

HORIZONS

Strategic reset (Philippines): Marcos Jr. and China

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Prominent Chinese scholar Yan Xuetong once described his country's economic statecraft as "allow[ing] these smaller [neighboring] countries to benefit economically from their relationships with China ... We let them benefit economically, and in return, we get good political relationships." The strategic logic for him is simple: "We [China] should 'purchase' the relationships."

Over the past decade, China has signed "cooperation documents" with as many as 149 countries and 32 international organizations across multiple continents for 3,000 infrastructure development projects. The country has reportedly allocated almost \$1 trillion under its much-vaunted Belt and Road Initiative (BRI), an ambitious project that could potentially create a new world order altogether.

China's public investments have often gone hand in hand with an inflow of private capital, which has transformed many smaller nations beyond recognition. Case in point is Cambodia, where Chinese-owned factories have spurred the creation of a massive \$10 billion garment industry. Thanks to China, small and poor nations have gained access to high-speed railways and modern highways. In sheer speed and scale, China's infrastructure development record has drawn many admirers in the post-colonial world.

But as Sophocles warned, "Nothing vast enters the life of mortals without a curse." Chinese investment projects have come under fire for a variety of reasons, most prominently allegations of "debt trap." According to AidData, a research lab based at the College of William & Mary in Virginia, BRI projects have had undisclosed liabilities, so-called "hidden debts" of up to \$385 billion in recent years. Rhodium Group, a New York-based economic research group, has reported that between 2020 and 2021 China had to renegotiate various projects by as much as \$52 billion due to concerns over debt payment and project viability.

Nor have Chinese BRI projects, which heavily draw on Chinese labor, engineering and technology, provided significant employment benefits for recipient nations. Meanwhile, from Gwadar (in Pakistan) to Sihanoukville (in Cambodia) and Hambantota (in Sri Lanka), locals have complained of shady investments and white elephant projects.

To be fair, the BRI is not a grand conspiracy but instead a fluid mega-project, which serves a plethora of strategic goals, including the development of China's western peripheries, access to precious resources and strategic locations, and infrastructure footprint and industrial standards overseas.

In the Philippines, however, China's infrastructure footprint can be better described as "pledge trap" rather than "debt trap": the Asian superpower has built very few, if any, big-ticket infrastructure projects in the country after decades of big promises and strategic flirtation with controversial Filipino presidents.

By all indications, President Marcos Jr. seems intent on pursuing a more results-oriented China policy, which negates both the Sino-philia of his immediate predecessor (Rodrigo Duterte), as well as the Sino-skepticism of more reformist presidents in the past.

China's infrastructure investment record in the Philippines has been, at best, a mixed bag, if not an utter failure. Under the Gloria Macapagal Arroyo (2001-2010) administration, flagship Chinese projects were mired in corruption scandals and anomalies, thus catapulting the late Benigno Aquino III, who ran on a good governance agenda, to power.

As for Duterte, a geopolitical novice upon ascension to power, he was seemingly taken for a ride. Six years into his presidency, hardly a single big-ticket Chinese infrastructure project—save for the deeply controversial Chico River Pump Irrigation Project—materialized, despite Beijing's pledge of \$24 billion in investments back in October 2016. In exchange for illusory pledges, the former Filipino president constantly downplayed China's intrusion into Philippine waters.

As erstwhile technocrat and current finance secretary Benjamin Diokno recently admitted, "There were a lot of promises but [not] much was delivered." Even Chinese ambassador to the Philippines Huang Xilian has admitted that bilateral relations need "tangible fruits."

Despite praising China as a "good friend" and the Philippines' "strongest partner," the Marcos Jr. administration has not only taken a consistently tough stance on the South China Sea disputes but has also pressed for a more results-oriented approach. Thus, inter alia, the decision to suspend a number of Chinese-backed zombie projects, namely the Subic-Clark Railway Project, the Philippine National Railways South Long-Haul Project, and the Mindanao Railway Project.

It remains to be seen, however, how Mr. Marcos' strategic reset will create a better outcome than his Sinophile and Sino-skeptic predecessors.

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