

Maintaining Strong Bonds: Key Factors Driving Economic Relationships Between Switzerland and the Philippines

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by

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Executive Summary

The objective of this thesis is to identify and analyse the key factors influencing economic relation between Switzerland, an economically strong and innovative OECD country in Europe, and the Philippines, an emerging economy, member of ASEAN. Identifying and analysing the factors that influence their relationship leads to a better understanding of their dynamics, which in turn could be used as a reference for relations with a similar context. With this deeper understanding, steps can be taken to ensure that the relationship will not deteriorate over time. As the findings have shown, various aspects need to be observed to understand the complexities of international relations. Economics is only one piece of the puzzle.

According to the findings, other factors such as socio-economics, geopolitics and technology and innovation need to be studied as all of these contribute to the relationship dynamics between the two countries. Both countries show similar tendencies in these elements, which leads to several recommendations and opportunities to not only sustain the relationship, but to foster its growth.

Foreign policies on trade, infrastructure development, will be crucial determinants on whether relations between the two evolve or stagnate. There are plenty of opportunities to cooperate on a global scale, notably in sustainable development. Whether both countries can grasp them will be known only later on.

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1. Object

This study will identify and analyse the key factors that drive the economic relationship between Switzerland and the Philippines from 2018 to 2024. The findings will hopefully highlight vital areas of interactions, discover improvement methods to strengthen the relationship and offer insights into future areas of cooperation that expands and deepens the ties between the two countries

2. Context

The dynamics of the relationship between Switzerland and the Philippines may seem skewed. Relations between OECD countries and developing countries are rarely equal, the former being in most cases a “giver” or leader and the latter “receiver” or follower. Indeed, richer countries tend to give more to developing nations so that they can catch up economically. After all, rich nations do not ask for financial aid. Despite this inequality, the Philippines has emerged as a growing economy, attracting investments from businesses abroad. Switzerland has always had a presence in the Philippines, dating back to the XIX century. This means that their trade relations were already established and is further strengthened by presence of diasporas in country leading to deeper ties. The establishment of the EFTA-Philippines agreement has only bolstered their economic output. It is important now to identify where and how economic ties can improve between them.

3. Central Research Question

“What are the key factors driving economic relations between Switzerland and the Philippines?” The goal of this question is to identify the primary elements that influence bilateral economic relationship between these two nations. By understanding the roles of trade policies, investment flows and diaspora networks have in shaping this bond, this study should yield a comprehensive analysis on the dynamics of their relation.

3.1 Sub-Questions

1. How do trade policies and bilateral agreements between Switzerland and the Philippines influence their economic relations?

- This is to analyse the specific trade policies and bilateral agreements in place, analysing their direct and indirect impacts on trade volumes, investment flows, and overall economic cooperation between the two nations.

2. In what ways do diaspora networks contribute to the economic ties between Switzerland and the Philippines?

- This focuses on the role of diaspora networks in facilitating business operations, investment, and cultural exchange, and how these networks act as bridges that strengthen the economic relationship between the two countries.

4. Methodology

The research methodology for this study is based on an intensive literature review and document analysis. Within the framework of this plan, data, reports, and publications from academic, government, international, and business bodies are to be gathered and analysed. Key sources will be the Trade reports of the Swiss Chamber of Commerce in the Philippines, Economic analyses by the ASEAN Secretariat, and Policy documents of the Swiss Federal Department of Foreign Affairs. It will also take into consideration case studies of Swiss companies currently present in the Philippines, as well as analyse secondary data on trade volumes, investment flows, and economic impacts provided by global institutions. The study will also observe the economic relationships that exist between OECD countries and the developing countries in order to identify any possible commonalities and trends that can be used for the Switzerland-Philippines case. This aside, international trade theory will also be used to make sense of and explain the dynamics of trade and investment between the two nations. Among these shall include the concepts of comparative advantage, trade diversification, and the gravity model of trade, which applies in framing data. The use of these documents, trade theories, will facilitate critical analysis to establish patterns, trends, and key

drivers of the economic relations between Switzerland and the Philippines. This ensures an all-rounded comprehension of the subject with the use of a wide range of knowledge and documented experiences.

5. Conceptual Research and Findings

5.1 Theoretical Foundations

International Trade Theory: A study of the classical theories, including Adam Smith's theory of absolute advantage and David Ricardo's theory of comparative advantage. These theories explain how countries engage in international trade based on their ability to produce goods at a lower opportunity cost compared to others. Moving further, Michael Porter's theory of competitive advantage, which considers more complex elements like technology and industry structure, will also be observed.

Foreign Direct Investment (FDI) Theories: The study will incorporate Dunning's paradigm, which proposes that international production is determined by three advantages: ownership (O), location (L), and internalization (I) advantages. This paradigm helps in understanding why companies from Switzerland might invest in the Philippines and vice versa, by analysing the specific attractions of each market and the strategic behaviours of multinational corporations.

Political Economy: The impact of political relations and policies on economic interactions will be explored. This includes the analysis of how bilateral treaties, such as free trade agreements and investment guarantees, influence economic decisions. The role of global institutions and agreements, like the World Trade Organization (WTO) and regional blocs like ASEAN, of which the Philippines is a member, will also be considered.

5.1.1 Integrating Economic and Social Interactions

Economic Diplomacy: The concept looks at how countries use their economic resources to improve their geopolitical standing and vice versa.

Socio-economic Factors: The study will observe factors like technological advancements, workforce migration, infrastructure development, and legal systems. These factors are essential in shaping the business environment and economic power of both countries.

1. **Migration and Workforce Dynamics:** Skilled labourers are always in high demand in high performing countries. When a country cannot fulfil this demand, they look to workers from foreign countries to fill the gap by offering incentives to join them. This in turn leaves the workers original country with less skilled labourers. This effect is called Brain Drains and is a vital point in international economy.
2. **Diaspora and Remittances:** A large diaspora in a given country can heavily influence economic relations, particularly through remittances and personal relationships with home nations.

Geopolitical Factors: Political factors refer to the influences that government policies, political stability, and political behaviour have on an organization or business environment. This includes aspects such as regulations, taxation policies, trade restrictions, political stability, and the overall political climate that can affect decision-making and operations for the international context.

1. **Trade Policies and Agreements:** Economic relations are influenced by the geopolitical landscape between at least two countries. This takes even bigger significance when it involves groups such as OECD countries and emerging countries or other organisations such as ASEAN
2. **Regional Tensions and Shifts:** When tensions between nations are high, it severely affects the global economy due to shifts in investment and trade. Currently, investment growth is slowing down in China and other Asian countries are receiving this new influx of investment.

Technological Factors: Not all countries share the same level when it comes to technology. Those with an advantage in this area can heavily lean on those at a disadvantage, influencing their relationship.

1. **Innovation and Start-Ups:** Innovation and Start-ups are at the centre of a country's technological level. How a country promotes new businesses, both local and foreign can influence their relationship with other nations as this can foster closer collaborative ties with each other and exchange technology and knowledge.
2. **Communication Technology and Outsourcing:** The faster communication technology grows, the easier it is for businesses to outsource parts of their production/services. This leads to growth for regions as this creates new jobs as demand for a workforce increases.

Sustainable Development and Finance: The growing economic trend of the century, sustainable development, green finance and blue finance, are becoming more and more important in economic circles as sustainability rises to the front of economic concerns worldwide.

1. **Sustainable Finance Initiatives:** Sustainable development and finance is quickly becoming a core factor in international economic relationships as Green and Blue finance initiatives reflect a commitment to sustainable economic practices that show trustworthiness and support long-term economic durability (sustainability)
2. **Development Cooperation:** Bilateral cooperation in sustainable development projects enhances economic relations by addressing common environmental and socio-economic challenges. Collaborative efforts in areas such as renewable energy, water management, and climate resilience are important subjects for cooperation.

5.1.2 Core Concept of Adam Smith's Absolute Advantage

The theory states that countries can produce specific goods with fewer resources than its neighbours. This means, if a country can produce a good or service using less resources than another, it has an absolute advantage in producing said good. The concept can be applied to a number of resources like labour, capital, or technology.

Benefits of Absolute Advantage

Specialization: Adam Smith argued that countries must specialize in producing goods for which they have an absolute advantage.

Trade Benefits: By specializing, then trading with other countries, nations increase their economic welfare by trading their goods at low prices which makes them attractive for importers.

Increase in Overall Output: When each country specializes and trades with others, the total global output of goods increases.

Real-World Application

Most, if not all, countries export products they specialize in and import products they do not. For example, Saudi Arabia exports oil because it can produce it cheaper than others. India does the same with spices. Brazil is currently the leading coffee exporter because of its absolute advantage over its competitors. Brazil's vast land, climate and workforce are factors that give them this advantage.

5.1.3 Core Concept of David Ricardo's Comparative Advantage

According to Ricardo, a country does not need an absolute advantage to benefit from trade. It can benefit if it focuses on producing goods for which it has the lowest opportunity cost. In other words, even if a country is less efficient than another in producing some goods, it can still specialize in and export as long as they can produce them more efficiently than others.

Benefits of Comparative Advantage

Specialization and Trade: Ricardo's model suggests that countries should specialize in the production of goods where they have a comparative advantage. This specialization increases overall efficiency.

Enhancement of Global Production: The theory implies that if countries specialize and trade based on comparative advantages, global production and consumption will increase. It mirrors Adam Smith's theory.

Real-World Application

India specializes in information technology services, not necessarily because it is better than all countries in tech, but because it can provide these services at a lower opportunity cost relative to other economic activities such as manufacturing. Similarly, France exports wine to the world not because it can produce wine cheaper than all others, but because it can do so with relatively lower opportunity cost compared to other goods.

5.1.4 Core Concept of Michael Porter's Competitive Advantage

Porter says competitive advantage comes from the ability to create value for customers that exceeds its inherent costs and maintained by nurturing this value creation at a higher rate than their competitors. Porter distinguishes two types of competitive advantage: cost leadership and differentiation. A third strategy, focus, involves tailoring actions to serve the needs of a particular segment or segments.

The Diamond Model

Porter's key component on competitive advantage in the international context is the Diamond Model. It illustrates why certain nations achieve international success in specific industries and has four elements:

- **Factor Conditions:** The nation's factors of production, like skilled labour or infrastructure, necessary to compete in the industry.
- **Demand Conditions:** The home-market's demand for the industry's product or service.

- **Related and Supporting Industries:** The presence of supplier industries and related industries that are internationally competitive.
- **Firm Strategy, Structure, and Rivalry:** The policies in the nation governing how companies are created, organized, and managed, as well as the nature of domestic rivalry.

Benefits of Porter's Theory

Strategic Decisions: Porter's model helps firms make strategic decisions that enhance their economic performance by synchronising operations with their competitive advantage.

National Economic Policy: With this model, governments can understand how to make their industries more competitive on the global stage, either through investments in education, domestic competition, etc...

Real-World Application

As an example, Germany's know-how in vehicle manufacturing can be analysed through the model, showcasing how Germans focus on engineering excellence and luxury differentiation, creating a competitive edge over other manufacturers in the same field.

5.1.5 Core Concept of the Gravity Model of Trade

The model illustrates that trade between two countries can be predicted by calculations involving their economic mass and physical distance. To go more into detail, factors such as culture, shared borders, etc... can be included. The basics show that trade is proportional to mass and inversely to distance.

Mathematical Formulation

$$F_{ij} = G \cdot \frac{M_i M_j}{D_{ij}}.$$

Source: wikipedia (https://en.wikipedia.org/wiki/Gravity_model_of_trade)

F= Trade flow

G is a constant

D=Distance

M= Economic Mass (GDP)

Benefits of the Gravity Model

Trade Predictions: As stated above, the model helps predict trade flows.

Trade Policy Analysis: Outcomes of trade policies can be determined

Economic Integration: The model provides insights into how countries tie together economically. Countries that are closer and have larger economies tend to have deeper levels of integration, ranging from policy-making to business operations, while countries separated by vast distances have less ties.

Real-World Application

The model can be used to assess the impact of Brexit on trade between the UK and the EU.

5.1.6 Core Concept of John Dunning's Paradigm/OLI Model

Dunning's OLI Paradigm states that in order for a business to engage in foreign direct investment, it must have three specific advantages:

Ownership (O) Advantages: Firm-specific assets that a company possesses, which could include technology, intellectual property, brand reputation, or management capabilities.

Location (L) Advantages: Specific to the investment location. It includes various factors such as market size, resource availability, and labour costs.

Internalisation (I) Advantages: The benefits a firm gains from utilizing its own resources to conduct business activities rather than licensing or outsourcing due to reasons like lower costs of production or IP protection.

Benefits of the OLI Model

Strategy Formation for MNEs: It allows companies to evaluate their potential for international expansion, helping them decide where and how to invest.

Policy Making: Policymakers can implement policies that use their country's local advantages to attract foreign investment, which in turn leads to economic growth.

Real-World Application

Apple uses its strong ownership advantages (technology and brand), combines them with location advantages (lower manufacturing costs in China), and applies internal advantages by tightly controlling its production processes to maintain quality and protect intellectual property.

5.2 Socio-economic Concepts

5.2.1 Workforce Migration Dynamics

According to Drinkwater, Levine, Lotti, Pearlman (2002), this phenomenon creates four distinct ramifications on both host and home countries. For the purposes of this study, the growth effect will be observed.

Growth driven by Capital Stock:

Migration can influence long-term economic growth through changes in capital stock, which includes both physical capital (like machinery and infrastructure) and human capital (skills, knowledge, education). Migration can lead to a larger workforce, thereby increasing the overall economic output. However, the impact depends on the nature of the migrants' skills and their integration into the host economy.

A "scale effect", like economies of scale, happens when an increased labour force leads to higher economic output. This effect is particularly significant if migrants contribute to the diversification and enhancement of the skills within the workforce (Reichlin, Rustichini 1998).

Capital stock influences tech levels too. Migrants bringing skills and knowledge in the host country leads to innovation and increased productivity (Romer 1986).

Even if increasing labour force generally boosts output, it depends on quality. If it comes from low-skilled workers, the positive effects on capital stock might be limited (Walz 1995).

Growth driven by Human Capital

Human capital is a driver for growth. Because migration changes the human capital for both the host and the home country, both of their growth potential will be impacted. The impact on human capital depends on the skill levels of the migrants and the existing human capital within the host and source countries (Lucas 1988).

A "brain drain" happens when skilled workers leave their home country, reducing the country's skilled human capital, slowing its economic growth. On the other side, the host country experiences a "brain gain," whose effects are the inverse of a "brain drain" (Mountford 1997).

The possibility of migration motivates people to invest in education and skills, with the hopes of moving to a richer country. This impulse can lead to an overall increase in human capital in the source country even if some of that capital eventually leaves as it is unlikely that all can leave their homes (Stark, Helmenstein, Prskawetz 1997).

Growth driven by R&D

A country's growth is dependent on R&D because this leads to new technologies and knowledge that can keep them ahead of others. Skilled migrants directly contribute to this development by adding their knowledge and experiences in the pool. (Drinkwater, Levine, Lotti, Pearlman 2002)

Migration of R&D workers from low-income to high-income countries can lead to a global increase in innovation and productivity. However, it can also making low-income countries increasingly dependent on technologies developed elsewhere, potentially worsening global economic inequalities (Romer 1990).

5.2.2 Diaspora Dynamics

Economic Contributions

Diasporas play an important role in the economic development of their home countries. Remittances by migrant workers are a crucial lifeline for many families in their home country as they reduce poverty and improve educational possibilities in developing countries (Adams, Page 2005; Ratha 2013).

Diasporas also impact Foreign Direct Investment (FDI). China's meteoric rise can be attributed to the substantial FDI that their diaspora raised (Kapur, McHale 2006). Additionally, diasporas contribute to trade between their host and home countries. This is done by creating demand for products that their home country has but their host country lacks, thereby increasing exports from their home countries (Rauch 2001). Diaspora members who return to their home countries as tourists also contribute directly to the local economy by spending on local businesses, further cementing their economic significance (Newland, Taylor 2010).

Political and Social Influence

Diasporas are also capable of influencing the policies of their host countries. This is achieved through lobbying, where they can advocate policies to the benefit of their homeland. This is evidenced by how the United States' foreign policy was shaped by the Armenian and Jewish diasporas (Esman 2009). Indeed, they can serve as advocates for peace too (Koinova 2011).

On the other hand, they can also be a force of negativity, escalating conflicts. Moreover, there is a concept of "scientific diaspora". Skilled expatriates who maintain professional ties with their home, contributing to human capital growth (Meyer 2001, Kuznetsov 2006).

Economic Growth Force

Diasporas don't only contribute to economic growth through remittances and investments but also act as catalysts for urban regeneration and infrastructure development in their home countries. They can channel resources in programs their government could not fund (Levitt 1998).

Furthermore, diaspora bonds have become a major element in financing development projects back home. Some diaspora members purchase the bonds out of a sense of patriotism, wishing to contribute to the development of their homes. This has worked well for India and Israel, raising funds for infrastructure and other critical needs (Ketkar, Ratha, 2010).

5.3 Geopolitical Concepts

5.3.1 Trade Policies and Agreements

Trade agreements promote trade by reducing tariffs, simplifying customs procedures, and harmonizing regulations, meaning lower transaction costs and greater market penetration for participants. Various studies have confirmed the benefits: twice the trade volume (Baier & Bergstrand, 2007). Benefits also apply to larger scale agreements like RTAs, evidenced by the EU and NAFTA (Frankel, Stein, Wei 1995).

5.3.2 Regional Tensions

Several studies show that geopolitical conflicts that separate East and West completely can lead to big losses in welfare, especially in low-income areas. These losses can be as high as 12% because wealthier areas don't share their technology as much (Goes, Bekkers 2022). This finding is consistent with Ossa (2015), who estimated significant welfare losses in scenarios of reduced trade openness. When knowledge diffusion is slowed down, it's worse in multi-sectoral settings, where industries that depend on international trade and imported

knowledge see innovation slowdowns that are worse (Cai, Li, Santacreu 2017). Lower-income regions suffer the most in scenarios where full decoupling occurs between Eastern and Western geopolitical blocs, further worsening this effect (Autor, Dorn, Hanson 2013; Goes, Bekkers, 2022).

5.4 Technological Concepts

5.4.1 Innovation and Start-Ups

As economies grow, they change from small, informal businesses to larger, more formal firms that benefit from economies of scale. This change reduces the number of new start-ups as larger enterprises begin dominating the market (Acs, Desai, Hessels 2008; Wennekers, van Stel, Thurik, Reynolds 2005). Additionally, the transition from an agricultural to an industrial economy usually involves the consolidation of businesses, where larger enterprises take over, thereby diminishing the need for entrepreneurship. (Carree, Thurik, 2019).

However, as countries reach higher levels of economic development, the rate of entrepreneurship begins to rise again. In advanced economies, growth depends more and more on innovation, creating opportunities for new businesses (Furman, Porter, Stern 2019, Schumpeter, 2003). Furthermore, consumer preferences are more diverse in wealthy nations, leading to niche markets that are well-suited for small, innovative firms. The demand variety promotes the emergence of new businesses that can fill the gap in specific segments of the market (Audretsch, Thurik, 2001). Advanced economies also typically have more robust infrastructures that nurture innovation and entrepreneurship (Acs, Amorós, 2008).

5.4.2 Communication Technology and Outsourcing

At the national level, hubs for outsourced services, such as India in IT and call center sectors, benefit from increased Gross National Product (GNP) and gain recognition as international centres of excellence (Harland, Knight, Lamming, Walker 2005). According to Feenstra,

Hanson (1996), outsourcing to countries with lower labour costs worsens wage inequality inside the country. This can also lead to quality issues as cultural differences arise (Gereffi, Humphrey, Sturgeon 2005). Meaning that the concept of quality might change depending on one culture to the next, that there is no standardization. For example, outsourced manufacturers in developing countries can be required to implement quality processes that their own markets do not require. This creates a distinct separation of knowledge required between the local market and the export market. Moreover, the benefits of lower costs to the detriment of the environment leads to criticism from the international community (Feenstra, Hanson 1996)

During his mandate, United States President Donald Trump spoke of risks in the American steel industry. Indeed, there is a risk when resource critical to the nation's security and sovereignty is outsourced (Milward, Provan 2000, Harland, Knight, Lamming, Walker 2005).

5.5 Sustainable Development and Finance Concepts

Green economy is focused on reaching sustainable development. Being able to balance sustainability and trade growth is crucial for future global development. International trade as it is currently causes environmental hazards like climate change, deforestation, pollution, etc... To mitigate the impact, integrating sustainable clauses in trade policies is essential.

The United Nations Sustainable Development Goals (SDGs) paints the importance of adding green standards into international trade (UNEP 2011). Sustainable trade requires green policies and standards in trade matters as well as helping less developed countries transition to cleaner practices (World Trade Organization 2018). Current measures include carbon pricing and environmental tariffs (Nordhaus 2019).

Developed and developing countries must collaborate to face these challenges. Some countries have made great strides into integrating green principles with their trade policies, Germany's Energiewende and Costa Rica's carbon neutrality pledge comes to mind. Aligning trade policies with sustainability indeed has benefits. (Nahm, Meckling 2019, UNEP 2015).

6. Empirical Research Approach and Findings

6.1 Historical relationship between Switzerland and the Philippines

The historical economic relationship between Switzerland and the Philippines dates back to the late 19th century, during the Spanish colonial period, and continued to evolve through the American colonial era and beyond. The second Swiss consulate in Asia was opened in Manila in 1862 through the initiative of Peter Jenny, an entrepreneur from Glarus and member of the National Council (Confédération suisse Federal Department of Foreign Affairs [no date]). Notable Swiss companies such as Nestlé commenced operations in the early 20th century, embedding themselves into the Philippine economic fabric by providing essential goods and creating employment opportunities. The foundation of the Swiss Chamber of Commerce in Manila, originally established in the early 20th century and formally re-established in 2003, further solidified these economic ties by promoting Swiss business interests and facilitating bilateral trade and investment. Throughout the American colonial period, Swiss nationals played a crucial role in modernizing the Philippine economy, investing in key sectors such as manufacturing, retail, and infrastructure. This period saw the growth of Swiss influence in the Philippines, contributing to economic development and setting the stage for a robust post-war economic partnership. Today, the historical legacy of these early economic engagements is reflected in the strong and enduring commercial ties between the two nations, characterized by significant trade volumes and mutual investments.

Swiss Businesses operating in the Philippines

According to the Swiss Chamber of Commerce of the Philippines (SwissCham Philippines), there are just over 50 registered corporate and honorary members. Some are well known brands such as Nestlé Philippines, Novartis Healthcare Philippines Inc., Roche Philippines, Rolex, Swiss Hotels & Resorts. Others are more geared towards B2B such as Holcim Philippines, George Fischer, SGS Philippines Inc. Their industry of activities range from pharmaceuticals, manufacturing, leisure and tourism, financial activities, insurance,

construction, wholesale and retail, and more. This shows that there is a Swiss business invested in the Philippines for each sector of the economy (primary, secondary and tertiary). According to the chamber's list, a fifth of those companies are working in the manufacturing industry. A few are involved in information and technology, which is an interesting sector to be in as will be analysed further down.

SwissCham Philippines benefits from strong collaboration with the Swiss Embassy in the Philippines. The Swiss Ambassador actively engages as an honorary member and takes part in all Board of Directors meetings. The Embassy team provides valuable advice on the Council's initiatives, facilitating connections between SwissCham Philippines, the Swiss State Secretariat for Economic Affairs (SECO), and Switzerland Global Enterprise (SGE).

As a business association, SwissCham Philippines fosters professional connections and strategic alliances with various business organizations and government agencies worldwide.

Swiss Club

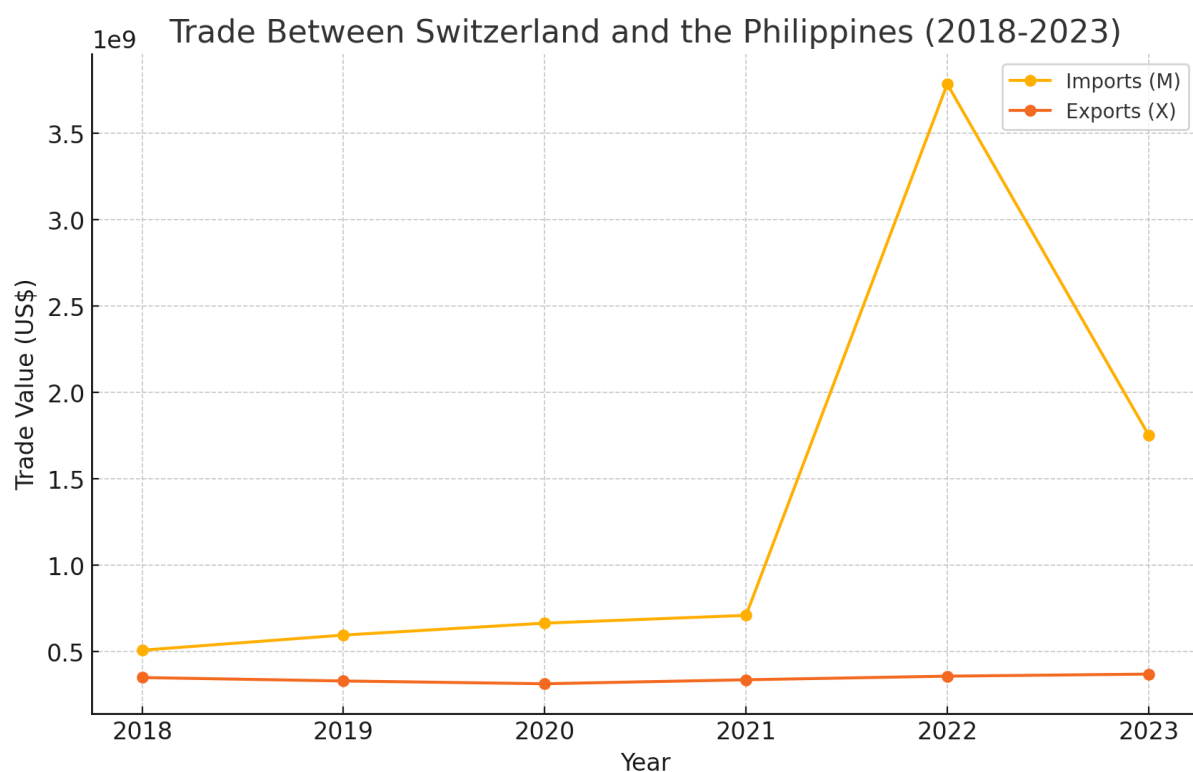
Founded in 1907, the Swiss Club Philippines is over 100 years old. It started as a rowing club but evolved over time to what it is now. This is the Club's vision: *"Our goal at the Swiss Club, Philippines, is to become a community for all Swiss individuals and friends residing in the Philippines. We would like to be considered as a home away from home, where any member can get a sense of "Swissness" while abroad."* It enjoys a variety of sponsors and partners. Two in particular; Werdenberg International Corporation and Bühler who specialise in wholesale & retail trade and manufacturing respectively, are members of SwissCham Philippines.

6.2 International Trade

Value of all Swiss Imports/Exports from/to the Philippines (2018-2023)

Year	Trade Flow	Trade Value (US\$)	Growth Rate (%)
2018	Imports (M)	\$508,891,163	N/A
2019	Imports (M)	\$596,192,516	+17.16%
2020	Imports (M)	\$665,291,029	+11.59%
2021	Imports (M)	\$710,199,167	+6.75%
2022	Imports (M)	\$3,784,347,858	+432.86%
2023	Imports (M)	\$1,754,676,943	-53.63%
2018	Exports (X)	\$350,560,677	N/A
2019	Exports (X)	\$330,648,596	-5.68%
2020	Exports (X)	\$314,627,633	-4.85%
2021	Exports (X)	\$337,633,309	+7.31%
2022	Exports (X)	\$358,518,133	+6.19%
2023	Exports (X)	\$370,533,329	+3.35%

Source: UN Comtrade Database



Source: UN Comtrade Database

Key Observations:

Imports: There was a significant spike in imports from the Philippines to Switzerland in 2022, increasing by over 432%. However, in 2023, this growth reversed with a decline of approximately 53.63%. The significant spike could be linked with the price of gold, as this is the most imported commodity for Switzerland from the Philippines.

Exports: The trade values for exports from Switzerland to the Philippines show a relatively stable trend, with small fluctuations over the years. The growth rates were generally modest, with a slight decline in 2019 and 2020, followed by steady growth from 2021 to 2023.

Trade Balance

Year	Trade Balance (US\$)
2018	-\$158,330,486
2019	-\$265,543,920
2020	-\$350,663,396
2021	-\$372,565,858
2022	-\$3,425,829,725
2023	-\$1,384,143,614

Key Observations:

- Swiss trade balance is negative, meaning that imports exceed exports.
- The most significant deficit occurred in 2022, with a trade balance of approximately -3.43 billion USD\$.

For 2023, the three biggest Swiss exports to the Philippines by value were: pharmaceuticals valuing at 101.41 million USD\$, electrical, electronic equipment at 72.90 million USD\$, and clocks and watches at 58.90 million USD\$. The three biggest Swiss imports from the Philippines were pearls and other precious stones and metals at a value of 504.13 million USD\$, electrical and electronics at 38.33 million USD\$, and machinery for 4.83 million USD\$.

Switzerland's exports towards the Philippines is mainly focused on pharmaceuticals, a major sector in Swiss economy, followed by the electronics sector then by the crafts sector with

watches and clocks. The Philippines focus exports to Switzerland is overwhelmingly in raw materials, more specifically rare minerals which complements the watch making industry of Switzerland.

6.3 Foreign Direct Investments (FDI)

Swiss FDI in the Philippines

Approved Foreign Investments by Country of Investor: 2011 to 2023
(In million pesos)

Country	Approved Foreign Investment												
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023 ^f
Total	258'231.2	289'544.4	274'013.5	186'960.0	245'215.7	219'038.6	105'745.5	183'347.3	390'110.1	112'122.9	192'547.8	241'891.5	889'082.1
Australia	1'878.4	1'151.5	4'482.4	2'449.3	538.3	32'439.8	3'956.5	2'140.8	1'441.3	570.1	664.3	722.6	1'016.6
British Virgin Islands	2'324.2	3'721.7	92'780.9	7'328.3	5'625.7	4'520.6	2'074.8	16'165.5	799.4	359.3	698.3	3'215.7	3'400.8
Canada	1'539.3	956.3	2'721.3	357.9	329.7	1'395.6	843.2	479.2	614.1	242.8	372.2	55.1	237.5
Cayman Islands	8'443.0	7'018.8	7'298.5	15'444.8	4'428.6	3'656.4	728.6	231.5	116.2	428.5	1'388.6	247.1	11'633.0
China (PROC)	20'657.4	1'988.3	1'240.9	11'476.4	1'455.1	1'519.4	2'333.9	50'692.6	88'674.5	15'596.2	2'144.0	1'426.4	6'777.9
Denmark	845.1	327.9	607.2	788.0	20.8	6.4	394.2	10.6	4.5	-	213.6	4.0	0.1
France	1'145.1	1'355.5	379.8	554.7	21.5	444.3	99.3	2'561.0	2'182.7	1'669.8	56.8	0.6	2'109.9
Germany	980.0	1'911.8	3'046.3	6'845.1	3'064.7	4'904.6	1'386.2	541.3	2'883.9	763.4	987.6	73.0	393'991.3
Hongkong	875.0	1'261.2	584.4	1'116.4	2'134.1	1'401.2	1'630.5	1'780.1	1'059.3	300.5	203.1	650.5	1'010.7
India	1'533.3	104.4	583.7	648.8	1'760.5	1'595.6	410.9	511.8	915.6	1'019.3	95.6	1'779.7	587.8
Japan	78'321.2	69'037.0	44'784.4	35'659.9	54'711.1	27'058.7	31'989.8	19'727.8	19'885.7	9'376.1	24'468.9	51'980.3	57'471.9
South Korea	13'235.1	9'795.0	8'527.3	4'155.1	23'165.6	16'134.5	3'370.8	1'884.6	41'479.4	4'158.3	3'213.6	4'936.7	1'516.3
Malaysia	570.9	1'598.8	862.0	351.1	2'904.3	1'084.5	473.2	14'653.7	462.8	637.8	507.8	53.4	732.5
Netherlands	28'303.3	104'743.4	24'807.7	32'784.0	82'726.6	49'445.9	9'636.9	4'053.3	14'394.3	6'801.6	26'901.3	20'661.3	349'932.7
Singapore	2'217.1	12'951.6	9'242.1	13'944.8	16'817.2	24'056.0	10'155.8	21'181.3	176'362.3	9'992.8	80'168.5	130'631.4	37'517.1
Switzerland	2'071.1	878.1	366.1	2'175.3	918.6	412.0	100.7	463.7	30.3	28.6	193.4	590.6	37.5
Taiwan	3'130.0	2'472.1	3'140.3	2'977.4	5'457.7	1'608.4	10'833.5	4'201.1	2'813.9	6'406.3	1'194.0	928.9	4'079.8
Thailand	-	6'582.6	107.7	246.4	448.9	2'567.2	363.6	56.6	9'036.7	114.6	8.3	0.0	1'027.4
United Kingdom	1'719.3	6'768.8	1'471.5	7'067.3	4'129.2	4'733.9	4'983.6	3'829.7	2'646.3	13'076.2	13'375.1	11'248.8	4'126.8
USA	79'854.5	39'996.7	55'343.6	17'423.0	21'740.6	31'427.8	8'741.1	12'858.5	13'483.8	35'372.4	3'823.9	5'061.3	5'131.0

Source: Philippine Statistics Authority

Switzerland is the Philippines' third largest European investor in 2022. While amounts tend to fluctuate, Switzerland has always invested in the Philippines since 2003, which happens to be the year the Swiss Chamber of Commerce of the Philippines was established.

6.4 Socio-economic Factors

Filipino Workers in Switzerland

The migration of Filipino workers to Switzerland has been a significant trend over the past few years. This migration is motivated by demand for skilled professionals and the hopes of better career opportunities and compensation. According to the International Labour Organization (ILO), the Philippines has been a major source of healthcare professionals for many countries, including Switzerland though to a lesser degree as there are more au pair migrant workers than healthcare professionals, 245 au pairs to 39 nurses as of 2023. Data shows that the number of Filipino healthcare workers migrating abroad has been increasing steadily (Wickramasekara 2014). The Filipino Health Care Agency based in Lucerne can help new arrivals find jobs in the industry.

National Migration Survey

The national migration survey done in 2018 by the PSA showed data on the migration trends of workers. The data includes destinations, employment sectors. It concluded that a better job opportunities and better living conditions were the most prevalent reason for the migration to other countries.

Philippine Jobs Report

The World Bank Report from 2023 explains the impact of Overseas Filipino Workers (OFWs) on the country's economy and its labour market. The migration of workers helped resolve unemployment within the country, lowering its percentage and helped contribute to the economy through remittances.

Remittances and Economic Impact

The PSA indicated that remittances were consistently growing over the years. The most significant sources coming from Asia then Europe. In 2018, the total of remittances received was almost 10% of the Philippines' GDP.

Swiss and Chinese Diaspora in the Philippines

As of the 2020 Census conducted by Philippines Statistics Authority, there are currently over 78'000 foreign citizens residing in the country. The largest diaspora being Chinese with over 22'000 citizens. This accounts to almost a third of the total of foreign citizens in the Philippines. Moreover, Manila is known to house the largest "Chinatown" in the world. It can only be assumed that the number of Chinese citizens residing in the Philippines has grown since the last census. When it comes to Swiss citizens, according to the FDFA, 3'460 were living in the Philippines as of 2020.

China's overseas diaspora, around 60 million people, in the ASEAN region started their migration during colonial times and became over time a pivotal factor in the economic and political relationships China entertains with its ASEAN neighbours and the rest of the world (Europe, North America, and Oceania to name a few regions) thanks to this diaspora network.

Filipino Diaspora in Switzerland and other countries

According to a study done by Hefti (2007), the number of Filipino citizens living in Switzerland has jumped from 188 from 1975 to 3'457 in 2005. According to the Office of European Affairs of the Department of Foreign Affairs, there is an estimated 10'000 Filipinos living in Switzerland.

Another country to mention that has the largest diaspora of Filipinos is the United States, with around 390'000 Filipinos as of 2020. This vast community has become tightly connected to the economic and scientific North American world.

6.5 Geopolitical Factors

Trade Policies and Agreements

The establishment of the Free Trade Agreement (FTA) between the European Free Trade Association (EFTA) and the Philippines in 2016 and its entry into force in 2018 has become a cornerstone of each member's economy, leading to a rise in trade and investments for all members.

Tensions

The world suffered a huge economic turndown due to the COVID 19 epidemic. This has led to a reduction of world trade and investments globally. Add in the tensions created due to the US-China trade war, which has led to significant disinvestments from China and the ongoing Ukrainian war which seems to divide the world into West VS East scenarios, causing commodity prices to rise to unseen heights (OECD 2023).

6.6 Technological Factors

6.6.1 Innovation and Start-ups

Swiss Innovation Prize Competition

“The Swiss Innovation Prize Competition, now in its second year, fosters innovation and supports new ideas with the potential to drive economic growth and improve society. This platform allows young scholars, entrepreneurs, startups, and researchers to showcase their solutions and secure initial funding. Participants can also access mentorship, internships, and resources to help advance their projects into meaningful endeavours.” (Confédération suisse Federal Department of Foreign Affairs 2024)

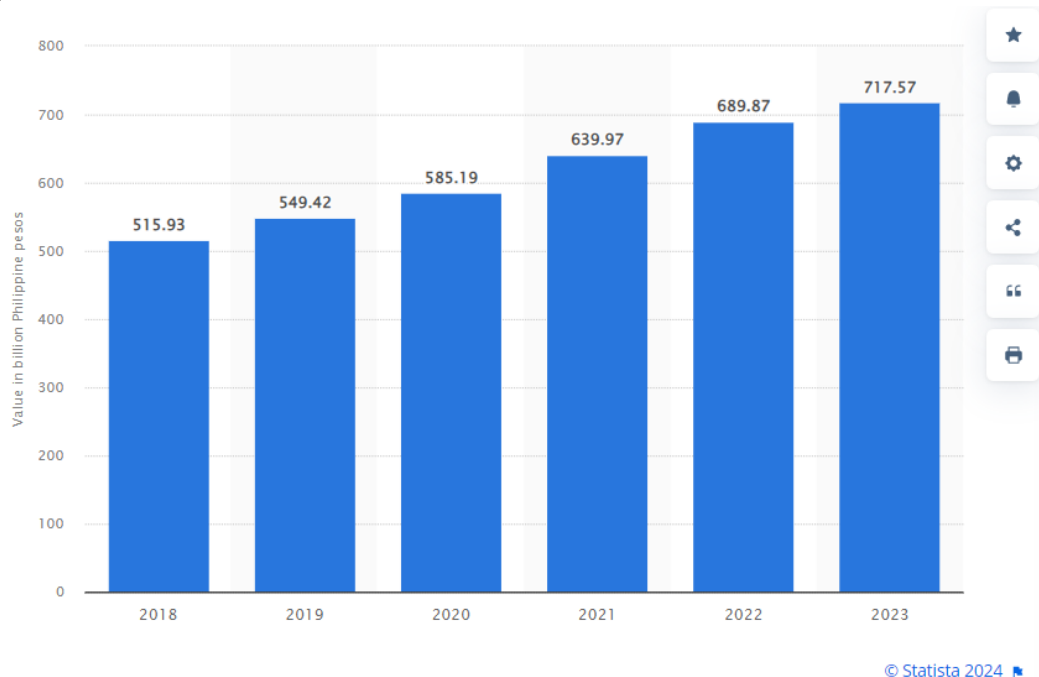
Other than discovering new innovations, the goals of the competition is to promote a culture of innovation within the Philippines, drawing inspiration from Switzerland and other countries, support the development of new ideas and foster new talent that benefit sustainable goals, and to bridge the gap between industry and academia to supply talent for economic development.

More R&D

Switzerland has consistently supported start-ups and innovation. According to a study conducted by ETHZ, more Swiss companies are engaging in R&D activities. The percentage has jumped from 12.6 to 16.3 (ETHZ 2023). This could be a result of the greater tax deductibility for R&D expenditures. Still it shows that innovation can be started for various reasons.

6.6.2 Communications Technology

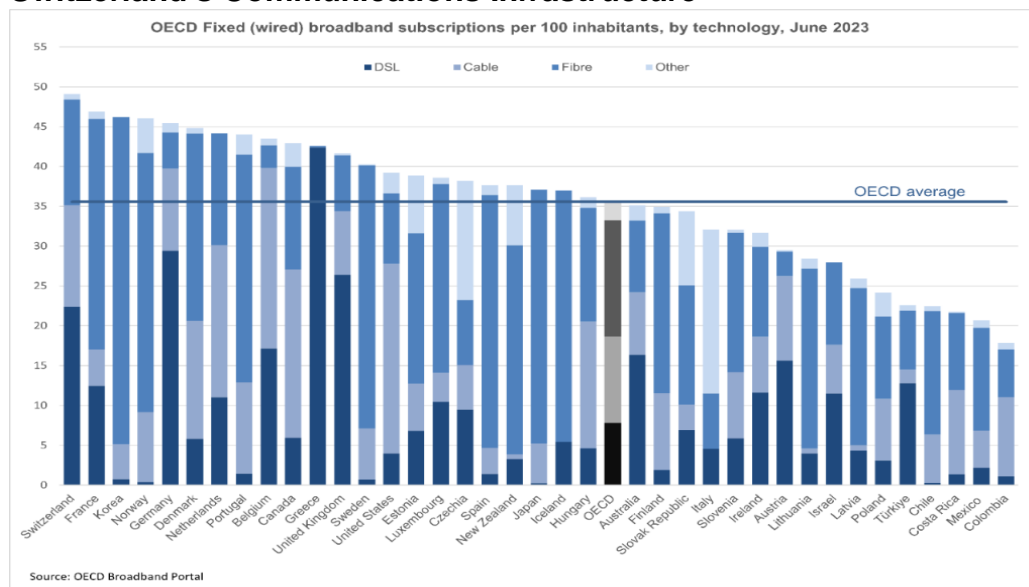
Philippines' ICT Sector Growth



The value added by the information and communication industry in the Philippines reached approximately 717.57 billion PHP in 2023, reflecting significant growth in this sector. The Philippines' GDP in 2023 reached 5.89 Trillion PHP, meaning that the ICT sector represents over 10% of the country's GDP.

This growth can be linked to the rising internet penetration within the country, estimated to be at 89.34% in 2024 and the rising ICT services exports amounting to 58.51M EUR in 2024.

Switzerland's Communications Infrastructure



Switzerland has maintained a strong communications infrastructure, which supports its ICT sector. The country has one of the highest broadband penetration rates in the world, with over 90% of households having access to high-speed internet with television boxes.

This shows that Switzerland is among the most connected countries worldwide, meaning that its information communication technology sector is thriving.

6.6.3 Outsourcing

Philippine Outsourcing Industry

The Business Process Outsourcing (BPO) industry in the Philippines has been a significant contributor to the country's economy. In 2022, the sector generated over 26 billion USD\$ in revenue and employed more than 1.3 million people (FasterCapital 2024). However, workplace health is still an ongoing challenge (Candelario, Khristine, Kemuel, Gregorio 2024).

Swiss-Philippines Outsourcing Relationships

Switzerland, known for its high institutional quality, make it a perfect recipient for outsourcing complex services such as finance and R&D services. Non-routine tasks are perfect for the Swiss environment. (Liu, Feils, Scholnick 2024). The high institutional quality serves as a badge of trust for businesses, which incentivises them to do more partnerships with Switzerland.

On the other end of the spectrum, the Philippines is a perfect destination for outsourcing routine tasks due to the strength of its BPO industry and the low cost of labour and high standardisation of infrastructure for standard tasks such as administrative support, data entry, customer service and more.

6.7 Sustainable Finance and Development

Philippine Sustainable Finance Roadmap

The Philippine Sustainable Finance Roadmap outlines a strategy designed to align private sector finance with the nation's sustainable development goals. This roadmap emphasizes integrating environmental, social, and governance (ESG) criteria into financial processes and advocates for more collaboration between the public and private sectors. It aims to accumulate over 20 billion USD\$ in financial resources to support sustainable projects by 2030 (BSP 2021).

Switzerland's Climate Change Mitigation Policies

Switzerland is actively engaged in developing sustainable finance policies such as promoting green bonds, sustainable investment funds, and regulatory frameworks supporting climate resilience and low-carbon development. Swiss investments in sustainability rose by 3% from 2022 to 2023, from 1.61 billion CHF to 1.66 billion CHF. (Swiss Sustainable Finance 2024)

7. Analysis of Research Findings

7.1 A long relationship

Switzerland and the Philippines have a long history that dates back almost two centuries. Even before the establishment of the SwissCham Philippines, there already existed a previous entity that promoted trade between the two nations. This is evidenced by the fact that some Swiss businesses were born in the Philippines, such is the case for Zuellig Pharma in 1901, which became a leader in healthcare solutions for the Asia-Pacific region. Other Swiss businesses also create networks through linkages with the rest of the ASEAN territory such as Singapore and outside hubs like Hong Kong, where other Swiss businesses and expats reside. This can create indirect trade with the Philippines, by making it part of a value chain. This relationship between Switzerland and the Philippines is facilitated by the presence of the Swiss Club, which promotes “Swissness” and Swiss ways of living in the country. Alongside Swiss entrepreneurs opening businesses in the country, it is clear that a harmonious economic relationship already existed between the two nations, it is then not hard to deduce that such good relations will continue in the future. It is easier to maintain good ties with existing relationships than to foster new ones.

International Trade:

Economic Growth and Trade Volume

The trade volume between Switzerland and the Philippines has seen consistent growth over the years which reflects strong economic ties and an increasing demand for each other's products (Embassy of Switzerland in the Philippines 2023).

Philippine Exports to Switzerland

Philippines Exports to Switzerland	Value	Year
Pearls, precious stones, metals, coins	\$504.13M	2023
Electrical, electronic equipment	\$38.33M	2023
Machinery, nuclear reactors, boilers	\$4.83M	2023
Fish, crustaceans, molluscs, aquatics invertebrates	\$2.07M	2023
Optical, photo, technical, medical apparatus	\$1.83M	2023
Tobacco and manufactures tobacco substitutes	\$1.78M	2023

Source: Tradingeconomics.com

The Philippines mainly exports rare raw materials to Switzerland like gold and other precious metals. On a side note, various food products are also among the top exports but to a far lesser degree than gold. These exports show that the Philippines is still heavily reliant on its agricultural sector.

Swiss Exports to the Philippines

Switzerland Exports to Philippines	Value	Year
Pharmaceutical products	\$101.41M	2023
Electrical, electronic equipment	\$72.90M	2023
Clocks and watches	\$58.90M	2023
Machinery, nuclear reactors, boilers	\$44.91M	2023
Optical, photo, technical, medical apparatus	\$20.33M	2023
Miscellaneous chemical products	\$14.95M	2023

Source: Tradingeconomics.com

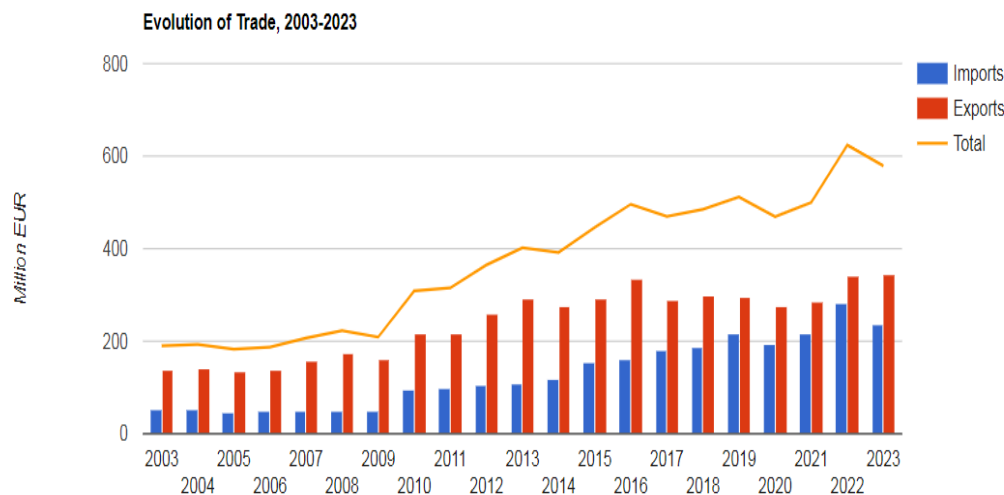
Switzerland's exports to the Philippines are dominated by precision instruments, machinery, and pharmaceuticals. This reflects Switzerland's strength in high-end manufacturing sector.

Trade Balance

The trade balance between Switzerland and the Philippines has been favourable for the Philippines in recent years. In 2023, Philippine exports to Switzerland amounted to 561.37 million USD\$, while imports from Switzerland were significantly lower. Despite Switzerland's negative balance when trading with the Philippines, both countries intend to continue to growing bilateral relations, as evidenced by Swiss businesses pledging more investments to

the Philippines (Philippine News Agency 2023). The complementary nature of their trade might be a good reason why.

Impact of Trade Agreements and Policies



Source: EFTA Statistics on the Philippines' trade with Switzerland

The EFTA-Philippines Free Trade Agreement is an important building block for the trade relationship between Switzerland and the Philippines. By reducing tariffs and facilitating easier market access, the FTA has encouraged trade. The agreement not only enhances economic cooperation but also provides a usable framework for future trade agreements. The positive outcomes of this agreement are evident in the increased trade volumes and the diversification of traded goods which continues the upward trend of trade from before the FTA.

Takeaway

Through trade, we can see that the Philippines has a comparative/absolute advantage in the mining of raw minerals, through its abundance of resources and low labour costs compared to Switzerland, making those commodities its top exports in trade. On the other hand, Switzerland exhibits absolute/comparative advantage through its trade in pharmaceuticals and advanced manufacturing, sectors where it shines, which is reflected in its export data. Based on the gravity model, Switzerland and the Philippines are so diametrically opposed, both in geographical location and economic mass, that there shouldn't be a relationship between them. Yet, this relationship is currently growing, with potential to branch out in other sectors.

Furthermore, huge Swiss multinationals such as Nestlé, Holcim, etc...benefit immensely from not only the EFTA-PH Free Trade Agreement, but also from the ASEAN FTA as many of their factories are present and operate in territories of other members of ASEAN. This means that there are various inter-regional flows of products and services that are not documented in the bilateral economic statistics of Switzerland and the Philippines.

Foreign Direct Investments:

Trends in Swiss FDI to the Philippines

In 2022, Swiss FDI in the Philippines grew by 233.7%, resulting in 20 million USD\$ from 5.98 million USD\$ in 2021. That is an astronomical rise in investments. Switzerland is the Philippines' third largest European investor (Embassy of Switzerland in the Philippines 2023).

Philippines' Overall FDI Trends

The Philippines experienced a decline in global FDI inflows, with a notable drop from 11.9 billion USD\$ in 2021 to 9.2 billion USD\$ in 2022. This decrease highlights the challenges faced by the Philippines in attracting foreign investments, due to competition from other Southeast Asian countries, and domestic policy issues (U.S. Department of State 2023).

Comparison with other ASEAN members

Swiss direct investment abroad, book value of capital stock

End of year | In CHF millions

	All countries					
	Asia					
	Indonesia ^M	Malaysia ^M	Philippines ^M	Singapore ^M	Thailand ^M	Viet Nam ^M
2018	1 504	4 087	1 858	39 338	2 963	704
2019	1 760	4 901	2 187	35 772	3 206	1 051
2020	2 088	4 298	2 348	61 527	3 236	978
2021	1 719	3 958	2 783	57 658	1 869	1 161
2022	1 868	3 429	2 662	69 482	2 127	1 219

Source: Banque Nationale Suisse

As shown in the above table, Swiss FDI in the Philippines is generally growing, making it the third most invested country of ASEAN by the Swiss. Yet the gap between the first (Singapore)

and the rest is immense. This shows that there are many competitors that the Philippines has to beat in order to keep attracting foreign investment.

Takeaway

It must be noted that this modest flux of commercial and financial inflows between Switzerland and the Philippines hide various indirect fluxes, coming from neighbouring countries such as Malaysia, Singapore and Hong Kong. These indirect flows stem from the large Chinese diaspora present in the Philippines. The way business deals are done in the East can be vastly different than the way it is done in the West. Handshake deals are prominent in the Orient, which leaves a lack of paper trail. Furthermore, Switzerland has other connections with ASEAN members through their own chambers of commerce and Swiss Clubs, notably Singapore's Swiss Club founded in 1871, making it older and more established than the one in the Philippines. As such, the Philippines can profit from indirect inflows without it being properly registered as well as becoming a part of a value chain linking Swiss businesses with the rest of ASEAN.

7.2 Geopolitical Factor: Possible link with de-risking in China

The recent shifts in global economic dynamics, particularly between 2018 and 2023, have seen significant movements in foreign direct investments (FDI) by Swiss companies. Notably, there has been substantial growth in Swiss FDI inflows to the Philippines and other ASEAN nations. At the same time, there are indicators of Swiss investment diversification leading to reduced investment growth in China. This section explores whether there is a link between these two events.

7.2.1 Swiss De-risking in China

Decreased Investment Activity

Reports indicate a decline in investment activity by Swiss companies in China. Specifically, in 2022 there has been a shock in the Chinese market, making it more unpredictable. This

resulted in a slowing down of investments from Swiss businesses towards China. According to an article by Julie Bächtold in 2023 for Swiss Global Enterprise (S-GE), despite a more positive outlook in 2023 from 2022, Swiss businesses are still taking a “wait and see” approach, halting investments as real estate crisis in China is still underway, destabilising the market. In tandem, China toned down its investments in Switzerland.

Economic Report 2024 China

According to the Swiss Embassy in the country, despite the continued wishes to grow economic ties, Swiss trade levels were decreasing in some sectors. Additionally, global investment flows in China dropped.

Swiss Business in China Survey 2023

The survey showed a mixed confidence level among Swiss businesses operating in China post-COVID-19. Swiss companies have shown a recovery in business confidence after COVID 19 restrictions were lifted in China. This is due to the fact that the Chinese market is still an attractive destination for Swiss businesses, making it a priority target. However, their expectations for sales and profit growth are lower than in pre-pandemic years, indicating a more cautious approach to future investments. While investments may grow, they aren't at the same level as they were in the past (University of St. Gallen 2023).

7.2.2 Increased FDI to the Philippines

Substantial Increase in Swiss FDI

There has been a notable increase in Swiss FDI to the Philippines, with a 233.7% rise to 20.0 million USD\$ in 2022, making Switzerland the third largest European investor in the Philippines.

Investment Climate in the Philippines

The Philippines has been actively improving its investment ecosystem meaning improved infrastructure and policy stability. The current surge in global FDI is an opportunity that cannot

be wasted as they align perfectly with the Philippines’ strategic priorities in many industries such as manufacturing and communications. By attracting FDI in high-value industries, the Philippines can boost its export capacity, enhance its competitiveness globally. The plan also stresses the importance of linking FDI to domestic industries to ensure that the benefits of foreign investments are broadly shared across the economy (Philippine Export Development Council 2023).

7.2.3 Possible Reasons:

Strategic Diversification

With uncertainties in China growing, Swiss companies could be seeking to mitigate risks by expanding their presence in other emerging markets like the Philippines.

Economic Opportunities

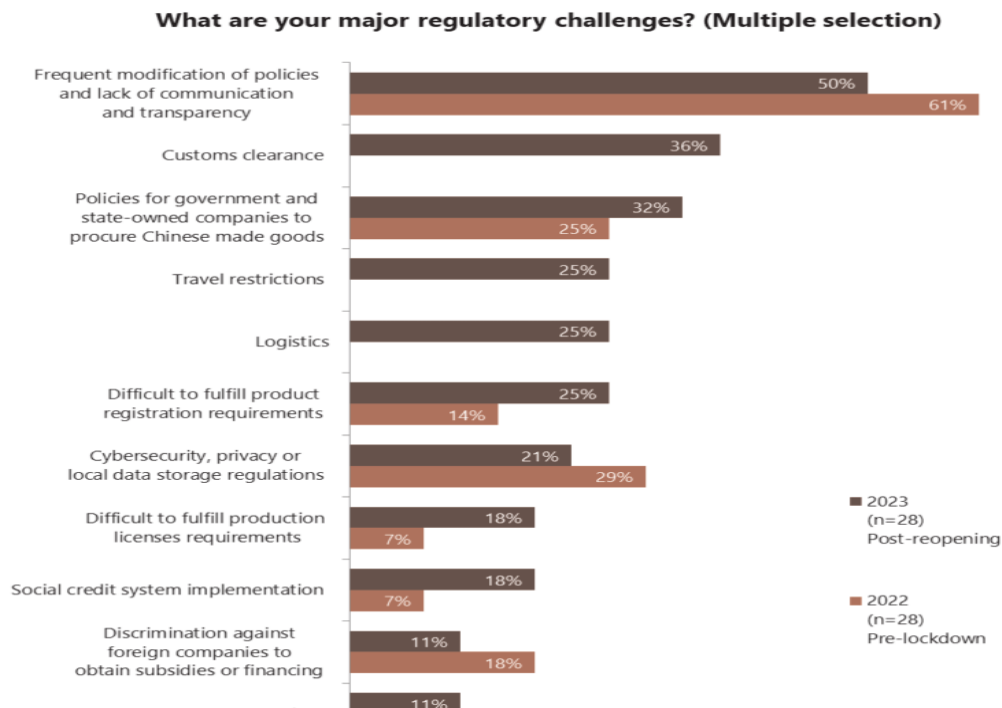
FDI net inflows in the Philippines in USD\$ Billions



Source: World Bank

With its growth potential, the Philippines is an attractive location for investors who want to disengage from China, as seen from the upward trend of inflows through the years.

Regulatory and Political Factors



Source: Swiss Business in China Survey 2023

China's continued strict regulations on foreign businesses operating in their country alongside trade tensions may push investors away, leading them to other destinations.

Conclusion

The influx of Swiss FDI in the Philippines appears to be caused by the reduced investment in China, at least partly. Even if its economic mass is smaller, the Philippines' potential and investment friendly policies make it a better alternative from over-reliance on China's admittedly vast market. It is a small start, taking into account the billions that Switzerland invests in China but it shows that Swiss businesses are starting to put a few drops in another bucket so to speak.

7.3 Socio-economic Factors

Economic and Social Impacts

Remittances from Filipino workers in Switzerland contribute significantly to the Philippine economy, providing financial support to their families and communities. This financial inflow helps improve living standards, supports local businesses and development projects.

“Brain drains” are a serious challenge. Its impact is curbed by remittances but this only works in the short run. For the long run, the Philippines should motivate its OFWs to eventually return home, recuperating the lost knowledge and reinforce its human capital.

For Switzerland, this influx of labour can fill in the gap of various job shortages that the country is experiencing, benefiting the host.

Policy Implications

A balance must be struck between both countries rewards and risks. Extensive talks and cooperation must be undertaken to ensure that negative impacts of migration is mitigated.

Impact of Diasporas

The effects of diasporas in the relationship between Switzerland and the Philippines can be examined. A simple rule of three calculation shows that around 0.125% of total Swiss population is Filipino or of Filipino descent, at least for documented persons. This small group can only have a marginal influence in policies, but instead can help promote culture in each area they reside in. While the Swiss diaspora in the Philippines isn't as large, the quality of their presence, through Swiss Club and partnership with SwissCham, gives them a strong lobbying power. As a third party, the significant Chinese diaspora in the Philippines can also influence its relations with the Philippines but also the Philippines' relations with other countries.

The presence of Chinese diasporas worldwide cannot be underestimated, China's vast population overseas run a massive number of businesses that boost China's economy. This network of overseas Chinese businesses is collectively called the Bamboo network, or the Chinese Commonwealth. Present in South-East Asia in countries such as the Philippines,

Indonesia, Singapore, Thailand, Vietnam and other ASEAN members, it serves as a link to the mainland economy of China, Macau, Hong Kong and Taiwan. It helps ensure that the Chinese economy is promoted within its sphere of influence.

The Philippines' largest mall chain SM was created by Chinese expat Henry Sy. Until his death, he was the richest person in the Philippines with a net worth of 19 billion USD\$. Over 75% of the population in Singapore is of Chinese descent, in Malaysia, just over 22% of the population are Chinese-Malay. This shows that China has a vast presence outside its own borders, capable to promote its culture and boost its economy through vast networks.

7.4 Technological/Outsourcing Factors

Innovation and Start-ups

Switzerland and the Philippines both show great advancements in driving innovation. Through internal policies and joint initiatives, R&D activities have multiplied. This can lead to more growth opportunities internally and from cooperation.

Communications Technology

The Philippines went to great lengths to improve its ICT infrastructure, a critical component for digital transformation. This is reflected by the growth of broadband and mobile connectivity in the country. This benefits Switzerland's advanced communications infrastructure knowledge, providing a solid foundation for collaborations in the sector.

Outsourcing Dynamics

Expanding BPO operations in key sectors requiring standardized tasks will likely attract even more business from Switzerland. It benefits both because Swiss companies can lower costs and the Philippines can create more jobs. To achieve this, the Philippines needs to take steps to improve the health of workers in the industry, by ignoring this issue, expansions can backfire when faced with international criticism, leading to a loss in attractiveness.

7.5 Sustainable Finance and Development

Growth in Sustainable Finance

There is significant growth in sustainable finance initiatives between Switzerland and the Philippines since they made strong commitments to integrate sustainability into their financial systems and support green projects.

Interesting opportunities for joint investments arise when Switzerland's wealthy knowledge on sustainability gets paired up with the Philippines' strategy roadmap.

Impact of Bilateral Cooperation

Bilateral cooperation led to increased financial flows and support for development projects in the Philippines.

Since 2018, with the support of the State Secretariat for Economic Affairs (SECO) of Switzerland, Global Reporting Initiative (GRI) has been providing training on sustainability reporting using the GRI Standards. This initiative has reached at least 4,700 start-ups and small and medium enterprises (SMEs) in the Philippines, Indonesia, and Vietnam (GRI, 2023)

SwissCham Philippines, through the Philippine-Swiss Business Council (PSBC), has also promoted environmental sustainability initiatives through investments and collaboration with its member companies.

Opportunities for Future Collaboration

The successful implementation of sustainable finance initiatives presents opportunities for further collaboration between Switzerland and the Philippines. Areas such as green bonds, climate resilience projects, and ESG integration offer significant potential for joint efforts.

Due to the Philippines' geographical location, new initiatives can be planned such as blue finance initiatives.

7.6 SWOT Analysis on the economic relationship between Switzerland and the Philippines

Strengths:

Established Trade Relations

The ties between Switzerland and the Philippines have been cultivated for decades. Both countries' exports and imports with each other complement themselves. By trading in goods each are competitive in manufacturing, the exchange is mutually beneficial for both economies. Switzerland exporting high-end products such as pharmaceuticals that the Philippines cannot produce and receive in turn raw materials that Switzerland's geography cannot yield.

Bilateral Trade Agreements

The EFTA-Philippines trade agreement has caused a surge in trade between all its participants, making it a cornerstone for each member's economy. Not only does it reduce trade barriers and tariffs, it also promotes investments and joint cooperation with the goal of fostering sustainable economic growth.

Strong Investments

Thanks to the established trade relations, Switzerland has already invested much in the Philippines. The presence of Swiss multinational businesses such as Nestlé Philippines and Novartis operating in the country has shown that they have successfully integrated into the local market, providing employment opportunities as well as contribute to local economy.

Economic Cooperation

Both countries have demonstrated a commitment to strategic cooperation, particularly in areas aligned with global Sustainable Development Goals (SDGs). Swiss companies in the Philippines are often involved in corporate social responsibility (CSR) initiatives, focusing on sustainability, education, and healthcare. This cooperation not only enhances their corporate image but also contributes to the socio-economic development of the Philippines, creating a positive cycle of growth and goodwill.

Beneficial Migration

Filipino migrants seeking to work in Switzerland, such as healthcare workers, fill the latent demand for skilled workers in the host country. In turn, remittances from the migrant workforce help grow the Philippines' economy. This "trade" of people is beneficial for both nations.

Weaknesses:

Market Size/Economic Disparity

While it is shown that when it comes to trade balance between Switzerland and the Philippines, Switzerland is in the negative, meaning that export levels are below import levels, the Philippines is still far away from reaching the same economic level as Switzerland. Switzerland's economy is more mature, with a higher GDP per capita and a more developed infrastructure than the Philippines. There will always be disparities in relationships between OECD countries and emerging countries. Additionally, the market size for high-tech or capital intensive investments in the Philippines isn't very big, which limits the scope for Swiss investments who specialise in those sectors.

Regulations Disparity

The current regulatory climate in the Philippines is still far from the same as in Switzerland. Bureaucracy, red tape and other barriers can hinder potential new Swiss investors due to a lack of knowledge of how business is conducted in the Philippines.

Limited Trade Diversification

Trade between both countries are focused in only a few key sectors. Should any sector experience a sudden downturn, trade between Switzerland and the Philippines will be greatly impacted.

Opportunities:

Innovation and ICT Growth

Being a global leader for innovation and the tech industry, Switzerland is known for the quality of its products and services. The Philippines' tech sector is currently in a period of growth, with new policies that are fostering innovation. This presents an opportunity for Swiss businesses to invest in start-ups and R&D in the Philippines to ride the wave of growth the sector is experiencing. The economic growth of emerging markets is rapidly surpassing the growth of developed markets, to be able to continue to grow, developed countries need to focus their attention towards developing economies.

Sustainable Development

Now more than ever sustainability is at the core of the economy. Switzerland is already helping the Philippines foster sustainability initiatives through its presence inside the country as well as through FDIs. Most are focused towards green initiatives and ESG, but the Philippines' geographical location makes it a prime recipient for blue financing and blue initiatives. Joint ventures in these different areas could lead to more innovation, thus creating more economic opportunities for the two countries.

Threats:

ASEAN Competition

The Philippines isn't the only Asian country experiencing growth. Among its neighbours are other ASEAN members and all of them are trying to attract investments to boost their own economy. Singapore is an investment vacuum, as they offer a more attractive investment environment as well as better infrastructure ideal to many investors. If the Philippines wants to remain attractive for FDIs, it needs to keep growing its business climate and find ways to offer value for Swiss businesses.

Political Influences

As seen before, there is a high risk that large diaspora can influence a host country's policies to benefit its source country. The significant size of the Chinese diaspora present in the Philippines could lobby against future trade agreements should they impact China negatively.

Possible Outcomes:

In a positive outlook, both countries continue to grow their ties through joint ventures and mutual investments in opportunity rich sectors like IT, the Philippines manages to successfully build up its infrastructures and becomes a thriving economy. Switzerland, riding this wave of growth boosts its own economy and through the Philippines' ASEAN connections, expands its presence in the ASEAN region.

In a worst case scenario, if challenges persist, or if the Philippines fails to address its regulatory and infrastructure challenges, the economic relationship could stagnate, leading Swiss companies no choice but to seek more stable and attractive markets in the ASEAN region with more difficulty, leading to a decline in investments and trade with the Philippines.

8. Conclusion

Based on the findings, it can be assumed that there are various key factors that contribute to the economic relationship between Switzerland and the Philippines. On a purely economic standpoint, both countries trade with each other is focused on their competitive advantages, pharmaceuticals and high-end manufacturing from Switzerland and raw materials and basic manufacturing from the Philippines. Moreover, on a social/geopolitical standpoint, the long relationship between the two have made interactions between each other much easier. This bond has been further strengthened by the establishment of the EFTA-Philippines Free Trade Agreement which bolstered trade and investments between them. The presence of diaspora in both countries also help by keeping cultural relations strong, acting as a bridge between the two nations. Each can learn from the other then bring that knowledge back to their home countries. Their relationship is further enhanced by both nations' commitment to sustainability thanks to initiatives led by various organizations such as GRI with support from Swiss SECO. Other organizations such as SwissCham is also implementing joint initiatives for sustainability in the Philippines through its members such as Nestlé Philippines.

Despite the work done, this research has suffered from limitations. Most notably from a lack of primary data. All the data collected have been sourced as secondary data, meaning from studies that touch upon this work's subject matter but whose data is made for another. Direct

data concerning this work's research is lacking, such as interviews and surveys because of time constraints. Realistically, being able to interview officials who can implement a country's international relation policy is a long shot for undergraduate work. Relevant data gathering, such as statistics have also been limited due to pay walls to be able to access the data (Swiss-Impex, Statista). Thus, the research could be even more precise given more resources.

This research was done in the hopes to update the current knowledge on the relationship between two specific countries, Switzerland and the Philippines, in order to comprehend the dynamics of a specific case study about the links between an OECD country and a developing one. Hopefully this research will be helpful for current/future specialists in international relations in the context of trade and investments as well as policymakers and other professionals.

As this research only encompasses data until 2024, it could be interesting to study whether these factors have persisted in the future or if they have fallen out of favour to be replaced by new ones. Perhaps in the future joint ventures can be undertaken with a focus on blue economy rather than green, as well as the possibility of sectorial development which could diversify trade between Switzerland and the Philippines and the risks that go with it.

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Use of Artificial Intelligence-assisted tools

In the context of this work, the author declares having used Artificial Intelligence-assisted tools for the following purposes:

- Improvements of form (spelling, syntax, reformulation, report structure)

Mention of AI tools used: **Scribbr AI Proofreader**,

- Substantive reflections (production of analysis, recommendations)

Mention of AI tools used: **None used**

- Data collection and interpretation

All the statistical calculations (in part x of the analysis...) were performed using R-Studio version ... Mention of AIs used: **None used**