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The Entrepreneur

Economic Perspective of Scarborough Issue

THE latest dispute between the Philippines and China started on April 10 when two Chinese surveillance ships stopped the Philippine Navy from apprehending eight Chinese fishing boats for poaching marine life in the waters around Scarborough Shoal or Panatag Shoal, which is part of the municipality of Masinloc in Zambales.

On May 3, the fourth week of the standoff, the news reports cited the Armed Forces of the Philippines as having said there were already 14 Chinese ships in the shoal, consisting of 10 fishing boats and four maritime ships—the Chinese Maritime Surveillance (CMS) vessels 71, 75 and 81 and the Fisheries Law Enforcement Command (FLEC) 310, said to be China's most modern and most powerful maritime ship.

On the Philippine side were the Bureau of Fisheries and Aquatic Resources vessel MCS 3008 and the BRP Edsa 2, a Coast Guard search-and-rescue vessel (SARV) 002.

I don't even want to know the kind of weaponry our vessels have compared with those of the Chinese ships.

I also don't want to dwell too much on the exchanges going on between the Philippine and Chinese governments. So far, China does not even want to go to the International Tribunal on the Law of the Sea, although it is a signatory to the United Nations Convention on the Law of the Sea, which is supposed to serve as guidelines in the peaceful resolution of territorial disputes.

My position is that we own the Scarborough Shoal, and all of us Filipinos should stand behind President Aquino in defending what is clearly ours.

Viewed from another perspective, my gut feeling is that China would not be bullying us if we have an economy strong enough to support a national defense system, including a powerful navy.

As things stand right now, we cannot defend our sovereignty, and recent developments showed we could not even rely on the United States in a confrontation with China, which is a much bigger investments and trade partner for the American economy than the Philippines.

In the natural scheme of things in the global economy, China is an elephant and the Philippines is a tiny mouse. At about \$7.9 trillion in terms of gross domestic product (GDP), China now accounts for more than a tenth of all global economic activity.

The Philippines, on the other hand, had a GDP of \$188.7 billion in 2010, a very tiny 2 percent of China's economy.

The World Bank estimates China's economy, which grew by 9.2 percent in 2011, to slow down to 8.2 percent this year and recover to 8.6 percent next year. For the Philippines, the World Bank's forecast is a GDP growth of 4.2 percent for 2012 and 5 percent for 2013.

China's economy provides it with the money to buy or build expensive military equipment like an aircraft carrier, submarines and sophisticated fighter planes.

We, on the other hand, have to beg for Uncle Sam to give us its discarded vessels that we can turn into flagships. It just makes us look more pathetic.

Anyone who thinks the US will send its troops in the very remote (good for us) possibility of a war between the Philippines and China is dreaming: the Americans will not come to our aid!

That's our predicament as a poor country. The problem of poverty is not confined to the deprivations in individual households. It extends to our dealings with other countries, as the Scarborough Shoal dispute has shown.

In other words, we should also look at poverty from the point of view of national sovereignty, national pride or national dignity.

These are hard realities, which we should consider as challenges to move our economy faster. Every Filipino should consider building our economy as top priority, and fast growth (not just the 3.7 percent we saw in 2011) should be our primary goal because it is the only way to create a bigger economy.

We can look at our Asian neighbors. They were once behind us in terms of economic growth, but they are now able to establish strong defense systems. Bigger countries may harass them, but they cannot be bullied because the bullies know they can defend themselves.

We should work to get to the same position. When we reach the point where our economy is able to finance a reliable and modern defense system to guard our borders, then international bullies will have second thoughts before attempting to intrude into our territories.

Then we will have the clout to remind bullies and would-be bullies about going to the negotiating table as the best way to settle disputes.

When that time comes, we would have really established our sovereignty and regained our national dignity.

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