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Exploring the Ways to Promote the Development of Bilateral Trade China and the Philippines

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Abstract

Over the past few decades, the bilateral trade relationship between China and the Philippines has experienced significant transformations. The development of this trade relationship holds immense importance for fostering people-to-people exchanges, promoting economic and social development in both countries, and contributing to regional peace and development. The objective of this study is to investigate methods for enhancing the growth of bilateral trade between China and the Philippines, while analyzing the impact of factors such as tariffs, non-tariff measures, trade policies, and currency considerations. Through a combination of literature review and content analysis, data were collected and utilized to conduct a comprehensive and objective analysis of the historical and current state of bilateral trade between the two countries. The proposed framework for this research aims to utilize a wide range of data to examine and identify strategies for promoting trade development. Currently, the overall scale of bilateral trade between China and the Philippines remains limited, characterized by an imbalance in trade, low levels of bilateral trade, a narrow range of traded commodities, and insufficient complementarity between industries.

Keywords

Bilateral Agreement, Trade, Business, Economics, Tariff

1. Introduction

China is the Philippines' largest trading partner, export destination. In 2019 alone, bilateral trade between the Philippines and China reached nearly $50 billion. The main products that China exported to Philippines are Refined Petroleum, Integrated Circuits, and Broadcasting Equipment while the main products that Philippines exported to China were Integrated Circuits, Nickel Ore, and Refined Copper (thediplomat.com). In 2022, despite the global COVID-19 pandemic, bilateral trade between China and the Philippines surpassed 80 billion US dollars, reaching 87.7 billion US dollars (General Administration of Customs of the People's Republic of China).

Bilateral trade between China and the Philippines has experienced significant growth over the years, with both countries recognizing the importance of fostering economic cooperation. According to a literature review by China Briefing, various strategies and initiatives have been proposed or implemented to promote the development of bilateral trade between China and the Philippines. These initiatives encompass both government-led efforts and private sector collaborations. The literature highlights the importance of trade missions, business forums, and trade fairs as effective platforms for fostering business-to-business interactions. Additionally, the establishment of free trade agreements (FTAs) has been identified as a key driver of bilateral trade growth. The Regional Comprehensive Economic Partnership (RCEP), which includes both China and the Philippines, is expected to support the Philippines' goal to seek a stronger partnership with China.

The Philippines' GDP plays an important role in promoting bilateral trade between China and the Philippines. Every 1% increase of Philippines GDP will make the trade volume increase by 2.74%. However, every 1% increase of China GDP will reduce the trade volume by 0.02%. This suggests that there is potential for further growth in bilateral trade between China and the Philippines (MCEI, 2015).

However, trade barriers and influencing factors remain major obstacles to international bilateral trade. These factors hinder the further development of trade between China and the Philippines. It is crucial to address these barriers and factors to promote economic development in both countries.

This research aims to fill a gap in the literature by exploring ways to promote the development of bilateral trade between China and the Philippines. By identifying potential areas for growth and collaboration, this research can provide valuable insights for policymakers and businesses looking to expand their presence in these markets.

2. Literature Review

The gravity model is a widely used framework in trade bilateral theory that explains the volume of trade between two countries based on their economic size and distance. This model suggests that larger economies and countries that are geographically closer tend to have higher trade volumes. "China (CHN) and Philippines (PHL) Trade" by The Observatory of Economic Complexity examines the trade between China and the Philippines (OEC, 2021). The study provides information on the top products traded between the two countries, the economic complexity index of both countries, and other relevant information.

The theory of comparative advantage, developed by David Ricardo, states that countries should specialize in producing goods and services in which they have a lower opportunity cost compared to other countries. This theory plays a crucial role in understanding bilateral trade patterns, as countries are more likely to engage in trade when they can benefit from their comparative advantages.

The factor endowment theory, proposed by Eli Heckscher and Bertil Ohlin, argues that countries will specialize in producing goods that utilize their abundant factors of production. This theory helps explain why certain countries excel in specific industries and how factor endowments influence bilateral trade relationships.

Tariffs are taxes imposed on imported goods, which can increase the cost of imported products and reduce their competitiveness in the domestic market. Non-tariff barriers, such as quotas, technical barriers, and subsidies, also impede bilateral trade by restricting market access and creating artificial trade barriers.

Political instability, corruption, and weak legal systems can hinder bilateral trade by creating uncertainties and risks for foreign investors. Inconsistent regulations, lack of intellectual property protection, and weak contract enforcement mechanisms can discourage trade between countries. The article "The Analysis of Bilateral Trade between China and the Philippines" by Song Yan (2015) provides insights into the economic dynamics between China and the Philippines and offers recommendations for policymakers and businesses to enhance bilateral trade and investment.

Trade bilateral theory provides valuable insights into the factors influencing trade flows and patterns between two countries. The gravity model, comparative advantage, and factor endowment theory are key concepts in understanding bilateral trade relationships. However, various obstacles, such as tariffs, trade barriers, political and legal factors can hinder bilateral trade. Understanding these obstacles is crucial for policymakers and businesses to develop strategies that promote and facilitate bilateral trade.

3. Methodology

This study employed a documentary-comparative analysis method to examine the development of bilateral trade between China and the Philippines and to facilitate data selection for the research topic. The analysis in this paper focuses on three main aspects. Firstly, it examines the bilateral trade surplus and deficit (trade volume). Secondly, it analyzes the influence of the bilateral currency exchange rate on bilateral trade. Thirdly, it investigates the impact of tariff and non-tariff measures as trade barriers. Descriptive analysis was employed to analyze the data. The data for this study were sourced from both primary and secondary channels, the resources included:

General Administration of Customs of the People's Republic of China. It collects and publishes data on China's imports and exports. They provide detailed information on trade volumes, values, and commodity classifications; Ministry of Commerce of the People's Republic of China. It releases reports and data on foreign trade and investment. Their website provides access to trade policy information, trade statistics, and investment-related data; The Philippine Statistics Authority. It provides comprehensive data on various economic indicators, including trade and investment. Their website offers access to trade statistics, foreign direct investment data, and other relevant information; Department of Trade and Industry of the Philippines. It provides access to trade statistics, trade policy updates, releases reports and data on trade and investment; The Yearbook of the People's Republic of China (https://www.eastview.com) is an annual publication that provides comprehensive information on the country's economic and social development.

International organizations: The reports and databases from international organizations such as the World Bank, International Monetary Fund; World Trade Organization; Asian Development Bank

Academic research: Consult scholarly articles, studies, and research papers that focus on bilateral trade and investment between China and the Philippines. These sources may provide in-depth analysis, empirical evidence, and insights into specific aspects of the trade relationship. Some of the study such as "China-Philippines Bilateral Trade: Current Status and Future Prospects" by Erlinda M. Medalla and Josef T. Yap; "Bilateral Trade and Investment between China and the Philippines: Opportunities and Challenges" by Vicente B. Valdepeñas Jr. and Ramon L. Clarete;"Bilateral Trade Relations between China and the Philippines: A Review of Recent Developments and Future Prospects" by Jose Ramon G. Albert and J. Dennis B. Mapa ect. are be reviewed.

4. Date Collection and Treatment

Begin by identifying the relevant data sources for your study. This may include trade statistics, government reports, industry reports, academic research, and other relevant sources. Ensure that the data you collect is reliable, up-to-date, and relevant to research objective. The collected data encompass bilateral trade data between the two countries from the period of 2015 to 2022.

And then create a clear structure that allows for easy analysis and comparison. This may involve categorizing the data based on trade volumes, product categories, trade barriers, or any other relevant factors.

Finally, analyzing with statistical methods for data. Identify factors influencing bilateral trade. Interpret the results and draw meaningful conclusions. Identify patterns, trends, and relationships within the data that could shed light on the ways to promote bilateral trade between China and the Philippines.

5. Discussion of Findings

5.1. Bilateral Trade Volume of China and the Philippines

In 1975 when the diplomatic relation was officially established between the People's Republic of China and the Republic of the Philippines, the annual bilateral trade volume between China and the Philippines was only 72 million USD, while the annual bilateral trade volume is less than 100 million USD. By 2022, bilateral trade between China and the Philippines stood at 87.72 billion U.S. dollars, a 1218-fold increase since the two countries established diplomatic ties 48 years ago (OEBC CHINA-PHILIPINES). According OEC (2021) date, in 2017, China surpassed other countries to become the Philippines' largest trading partner and fourth largest export market.

Table 1 presents that from 2015 to 2022, bilateral trade between China and the Philippines has experienced steady growth. In 2015, the trade volume stood at $45.65 billion, increasing to $87.72 billion in 2022. (Giulia Interesse China and Philippines to Implement RCEP Tariffs, Bolstering Trade Relations) China has consistently been the Philippines' largest trading partner, largest source of imports, and second largest export market during this period.

Despite initial expectations set during a state visit in 2011 to reach a trade volume of $60 billion by 2016 (Philippine Statistics Authority), external factors such as the South China Sea disputes, global financial crisis, and anti-globalization sentiments influenced the timeline. However, the target was eventually achieved in 2019, three years later, demonstrating resilience and growth in bilateral trade despite challenges. The trade relationship between China and the Philippines has strengthened over the years, with consistent growth and China's continued position as a vital trading partner for the Philippines.

5.2. Bilateral Trade Tariff of the China and Philippines

An import tariff is a trade restriction measure adopted by a government, usually a tax levied on imported goods. Different countries and regions have different tariff policies. Some countries have low tariff policies while others have high tariff policies. China and the Philippines are two neighboring countries with extensive economic and trade ties. Both China and the Philippines are members of the WTO and the World Trade Organization. Both are members of the China-Asean (The World Trade Organization). The main commodities traded between the Free Trade Area and the RCEP Regional Comprehensive Economic Partnership

Table 1. Bilateral trade statistics of the China and Philippines from 2015-2022 (Data source: People's Republic of China Yearbook).

Year	China export (100M USD)	China import (100M USD)	Total volume (100M USD)	Balance
2015	266.7	189.8	456.5	−76.9
2016	298.3	173.7	472	−124.6
2017	320.4	192.3	512.7	−128.1
2018	350.6	206.1	556.7	−144.5
2019	407.5	202	609.5	−205.5
2020	418.4	193.1	611.5	−225.3
2021	572.85	247.61	820.46	−325.24
2022	646.7	230.4	878.1	−417.3

two sides include electronic products, textiles, machinery and equipment, chemical products, etc. Tariff rate has a great impact on bilateral trade between China and the Philippines, mainly as follows:

- Reduce trade. If there is a trade dispute between China and the Philippines, one side could impose tariffs on the other's goods, which would make the goods more expensive and reduce trade.
- Raising the price of goods. Imposing tariffs will increase the cost of goods, which may lead to higher prices of imported goods, thus increasing the burden on consumers.
- Impact on industrial competitiveness. If the tariff policy mainly targets certain industries or products, the competitiveness of these industries or products may be affected. For example, if high tariffs are imposed on certain Chinese exports, exports of those goods could be reduced, affecting the competitiveness of related Chinese industries.
- Promote trade diversion. If tariffs impose higher tariffs on importers of certain goods, producers of those goods may seek other markets, thus promoting trade diversion. This could have an impact on the trade structure between China and the Philippines.

Table 2 presents China's customs import duty rate varies according to different product categories and countries/regions of origin. The chart shows the import tariff rates of general products, normal products, sensitive products, and highly sensitive products. General products include most consumer and industrial goods. Its tariff rate is 0% to 5% of the duty value of the imported goods. Normal products refer to those that fall within the list of goods opened by China after its entry into the World Trade Organization (WTO), that is, those that are freely imported and exported in accordance with international trade rules. Its tariff rate is in accordance with the WTO agreement, and its tariff rate is 5% - 10% of the tariff value of the imported goods. Sensitive products include those related to national economic security, social and public security, ecological security, and other aspects. The tariff rate is relatively high. The general tariff rate is 15% - 20% of the tax value of imported goods. Highly sensitive products refer to those that pose a great threat to national security and public security. Imports typically require special permits and high tariffs or other taxes. Its tariff rate ranges from 20% to 65% of the duty value of imported goods. It is important to note that these rates are based on China Customs' current policies and regulations and are subject to change at any time. In addition, under the free trade agreements signed by the Chinese government with other countries/regions, certain products may enjoy lower or duty-free tariff treatment.

Table 3 presents the tariff rates on Chinese imports from the Philippines vary by commodity. The chart shows the import rates on some common items: machinery and equipment: 0% - 10%; Chemicals: 0% - 10%; Food, agricultural products, textiles: 0% - 30%; It should be noted that this is only a range of tax rates for some common goods. In fact, China has thousands of tax codes and rates. Therefore, the specific tax rate should be determined according to the

Table 2. Customs tariff statistical table of the China (Data source: General Administration of Customs China).

Difference of tax items	Tariff rate range (%)	Average tax bearing (%)
General normal products	0% - 5%	2.6%
Normal products	5% - 10%	6.97%
Sensitive products	15% - 20%	17.2%
High sensitive products	20% - 65%	26.7%

Table 3. Tariff rates for China's imports from the Philippines (Data source: General Administration of Customs China).

Name of imported goods	tax band (%)
Mechanical equipment	0% - 10%
chemicals	0% - 10%
Food, agricultural products, textiles	0% - 30%

commodity code and the latest regulations of the Chinese Customs department. In addition, China also has a few tariff reduction policies and free trade agreements, for eligible goods may enjoy lower import tariffs.

The Philippine Customs tariff rates vary by product category and country/region of origin. The chart shows the import tariff rates of general products, normal products, sensitive products, and highly sensitive products. General products are unrestricted products with import duties usually at zero but may be small in some cases.

Table 4 presents the range of import tariff rate for general products is 0% to 7%. Normal products are subject to tariffs at the time of import with import duties usually lower but specific rates depend on the product classification and the country/region of origin. The range of import tariff rate for normal products is 5% - 20%. Sensitive products are subject to higher tariffs when imported with import duties usually higher but specific rates depend on the product classification and the country/region of origin. The following are the tariff rates for sensitive products ranging from 20% to 50%. Highly sensitive products are subject to the highest tariff at the time of import with these products usually having the highest import duties but specific rates depend on the product classification and the country/region of origin. The import tariff rate of highly sensitive products ranges from 50% to 100%. It is important to note that these rates are based on current Philippine Customs policies and regulations and are subject to change at any time. In addition, under free trade agreements signed by the Philippine Government with other countries/territories, certain products may enjoy lower or duty-free tariff treatment.

Table 5 presents the tariff rates on Philippine imports from China vary depending on the commodity. Machinery and equipment typically have a tariff rate of 0% - 5%, while chemicals have a rate of 0% - 10% and food, agricultural products, and textiles have a rate of 0% - 35%. However, it's important to note

Table 4. Customs tariff statistical of Philippines (Data source: Philippine Tariff Commission).

Difference of tax items	Tariff rate range (%)	Average tax bearing (%)
General normal products	0% - 7%	4.8%
Normal products	5% - 20%	6.7%
Sensitive products	20% - 50%	18.5%
High sensitive products	50% - 100%	53.5%

Table 5. Tariff rates on Philippines imports of major goods from China. Data source: Philippine Tariff Commission.

Name of imported goods	tax band (%)
Mechanical equipment	0% - 5%
chemicals	0% - 10%
Food, agricultural products, textiles	0% - 35%

that these rates are just for common items, and there are thousands of tariff codes and rates in the Philippines. Therefore, the specific rate for a particular commodity should be determined according to the commodity code and the latest regulations of the Philippine Customs Department.

Additionally, the Philippines has implemented various tariff reduction policies and free trade agreements that may allow for lower import tariffs on eligible goods. China, on the other hand, has established tariff arrangements based on the most-favored nation tariff rate in 2003. The average tariff rate in China was 11%, with some products having higher rates. However, many products experienced a reduction in tariff rates, resulting in an average tariff reduction of 6.7 percentage points.

Overall, exploring ways to promote the development of bilateral trade between China and the Philippines should involve considering these tariff rates and reduction policies. By further enhancing trade agreements and reducing import tariffs, both countries can foster a more favorable trade environment and enhance economic cooperation.

According to the China-ASEAN Trade in Goods Agreement of the Comprehensive Economic Cooperation Framework Agreement, the Philippines applies preferential tax rates to Chinese products included in the Trade in Goods Agreement. Furthermore, based on related commitments in the agreement, the Philippines will gradually reduce the tax rate to zero for normal products imported from China by 2012. Prior to 2012, the tariff for sensitive products imported from China was reduced to 20%. This tariff will be further reduced to 0% - 5% by 2018. In June 2010, the Philippines Tariff Commission issued Administrative Orders No. 892 and No. 894 to implement the plan of preferential tax rates in the China-ASEAN Free Trade Area, specifically reducing the tax for sugar and rice products. The tax for sugar products decreased from 38% in 2010 to 5% in 2015, while the tax for rice products decreased from 40% in 2010 to 35% in 2015.

Regarding the tax arrangement for sensitive products, the Trade in Goods Agreement stipulates that China and the six ASEAN countries (Brunei, Indonesia, Malaysia, the Philippines, Singapore, and Thailand) may maintain tax items of less than 400 and sensitive products with an import value not exceeding 10% in 2001. The tax for generally sensitive products should be reduced to below 20% by 2012 and further reduced to 0% - 5% by 2018. The tax for highly sensitive products should be reduced to 50%. The Agreement also grants certain privileges to new ASEAN members regarding sensitive products, allowing them to maintain fewer than 500 tax items for sensitive products and eliminating import proportion limitations for Laos, Cambodia, and Myanmar. The tax for generally sensitive products of new members will be reduced to 20% by 2015 and further reduced to 0% - 5% by 2020. For highly sensitive products, the tax will be reduced to below 50% by 2018.

The Regional Comprehensive Economic Partnership (RCEP) took effect on January 1, 2022, for 10 countries including China, Japan, New Zealand, and Australia, forming the largest free trade area in terms of population, trade scale, and development potential. China's tariff commitments to ASEAN member states include 150 tax items, with the tariff for plastic and its products directly reduced to 0, accounting for 93% of the total. Additionally, there are 10 duty items for plastic and its products with the original base rate of 6.5% to 14%, which will be reduced to 5%. The RCEP incorporates four main modes of tariff reduction: immediate elimination upon entry into force of the agreement, gradual elimination during the transitional period, partial reductions, and exceptions.

On February 21, 2023, the Philippine Congress Senate deliberated and adopted the RCEP, formally joining the free trade agreement. The RCEP has now taken effect for all 15 member countries. Approximately 50% of the Philippines' exports and 68% of its imports come from RCEP members. The implementation of the RCEP will provide local companies with cheaper access to raw materials and intermediate goods. Micro, small, and medium-sized enterprises (MSMEs) in the Philippines, particularly agricultural producers, will benefit from a more flexible certification process and more favorable trading arrangements. As a significant milestone in regional economic integration, the RCEP will enhance the Philippines' trade relations with other member countries and bring new opportunities for trade and investment growth.

The Philippines' accession to the RCEP represents significant opportunities for both sides. The benefits of the RCEP include tariff reduction, cost reduction, and increased market competitiveness for export commodities. Risks and barriers are also reduced, as the implementation of unified rules of origin, customs procedures, inspection and quarantine measures, and technical standards gradually standardize and unify intra-regional trade rules, weakening trade barriers. Cross-border logistics optimization is another advantage, as the RCEP promotes simplified customs procedures and relaxed tax declaration policies, leading to increased efficiency in cross-border e-commerce logistics and reduced transportation costs.

While the economic and trade cooperation between the Philippines and China under the RCEP framework may present new win-win opportunities, companies expanding overseas often encounter logistical challenges. These challenges include insufficient berth capacity and operational capabilities at ports, resulting in port congestion, unpredictable logistics timeliness, high logistics costs, significant price fluctuations, and substantial impacts on cross-border e-commerce.

5.3. The Advantages of Using RMB

The advantages of Using RMB as single currency to be used in trading. With the continued development of RMB internationalization and expansion of the road, use the yuan in trade transactions and the Philippines as the importance and benefits of the settlement money will be more and more. Stability of the RMB exchange rate and the Philippine peso, prevent the loss of trade due to exchange rate fluctuations caused.

Reducing the number of pricing and settlement currency exchange, reducing trade transaction costs in the use of money. Convenient quotes and trading, which will help companies to quickly complete the import and export commodities quotes and transactions. Transaction costs to promote the further development of bilateral trade, stable exchange rate and reduced the Philippines will promote the further development of bilateral trade and improve.

Table 6 indicates since its inclusion in the SDR basket in 2016, the weighting of the RMB has gradually increased from 10.92% to 12.28% in 2022. This increase reflects the growing international use and acceptance of the RMB, which further enhances its status as an international reserve currency and increases the appeal of RMB-denominated assets.

The People's Bank of China has reiterated its commitment to financial reform and opening-up in its report on the implementation of China's monetary policy. It aims to simplify procedures for foreign investors to invest in the Chinese market, expand the range of available assets for investment, improve data disclosure, and create a more convenient environment for foreign investors and international institutions. The official inclusion of the RMB in the SDR basket is seen as a significant milestone in the internationalization of the RMB and a recognition of China's economic development and financial industry reforms. It enhances the representativeness, stability, and attractiveness of the RMB as an international currency, further integrating the Chinese economy into the global financial system.

Table 7 shows, the bilateral trade volume between China and the Philippines and the exchange rate USD against RMB and PESO from 2015 to 2022. Before the currency swap agreement was signed between China and the Philippines in 2018, the bilateral trade volume between the two countries was relatively low.

Table 6. Statistical of SDR basket composition changes (2015-2022). Data source: International Monetary Fund.

Money	2015 weight (%)	2022 weight (%)	Weight change (%)
USD	41.73	43.38	1.65
EUR	30.93	29.31	−1.62
CNY	10.92	12.28	1.36
JPY	8.33	7.59	−0.74
GBP	8.09	7.44	−0.65

Table 7. Exchange rate of dollar against RMB and Philippine Peso from 2015-2022. Data source: People's Bank of China, Central Bank of the Philippines.

Year	Exchange rate (USD/RMB)	Exchange Rate (USD/PHP)	Trade volume (Billion USD)
2015	6.45	45.51	45.65
2016	6.64	47.20	47.52
2017	6.75	50.51	51.27
2018	6.61	52.55	55.67
2019	6.89	51.59	60.95
2020	6.74	49.56	61.15
2021	6.45	49.21	82.05
2022	6.72	54.36	87.81

After 2018, the bilateral trade volume between the two countries showed rapid growth.

The financial crisis of 2008 made all countries in the world soberly realize that the dollar as the international settlement currency of the defects and reserves of the growing. While reflecting on the root causes of the crisis, countries put forward various opinions and suggestions on strengthening international supervision and expanding the types of international currencies. How to block the indiscriminate issuance of dollars and the danger of devaluation has become a pressing issue facing all countries. Currency swaps are one effective measure. An important way to solve this problem is to follow relatively fixed or stable exchange rates to carry out bilateral currency swaps, especially multilateral (cross) currency swaps, carry out bilateral and multilateral trade pricing, invoicing, letter of credit opening and other businesses, reduce the US dollar foreign exchange reserves and surpluses.

On October 30, 2018, the Philippine RMB Dealers Association was officially established in Manila, marking the direct convertibility of RMB and Philippine peso. The Philippine RMB Dealers Association is the first self-regulated financial organization outside China to trade RMB against local currencies. Under the guidance and supervision of the Central Bank of the Philippines, the Association will establish a direct exchange market between RMB and Philippine peso to realize the direct exchange between RMB and Philippine peso and end the history that Philippine foreign exchange transactions must be transshipped through US dollars. This is a solid step forward for RMB internationalization in the Philippines. After the direct conversion of RMB and peso, the trade and investment between China and the Philippines can be directly denominated and transacted in RMB, which reduces the transaction and exchange cost of US dollar and the cost of foreign exchange preservation. The final customers do not have to be troubled by the exchange rate fluctuations of US dollar, and the process is simpler and the cost is lower. The Philippine RMB Dealers Association is an initiative of Bank of China Manila Branch and is comprised of 13 local mainstream banks in the Philippines.

5.4. The Disruptive Factors in Bilateral Trade

The major interfering factors in the development of bilateral trade between China and the Philippines include the islands dispute in the South China Sea, the trend of anti-globalization, and the outbreak of the novel coronavirus in 2019. These disruptive factors often lead the government take different countermeasures. It includes:

- Reassess the tariff rate. Under Philippine Executive Orders 418 and 419, the Philippine government raised tariffs on some imported cars from 20 percent to 25 percent and imposed an additional 500,000 pesos on some used cars. In addition, the Philippine government raised import duties on mixed fruit juices from 3 percent to 47 percent, and on imported vegetables such as leeks, cabbage, lettuce, carrots, radishes, cucumbers, beans, peas, spinach and ginger to 25 percent.
- Strengthen tariff quota management. China implements tariff quota management on sugar, cotton, wool and other products. The Philippines applies tariff quota management to rice, livestock and meat products, potatoes, corn, coffee, sugar and other products.
- Different excise tax. Philippines government applies different excise tax rates on spirits based on their origin. For spirits produced using local ingredients, there is a uniform excise tax of 8.96 pesos per liter. However, if the spirits are made from imported ingredients, the excise duty varies based on the alcohol concentration. For spirits made from imported ingredients with an alcohol concentration of 14 percent or less, the excise tax is set at 13.44 pesos per liter. On the other hand, for spirits with an alcohol concentration above 14 percent but less than 25 percent, the excise tax increases to 26.88 pesos per liter.
- Barriers to customs clearance. Under the Philippines' pre-shipment inspection system, imported bulk cargoes and general goods must be inspected by designated agencies, including the quality, quantity and price of the goods. Accordingly, the Philippines has increased the clearance rate of imported goods by setting up customs procedures according to different risks of imported goods, but has placed more than 80 percent of imported goods in the

"red channel." Products that pass through the "red channel" customs clearance not only have to pass strict documentation audit, but also accept specific goods inspection. The tedious procedures of inspection of documents and goods prolong the customs clearance time of imported goods, which brings adverse effects on imported goods. The inspection and quarantine system for the import of agricultural products and other systems implemented by China are barriers to customs clearance.

- Barriers to product standards. The Chinese government requires that all imported products sold in the market must pass the mandatory CCC certification and QS certification. The Philippine Bureau of Trade and Industrial Products Standards stipulates that imported products cannot be sold in the market without a certification mark recognized by SOLID inspection. The Philippines designated SOLID as the only third-party inspection agency, which will bring inconvenience to imported products and increase the cost of imported products.
- Export subsidy barrier. In the Philippines, government provides export subsidies to its export car manufacturers through its domestic vehicle Export Promotion program. Each export earned $400 in the first and second years, $300 in the third year and $100 in the fourth year. In China, government supports state-owned banks in providing policy loans to major export enterprises.
- The COVID-19 pandemic factor. The COVID-19 pandemic has disrupted global supply chains, causing production and shipping delays. This has impacted Philippine exports to China, particularly in customs clearance for products like fruit and mineral goods. Similarly, China's export business to the Philippines has been affected, including electronics, textiles, and furniture. The pandemic has also had a significant impact on the tourism industry. The Philippines, a popular tourist destination, has experienced a decline in visitors, including Chinese tourists who are a major source of visitors. This has negatively affected the country's tourism sector. Furthermore, the pandemic has had varying degrees of impact on the global economy, including China and the Philippines. This could potentially hinder economic growth in both countries as trade flows between them are disrupted.

6. Recommendations

To reduce the influence of obstacles in bilateral trade between China and the Philippines, several positive measures can be implemented:

- Strengthening trade agreements. Both countries can work towards enhancing existing trade agreements or establishing new ones that promote smoother trade flows and address any barriers or obstacles.
- Improving customs procedures. Streamlining customs procedures and reducing bureaucratic hurdles can facilitate faster and more efficient trade between the two countries.

- Enhancing infrastructure connectivity. Investing in infrastructure projects, such as transportation networks and logistics facilities, can improve connectivity and facilitate the movement of goods between China and the Philippines
- Promoting trade facilitation initiatives. Implementing trade facilitation measures, such as harmonizing customs documentation requirements, simplifying trade procedures, and promoting electronic trade platforms, can help reduce the time and costs associated with cross-border trade.
- Encouraging business partnerships. Promoting business partnerships and collaborations between Chinese and Filipino companies can foster closer economic ties and enhance trade relations.
- Addressing non-tariff barriers. Identifying and addressing non-tariff barriers, such as technical regulations, standards, and certification requirements, can help reduce trade impediments and increase market access for both countries
- Enhancing information sharing and cooperation. Improving communication and cooperation between relevant government agencies, trade associations, and business communities in China and the Philippines can help address trade-related issues and promote mutual understanding.

By implementing these positive measures, both China and the Philippines can work towards reducing obstacles and fostering a more conducive environment for bilateral trade.

In conclusion, there are several ways to promote the development of bilateral trade between China and the Philippines, these include signing more bilateral agreements.

7. Conclusion

China and the Philippines, being neighboring countries connected by a narrow strip of water and contiguous terrain, have a favorable geographical advantage for trade relations. The economies of the two nations exhibit high complementarity. The Philippines and China have signed hundreds of bilateral agreements in several cooperation areas such as defense, tourism, agriculture, finance, and trade. The BIT and the DTA treaty aim to facilitate investment and business exchanges between the two countries. The RCEP agreement will help the Philippines to export more minerals, agricultural and manufactured products to China, but stimulate the growth of trade in services to enrich bilateral business ties. The two countries will boost bilateral trade via e-commerce businesses and strengthen cooperation between local companies and think-tanks.

There is a promising outlook for the expansion of Sino-Philippines bilateral trade volume in the future with the gradual recovery of the Philippine economy and the ongoing adjustments in China's industrial structure.

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Conflicts of Interest

The authors declare no conflicts of interest regarding the publication of this paper.

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