

China's Belt and Road Initiative in the Philippines

By Jonina O. Fernando

President Xi Jinping envisioned the so-called "Chinese Dream", to rejuvenate the Chinese state increasing both domestic and international power. The concept of the Chinese Dream is embodied by the Belt and Road Initiative (BRI), which adopts economic statecraft in the pursuit of security goals.

In 2013, Chairman Xi launched a two-pronged plan for the BRI, divided into the Silk Road Economic Belt and the 21st Century Maritime Silk Road. The BRI aims to enhance connectivity across Africa, Asia, and Europe, significantly expanding China's economic and political influence. China has sought to highlight how the initiative can aid other countries, especially developing countries, while at the same time boosting China's economy. If successful, the BRI can alter the global economy, as it can radically transform market opportunities, transportation, competition, productivity, and logistics. As of March 2020, 138 countries have joined and inked the Memorandum of Understanding with the BRI of China.

Impact on the Philippines

Despite its maritime dispute with China over the West Philippine Sea a disputed section of the South China Sea adjacent to the Philippines eastern coast, in 2015 the Philippines signed on as the last founding member of the Chinese-led Asian Infrastructure Investment Bank (AIIB), which serves as the funding source for the BRI. The Philippines, in need of funding for domestic infrastructure projects, was incentivized to join by the AIIB's promise to address the Philippines' investment needs and close financial gaps among participating countries. In 2016, the AIIB co-financed two projects in transportation and flood-control projects in Metro Manila with ADB and World Bank, respectively.

Under Duterte, the Philippines has pivoted away from the United States, toward China, resulting in several bilateral agreements. In October 2016, Manila and Beijing sealed \$24 billion worth of deals and 13 government-to-government agreements. On November 2018, the Philippines officially announced its cooperation with the BRI by formalizing the deal under a memorandum of understanding. Moreover, Duterte's administration's Build Build Build Program, which pledged to usher in the Philippines's "golden age of infrastructure", dovetails with the concept and aim of the BRI.

Human Capital Development through BRI

With infrastructure being one of the Philippines' top priorities, the Build Build Build Program meant to serve as the highlight and legacy of the Duterte administration. It is in no coincidence, then, that the program mirrors the BRI's 21st Century Maritime Silk Road. The Chinese government's assistance in building and developing potential infrastructure projects in the country has paved the way for new dams, bridges, and railways, which will serve as a link to continuously strengthen its influence in the region. BRI projects are set to create employment for almost 21,000 Filipino citizens, and other agreements with Chinese companies could bring about \$12 billion worth of investment into the Philippines. Sustainable and innovative infrastructure would enhance industry and entrepreneurship, as well as increasing ties and access to the Chinese market.

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Master's student in
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Philippines, explains
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With the re-routing of economic routes globally through the success of the BRI, trading of goods and services, and development of technology and logistics will focus especially on developing countries such as the Philippines. As the BRI projects in participating countries encourage internal productivity, they also give way to more open markets and intercultural exchanges with other countries. The Digital Silk Road, China's modern attempt to reconstruct ancient silk trade routes across Asia, is considered a key to success of the BRI's vision. Encompassing a vast array of technological projects, it promises a combination of hard and soft infrastructure which increase trade efficiency for advanced technology. It is undeniable that China stands at the forefront of a new age of technology and is now one of the leading countries providing technological services to the world. With companies such as Baidu, Alibaba, and Tencent dominating globally. These Chinese technology giants play a major role in advancing global trade under BRI. For example, e-commerce is flourishing in BRI participant countries, which was made possible by supply chain improvements that shortened delivery time between countries. The presence of Chinese private-owned firms such as Oppo is already winning deals in the Philippines by providing affordable smartphones. However, it is alleged by other countries that Chinese electronic smartphones pose a threat on national security due to possible espionage. More efficient transportation infrastructure, resulting from BRI projects, has also generated business trend that greatly favor Chinese companies. This resulted to bilateral trades between China and the Philippines reaching close to \$50 billion in 2019, growing at an average of 17% in the last five years.

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This is true in the Philippines as well. For instance, e-commerce company Lazada, owned by the Alibaba group, dominates the retail industry. The tech giant has invested in developing hubs in the Philippines, employing approximately 8,000 workers, to extend its service even in far flung villages and small towns. Lazada plans to build a bigger facility in Clark, Pampanga, and other regions in the country to support its immense growth. Local small and medium enterprises will be given access in the e-commerce facility to help boost local economy. While Philippine policymakers would be wise to consider expanding cooperation with China, they would be remiss if they did so without considering the risks and hurdles involved. Manila would need to balance closer relations with China with the threat of losing some claim on resource sovereignty in regions where they have had disputes with China. Additionally, other Southeast Asian states which have too closely relied on China for economic partnership have faced pressure to side with Beijing in international forums, even when not necessarily in their own national interest. Finally, the United States may be the Philippines's most important security partner, and any pivot away from Washington must fully account for the security ramifications of doing so.

As China seeks to reshape global trade through the BRI, it faces growing criticism from other countries. China has been accused of using “debt trap diplomacy” against developing and politically unstable countries such as the Philippines, taking advantage of their inability to repay large sums to debt to increase Chinese control and influence over them. Once recipient countries default on their loans, China can seize strategic assets. Given the sheer scale of China's lending capacity, concerns have been raised on potential debt sustainability. With the Duterte administration strengthening its commitment to work with partners in the region, especially China, to further enhance regional connectivity and economic integration, it is expected that China's presence in different economic sectors will only increase. Furthermore, Chinese influence in the political arena in the Philippines is also likely.

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