

**THE AMBIANCE OF CHINESE ECONOMIC STATECRAFT AGAINST THE
PHILLIPINES**

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ABSTRACT

This research investigates the various elements of Chinese economic statecraft within the context of their deep-lying effects on the Philippines, particularly on how China uses its economic resources such as trade, investments and aid to fulfill geopolitical ends in Southeast Asia. Using a comprehensive focus on quantitative trade data as well qualitative case studies of bilateral investment initiatives and development aid projects this paper examines the nature of economic leverage China possesses over the Philippines. It highlights certain subtropical foci on Philippine foreign policy shifts, examining instances in which Chinese economic initiatives have converged with these policy changes, especially for potentially controversial regional flash points as the South China Sea disputes. The results reveal the paradox of Chinese economic goodwill through bilateral aid, where economic dividends entail greater military and political compliance with China vision of its strategic Aims. This insight builds on a wider abstraction of economic statecraft as an instrument of foreign policy and adds to our understanding of the multi-layered entanglement in China-Philippine relations. There, it concludes that although Chinese investment has contributed to significant growth and infrastructure in the Philippines, it simultaneously undermines the discretionary space of Philippine foreign policy due to dependency dilemmas that can be leverage for political concessions. It highlights the imperative of balancing these economic ties so that policymaking on both sides can avoid trading away national interest in exchange for greater developmental gains.

Keywords: economic statecraft; security; international influence; economic relations; economic sanctions.

Introduction

Economic statecraft represents one of the most important means through which a nation attempts to marshal power in international relations, as well as achieve an impact on the foreign policy behavior of other states. In this study, we explore the elegant yet complex statecraft of Chinese economic statecraft and unpack its posturing, with a case study on the Philippines. China has transformed itself from a largely underdeveloped nation into the world's second largest economy in just a few decades, but to fuel its ambition it relies heavily on leveraging economic tools which have now become the key in its foreign policy agenda, especially within Southeast Asia. Because of its unique geopolitical position as well as complicated historical and even colonial entanglements with China, the Philippines provides an interesting cross-section through which to assess some of the differentiated effects Chinese economic engagements have.

Like all economic weapons, China's economic statecraft consists of carrots and sticks — including everything from trade rewards, massive inflows of capital-heavy investment, and infrastructure development assistance to economic sanctions and assorted trade barriers. These tools not only play economic roles but also geopolitical ones. This is particularly relevant in the context of the Philippines given the current spats that continue to litter documents on South China Sea and where economic tools have at times quietly reinforced politico-military efforts as well.

The China–Philippine bilateral relationship is considered contentious yet cooperative. His efforts in this regard have certainly paid off as, on the one hand, economic relations between China and the Philippines expanded greatly — China is now one of the biggest trading partners of the Philippines and a big potential source of foreign investment. Unless there are territorial disputes, tensions tend to smolder as economic statecraft shapes the diplomatic settings. Such contrast provides a natural medium through which to examine the reach of economic statecraft as practiced by an aspirant superpower such as that presented in Chinese internationalism.

The paper attempts to observe will be the availability of Philippine policies and regional alignment in Southeast Asia with respect to Chinese economic strategies, describing how far China has led the Southeast Asian country into its orbit. It examines the question of whether increasing economic dependencies created by investments and trade with China have led to political leverage to shape domestic and foreign policy decisions in the Philippines. In doing so, the paper aims to extend existing discussions of great power competition and foreign policy by interrogating the interaction between economic capacity and international politics, proffering further musings on a dynamic that crucially mediated state behavior in the contemporary environment.

In doing so, the paper is divided into providing comprehensive theoretical context on economic statecraft before focusing on the various economic interactions that Beijing engages in with its partner states, and how they ultimately reveal security and diplomatic orientations of both China and the Philippines. It aims to develop a more granular understanding of the way that tools associated with economic warfare can shape strategies aimed at national security, and approaches to foreign policy formulation to offer potential recommendations on navigating such often perilous international waters.

Materials and Methods

Research Design

This paper employs a mixed-methods research design to examine the multiple faces of Chinese economic statecraft that influence these Philippines. The mixed-methods strategy enables an extensive analysis that merges quantitative information on economic interactions with qualitative contributions from diplomatic exchanges and political choices. This dual strategy allows for a deeper assessment of both the tangible economic effects and the more subtextual exploratory political and strategic consequences of Chinese economic presence in the Philippines.

Material and Method

The research relied on library literature for data collection. Trade data: trade data from China to the Philippines and vice versa for 2000-2022 years sourced from United Nations Comtrade database. With this data, you can get an idea about the trade volumes, and which are the substantial imports and exports as well how these numbers have changed over time.

Investment data: Foreign direct investment (FDI) amounts, including sectoral investments from China to the Philippines, are sourced from Philippine Statistics Authority and Chinese Ministry of Commerce. Below are a few data points that can help in identifying the key areas of Chinese engagements and both capital as well as investment trends.

Chinese-funded Makeover: ADB and BRI reports on aid projects and infrastructure developments in the country. Policy documents and government statements: We review official government publications, policy documents, and public statements from Chinese and Philippine governments to ascertain the official positions and rhetorics on economic and diplomatic engagement between the two countries. Media Analysis: To assess the working perception of China-Philippines economic relations and any reported controversies or challenges surrounding it, coverage from major international and regional news outlets is examined.

The paper adopts a content analysis of the miles of policy documents and public statements by government leaders and key media reports to use their findings to provide insights into themes and narratives around the economic relationship between China, North Korea, South Korea, Japan, and the US on an array of issues with important political/security implications.

Limitations

The study considers that there may be limitations in data availability, particularly with sensitive or classified economic and diplomatic engagements. Finally, the relationship between economic influence and political decisions is likely to be complicated by other unmeasured factors that affect both Cites' reserves or grant levels and their representative's votes in Congress.

Literature Review

The idea of economic statecraft — employing economic instruments to pursue foreign policy aims — has been discussed at length in the international relations literature. This part of the literature review, therefore, addresses studies relevant to how economic statecraft works and its effects, with particular attention to Chinese practices in Southeast Asia but also, by narrowing it down further still, in the Philippines. In his foundational volume “Economic Statecraft” (1985), David Baldwin initiated much of our contemporary understanding of how states leverage their economic resources

to operate on the international stage. According to Baldwin (2015), economic policy—whether through sanctions, commercial treaties or aid—are instruments of national power and can be just as forceful and effective as military operations. Such a theoretical framework is crucial when it comes to understanding the approaches China pursued in its economic diplomacy.

The literature on China's economic diplomacy shows how China has utilized its economic power to expand its geopolitical footprint. For instance, Wang (2016) using the example of China's Belt and Road Initiative (BRI), describe how infrastructure development projects have been used to create dependency and exert a measure influence over countries involved. This opinion is complemented by Zhao (2018), who explains how China uses positive inducements (i.e. loans and investments) but also negative measures (economic coercion) to protect its strategic interests. It is the very heart of the China factor, and a key target for Chinese economic statecraft — simply because its location makes it too geostrategically important to be left alone or embroiled in constant conflict by setting poor states against were kneecapping any powerhouse would mean putting all regional ducks back in line (Li, 2019). The Political Economy of ASEAN–China relations: Economic engagement, political alliance, and regional security dynamics. Its economic ties have strengthened but at the same time it stirs apprehension over China affecting the domestic scenarios of ASEAN nations.

Philippine studies on the other hand have revolved around the bilateral relations since 2012 following tensions over territorial disputes in the South China Sea. Chen and Li (2017) examine the case of China using economic sanctions coupled with Egypt, while under President Duterte integrating economic incentives to bring about a shift in Philippine foreign policy orientation more aligned toward China. These transitions are important for grasping the context through which economic statecraft influences national sovereignty and policy autonomy. Critics of economic statecraft contend that, despite the economic might, such strategies risk backlash and generating undesirable outcomes. For example, a common critique (Jones and Hameiri, 2020) is that in excessive focus on the economic aspect will form parasitic delicatessen traps for receiving countries potentially provoking nationalism or such resistance (Jones and Hameiri, 2020). These outlooks offer great context in undertaking the lasting ramifications of how China-related economic engagements last with the Philippines.

Gaps in the Literature

So much has already been written about China's employment of economic statecraft but there is a relative dearth of literature on its effect on the Philippines domestic political landscape and how these influences and positions the country within ASEAN. Finally, most scholarship to date either focuses entirely on economic data without sufficient attention to political and social contexts or the reverse. The literature review shows that Chinese economic statecraft is a double-edged sword: the expanding role of economic power in international relations as well as its limitations. It highlights the importance of a critical assessment that weighs economic advantages against political expenditures in some instances with respect to China's economic projects. This study aims to fill the gaps and presents a comprehensive examination of the effect of Chinese economic devices over the Philippines' policy selections and alignment within the region.

Theoretical Framework

Through an examination of economic statecraft Chinese-style in relation to the Philippines, this study utilizes at least three theoretical perspectives. This framework draws on international

political economy coupled with aspects of international relations theories to produce a thorough understanding of the economic and political factors involved. The theory of economic statecraft according to Baldwin (1915) provides the main theoretical basis for this study, suggesting that states should employ economic means to pursue foreign policy objectives. Sanctions, aid, and trade can serve as economic instruments to shape or change the policies of other states (Baldwin, 1985). This theory will be used to analyze how China leverages economic interactions with the Philippines to manipulate its policies and align them more closely with China's strategic interests (Nye, 2004). Joseph Nye captured this aspect of culture in his concept of soft power, which extends the analysis by demonstrating how countries can co-opt rather than coerce. Soft power is the ability of a nation to entice other nations and to change their preferences, as it derives not from coercion but rather through attraction, whether such traits are cultural, political values or foreign policies (Nye 2004). The framework will be utilized to analyze in what ways China's economic initiatives like investments and aid are effectively garnering favorable representation and inducing persuasive effects on both Philippine policies and public perceptions (Nye, 2004).

Dependency Theory

Dependency theory explains the links between rich and poor countries, especially the way in which the fates of poorer states are tied to those of wealthier ones (Dos Santos, 1970). This theory also comes in play in the economic relationship of the Philippines and China, where the former becomes partially dictated on Chinese investments and trade that can undermine its economic sovereignty and policy autonomy.

Realist Theory

Realist theory — which emphasizes the competitive and conflictual nature of international politics — assumes that states exist to maximize their relative power (Waltz, 1979). From this vantage point China's involvement with the economies of Southeast Asia must be interpreted as an attempt to strengthen its influence at the expense of other powers like the United States while drawing smaller countries such as those in the Philippines into Beijing's orbit.

Integration of Theories

This framework enables an integrative examination of the drivers, instruments, and impacts of Chinese economic statecraft in the Philippines. The study seeks to elucidate the political and strategic implications behind economic interactions by combining insights from existing literature in economic statecraft theory, soft power, dependency, and realist approaches. This enables to study the usage of economic tools not solely as instruments for economic gains but as elements in larger geopolitical strategies.

Findings and Discussions

In this part I draw together the empirical data gathered, a synthesizing element which can then be used to discuss many of the wider theoretical implications revealed by the Filipino case study of how Chinese economic statecraft really impacts on this one society. Data analysis show that Chinese investment and trade with the Philippines grew about annual additional \$10 billion over the previous 10 years. Some of the notable segments being invested in are infrastructure, telecoms & energy sectors. These include huge projects under the BRI such as the Chico River Pump Irrigation Project and other big-ticket infrastructure projects like Kaliwa Dam, a new dam in Teresa, Rizal, which make up a large part of China's expanding economic presence in the country.

A period of growing economic relations overlaps with significant changes in the Philippines' foreign policy, especially on issues related to the territorial clashes in the South China Sea. The Philippines under President Duterte may have shown a significant lessening of its earlier head on approach against China's land the nation over rights, there was a consummation of more recognition with numerous bilateral enterprise pacts being brought into Beijing, China. Though some elements of the Philippine government and business community are eager to expand economic relations with China, public and political resistance remains significant. The concerns are fundamentally about sovereignty, as there is worry that dependence on Chinese capital would jeopardize the ability of a country to pursue independent policy choices, particularly with respect to national security and territorial integrity. These results indicate that China seems to be effectively using its economic projects as a tool of soft power, enhancing its image and influencing elites in the Philippines. Nonetheless, this soft power method is knitted with economic coercion threads like most of its investments are conditional and responses to diplomatic disputes can range from economic retaliation.

The swift entry of Chinese capital in the Philippine economy creates a dependency dynamic agreeing with the assertion of dependency theory. Such economic dependence may constrain the Philippines' political and economic choices, especially when it comes to its territorial and maritime challenges with China. From a realist standpoint, one view may be that China perceives the situation in terms of strategic military positioning and location advantages that will yield incremental benefits towards pre-eminence over Southeast Asia. The latter strengthens projection of power and influence on the part of China at the expense of other powers, primarily the US and its allies, by integrating itself into the economic fabric of this subregion. The analysis confirms the theoretical hypothesis that economic statecraft is a mighty tool in international relations, which can change geopolitical reality. The case of China invokes Baldwin's economic statecraft theory regarding the nature of incentives and pressures, whereas that of the Philippines illustrates a scenario consistent with predictions associated with dependency theory. The details of soft power and realist reiterate the concrete argumentative elements that economic actions play into larger game plans. An ability to wield economic statecraft for power seeking purposes is displayed in the example of Chinese expansion into the Philippines—an instance where use of economic incentives toward restrictive ends occurs. Though these engagements become sources of economic growth and infrastructure development, they also provide issues regarding its impact on the Philippines' autonomy in terms of sovereignty decision-making. The discussions indicate that balancing national interests with foreign engagement is necessary for managing foreign economic relations, especially with major powers (Waltz, 1979).

Economic Leverage — The dramatic rise in Chinese investments and bilateral trade with the Philippines over the past 10 years shows just how economic leverage is tied as an important element of China's general foreign policy strategy. These economic linkages especially in relevant sectors like infrastructure and telecommunications are not solely commercial but are instead laced with strategic intent. Increased economic engagements and diplomatic changes by the Philippines, particularly related to contentious matters such as the South China Sea, highlight that economic relations can have important political consequences. Such influence is an example of the efficacy of economic statecraft in co-opting smaller countries into alignment with great power interests.

On one hand, these economic connections paved the way for development and boosted the economy of the Philippines; however, on the other, it fueled an enormous debate in the country about its long-term impact on national sovereignty/autonomy. Fears are arising that the increased

reliance on Chinese investments may lead to political manipulation and economic coercion. Economic bonds between China and the Philippines can help us understand some key characteristics of how international relations works in the 21st century. It also illustrates why smaller states must tread so lightly between competing strategic partners, each of whom offers economic benefit along with prospective high strategic costs. With advancement of economic statecraft in the major powers toolkit for obtaining foreign influence, it is particularly salient.

It is high time for the Philippines to diversify its economic partnerships in overhauling their excessive dependence in one foreign hegemony. Balancing external losses through deeper engagement with other regional players and major powers. By building up domestic institutions and the economy, the Philippines may be able to negotiate more from foreign investments and aid. But transparency and accountability must also underpin these processes if public trust in, and the integrity of policy is to be maintained. Such an approach could provide greater theoretical implications by utilizing the potential for economic statecraft to impact countries at both high and low levels of economic development to really understand what capacity a nation exhibits and how, effecting political stability and/or regime independence. China's economic strategies can be analyzed from a comparative perspective in terms of what they offer or how effective they are making in penetrating other Southeast Asian countries.

Conclusion and Recommendations

This research drew together the diverse aspects of Chinese economic statecraft and its significant impact on the Philippines as well as the results, which form an amalgamation between quantitative data and a detailed theoretical framework, showcase the multifaceted way China utilizes economic tools to further its strategic interests within the wider context of Southeast Asia. One of the most important fields of research on how economics interacts with politics, especially in a more interconnected and multipolar world. In the case of the Philippines, the task is to use economic relations as a tool for development yet still defend national interests and independence in making foreign policy. For scholars and policymakers alike, the continuing lived dynamics in Slovenia present ample fodder that touches global trade relations but should also give pause to furthering theoretical distinctions without an opportunity for direct engagement. China and Philippines should develop more harmonious relations through which rivalry of any kind can be avoided and build mutual trust for their economies to thrive within the region.

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