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China-Philippine Relations and Xi Jinping’s State Visit: Context, Significance and Challenges

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EXECUTIVE SUMMARY

- China-Philippine relations seems to have hit a new high with Chinese President Xi Jinping’s state visit to the Philippines in November 2018.
- This is the sixth time Xi and Philippine President Duterte have met since the latter assumed office in June 2016, in stark contrast to the frosty and often tense relationship under Duterte’s predecessor Aquino.
- China has highlighted the long standing ties of friendship and exchanges between the two countries. It has also underscored the benefits that ensue for countries that cooperate rather than confront China.
- Of the 29 agreements signed, the MOU on cooperation on oil and gas development was among those closely scrutinized. Although just a framework agreement, the MOU was touted as an exemplary example of the two countries working together to resolve their differences and pursue cooperation.
- Duterte’s China tilt has not gone down entirely well with his domestic audience. The details of oil and gas cooperation could ignite more adverse domestic reactions when they are made public.

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INTRODUCTION

Since Philippine President Duterte assumed office in June 2016, Philippine-China ties appears to be a relationship that can go no wrong. This was reinforced during Chinese President Xi Jinping's most recent state visit to the Philippines which has been described as achieving a new high in relations. Indeed, the atmospherics of the relationship are excellent. Substance-wise, the two countries have signed wide-ranging agreements that if implemented well would give a strong boost to Duterte's "build, build, build" agenda.

Yet, there are pitfalls ahead that bears watching. There is the question of the political sustainability of the current state of relations with Duterte's tilt towards China which has encountered domestic resistance. While China has been very generous in providing various inducements to draw the Philippine closer, it needs to be mindful of the negative repercussions if Duterte's China tilt becomes a domestic liability for his presidency. Furthermore, when details of the China-Philippine cooperation on oil and gas development are eventually made public, this may coalesce more domestic opposition against Duterte.

CONTEXT OF XI JINPING'S STATE VISIT

President Xi Jinping embarked on a state visit to the Philippines from 20-21 November 2018. This was not Xi's first visit as he had traveled to the Philippines in 2015 to attend the APEC Economic Leaders' Summit in Manila. However, this was the first state visit by Xi to the Philippines and a first by a Chinese president in 13 years. The last time a Chinese president visited the Philippines was in 2005 when President Hu Jintao made a state visit (see **Table 1** below).

Table 1: State Visits by Chinese Presidents to the Philippines

No.	Date of Visit	Name of President	Context
1	26-28 Nov' 96	President Jiang Zemin	State visit after attending the APEC Economic Leaders' Summit in Subic Bay; occurred a year after the Philippines discovered that China had built structures on Mischief Reef; during his visit, Jiang gave the assurance that Philippine workers in Hong Kong could keep their jobs when the British colony was handed over to China in 1997
2	26-28 Apr '05	President Hu Jintao	State visit on the occasion of the 30th anniversary of Philippine-China relations and one month after the Joint Marine Seismic Undertaking was signed by the Philippines, China and Vietnam in the South China Sea
3	17-19 Nov '15*	President Xi Jinping	Attend APEC Economic Leaders' Summit in Manila; at the summit, there were several minutes of awkwardness when President Xi was seen walking alone on the red carpet to the reception hall of the Philippine International Convention Centre (walking alongside Xi was the Chilean President Michelle Bachelet who was seen talking animatedly to Philippine President Aquino)
4	20-21 Nov '18	President Xi Jinping	State visit after the upturn in bilateral ties following Duterte's assumption of office in June 2016

Source: various published sources

* This is not a state visit but is included here to show that President Xi has had to make two separate trips to the Philippines.

Since the two countries established diplomatic ties more than 40 years ago in June 1975, three Chinese presidents have visited the Philippines, namely, President Jiang Zemin in November 1996; President Hu Jintao in April 2005 and President Xi Jinping twice in November 2015 for the APEC Economic Leaders' Meeting and in November 2018 for a state visit. When Jiang Zemin visited Philippines in November 1996, he embarked on a state visit immediately after attending the APEC Economic Leaders' Meeting in Subic Bay. In contrast, Xi has made two separate visits to the Philippines. The first was in November 2015 to attend the APEC Economic Leaders' Meeting as relations then were dampened by the Philippine case against China's expansive claims in the South China Sea that was brought before the arbitral tribunal.

Xi's state visit to the Philippines in November 2018 marked another high point since the turnaround in Philippine-China relations after Duterte assumed office in June 2016. Since then, Duterte has tilted the Philippines towards China. On his first state visit to China in October 2016, Duterte announced his "separation" from the United States and alignment with China's "ideological flow".¹ He has been effusive in his praise of China and Xi every time

they meet. The primary factor for the upturn in relations was Duterte’s decision not to follow-up on the 2016 arbitral tribunal award even though it was largely in Philippine’s favor.

In stark contrast to its engagement with the previous Philippine administration, China has stepped up the tempo of high level exchange with the Philippines. In fact, over the last two years, Xi has met Duterte six times, two of which were state visits by Xi and Duterte to the Philippines and China in November 2018 and October 2016 respectively. The other four were bilateral meetings on the sidelines of key events such as the APEC Economic Leaders’ Summit, the Belt and Road Forum and the Boao Forum (see **Table 2** below). China has portrayed these encounters as a strong indicator of how relations have turned the corner for the better and, more importantly, are on an upward trend.²

Table 2: Bilateral Meetings between President Xi and President Duterte

No.	Date of Encounter	Occasion
1	10 Oct ‘16	Duterte’s first state visit to China after he assumed office in June 2016
2	19 Nov ’16	Xi and Duterte met in Lima, Peru on the sidelines of the 24th APEC Economic Leaders’ Summit
3	15 May ‘17	Xi and Duterte met in Beijing, China at the sidelines of the First Belt and Road Forum
4	11 Nov ’17	Xi and Duterte met in Danang, Vietnam on the sidelines of the 25th APEC Economic Leaders’ Meeting
5	10 Apr ’18	Xi and Duterte met in Hainan, China on the sidelines of the Boao Forum
6	20 Nov ’18	Xi’s first state visit to the Philippines, two years after Duterte’s state visit

Source: Various published sources

SIGNIFICANCE OF XI’S VISIT

There are several key messages or thrusts that China has sought to convey from Xi’s state visit. One is that China and the Philippines enjoy a long standing historical relationship of friendship and exchanges. In an article attributed to him before the state visit, Xi highlighted that China and the Philippines have exchanged ships and merchants more than a thousand years ago. And that more than 600 years ago, Admiral Zheng He of the Ming dynasty had visited Manila Bay, Visayas and Sulu multiple times on his seven overseas voyages and that the King of Sulu had paid a goodwill visit to China. It was also mentioned that Jose Rizal, the Philippine national hero, had originated from China’s Fujian province and that Ye Fei, the famous Chinese general, was born in Quezon in the Philippines.³

By setting Philippine-China relations in a historical context, China is saying that since time immemorial, the two countries have lived in amity and as good neighbors. In other words, the brief downturn in Philippine-China relations during the previous administration of Benigno Aquino especially from 2013 when the Philippines began arbitral proceedings against China till the end of Aquino’s term of office in June 2016 was an aberration, a blip in a long historical trend of friendship and cooperation.

The second key message China has sought to convey is that Xi's visit has opened up a new chapter and elevated China-Philippine relations to a higher plane. The Chinese side highlighted that Xi and Duterte had agreed to upgrade relations to that of comprehensive strategic cooperation.⁴ To substantiate this new relationship, a total of 29 agreements were signed spanning a broad range of areas including the Belt and Road Initiative, oil and gas, infrastructure, industrial park development, culture, education, information and communication, agriculture cooperatives, Renminbi clearing arrangement, foreign exchange trading market, phytosanitary requirements (for coconuts and frozen fruits), bonds issuance, and banking.⁵

Among the agreements signed, the one that has apparently garnered the most attention is the MOU on oil and gas exploration. This MOU is a broad framework agreement to cooperate on oil and gas exploration with details to be worked out by both sides.⁶ A China foreign ministry spokesperson said that the two sides will continue further discussions on relevant specific issues and that China looks forward to advancing practical maritime cooperation between the two sides in an all-round manner.⁷ It is not surprising that the two countries have deliberately avoided revealing too much at this juncture as cooperation in this area were fraught with challenges in the past.⁸ In this sense, the lack of details is intended to reinforce the message of cooperation arising from Xi's visit rather than draw attention to issues that may be contentious.

The third key message China has sought to convey is that both the Philippines and China are capable of properly managing their differences and not allow them from affecting cooperation in other areas. In other words, the contentious maritime issues are not the sum total of China-Philippine relations.⁹ The primary factor for the turnaround in relations was Duterte's decision not to press ahead with implementing the 2016 arbitral tribunal award. Since then, the two sides especially China have cast the Bilateral Consultative Mechanism (BCM) on the South China Sea which has met three times as a model platform to resolve their differences and explore cooperation.¹⁰

In adopting the BCM framework, China is saying that the disputed claims in the South China Sea can only be effectively addressed bilaterally and by the parties directly concerned which in this case refer to China and the Philippines and, by extension, excludes external players such as the United States, France, the United Kingdom and the arbitral tribunal.¹¹ In fact, in the joint statement released during Xi's visit, it was mentioned that both sides noted that the situation in the South China Sea had become "generally more stable" due to the "joint cooperative efforts" among China, the Philippines, and other ASEAN Member States.¹² The implicit message is that external players should not meddle in this issue.

The fourth key message that China has sought to convey is that countries that pursue cooperation rather than confrontation with China stand to reap substantial benefits. Apart from the bilateral angle, this message is intended for other Southeast Asian countries as well. In recent years, there is a view that China is focused on strengthening ties with mainland Southeast Asia especially through the Lancang-Mekong Cooperation initiative officially launched in 2016 and which has apparently made relatively good progress.¹³ This has renewed concerns that China is trying to "divide ASEAN" by drawing mainland Southeast Asian countries under its orbit.

To counter such a perception, China has lent its weight to support the development of the Brunei-Indonesia-Malaysia-Philippines East ASEAN Growth Area (BIMP-EAGA), a sub-regional grouping under the ASEAN Economic Community. In the joint statement issued during Xi's visit, it was mentioned that China supports the Philippines as coordinator of cooperation between China and BIMP-EAGA which would contribute to ASEAN Community Building and China-ASEAN cooperation. By supporting BIMP-EAGA, China can argue that it is according equal attention to the maritime Southeast Asian countries, thereby debunking the view that it is attempting to split ASEAN.

From China's perspective, the BIMP-EAGA has an added significance in terms of the bilateral dimension. Since the growth area covers the entire island of Mindanao and the province of Palawan which encompass large swathes of territory in Southern Philippines, China can share its largess by including them under the broad rubric of the Maritime Silk Road, and in doing so contribute to narrowing the development gap between the more developed and less developed countries/areas in ASEAN. Another important significance is that Sarah Duterte, the daughter of President Duterte, is the current mayor of Davao City, which is regarded as the main trade, commerce and industry hub of Mindanao. In seeking to boost Mindanao's development, China is thinking long term by indirectly supporting Sarah Duterte who has indicated her desire to run for the presidency in 2022.¹⁴

WHITHER BILATERAL TIES

China-Philippine relations looks good and appear to be on an upward trajectory. China has gone all out to stress the positive aspects of this relationship. These include highlighting how China-Philippine trade have exceeded US\$50 billion last year, making China the Philippine largest trading partner, its largest export market, its largest source of imports, and its second largest source of tourists.¹⁵ China has further reiterated that its ties with the Philippine, not only in economic terms, but also in many other areas, is expected to grow and expand following Xi's visit.

But there are challenges ahead. First and foremost is the question of how politically sustainable is the relationship if the Philippine administration, especially Duterte, is seen as tilting too much towards China. Apart from the broad range of agreements signed during Xi's visit, Duterte appears to have gone all out to pander to Xi by breaking with existing protocol such as putting the Chinese flag ahead of the Philippine flag in the foreground (from the observer's point of view) when the two leaders met at Malacanang Palace and for displaying only the Chinese flag (without the Philippine flag) when the two leaders inspected the troops during the welcome ceremony at Malacanang Palace.¹⁶ Some quarters in the Philippines see this as Duterte paying undue deference to Xi.

Duterte has to grapple with a domestic backlash which was already apparent during Xi's visit to the Philippines when protestors gathered outside the Chinese Embassy in Makati City to protest Xi's arrival.¹⁷ Moreover, to be an effective country coordinator of China-ASEAN relations for the next three years, the Philippines would need to be seen as being able to take into account not only the viewpoints of China but also the other ASEAN Member States. The role that Philippine plays will have a direct bearing on whether China and ASEAN are able to

complete negotiations for a Code of Conduct in the South China Sea within three years as proposed by Chinese Premier Li Keqiang at the ASEAN-related summits in November 2018.

Another challenge is related to the management of their differences especially in the South China Sea or the West Philippine Sea. At the official level, both sides have so far refrained from revealing too much on how they intend to cooperate on joint exploration and development of oil and gas in the South China Sea. Key questions such as who will be involved, where will the exploration and development take place and how they will collaborate, i.e. the mechanism involved, ownership share and distribution of benefits, have not been made public. At some point in time, when details related to these questions are announced, we can expect reactions from various domestic political and interest groups within the Philippines which could affect the progress on this issue.

It is as much in the Philippines' interest to adopt a more neutral foreign policy orientation vis-à-vis China as it is for China to pursue a relationship with the Philippines that is not solely dependent on China doling out benefits. A situation where each other's independence and sovereignty is seen as being respected and safeguarded especially from the domestic angle would make for a more lasting and stable relationship.

¹ "US seeks clarity on Duterte 'separation' comments", *BBC*, 21 October 2016.

² "Liangnian liuchi huiwu, Xi Jinping yu Duterte tanle zhaxie" (Six encounters in two years, what was discussed between Xi Jinping and Duterte), *Zhongguo Nanhai Xinwenwang*, 21 November 2018.

³ "Xi Jinping zai Feilubin meiti fabiao shuming wenzhang" (Xi Jinping's article in the Philippine media), *Xinhuanet*, 19 November 2018.

⁴ "Jianli quanmian zhanlue hezuo guanxi, qianshu duoxiang zhongda shuangbian xieyi – Xi Jinping fangfei fankai xin pianzhang" (Establishing comprehensive strategic cooperation relations, signing several important bilateral agreements – Xi Jinping's Philippine visit has opened up a new chapter), *Global Times* (in Mandarin), 21 November 2018.

⁵ "Full text of China-Philippine joint statement", *China Daily*, 22 November 2018.

⁶ According to public sources, the MOU on oil and gas calls for the formation of a steering committee involving the two countries' foreign and energy ministries to produce cooperation agreements within 12 months. See "China, Philippines sign oil and gas MOU", *Oil & Gas Journal*, 26 November 2018. Separately, a Chinese source told the author in November 2018 that the two sides have essentially agreed on a 60-40 arrangement for oil and gas exploration, 60% for the Philippine side and 40% for the Chinese side. This would seem to be in line with what is permitted under Philippine law. See also "Cayetano: China open to 60-40 split on joint exploration", *GMA News*, 31 July 2018.

⁷ "2018 nian shiyi yue ershiyi ri waijiaobu fanyanren Geng Shuang zhuchi lixing jizhahui" (2018 November 21 ministry of foreign affairs spokesperson Geng Shuang's regular press conference), China's ministry of foreign affairs, 21 November 2018.

⁸ In 2004, the Philippine National Oil Company signed a deal with China National Offshore Oil Corporation for Joint Marine Seismic Undertaking on Certain Areas in the South China Sea. This agreement became a trilateral one when Vietnam came on board in 2005. However, the three parties could not move beyond the initial phase of seismic survey because the Gloria Arroyo administration was accused of the "treasonous act" of selling out Philippine interest and sovereignty by including in the seismic survey parts of the Philippine continental shelf that China and Vietnam did not even

claim. Arroyo was also accused of receiving kickbacks in the form of other Chinese investment projects in the Philippines in return for signing on to the 2004 deal.

⁹ “Joint press release for the Third Meeting of the China-Philippines Bilateral Consultative Mechanism on the South China Sea”, *Xinhuanet*, 18 October 2018.

¹⁰ The BCM has met three times, in May 2017, in February 2018 and in October 2018. At their third meeting, both sides discussed how to enhance maritime cooperation in areas such as maritime search and rescue, maritime safety, marine environmental protection/marine scientific research, and fisheries at relevant Working Group meetings under the framework of the BCM. They also discussed possible cooperation on joint exploration and development of oil and gas. See “Third Meeting of the China-Philippines Bilateral Consultative Mechanism on the South China Sea (BCM)”, China’s ministry of foreign affairs, 18 October 2018.

¹¹ France and the United Kingdom have stepped up their presence by conducting freedom of navigation operations in the South China Sea.

¹² “Full text of China-Philippine joint statement”, *China Daily*, 22 November 2018.

¹³ The Lancang-Mekong Cooperation seemed to have made good progress within the short span of two years. All six participating countries (China, Myanmar, Thailand, Laos, Cambodia and Vietnam) have identified five priority areas of cooperation in connectivity, production capacity, cross-border economic cooperation, water resources, agriculture and poverty reduction, and are open to explore new cooperation areas. See “Lancang-Mekong Cooperation leaders' meeting hails achievements, maps out blueprint for future development”, *Xinhuanet*, 11 January 2018.

¹⁴ “Sarah Duterte for President 2022”, Sarah Duterte’s facebook at <https://www.facebook.com/Sarah-Duterte-For-President-2022-1597661563872966/>.

¹⁵ “Zhuanfang: Feizhong jingmao hezuo qianjing guangming – fang Feilubin maoyi he gongye buzhang Luo Peisi” (Exclusive interview: Philippine-China economic and trade cooperation have bright prospects – interview with Philippine Department of Trade and Industry Secretary Ramon Lopez), Chinese government website, 22 November 2018. The Chinese language version says that China is the Philippines’ largest export market while the English version says that China is the Philippines’ fourth largest export market. See “Interview: Philippine-China trade ties to benefit from Xi’s visit: Philippine trade secretary”, *Xinhuanet*, 22 November 2018.

¹⁶ However, it has been pointed out that during the official visit of Japanese Prime Minister Shinzo Abe to the Philippines in January 2017, the Japanese flag was also placed on the left while the Philippine flag was to its right. See “Flag protocol breach seen in Xi Jinping's Philippine visit”, *Philstar*, 21 November 2018.

¹⁷ “Cause-oriented group protests Chinese president’s visit”, *Manila Bulletin*, 21 November 2018 and “In Photos: Groups to Xi Jinping: ‘Stay out of West PH Sea’ ”, *Rappler*, 20 November 2018.

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