–	0.69	0.69	0.00	18
Total	11,181.55	3,185.97	14,367.52	100.00	

Source: Clemente (2016)

Philippine Infrastructure Spending

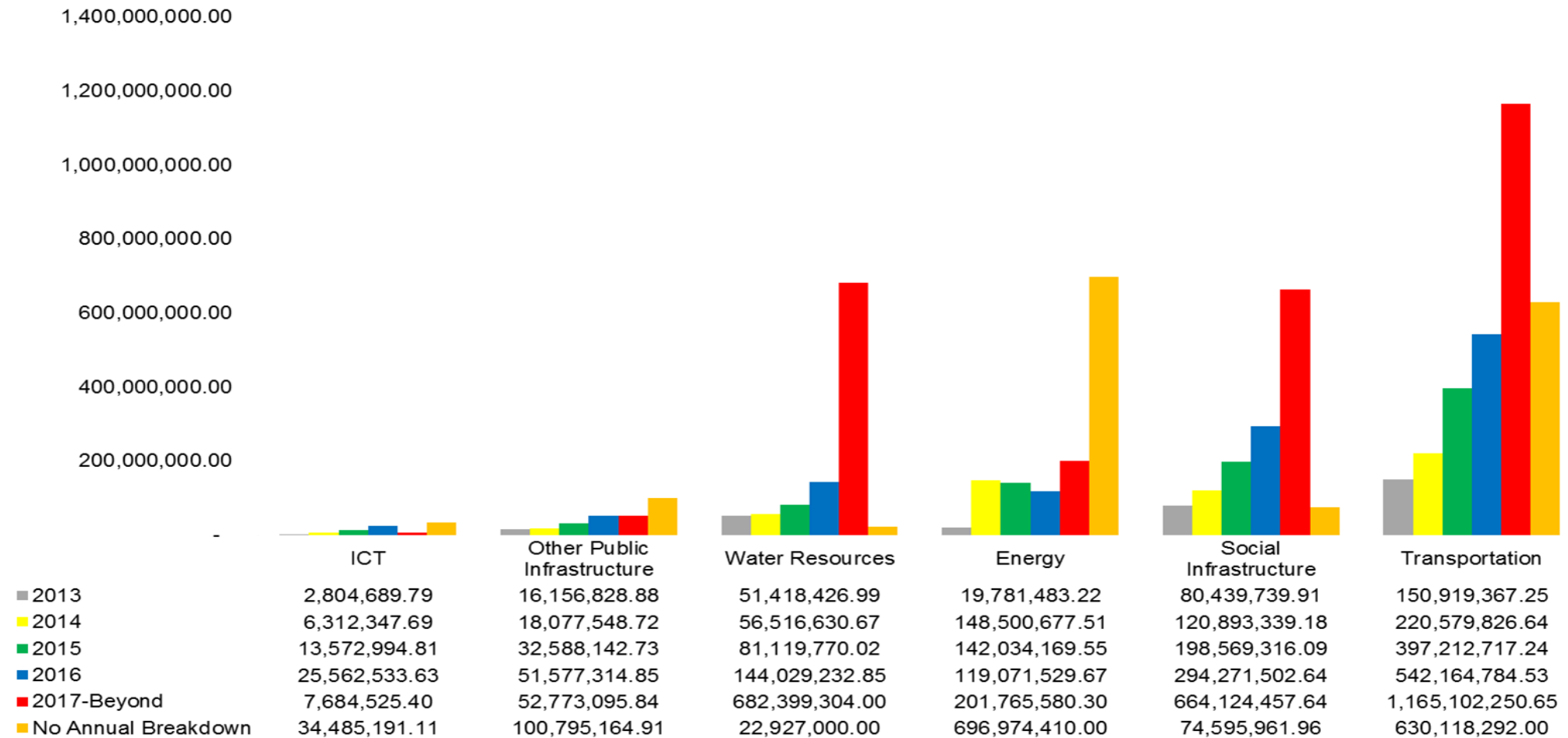
Public Spending on Infrastructure, percentage relative to GDP



Source: Philippine Development Plan 2017-2022

Comprehensive and Integrated Infrastructure Program (CIIP), by Sector (Thousand, PhP)

Comprehensive and Integrated Infrastructure Program (CIIP), by Sector
Investment Costs, In Thousand PhP; Total Investments: PhP7 trillion



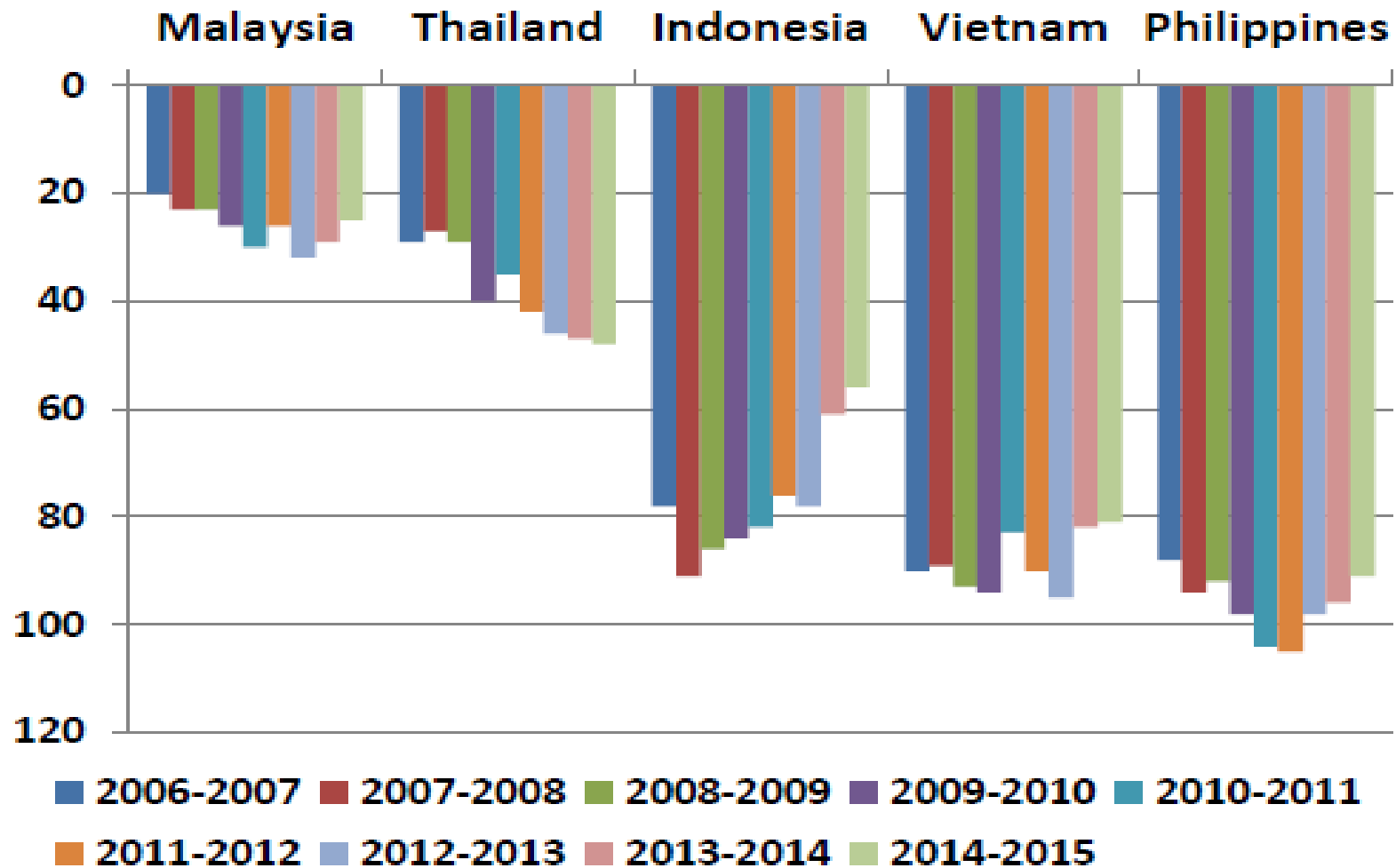
Source: Comprehensive and Integrated Infrastructure Program (CIIP), as of Dec 2015

Comprehensive and Integrated Infrastructure Program (CIIP), by Sector (Thousand, PhP)

Sector	No. of Projects	2013	2014	2015	2016	2017-Beyond	No Annual Breakdown	Investment Cost (in Thousand PhP)
ICT	94	2,804,689.79	6,312,347.69	13,572,994.81	25,562,533.63	7,684,525.40	34,485,191.11	90,422,282.43
Other Public Infrastructure	602	16,156,828.88	18,077,548.72	32,588,142.73	51,577,314.85	52,773,095.84	100,795,164.91	271,968,095.94
Water Resources	308	51,418,426.99	56,516,630.67	81,119,770.02	144,029,232.85	682,399,304.00	22,927,000.00	1,038,410,364.53
Energy	271	19,781,483.22	148,500,677.51	142,034,169.55	119,071,529.67	201,765,580.30	696,974,410.00	1,328,127,850.26
Social Infrastructure	1049	80,439,739.91	120,893,339.18	198,569,316.09	294,271,502.64	664,124,457.64	74,595,961.96	1,432,894,317.43
Transportation	933	150,919,367.25	220,579,826.64	397,212,717.24	542,164,784.53	1,165,102,250.65	630,118,292.00	3,106,097,238.31
TOTAL	3257	321,520,536.05	570,880,370.42	865,097,110.45	1,176,676,898.17	2,773,849,213.83	1,559,896,019.98	7,267,920,148.90

Source: Comprehensive and Integrated Infrastructure Program (CIIP), as of Dec 2015

Infrastructure competitiveness ranking



Source: OECD 2015; Dr. Israel 2016

Three-Year Rolling Infrastructure Plan (TRIP), 2018-2020

FY 2018	FY 2019	FY 2020	TOTAL 2018-2020
US \$22.791 Billion (Php1,133.75 Billion)	US \$23.724 Billion (Php1,182.51 Billion)	US \$25.916 Billion (Php1,291.78 Billion)	US \$72.385 Billion (Php3,608.04 Billion)

Sectoral Breakdown	TRIP for 2018-2020 (in Billion USD)				
	2018	2019	2020	Total	%
Transportation	12.586	15.339	18.853	46.834	64.57
Water Resources	1.592	1.456	1.754	4.805	6.62
Social Infrastructure	5.122	4.106	3.560	12.798	17.65
Energy	0.303	0.248	0.255	0.806	1.11
ICT	1.069	0.835	0.365	2.269	3.13
Others	0.356	0.301	0.402	1.059	1.46
Admin. Building	1.727	1.453	0.780	3.960	5.46
Total	22.791	23.724	25.916	72.385	100.00%

Demographic Transition

Projected Regional and Provincial Population by Age Group: 2010-2045, Philippines

Age Group	2010	2015	2020	2025	2030	2035	2040	2045
15-19	9,736,800	10,136,900	10,208,500	10,524,400	11,081,200	11,226,900	11,107,500	10,783,000
20-24	8,435,900	9,643,400	10,045,400	10,117,800	10,431,700	10,984,500	11,126,500	11,002,600
25-29	7,447,800	8,332,500	9,540,100	9,944,300	10,017,200	10,329,300	10,878,000	11,015,900
30-34	6,794,800	7,342,000	8,229,200	9,435,800	9,841,200	9,915,000	10,225,000	10,770,500
35-39	6,033,400	6,685,300	7,238,600	8,127,400	9,333,700	9,741,900	9,819,000	10,129,900
40-44	5,489,400	5,916,400	6,573,800	7,133,600	8,024,400	9,231,100	9,645,000	9,727,500
45-49	4,695,800	5,351,200	5,787,300	6,449,500	7,015,500	7,909,000	9,115,500	9,536,800
50-54	3,907,500	4,530,000	5,185,800	5,630,000	6,295,500	6,868,200	7,762,300	8,967,600
55-64	5,232,500	6,468,600	7,763,800	9,016,600	10,106,500	11,225,200	12,463,700	13,935,300
65& above	4,025,800	4,873,800	6,064,200	7,671,400	9,560,800	11,695,000	13,855,500	16,217,500

Source: Population Projection Statistics, PSA

Labor Income Ratio by Age Group, 2010

Age Groups	Labor Force Participation Rate	Employment Rate	Unemployment Rate	Labor Income Ratio
Ages 15-19	31.30	91.38	8.62	0.41
Ages 20-24	64.80	73.74	26.26	0.74
Ages 25-29	74.20	90.14	9.86	1.00
Ages 30-49	77.30	91.86	8.14	1.00
Ages 50-54	79.10	94.16	5.84	1.07
Ages 55-64	67.90	97.92	2.08	1.17
Ages 65 & above	37.80	98.96	1.04	0.76
Total	64.10	90.10	9.90	

“Demographic dividend is not automatic. The growing number of adults (particularly those aged 20 to 24) entering the labor market will be productive only when they are employed.

Employment rate in the 20 to 24 aged group in the labor force must be increased to a higher level from the current 74%.”

Source: Mapa, 2015

Unemployed Workers by Age, 2010 & 2013

Unemployed Workers (2010 & 2013), in Thousand				
Age Group	2010		2013	
	Count	%	Count	%
Total	2,858.5	100	2,904.5	100
15-24	1,460.7	51.1	1,408.7	48.5
25-34	846.8	29.6	883.7	30.4
35-44	265.1	9.3	305.7	10.5
45-54	180.1	6.3	186.6	6.4
55-64	87.2	3.1	100.2	3.5
65 and Over	18.6	0.7	19.6	0.7

Key challenge in demographic dividend is high unemployment rate among young workers

Source: Labor Force Survey (2010 and 2013), PSA; Mapa, 2015

Philippine Political Challenges

Elections every 6 years for President and Vice-president.

Elections every 3 years for all other elected officials at national and local levels.

Projects initiated by outgoing administrations can become political issues and their continuity comes under question in succeeding administrations.

Complications like territorial disputes and other issues can affect economic relations in general or a specific project or investment.

Conclusions and Policy Recommendations

Trade relations continue to expand.

More can be done in improving investments and ODA. Note that other countries are ahead.

Political risks can be managed by delinking economic relations from political issues to the extent possible. Perception is important. Examples to avoid: projects limited to an incumbent's presidential term, quid pro quo on territorial disputes, mismatch between host's needs & offered technology/equipment/infra.

Link choice of projects/initiatives to ASEAN regional connectivity program like ports and ROROs and to longer-term national priorities cutting through several administrations.

In selection of priorities and project implementation, encourage responsibility, accountability and effective governance by minimizing opportunities for corruption, requiring transparency and participation of national private business associations and civic organizations in monitoring activities.

Promote use of local talent, labor & materials, & transfer of technology and know-how.

The entire economy of a debtor state is answerable for loan repayments. Lending disciplines appear clear with respect to Asian Infrastructure Investment Bank (AIIB) projects.

Not clear with respect to bilateral loans, suppliers' & mixed credits, and investments through state-owned enterprises.

Developed countries have used pure grants subject to various conditionalities and grants have been utilized as vehicles for inter-state political accommodations.

China is a good example of a developing country that successfully combined self-reliance, foreign trade & investments, & ODA for national transformation and development.

Having attained higher levels of development, China's challenge is to provide developing countries a new paradigm of non-exploitative and mutually beneficial inter-state economic and political relations.



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