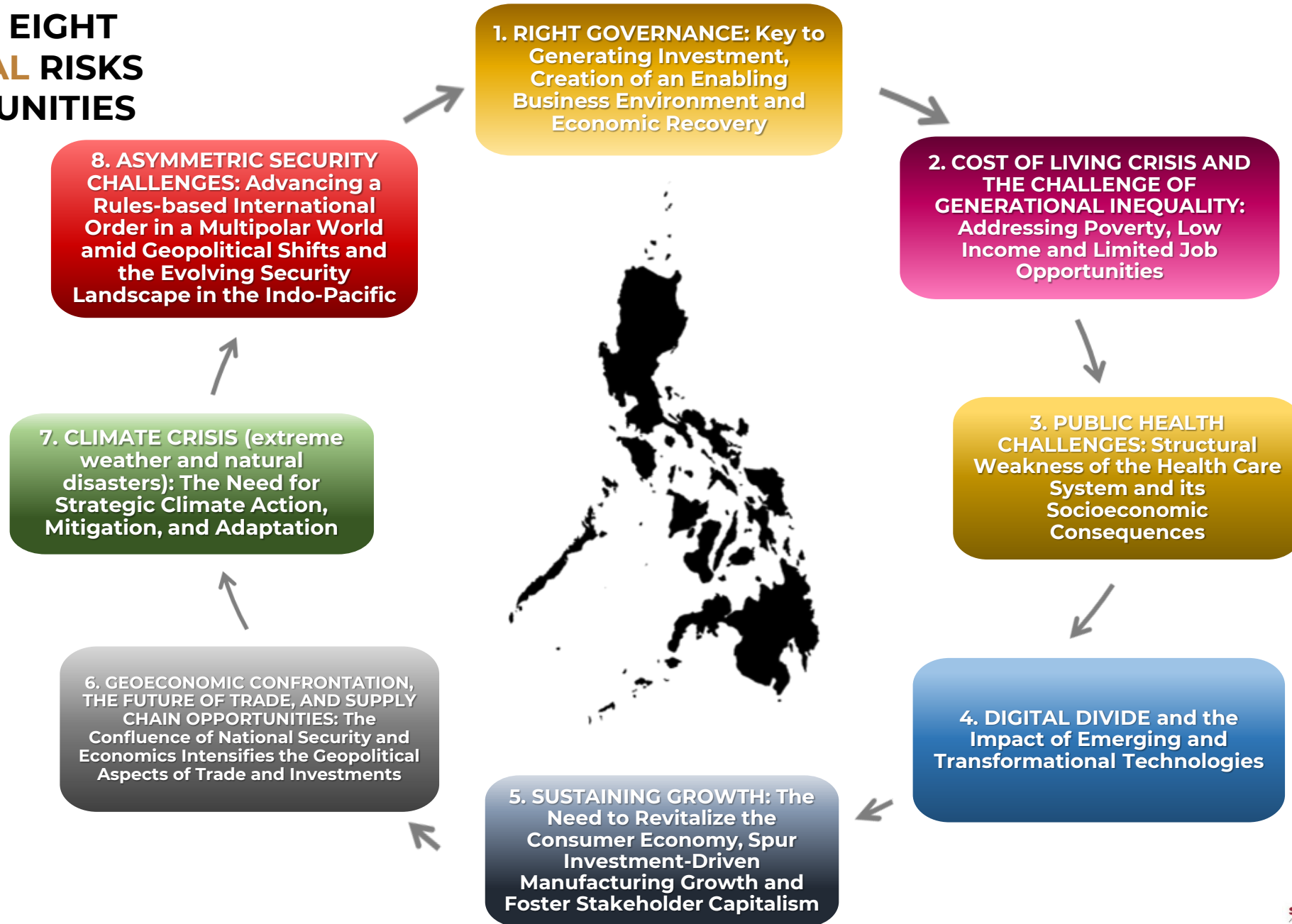


Thinking Beyond Politics: Strategic Optimism with the Geopolitical Challenges of the Philippines

Prof. Victor Andres "Dindo" C. Manhit

President, Stratbase Group

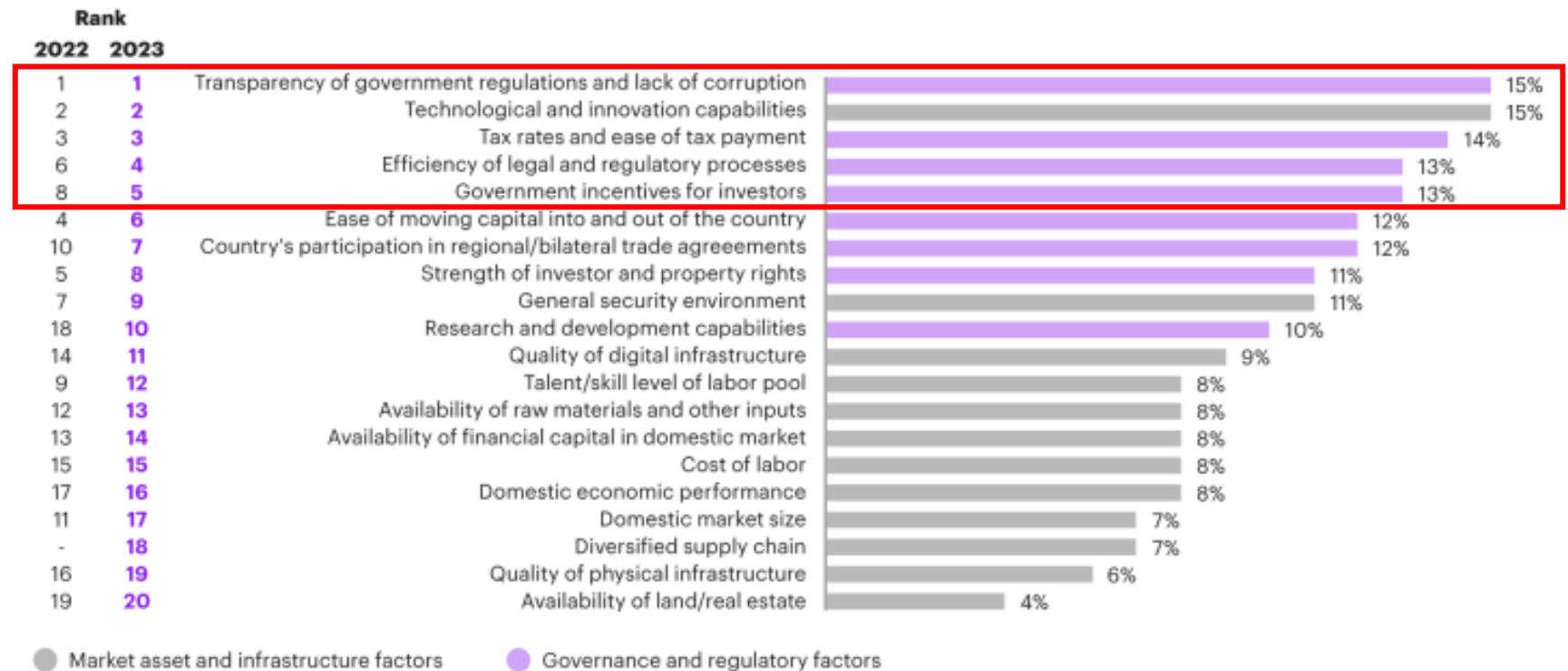
PHILIPPINES' EIGHT GEOPOLITICAL RISKS and OPPORTUNITIES



1. RIGHT GOVERNANCE: Key to Generating Investment, Creation of an Enabling Business Environment and Economic Recovery

Effective governance, characterized by **transparency, clear regulations, and fair policies**, is **pivotal in attracting investments**, fostering an enabling business environment, and **driving economic recovery in the mining sector**. By **addressing geopolitical challenges through the lens of governance**, the Philippines can chart a more sustainable and prosperous future for its mining industry, aligning with broader economic goals.

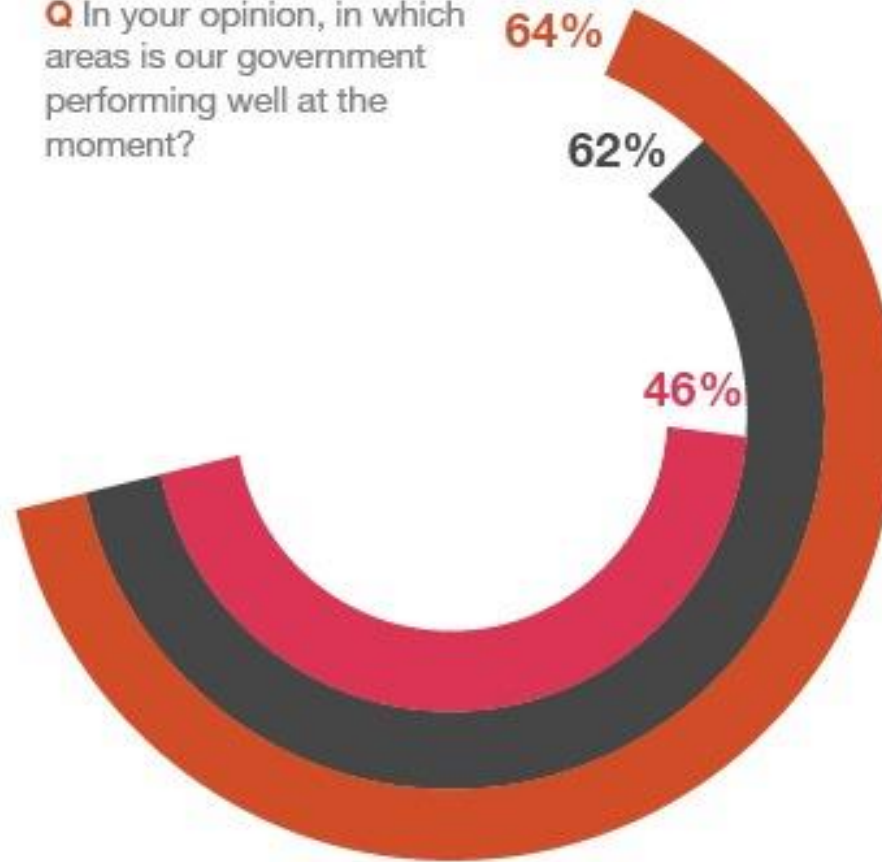
From those factors that you selected, which are the most important overall factors to your company when choosing where to make FDI? (percent)



Source: 2023 Kearney Foreign Direct Investment Confidence-Index

1. RIGHT GOVERNANCE: Key to Generating Investment, Creation of an Enabling Business Environment and Economic Recovery

Q In your opinion, in which areas is our government performing well at the moment?



64% Forging stronger relationships with other nations

62% Pushing for infrastructure development

46% Promoting foreign investment

34% Promoting trade

31% Managing inflation

19% Managing interest rates

3% Fighting corruption

1% No particular area that is strikingly performing well

Source: PwC-MAP Philippine CEO Survey 2023

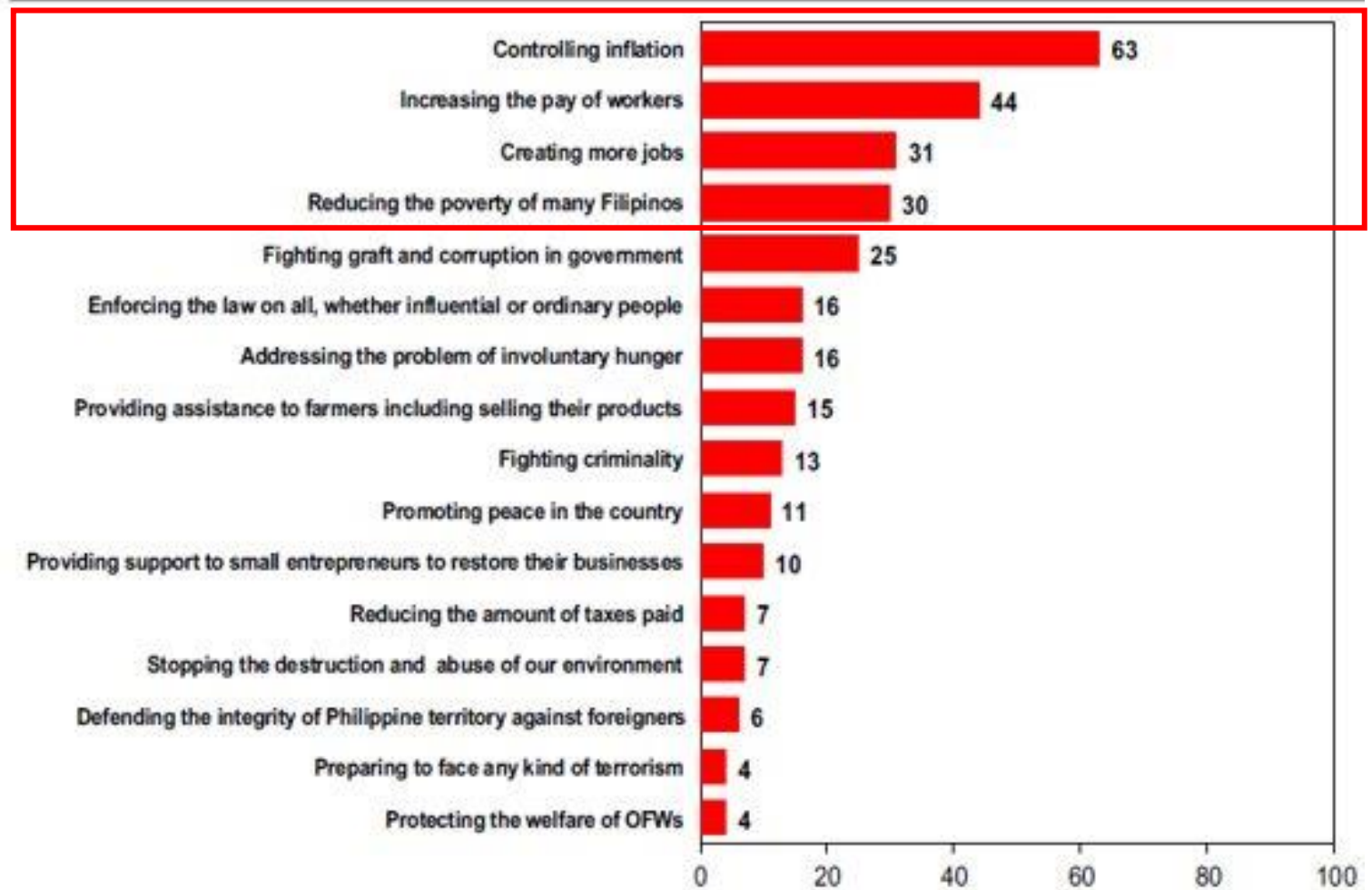
2. COST OF LIVING CRISIS AND THE CHALLENGE OF GENERATIONAL INEQUALITY: Addressing Poverty, Low Income and Limited Job Opportunities



MOST URGENT NATIONAL CONCERNS

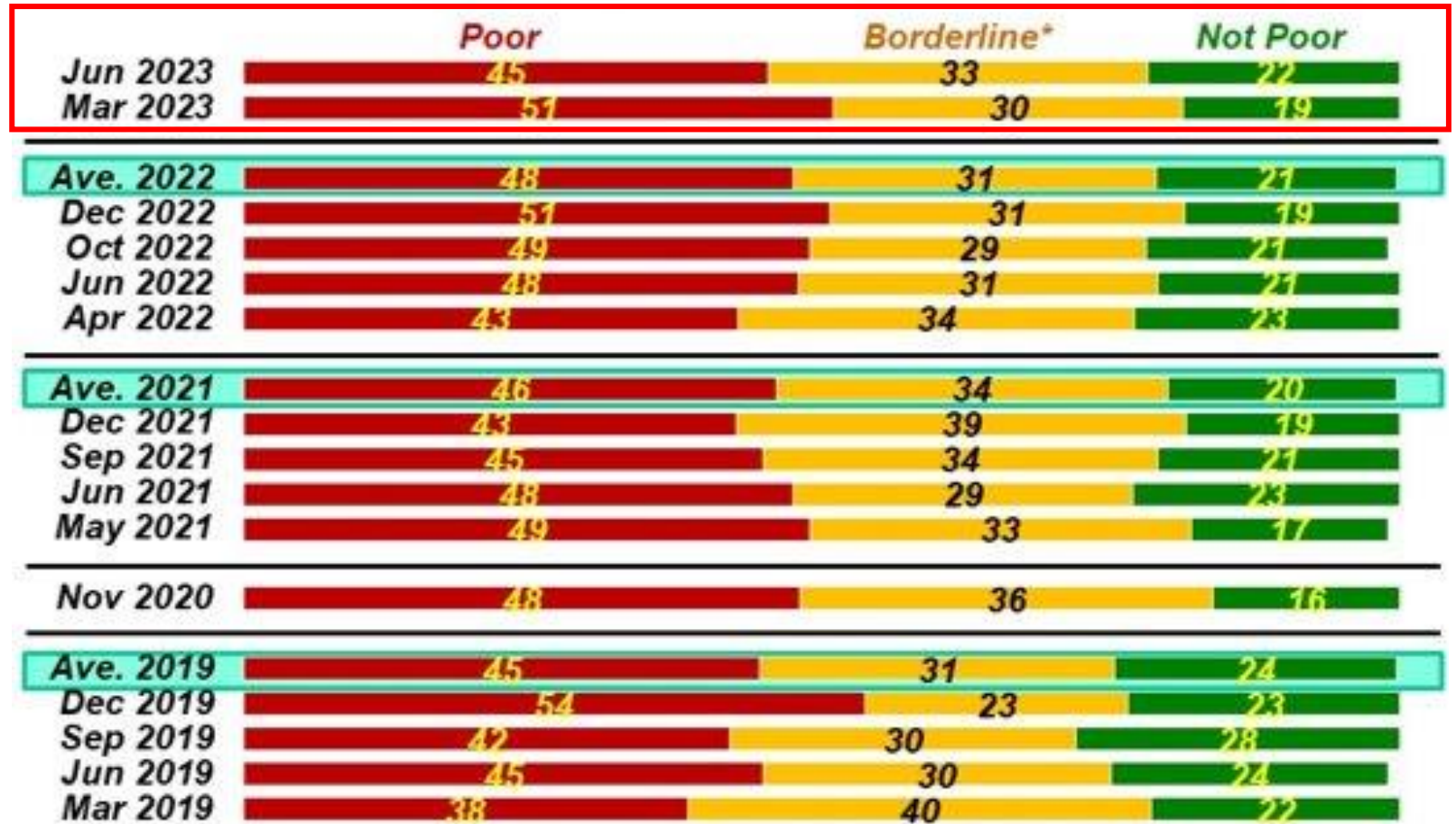
June 19 - 23, 2023 / Philippines

(In Percent / Multiple Response Allowed)



2. COST OF LIVING CRISIS AND THE CHALLENGE OF GENERATIONAL INEQUALITY: Addressing Poverty, Low Income and Limited Job Opportunities

SELF-RATED POVERTY: FAMILIES WHO ARE “MAHIRAP”: PHILIPPINES, MAR 2019 TO JUN 2023

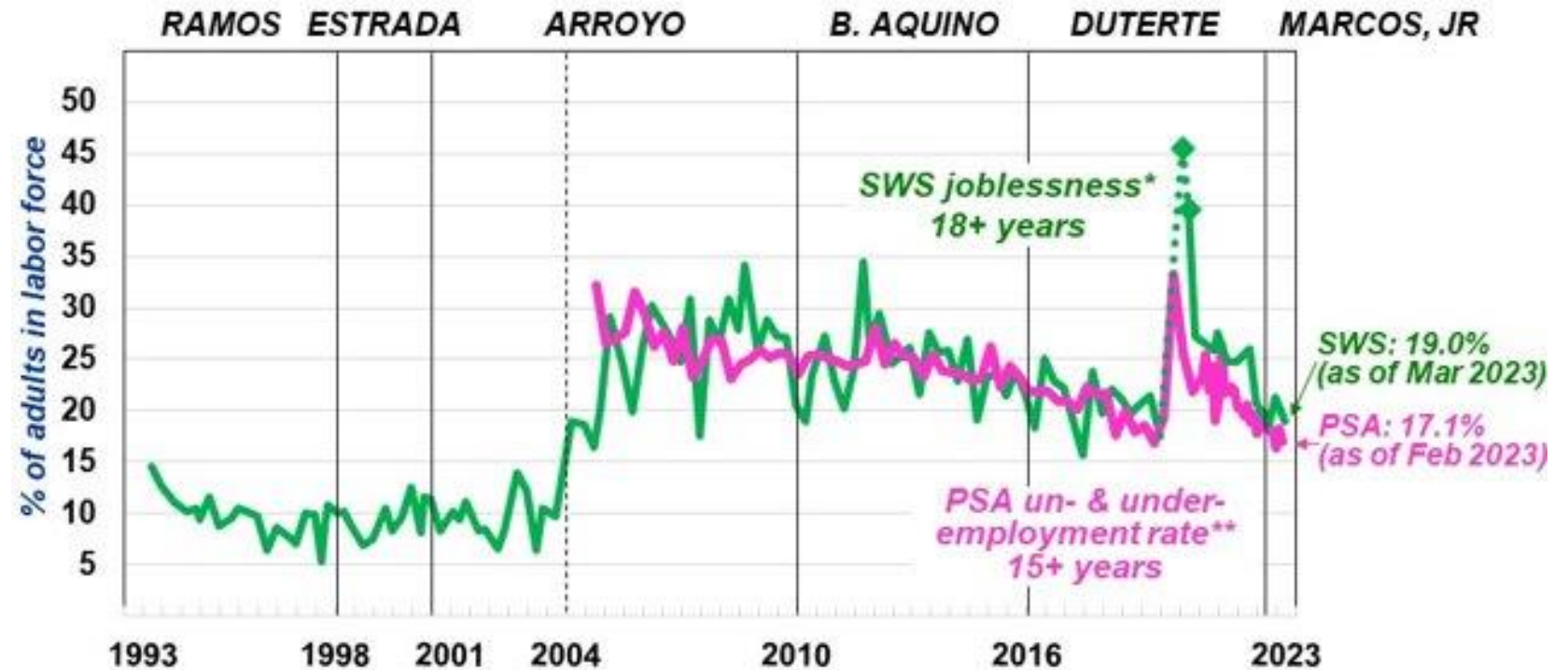


Source: Social Weather Station Survey (June 28-July 1, 2023)

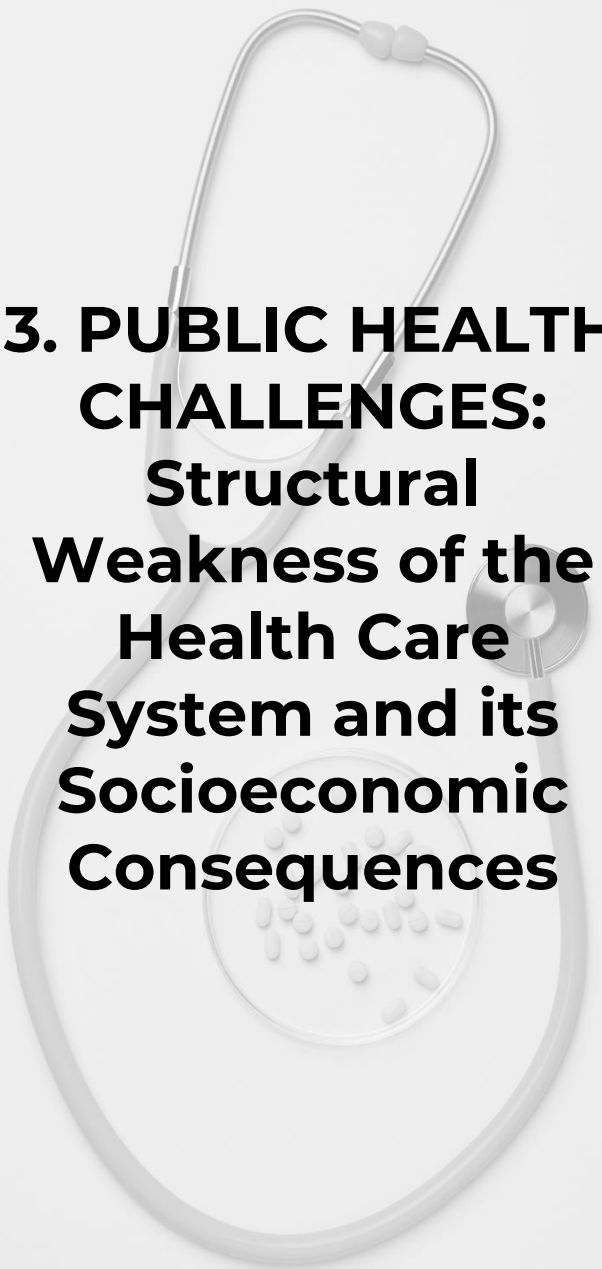
2. COST OF LIVING CRISIS AND THE CHALLENGE OF GENERATIONAL INEQUALITY: Addressing Poverty, Low Income and Limited Job Opportunities

According to Social Weather Station, as of their first quarter survey in 2023, **8.7 million Filipinos** define themselves as jobless.

SWS JOBLESSNESS RATE* AND PSA UN- & UNDER-EMPLOYMENT RATE**: PHILIPPINES, SEP 1993 TO MAR 2023



Source: Social Weather Station Survey (March 26-29, 2023)



3. PUBLIC HEALTH CHALLENGES: Structural Weakness of the Health Care System and its Socioeconomic Consequences

The pandemic exposed the weaknesses of the Philippine healthcare system. The **threat of another pandemic is always imminent**. Public health **should be seen as a priority**, and risks to it are a non-traditional security threat. **Multi-stakeholder collaboration and innovation with the private sector**, in particular, mining companies, especially in rural areas, have important roles in **preventing another public health emergencies**.

Contribution of Pharma Innovators



The Philippines has received a total of **74,228,930 vaccine doses through the COVAX Facility** out of the total **251.7 M doses delivered**.

4. DIGITAL DIVIDE and the Impact of Emerging and Transformational Technologies

Critical minerals, the building blocks of digital infrastructure, are pivotal to digitalization. To fully harness digitalization's benefits, such as improved productivity, cost-efficiency, and economies of scale, we must enhance digital connectivity. This involves **developing extensive digital infrastructure to boost broadband connectivity**, particularly in remote and disadvantaged areas.

In the **2022 IMD World Digital Competitiveness Ranking, the Philippines ranked 56th out of 63 countries** based on the competitiveness factors of knowledge to utilize technology, capacity to develop technology, and preparedness to maximize digital transformation.

Rank	Country
1	Denmark
2	United States
4	Singapore
51	Indonesia
56	Philippines

Source: IMD World Digital Competitiveness Ranking 2022

```
File.expand_path("../..", __FILE__)
require 'spec_helper'
require 'rspec/rails'
require 'capybara/rspec'
require 'capybara/rails'
Capybara.javascript_driver = :selenium
end
end
# Add additional requires below this line
# Requires supporting ruby files with support
# spec/support/ and its subdirectories.
# run as spec files by default. You can
# in _spec.rb will both be required and
# run twice. It is recommended to
# end with _spec.rb. You can configure
```

4. DIGITAL DIVIDE and the Impact of Emerging and Transformational Technologies

The pandemic starkly revealed the **digital divide that disproportionately affects economically disadvantaged sectors** in our country. This divide was glaringly apparent in our **education system when the abrupt transition to online learning highlighted the struggles of millions of students** and their families due to inadequate or slow internet connections and limited access to digital devices.

The Philippines' Education Ranking dropped from 56th place in 2021 to 77th place in 2022.

GKI RANK	77 / 132	GKI SCORE	44.1
		WORLD AVERAGE	46.5

COUNTRY PERFORMANCE SUMMARY

Philippines is a moderate performer in terms of its knowledge infrastructure. It ranks 77th out of 132 countries in the Global Knowledge Index 2022 and 3rd out of the 25 countries with medium human development.

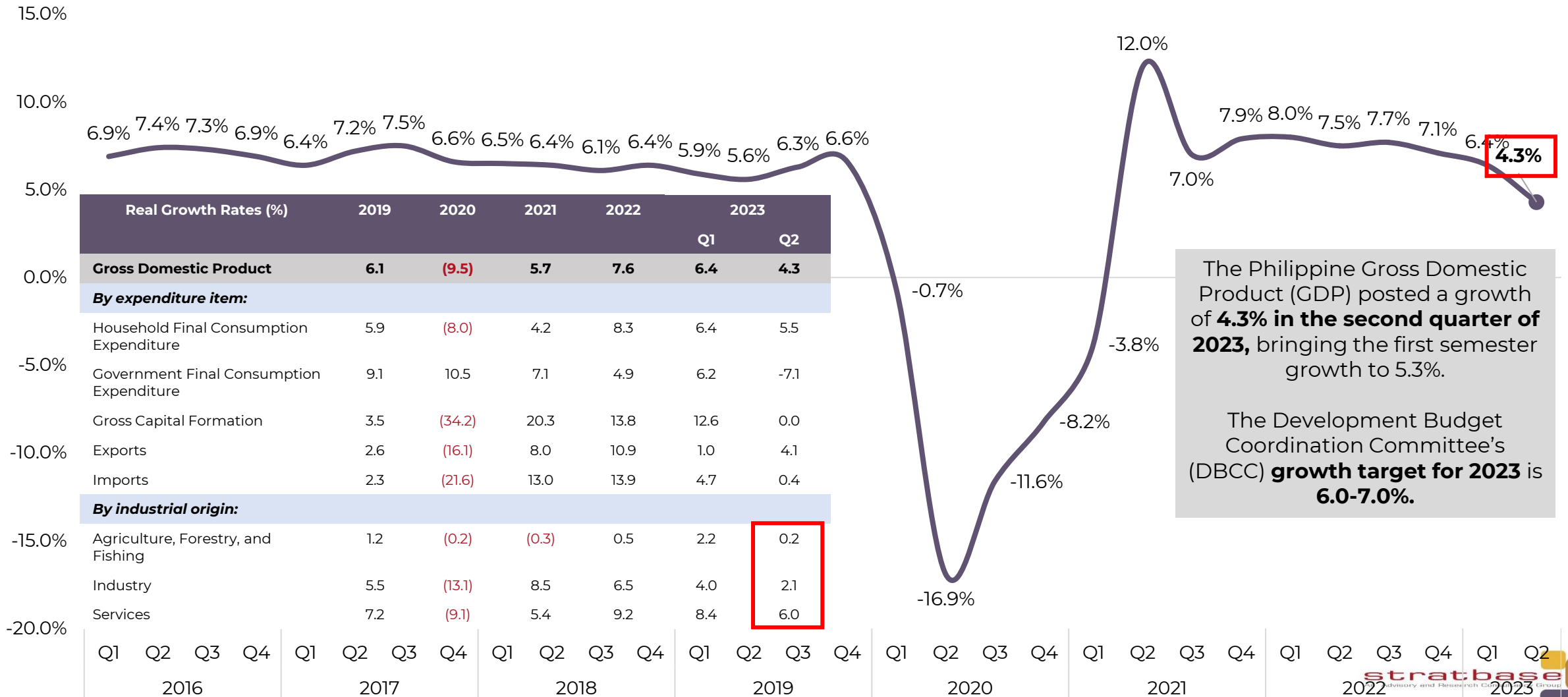
<p>AREAS OF STRENGTH</p> <ul style="list-style-type: none"> + Government expenditure on primary education (% GDP) + Gross attendance ratio for tertiary education, location parity + Tertiary graduates from ICT programmes (%) + High-technology trade (% total trade) + Unemployment rate with vocational education 	<p>AREAS OF IMPROVEMENT</p> <ul style="list-style-type: none"> - MSME financing gap (% GDP) - Natural hazard exposure - Assessment of 15-year-old students in math, science and reading - Individuals with standard ICT skills (%) - ICT PCT patent applications (per 100 billion GDP)
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Source: 2022 Global Knowledge Index



5. SUSTAINING GROWTH: The Need to Revitalize the Consumer Economy, Spur Investment-Driven Manufacturing Growth and Foster Stakeholder Capitalism

Quarterly GDP Growth Rates: Philippines (Q1 2016 – Q2 2023)



The Philippine Gross Domestic Product (GDP) posted a growth of **4.3% in the second quarter of 2023**, bringing the first semester growth to 5.3%.

The Development Budget Coordination Committee's (DBCC) **growth target for 2023 is 6.0-7.0%**.

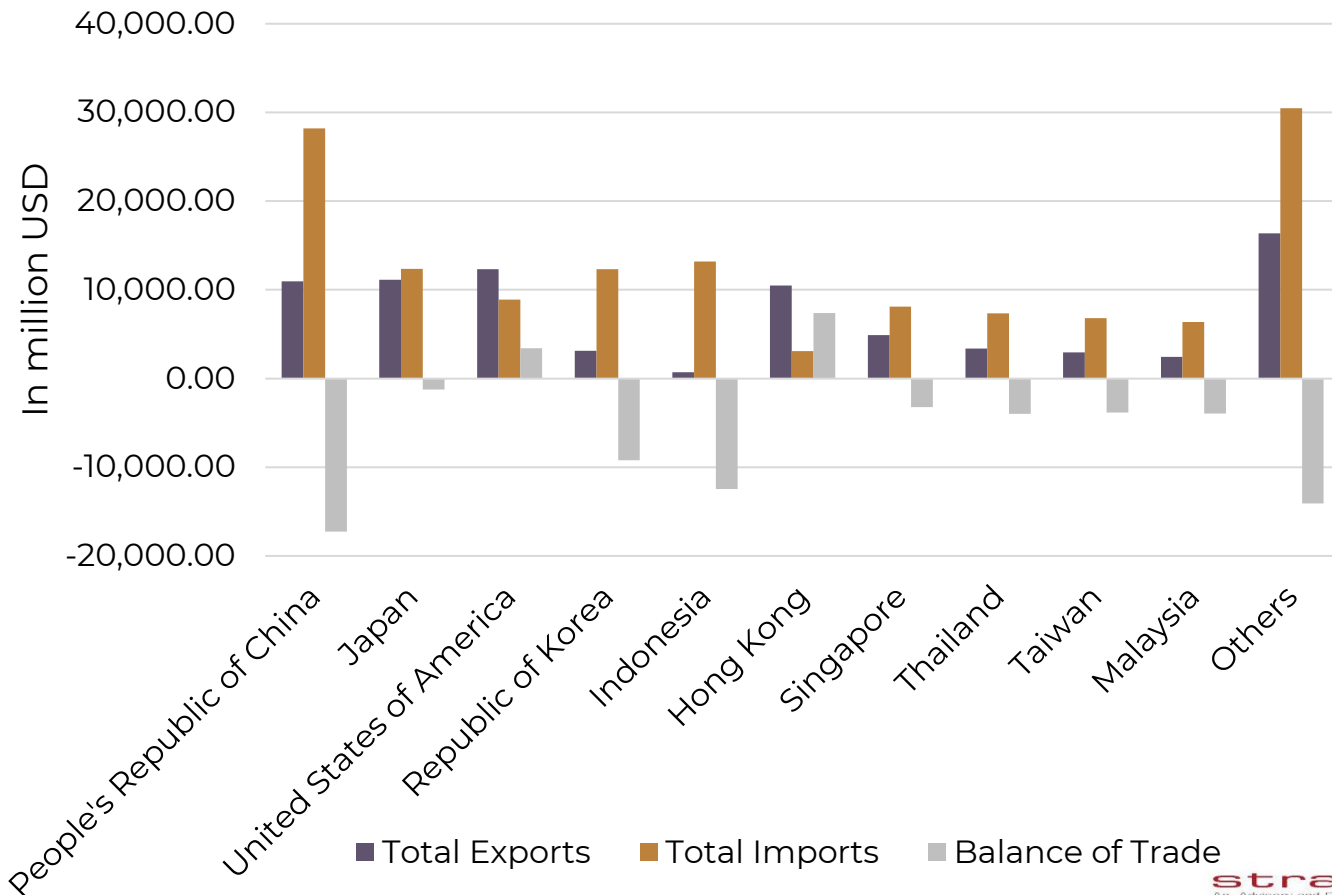
Source: Philippine Statistics Authority (PSA)



5. SUSTAINING GROWTH: The Need to Revitalize the Consumer Economy, Spur Investment-Driven Manufacturing Growth and Foster Stakeholder Capitalism

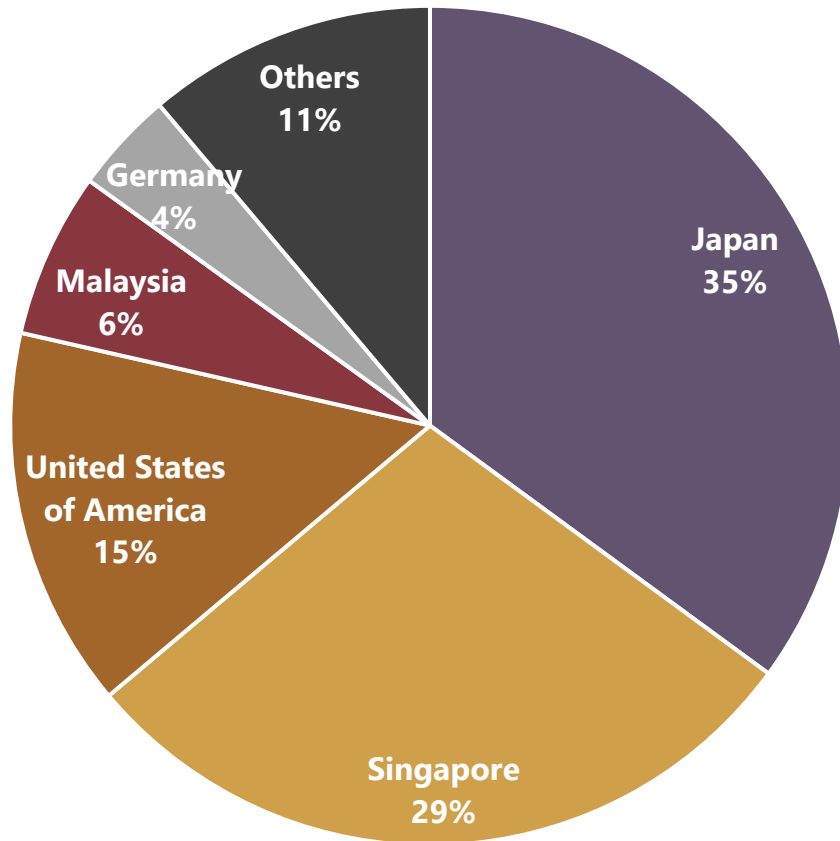
Effective navigation of geopolitical dynamics can increase investments, job creation, and economic growth, fostering a more robust consumer economy. By prioritizing stakeholder capitalism and ensuring equitable distribution of the benefits from the legitimate mining industry, the Philippines can build a more resilient and inclusive economy.

Top Trading Partners of the PH (2022)



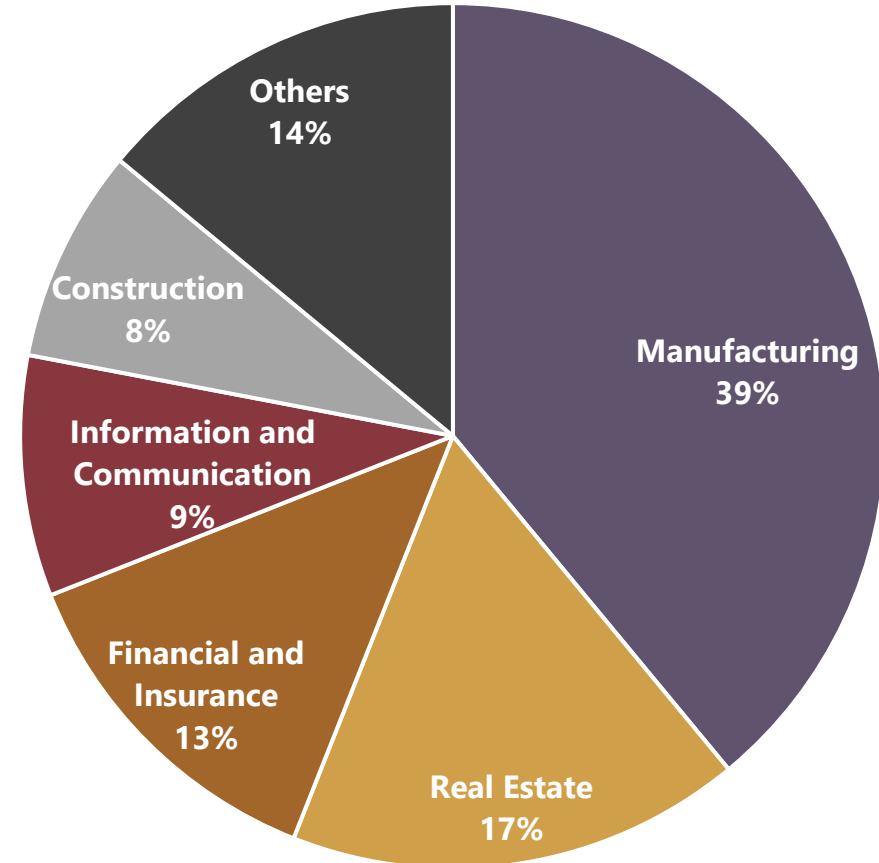
Source: Philippine Statistics Authority (PSA)

Net FDI Inflows by Country of Origin (2022)



In 2022, most of the net FDI inflows were sourced from **Japan (35.06%)**, **Singapore (28.81%)**, and **the United States of America (14.68%)**. Only 0.92% of these investments were from China.

Net FDI Inflows by Industry (2022)



Majority of the net FDI inflows were directed to the **Manufacturing (39%)**, **Real Estate (17%)**, and **Financial and Insurance (13%)** activities.

6. GEOECONOMIC CONFRONTATION, THE FUTURE OF TRADE, AND SUPPLY CHAIN OPPORTUNITIES: The Confluence of National Security and Economics Intensifies the Geopolitical Aspects of Trade and Investments

The world economy was **dependent on a few global actors** for natural resources, labor, manufacturing, and materials supply chain. Recent **geopolitical developments** in the Indo-Pacific, **including Russia's invasion of Ukraine and China's aggressive actions**, have **prompted multinational companies to diversify their supply chains**. This rebalancing of the private sector ensures the continuity of supply chains, minimizes business risks, and generates economic benefits in destination countries.



Manufacturing of top-of-the-line iPhone 14 Pro and Pro Max models has been hard-hit by supply-chain snafus caused by China's Covid-19 measures. VCG/GETTY IMAGES



Samsung, LG shift away from China toward India as production base



India and Vietnam could benefit as chipmakers shift away from China

PUBLISHED MON, DEC 12 2022-8:43 PM EST



Invested: Australia's Southeast Asia Economic Strategy to 2040

Released on September 1, 2023

“

The strategy we outline today reflects an enduring truth: **this is where Australia's economic destiny lies**. And this is where our shared prosperity can be built. This is where, working together, the peace, stability and security of this region – and the Indo-Pacific – can be assured.

The framework we are outlining today charts a course to 2040. By which time, **ASEAN's combined economy is expected to be the 4th largest in the world**.

Today I announce **we will commit \$95.4 million** to support three initiatives that go to the heart of the strategy's priorities.

Prime Minister Anthony Albanese

Launch of Invested: Australia's Southeast Asia Economic Strategy to 2040
ASEAN Indo-Pacific Forum, Jakarta, Indonesia

Japan's Economic Security Bill (2022)

Japan's economic security bill was passed in May 2022. **Due to concerns on its vulnerability on supply side constraints in China, the bill outlines measures to defend Japanese supply chains, infrastructure and leading technology.**

South Korea's New Southern Policy Plus (2022)

To diversify their supply chains, South Korean companies set up their businesses within the ASEAN, with Vietnam being the most attractive choice due to its proximity, comparatively cheaper labor, favorable FDI policies, and strong people-to-people ties.

Taiwan's New Southbound Policy (2016)

Introduced by President Tsai Ing-wen in 2016, this policy aims to build **stronger and mutually-beneficial partnerships in the areas of economics and trade, science and technology, education, culture, and tourism**. Taiwan has been working on **diversifying its production** and relocating investment to Southeast Asia, North America, Central Europe and Eastern Europe, and these efforts are expected to strengthen global supply chains.

India's Act East Policy (2014)

An Indian diplomatic initiative that **seeks to promote economic, strategic and cultural relations with the Indo-Pacific region**. It involves intensive and continuous engagements in **connectivity, trade, culture, and defense** at the bilateral, regional, and multilateral levels.

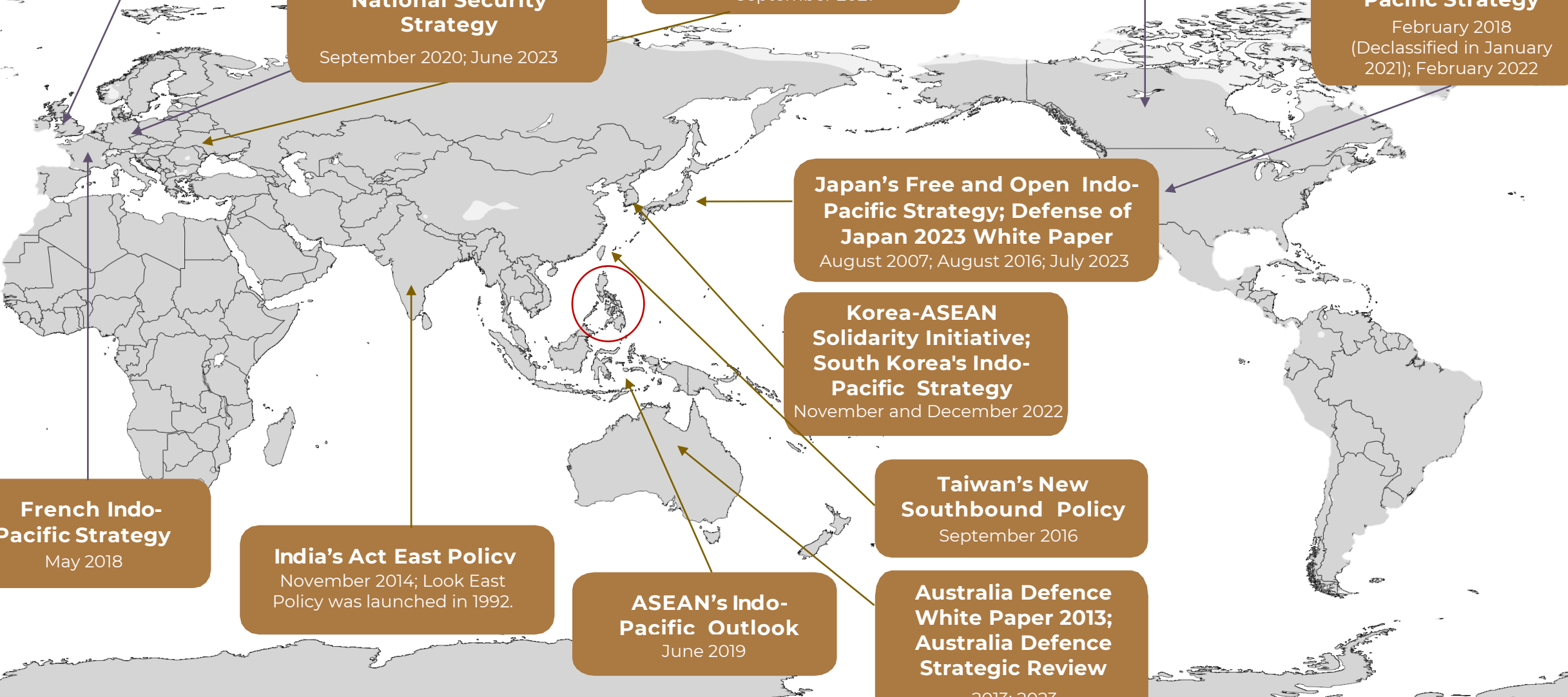
UK Indo-Pacific Strategy
March 2021

German Government Policy Guidelines for the Indo-Pacific region; National Security Strategy
September 2020; June 2023

EU Strategy for Cooperation in the Indo-Pacific
September 2021

Canada's Indo-Pacific Strategy
November 2022

US Strategic Framework for the Indo-Pacific; US Indo-Pacific Strategy
February 2018 (Declassified in January 2021); February 2022



Japan's Free and Open Indo-Pacific Strategy; Defense of Japan 2023 White Paper
August 2007; August 2016; July 2023

Korea-ASEAN Solidarity Initiative; South Korea's Indo-Pacific Strategy
November and December 2022

Taiwan's New Southbound Policy
September 2016

Australia Defence White Paper 2013; Australia Defence Strategic Review
2013; 2023

French Indo-Pacific Strategy
May 2018

India's Act East Policy
November 2014; Look East Policy was launched in 1992.

ASEAN's Indo-Pacific Outlook
June 2019

Indo-Pacific Strategies and Outlooks



7. CLIMATE CRISIS (extreme weather and natural disasters): The Need for Strategic Climate Action, Mitigation, and Adaptation

Climate change, sustainability, and environmental challenges serve as **multipliers of geopolitical risk**. Developing nations face difficulties in adapting to the **rapidly changing climate** and meeting the **critical mineral resource** needed for innovative technologies and renewable energy sources integration to reduce environmental footprint and create a **more digitally-enabled, sustainable, and "green" economy**.

World Risk Index 2022

Rank	Country	WorldRiskIndex	Exposure	Vulnerability	Susceptibility	Lack of Coping Capacities	Lack of Adaptive Capacities
1.	Philippines	46.82	39.99	54.81	51.35	57.81	55.48
2.	India	42.31	35.99	49.75	39.50	55.38	56.29
3.	Indonesia	41.46	39.89	43.10	33.48	50.67	47.19
4.	Colombia	38.37	31.54	46.69	47.84	48.23	44.11
5.	Mexico	37.55	50.08	28.16	37.26	12.09	49.55

Global Climate Risk Index 2021

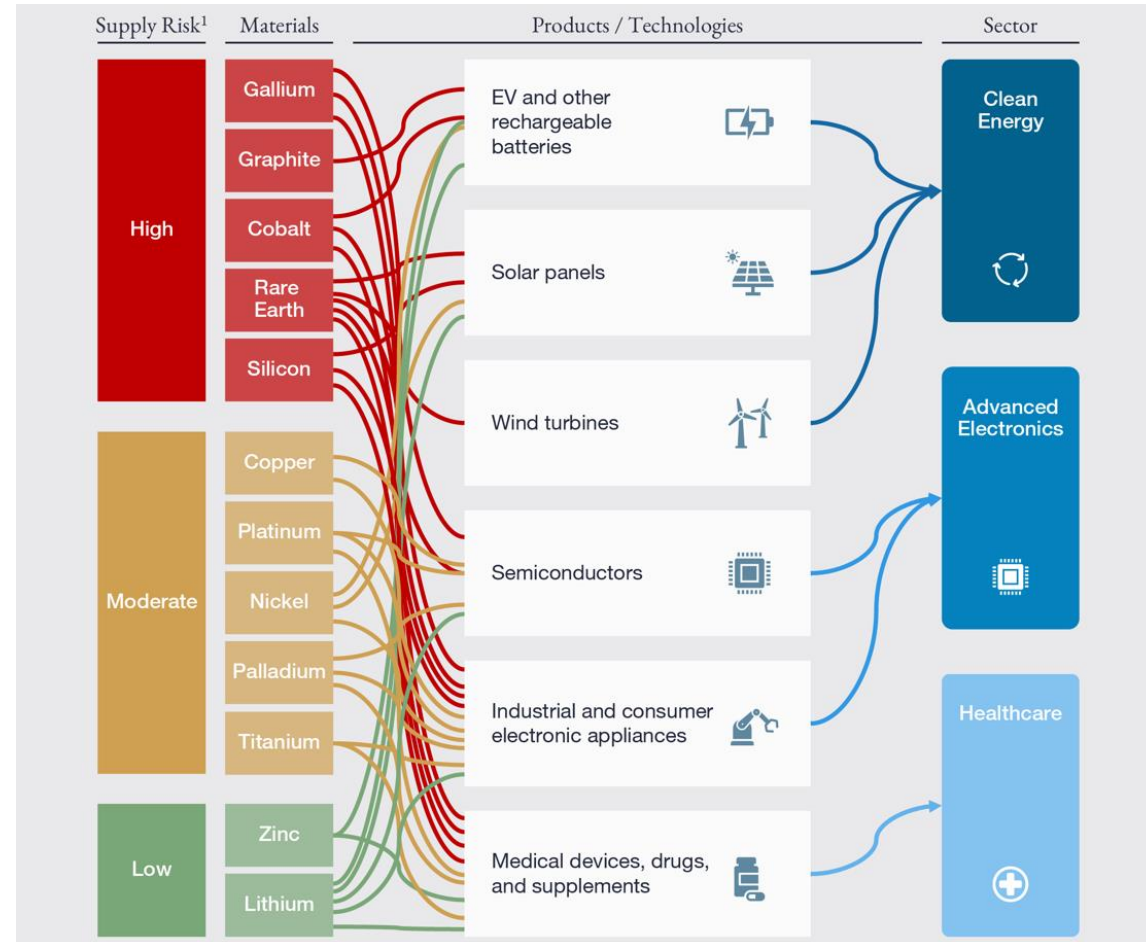
CRI 2000-2019 (1999-2018)	Country	CRI score	Fatalities	Fatalities per 100 000 inhabitants	Losses in million US\$ PPP	Losses per unit GDP in %	Number of events (2000-2019)
1 (1)	Puerto Rico	7.17	149.85	4.12	4 149.98	3.66	24
2 (2)	Myanmar	10.00	7 056.45	14.35	1 512.11	0.80	57
3 (3)	Haiti	13.67	274.05	2.78	392.54	2.30	80
4 (4)	Philippines	18.17	859.35	0.93	3 179.12	0.54	317
5 (14)	Mozambique	25.83	125.40	0.52	303.03	1.33	57

Source: World Risk Report 2022; Global Climate Risk Index 2021

7. CLIMATE CRISIS (extreme weather and natural disasters): The Need for Strategic Climate Action, Mitigation, and Adaptation

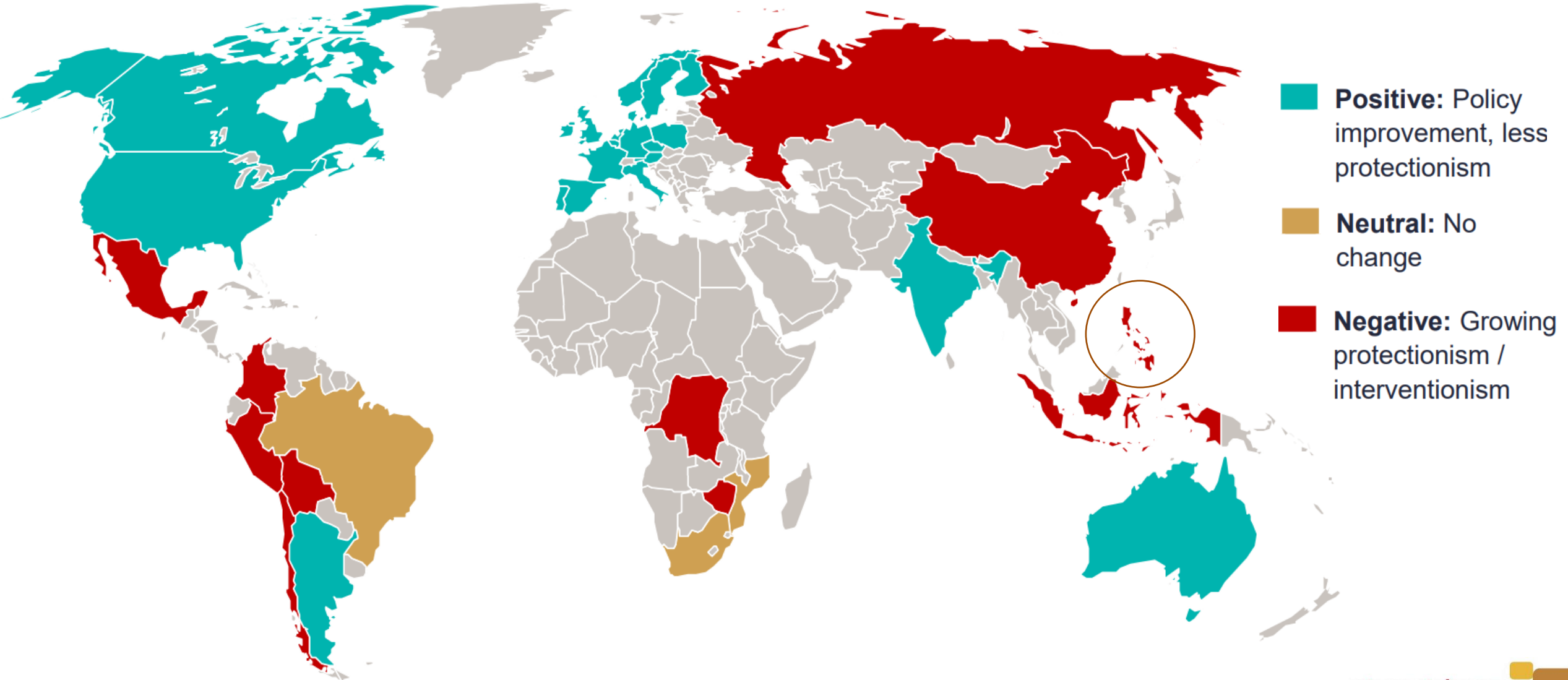
Still, these challenges carry opportunities for equitable and inclusive structural transformations and policy reforms. These prioritize **environmental protection and sustainability, natural resources conservation, and economic growth and diversification**, especially with the Philippines' richness in **critical minerals such as nickel, copper, and cobalt**.

Supply Chain of Materials



Source: Lazard: Critical Materials: Geopolitics, Interdependence, and Strategic Competition

Policy Trajectory for Critical Materials



Source: Lazard: Critical Materials: Geopolitics, Interdependence, and Strategic Competition



8. ASYMMETRIC SECURITY CHALLENGES: Geopolitical Shifts and the Evolving Security Landscape in the Indo-Pacific

Traditional

Geopolitical shifts

Rules-based international order

Defense capacity-building

Alliance building

Multilateral cooperation

Foreign policy integrity

Non-Traditional

Health and emerging infectious diseases

Climate change and environmental resilience

Critical infrastructures

Economic security

Terrorism and transnational crimes

Sustainability goals

Evolving

Gray zone operations

Political warfare and democratic decline

Digital transformation and readiness

Cyberwarfare

Economic statecraft

Disinformation and misinformation



“ We are grappling with both new and traditional threats to our people’s security, nowhere more acutely felt than in the Indo-Pacific region. And the Philippines sits squarely at the heart of the Indo-Pacific region. It is for this reason that I called for evolving our alliance to make it more responsive to present and emerging challenges. It is because national security is no longer simply about territorial defense. **ECONOMIC SECURITY IS NATIONAL SECURITY.**”

President Ferdinand Marcos Jr

*A Conversation with President Ferdinand Marcos Jr. of the Philippines
Center for Strategic and International Studies
May 4, 2023*



The **geopolitical and geo-economic landscape** of the Philippines and the region is characterized by **disturbances that trigger disruptions even in other sectors** such as trade, information and communications technology, healthcare, and the environment, among others.

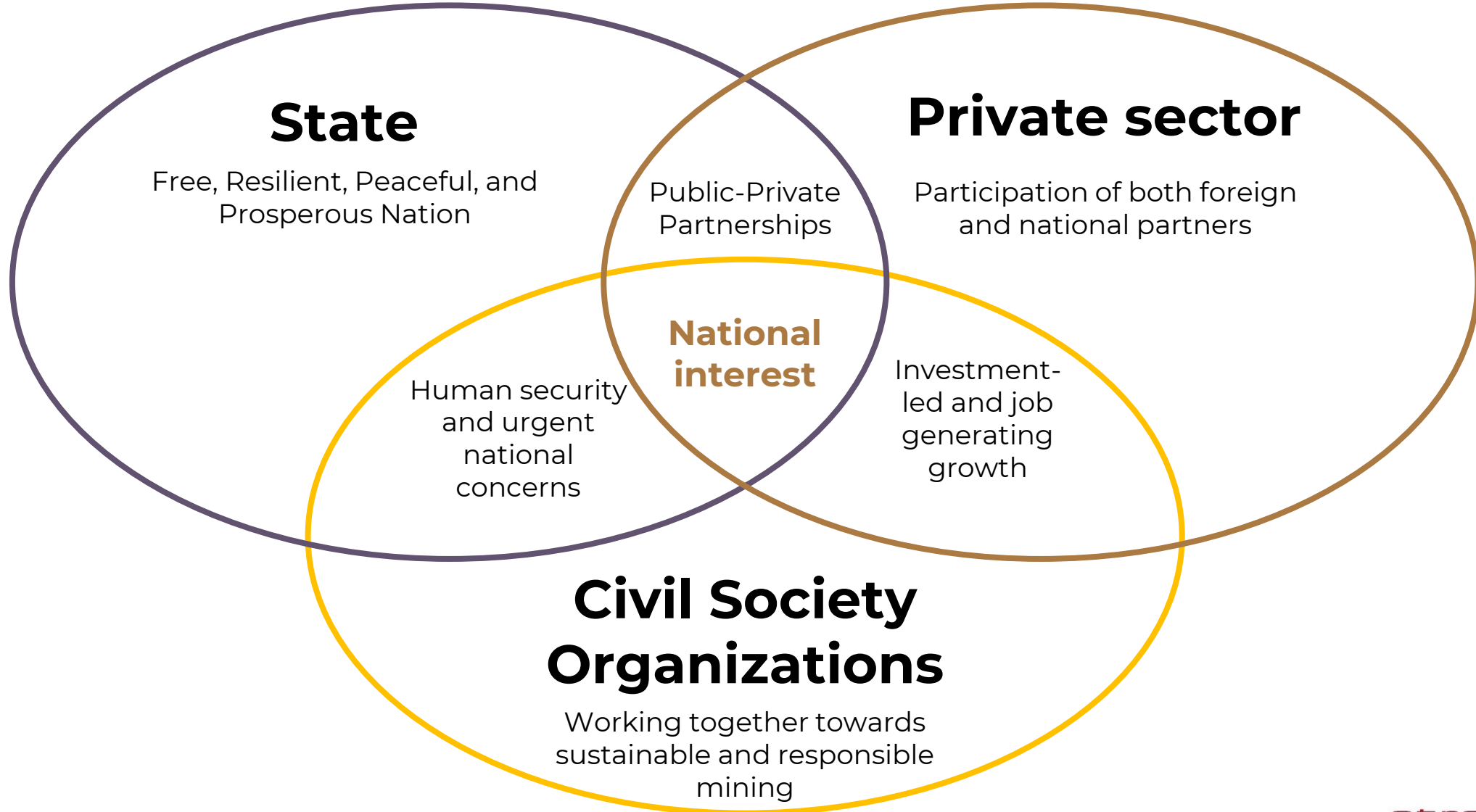
Reversing the damaging effects of such disruptions to the rules-based international order and causing strains to the global supply chain will be a grueling task for the international community.

Thus, assurances on economic security will significantly contribute to national security, and vice versa.

Navigating an Increasingly Complex Goeconomic Landscape

- **Geopolitical tensions, such as those in the West Philippine Sea, disrupt global economies and supply chains.** Thus, nations are turning to **FRIENDSHORING, DERISKING, AND DECOUPLING**, strengthening economic ties with allies to mitigate supply chain risks.
- **The resilience of the mining sector hinges on national security assurance.** It is time for the Philippines to transcend its small-state narrative and **strive for regional middle power status.**
- By fortifying alliances and strategic partnerships, **the Philippines can stimulate economic growth with its mining sector as a key partner for sustainable, “green” economic development and strategic resource management.**

Strategic Optimism and a Whole-of-Society Framework



stratbase
An Advisory and Research Consultancy Group



Thank you!