HANGING IN THE BALANCE:
CHECKING ON BEIJING’S TRILLION-DOLLAR UNFULFILLED PROMISE TO THE PHILIPPINES
Months into his presidency, President Rodrigo Duterte announced a foreign policy pivot to Beijing, warming up relations just at the heels of a ruling of a Hague tribunal on the West Philippine Sea dispute, favoring the Philippines.

In a move that many critics describe as “on brand” with Duterte’s leadership style, the President declared separation from Manila’s longstanding ally, the United States, and instead aligning with Beijing. Immediately after his state visit to Beijing in 2016, President Duterte announced that he was able to clinch up to USD 24 billion (PhP 1.2 trillion) in funding pledges from China. The said pledges were a “display of greater confidence” in future economic partnerships between the two countries, the Duterte administration proudly announced at that time.

However, less than a year before his term expires, the bulk of the initial funding pledges have yet to materialize. Meanwhile, the President remains recalcitrant in his stance on the West Philippine Sea dispute – repeatedly saying that his hands are tied on the issue and has all but walked back on the Philippines’ legal victory in the 2016 Hague ruling. At this juncture, experts and political observers are asking: were all the soft approach to Chinese encroachment of Philippine territory for naught? A cursory review of Beijing’s multi-billion dollar promise points to that direction.
Table 1. List of PH Projects Covered by China’s USD 15 Billion Investment Pledges to Duterte in 2016

<table>
<thead>
<tr>
<th>Description</th>
<th>Contractor Details</th>
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<tr>
<td>1 Subic-Clark railway project by Bases Conversion and Development Authority (BCDA) and China Harbour Engineering Co.</td>
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<tr>
<td>2 Bonifacio Global City-Ninoy Aquino International Airport Segment of Metro Manila Bus Rapid Transit-EDSA project by BCDA and China Road and Bridge Corp.</td>
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<tr>
<td>3 BCDA-China Fortune Land Real Estate project (memorandum of understanding)</td>
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<td>4 Safe and smart city projects for BCDA by BCDA and Huawei Technologies</td>
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<tr>
<td>5 Transportation and logistics infrastructure at Sangley Point by Cavite Holdings, International Container Terminal Services Inc., and China Harbour Engineering</td>
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<tr>
<td>6 Joint venture agreement of Jimei Group of China and Expedition Construction Corp. for infrastructure projects</td>
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<tr>
<td>7 North Negros biomass and South Negros biomass project by North Negros Biopower and Wuxi Huaguang Electric Power Engineering</td>
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<tr>
<td>8 Globe Telecom projects to improve network quality and capacity</td>
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<tr>
<td>9 Jin Jiang hotel room capacity expansion from 1,000 to 2,000 by Double Dragon Properties and Hotel of Asia Inc.</td>
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<tr>
<td>10 Joint development project on renewable energy by Columbus Capitana and China CAMC Engineering</td>
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<tr>
<td>11 New Generation Steel Manufacturing Plant by Mannage Resources and SiIC Shanghai International Trade HK</td>
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<tr>
<td>12 Joint venture on steel plants by Global Ferronickel and Baijin International</td>
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<tr>
<td>13 Renewable energy projects by Xinjiang TBEA Sunoasis</td>
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<tr>
<td>14 Davao coastline and port development project by Mega Harbor Port and Development and China Harbour Engineering</td>
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<tr>
<td>15 Manila Harbour Center reclamation by R-II Builders Inc. and China Harbour Engineering</td>
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<tr>
<td>16 Cebu International and Bulk Terminal project by Mega Harbour Port and CCCC Dredging Company</td>
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<tr>
<td>17 Cabling manufacturing facilities by MVP Global Infrastructure Group and Suli Grp Ltd.</td>
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<td>18 Manila EDSA Bus Transportation program by Phil State Group and Yangtse Motor group and Minmetals International</td>
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<tr>
<td>19 Hybrid rice production by SL Agritech and Jiangsu Hongqi Seed Inc.</td>
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<tr>
<td>20 Bus manufacturing facility by Zhuhai Bus and Coach Co.</td>
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<tr>
<td>21 Banana plantation project by AVLB Asia Pacific and Shanghai Xinwo Agriculture Development Co.</td>
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</tr>
<tr>
<td>22 300MW Pulangi-5 Hydro Project by Greenergy Co. and Power China Guizhou Engineering Corp.</td>
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<tr>
<td>23 Pasig River, Marikina River, and Manggahan Floodway bridges construction project by Zonar Construct and SinoHydro</td>
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<tr>
<td>24 Ambal Simuay sub-river basin flood control project by One Whitebeach Land Development and Sino Hydro</td>
<td></td>
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<tr>
<td>25 Nationwide island provinces link bridges by Zonarsystems and PowerChina Sino Hydro</td>
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<tr>
<td>26 Railway project (study) by MVP Global Infrastructure group and China Railway Engineering Corp.</td>
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</table>

Source: Department of Trade and Industry
to Southeast Asia, the Middle East, Africa, and Europe via major sea lanes. By early 2021, 140 countries worldwide had signed more than 200 BRI cooperation agreements — essentially frameworks for Chinese companies to build infrastructure projects such as ports, railways, power stations, and telecommunication networks using low-interest Chinese loans to host countries.

Admittedly, there was initial confusion in Manila on whether the country is even invited to be part of BRI at all. This lack of clarity springs from the fact that geographically speaking, the Philippines does not fall within the scope of the Silk Road Economic Belt, nor was it explicitly mentioned in the Maritime Silk Road. The beginning of the BRI also came at a time when there were heightened tensions between Beijing and Manila springing from the disputed waters in the West Philippine Sea. Only when President Duterte attended both the first and second Belt and Road Forums, some clarity on Beijing’s interest in incorporating the Philippines to the BRI was attained.

In 2019, during the visit of Chinese Vice-Premier Hu Chunhua in Manila, he remarked that BRI and BBB can and should, indeed, be integrated. “We should fast-track our cooperation on important projects, and in this way, we can harvest more substantial fruits of cooperation,” Hu said. Beijing envisioned supporting the construction of ports and airports to “connect more seamlessly with the improved trading network created by the BRI.”

Early into the Duterte administration, there were concerns raised not only on how China can “weaponize” its infrastructure funding to influence the Duterte administration over various issues but also on how the Philippines can end up in a “debt trap” given all these loans. Policy advisers were quick to note the case of the Chinese-funded Hambantota port in Sri Lanka and the case of Venezuela wherein both nations are finding it difficult to repay the extensive loans they have taken from Beijing.
However, as Dr. Alvin Camba explains in his paper “Examining Belt and Road “Debt Trap” Controversies in the Philippines,” while there are indeed cases of Chinese investment and financing deals in the Indo-Pacific region that involve high interest rates and unsustainable payment schemes, the Philippines remains to have “strong prospects for maintaining its financial solvency.” Dr. Camba points out that beyond the possibility of falling into a debt trap, there are many internal and external factors that affect the completion of Chinese-sponsored construction. And such factors only come into play if and when actual construction begins, which for the majority of the financing pledges – is not the case.

**STATUS CHECK**

While Beijing postures and projects its closer ties with the Duterte administration, much remains to be seen about its initial funding pledges. By 2020, retired Supreme Court Senior Associate Justice Antonio Carpio noted that less than five percent of China’s promised USD 24 billion in loans and investments have materialized.12 Apart from the USD 300 million financing from the Asian Infrastructure Investment Bank (AIIB) for COVID-19 response, as regards infrastructure, there are only two Infrastructure Flagship Projects (IFPs) funded in part through Official Development Assistance (ODA) with signed agreements, as of 2021.13 These include the PHP 4.37-billion Chico River Pump Irrigation Project and the PHP 12.2-billion New Centennial Water Source – Kaliwa Dam.

Meanwhile, the Chinese Embassy in the Philippines itself admitted that under the Duterte administration, only 11 projects have been completed and 12 projects “are being implemented or are about to be implemented.”14 “Among them, B-I (Binondo-Intramuros) Bridge and E-P (Estrella-Pantaleon) Bridge Projects, the Philippine-Sino Center for Agricultural Technology-Technical Cooperation Program Phase III, and the Chico River Pump Irrigation Project are expected to be completed by the end of this year. There are also 10 more projects under active negotiation.”

Included in the projects set to be completed in 2021 are the Binondo-Intramuros Bridge and the Estrella-Pantaleon Bridge, both of which had been hounded by controversies relating to the use of Chinese construction workers instead of Filipinos. A third bridge is also set to be partially funded by China – the Davao River Bridge Project, a two-way four-lane bridge which will be 477 meters long with the total route’s length of 1,340 meters.15

**TABLE 2. CHICO RIVER PUMP IRRIGATION PROJECT AND KALIWA DAM FUNDING SOURCES**

<table>
<thead>
<tr>
<th>PROJECT TITLE</th>
<th>TOTAL PROJECT COST (PHP Millions)</th>
<th>TOTAL PROJECT COST (USD Millions)</th>
<th>FUNDING SOURCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chico River Pump Irrigation Project</td>
<td>4,372.90</td>
<td>83.01</td>
<td>The Export-Import Bank of China</td>
</tr>
<tr>
<td>New Centennial Water Source - Kaliwa Dam</td>
<td>12,200.01</td>
<td>231.59</td>
<td>The Export-Import Bank of China</td>
</tr>
</tbody>
</table>

Source: Department of Finance

The Binondo-Intramuros Bridge project has also been crippled by local controversies.16

**IN FOCUS: FRIENDSHIP BRIDGE?**

The construction of the P4.6-billion supposed “friendship bridge” funded by China has long been delayed given the massive opposition it is garnering in the immediate community where it is being built. Intended to ease traffic in Manila’s Chinatown district of Binondo, the planned structure would sit within 150 metres of two other access points.

“I questioned why we are putting up the bridge,” says Teresita Ang-See, a prominent Filipino-Chinese community leader. Ang-See notes that the bridge can potentially damage heritage buildings in Binondo. “We need that bridge like we need a hole in our head. It will not decongest traffic because that’s not the problem,” Ang-See stresses.
Meanwhile, large-scale infrastructure projects like the New Centennial Water Source-Kaliwa Dam project—remain in the early stages of implementation, with continuing objections from indigenous groups, environmental activists and local governments.

While there is a new China-financed bridge project connecting Samal Island and Davao City, it has been noted that other prospective China-financed projects were now going to be funded by other foreign sources, such as the Panay-Guimaras-Negros Bridge, which is aimed at improving the transport of agricultural goods in the region. The manner in which Beijing can easily back out of initial funding pledges is suspect, as the Panay-Guimaras-Negros Bridge has been in the priority list of infrastructure projects for over four years now.

IN FOCUS: THE CURIOUS CASE OF THE PANAY-GUIMARAS-NEGROS BRIDGE

“THERE IS SIMPLY NO TIME LEFT.”

This is what Senate Minority Leader Franklin Drilon states, as he notes that the construction of the Panay-Guimaras-Negros bridges will be left to the next administration.

Drilon, who hails from Panay, has been pushing for the immediate implementation of the 32.47-km bridge that will connect the three islands. The project is divided into two sections: the 13-km Panay-Guimaras Bridge and the 19.47-km Guimaras-Negros Bridge.

Though the said project was initially pledged to be funded by China and is part of the Duterte administration’s “Build Build Build” program, it remains in the feasibility-study stage as of February 2021. What’s more, China has already backed out of the project, with the Philippine government now looking at the Korea Export-Import Bank of South Korea—the same entity that funds the PHP 11.2-billion Jalaur River Multipurpose Project—Stage II currently under construction in Calinog, Iloilo—to possibly fund the mega bridges project.
AGGRAVATING CIRCUMSTANCES

Compounding Beijing’s unfulfilled promises is the surging COVID-19 pandemic, which has delayed many projects in the infrastructure sector.

In the updated Philippine Development Plan published by the National Economic Development Authority, the country’s economic managers bared “serious challenges to resource mobilization for and implementation of the BBB program,” particularly:

(a) availability of fiscal space for the target infrastructure program; (b) conceivable delays in project preparation, procurement, and/or implementation due to disruption of work of contractors, professionals/experts/engineers, and workers/laborers involved in the projects; (c) possible interruption of importation of construction materials due to disruption to labor and materials supply; and (d) change in demand for infrastructure services, which could affect the financial viability and therefore appetite of investors, particularly in public-private partnership (PPP) projects.”

NEDA also noted that “increase in costs of infrastructure projects may be expected due to requirements for social distancing and other health precautionary measures and protocols.”

It is important to note that the government’s performance when it comes to its BBB programs strikes a similar note on all fronts, particularly in public-private partnership (PPP) projects.

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“Pivot for Naught?”

With the 2022 presidential elections happening less than a year from now, it is now becoming apparent that what the Duterte administration has been treating as a “trump card” to maintain friendly relations with Beijing will be all for naught.

This emerging situation leaves skeptics scratching their heads whenever Duterte talks about the West Philippine Sea dispute.

“The issue of the West Philippine Sea remains to be a question forever until such time that we can take it back,” Duterte remarked back in April 13, explaining that pursuing the West Philippine Sea claim would only result in war. This statement comes after the heightened presence of Chinese vessels in the disputed waters, particularly in the Julian Felipe Reef, which lies within the exclusive economic zone (EEZ) of the Philippines, as the reef is only 175 nautical miles from the town of Bataraza, Palawan.

This diplomatic debacle should be seen with all sides covered, as Beijing is employing all tactics to appease its neighboring nations.

The BRI is just one of the several cards the Chinese are employing to assert its geopolitical dominance in the Asia-Pacific. Another card it employed is the so-called “vaccine diplomacy,” with Beijing offering vaccine doses in the millions to countries including the Philippines.

And it is not just the West Philippine Sea that is left hanging in the balance. Analysts have pointed out how the Duterte administration practiced maximum leniency when it comes to affairs concerning China, including the issues of Chinese investment saturation of the small-scale mining industry in the Philippines, which may further be aggravated with the release of a new executive order that further eases mining restrictions in the country,22 and the pernicious issue of lax rules governing the entry of Chinese nationals who work as Philippine Offshore Gaming Operators, with an observed influx of the entry of Chinese nationals in the country in recent months.

All in all, the China-Philippines relations is proving to be a dangerous situation for Filipinos, with the Philippines continually getting the shorter end of the stick in various dimensions.23

Rebalancing Act

This “lose-lose” situation is not catching Philippine officials unaware. With China not delivering its promised funding in time, midway into the Duterte administration, a “limited hard balancing” foreign policy was pursued, with the Philippines reconnecting with the United States as a safeguard against China’s growing assertion of power in the region.

In a study published in 2019, De La Salle University Prof. Renato De Castro said, “Confronted by China’s failure to deliver the promised loans and direct investments to finance the Philippine government’s ‘Build, Build, Build’ program, and increasing naval presence near the artificial islands it constructed in the South China Sea, the Duterte administration has embraced a policy of limited hard balancing. The
goal is to develop the Philippines’ external defense capabilities on the account of the dangerous great powers’ competition in the Indo-Pacific region.”

Part of this rebalancing policy involves “maintaining the country’s alliance with the U.S., fostering middle power security partnerships with Japan and Australia; and reluctantly challenging China’s expansion into the South China Sea.” As a weak middle power bereft of any credible defense capabilities, the Philippines, by moving in this policy direction, will be able to chart its destiny in an increasingly multi-polar global order as it strengthens and pursues a comprehensive and strategic alliance or cooperation with its friends and partners in the Indo-Pacific region,” De Castro explained.

This hard balancing act was displayed when the US Theodore Roosevelt Carrier Strike Group (TRCSG) entered the South China Sea in early April to conduct operations in the disputed seas, a move that Department of National Defense spokesperson Arsenio Andolong noted as a demonstration of the Philippines’ “strength of alliance” with its long-time American ally.

However, this limited rebalancing policy betrays the Duterte administration’s uncertainty in its political future. From where it is standing, it is risking everything to make things happen now, and not later. Never mind getting caught between the devil and the deep blue sea, as time is ticking for the current government.

Yet a resolute national leader must not play the nation’s cards without thinking of the immediate future. The rebalancing act that begun midway into its term should be assessed – did it work? Should it be amplified? Should the pivot to China be left in the dustbins of history? These are essential questions that can be answered concretely by examining the current state of Philippine-China relations.

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This rebalancing act on China must extend and reflect on the government’s policy on infrastructure. There are several factors that need to be considered. First, the government is touting infrastructure spending as an instrument for socioeconomic recovery amid the economic wreck brought by the pandemic. However, the government should acknowledge that direct pandemic response, such as vaccine procurement, massive testing, and social subsidies, should now take precedence in the national budget instead of expediting the implementation of still-indicative infrastructure projects.

The role of the BBB program in socioeconomic recovery should be confined mainly to projects already being implemented, or those with Notices-to-Proceed within the next six months, as still-indicative projects should not anymore compete with coronavirus response appropriations within our tightening fiscal space.

The government’s economic managers must also honestly assess if infrastructure spending is, indeed, the only way out of the pandemic-induced recession. As economics Prof. JC Punongbayan points out, the government continually touts that it is spending more on infrastructure than past administrations, with current administration supposedly spending around 5% of the GDP. However, this is already a lower estimate, as early into the Duterte administration, the original target could go as high as 7.3% spending for infrastructure – with economic managers quietly adjusting the targets downward as the BBB projects stalled. Punongbayan asks the right question: how can one assess a program with moving goalposts?

Second, it is time to rethink whether the Duterte administration’s over-reliance on China’s promises is affecting its relations with other states. It should be noted that despite the high-level projections of no less than the President on the impact of our bilateral relations, Japan remains the Philippines’ top provider of Official Development Assistance (ODA), with the bulk of funding going into the BBB.

Japan has provided ODA amounting to USD 11.2 billion, while China only provided USD 600 million, a far fifth from the list of other ODA funders such as the Asian Development Bank (USD 8.5 billion), World Bank (USD 5.3 billion) and South Korea (USD 700 million). Tokyo’s funding commitment is eighteen times more than Beijing. This number should give the government pause on which bilateral partner genuinely cares for the nation’s development.

With this development, it is time to rethink our pivot to China and assess whether it has been hugely beneficial in resolving infrastructure underdevelopment in the last five years. As former Ombudsman Conchita Carpio-Morales states, “We should be warned by how a growing volume of evidence suggests that capital emanating from authoritarian nations have a corrosive effect on democratic institutions and private enterprise in recipient countries.”

For all the President’s pro-China posturing, Beijing’s funding commitment just approximates the level of funding of local infrastructure projects proposed by legislators every year. In other words, the country is receiving pennies for all the chest-thumping that has been doing in support of closer ties with Beijing.

The Palace continues to belabor the point on the current legal status of the waters, reefs, and islands within the West Philippine Sea. It has employed double speak on the status of Julian Felipe reef, arguing that it was no less than the Hague ruling that invalidated the Philippine claim over the reef, as if to surrender legitimate claims over the area.

Despite Beijing’s failure to deliver on its development commitments, the Duterte administration continues to tout China as the nation’s savior, with no recalibration from its posture from the beginning of its term. And this recalcitrant stance with Beijing will prove to be a sore thumb that will continue to hound this administration in the days leading to the elections. Philippine officials should not wait until 2022 to finally admit defeat and shelve projects that cannot be realistically accomplished.

On the part of China, it should also rethink its tactic of dangling big-ticket projects to curry diplomatic favors. After all, it is not clear whether the next administration will stick to the disparaged situation the Duterte administration is upholding. While it may seem that Beijing is making headway towards influencing Philippine officials through its unfulfilled promises, all these schemes may fall like dominos when the next Philippine administration suddenly reverses the government’s positions towards China. Beyond honoring commitments, the Chinese government must view the Philippines not as a pawn that can be left hanging in the balance, but rather on equal footing – whether it be on diplomacy, issues of sovereignty, or infrastructure initiatives.
This paper is an expanded version of my article entitled “Unfulfilled promises,” which was published last May 25, 2021 under the theme “Thinking Beyond Politics.” Please refer to https://www.bworldonline.com/unfulfilled-promises/


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