

Chinese Investments in the Philippines

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Economic and trade partnerships between Beijing and Manila have developed rapidly in recent years. Going by its robust growth, Sino-RP trade ties seem headed for a bright future.



China and the Philippines have a long and fruitful history. The relationship between the two countries began during the Tang Dynasty (618-907 AD), many years before the Spanish set foot on Philippine soil.

Contact was first made by Chinese merchants who traded and bartered with the natives. Even after the Spanish and the American occupation hundreds of years later, this relationship continued, bolstered by the unique and vital role played in the Philippines by immigrants from China and their descendants.

Chinese investments in the Philippines in the early 1990s had, of course, come very far since those early days. Back then, capital from the mainland mostly went to retail and wholesale trade, centering on paper and paper products, livestock and poultry, pharmaceutical and medicinal products, and toys, among others. But in the late 1990s, Chinese companies began to invest heavily in the Philippine manufacturing sector.

Growing partnership

Fast forward to today: China is currently the Philippines' third largest trading partner and the fastest growing market for Philippine exports. Since 2002, trade has grown at an impressive yearly rate of 55%. Bilateral trade in 2006 hit a 33.6% increase. The total approved Chinese investments in the Philippines for January to September 2006 reached US\$370 million (2.59 billion yuan)—a considerable improvement over the US\$3.8 million (26.6 million yuan) they invested in 2005.

Green Gold

The Chinese are interested in the local agriculture sector and have even poured in a whopping US\$4.9 billion (34.3 billion yuan) investment. They also want to develop over 1.2 million hectares in the Philippines to grow crops. This is no surprise as China wants to keep its growing population well-fed.

In addition, the mainland has expressed interest to put up ethanol and bioethanol plants in the Philippines. The Fuhua Group is investing US\$3.83 billion (26.81 billion yuan) to develop one million hectares to cultivate high yielding strains of rice, sorghum, and corn for ethanol production. Beijing-based China National Construction and Agricultural Machinery Import and Export Corp. (CAMC) will build an ethanol plant in the southern Philippine province of Palawan, as well as a cold-storage facility and a shipyard.



More companies are jumping on the ethanol and bioethanol bandwagon. Brokered by the RP Department of Agriculture, an agreement has been worked out between Palawan Bio-Energy Development Corp. and CAMC. Another has been forged between One Cagayan Resource Development Center Inc. and the Nanning Yongkai Industry Group to develop bioethanol plants.

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The Beidahuang Group, meantime, plans to invest 43.4 billion pesos (7.22 billion yuan) in yet another ethanol plant and other facilities.



If it Can't Be Grown...

But China is also interested in an even more lucrative (and controversial) investment area. After the Philippine Supreme Court liberalized the mining sector—in December 2004, the high court voted 10 to four (with one abstention) to lift the ban on foreign participation in local mining projects—Oriental Synergy Mining Corp. and the Macao Quanta Mining Co. Ltd signed an agreement

to invest US\$4 million (28 million yuan) in a 10-year project to mine the chromite- rich Dinagat Island in Surigao del Norte.

(President Gloria Macapagal Arroyo herself assured environmentalist, during a visit to Shanghai late last year, that authorities will not allow the exploitation of Philippine natural resources. Local environmental groups, however, are still unconvinced.)

Looking Ahead

Apart from its involvement in the local mining industry, China also aims to help address the lack of education in rural areas. Its US\$460-million (3.22- billion-yuan) cyber education project is designed to bridge the learning gap between rural and urban schools by using satellite technology to beam televised lectures to teachers and students in remote villages.

The Chinese government also wants to assist in the local infrastructure development program and has even earmarked a US\$56.18-million (393.27 million yuan) loan for the improvement of Angat Dam. (The deal was signed by the China International Water and Electric Corp. and the Metropolitan Waterworks and Sewerage System.) Major infrastructure projects consisting of railroads and railway systems, airports, roads, and ports will also be implemented over the next four years.



The RP government wants to attract Chinese businessmen who could help develop traditional and new energy sources to fuel the needs of industrial and household users in the Philippines. It has also invited potential investors from the mainland who could explore outsourcing and offshoring opportunities in such areas as Business/Knowledge Process Outsourcing and Customer Contact Centers.

Opportunities in the production and assembly of motor vehicles (such as commercial vehicles, passenger cars, and motorcycles) and the construction of low-cost, mass housing were also offered to Chinese investors.

They've also been invited to invest in hotels, room accommodations, and other tourist facilities. Infusion of fresh capital is crucial if the RP government wants to cash in on the possible windfall profit from tourism. Since existing facilities will soon be inadequate, the RP Department of Tourism said about 20,000 to 30,000 new rooms must be constructed by 2010.

Over the years, the economic partnership of the Philippines and China has reaped rich dividends for both countries. During the 12th Asia Pacific Economic Cooperation forum in Chile in 2004, President Hu Jintao himself said Sino-RP ties have reached its "golden age." President Gloria Macapagal-Arroyo, for her part, said in her speech during the RP-China Economic Partnership Forum, "I understand that China trade with the Philippines is one of the fastest growing bilateral relationships of China."

While the relationship itself has deepened and broadened maybe far beyond the wildest dreams of those simple people who initiated it, its character— one that is based on trust and cooperation—has not changed since those early days when the first Chinese merchants made it to Philippine shores. And although in many ways the ties between the Philippines and China have hit a high-water mark, it is could still get better in the years to come.

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