Philippines-China Relations at 45
During the COVID-19 Pandemic:
New Discoveries, Recent Developments,
and Continuing Concerns

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Chapter 10

CHINA'S PLACE IN THE PHILIPPINES' 'BUILD, BUILD, BUILD'

Lucio Blanco Pitlo III

Introduction

For the Philippines, infrastructure spending is not an option, it is an imperative. In a region of rapid growth and tremendous potentials, the race to build and rebuild infrastructure to enhance competitiveness has picked up in recent years. Owing to some advantages, China, despite being a latecomer into the fray, can have a transformative impact on the country's infrastructure space. However, political risks and security concerns pose challenges to this burgeoning role.

Regional Infrastructure Race

Infrastructure is the second of 12 pillars that contribute to a country's competitiveness, based on annual reports issued by the World Economic Forum. In this, the Philippines is alarmingly lagging behind its neighbors. It has one of Asia's highest power rates (Lectura 2018) and one of the world's slowest internet speeds (Mercurio 2019). Its internet service ranked poorly in terms of availability, affordability, and readiness. Because of its insularity, the country is already disadvantaged from the fast-growing connectivity taking place in mainland Southeast Asia. In fact, based on the *2019 Global Competitiveness Report* (Schwab 2019), Laos already ranked better than the country in terms of infrastructure, and Cambodia already fared better in terms of information and communications technology (ICT) adoption. Singapore, Malaysia, Brunei, Thailand, and even Vietnam already attained universal access to electricity. Even Laos already surpassed the country in this metric with 97.92 percent of its total population having access to electricity compared to the Philippines' 94.86 percent.

The country has one of the poorest overall quality of infrastructure and scored lowest in logistics performance among regional countries in over eight years (Ang 2020). Indonesia, a fellow archipelago, and Vietnam, for instance, are ahead of the country in terms of quality of trade and transport-related infrastructure. In ICT, Vietnam already boasts the region's second highest fixed broadband subscriptions per 100 people. Even Cambodia has more secure servers per one million people than the country. In fact, in many respects, the Philippines is no longer competing with its more advanced insular neighbors (Singapore, Malaysia, Brunei, Indonesia) but rather with traditionally less-developed CLMV (Cambodia, Laos, Myanmar, Vietnam) countries in mainland Southeast Asia with Vietnam pulling ahead. A late and slow pace, administrative bottlenecks, and intermittent top-level priority contribute to this laggard position. But it is not only that, others are simply just catching up fast.

The Philippines needs to commit to infrastructure building or risk getting left behind. Both the Philippine Development Plan 2017-2022 and the government's 10-Point Socio-Economic Agenda recognize this cross-cutting significance of infrastructure. From its inability to corner more tourist arrivals to the overconcentration of economic activities in its main island of

Table 1. ASEAN Countries by Infrastructure Metrics

	Access to Electricity			Investment in energy with private participation (current USD), 2019	Investment in transport with private participation (current USD), 2019	Investment in water and sanitation with private participation (current USD), 2019	Logistics performance index: Quality of trade and transport-related infra (2018)**	Global Transport infra (2019)		Global Utility infra (2019)		Global Infra (2019)	
	Percent of pop (2018)	*Percent of rural pop (2018)*	*Percent of urban pop (2018)*					*Score*	*Rank*	*Score*	*Rank*	*Score*	*Rank*
Singapore	100	100	100	..	..	..	4.06	91.7	1	99.2	5	95.4	1
Malaysia	100	100	100	95,030,000	..	..	3.15	66.4	29	89.7	51	78	35
Brunei	100	100	100	..	..	..	2.46	47.8	77	92.3	45	70.1	58
Thailand	100	100	100	1,653,340,000	..	..	3.14	56.8	53	78.9	90	67.8	71
Indonesia	98.51	96.81	99.88	290,000,000	2,903,430,000*	82,380,000	2.89	56.1	55	79.4	89	67.7	72
Vietnam	100	100	100	3,287,680,000	1,025,050,000	159,140,000	3.01	52.2	66	79.6	87	65.9	77
Laos	97.92	97.08	99.49	49,000,000	5,700,000,000	..	2.44	45.3	87	73.2	97	59.2	93
Philippines	94.86	92.51	97.51	52,500,000	1,733,250,000	32,070,000	2.73	41.5	102	74.1	96	57.8	96
Cambodia	91.55	88.97	100	100,210,000*	..	..	2.14	42.4	96	67.4	107	54.9	106
Myanmar	66.26	54.82	92.24	293,000,000*	104,000,000*	..	1.99	..	..	..	..	..	..

*2018 **1-low to 5-high; pop (population); infra (infrastructure)

Source: World Development Indicators (World Bank), *2019 Global Competitiveness Report,* World Economic Forum.

Table 2. ASEAN Countries by Information and Communication Technology (ICT) Metrics (2019)

	Fixed broadband subscriptions	Fixed broadband subscriptions (per 100 people)	Fixed telephone subscriptions	Fixed telephone subscriptions (per 100 people)	Mobile cellular subscriptions	Mobile cellular subscriptions (per 100 people)	Secure Internet servers	Secure Internet servers (per 1 million people)	Global ICT adoption score	Global ICT adoption ranking
Singapore	1498100	25.8	1905800	32.8	9076700	156.4	698581	122481.4	87.1	5
Brunei	54195	12.5	86590	19.9	557398	128.6	455692	1683.847	75.4	26
Malaysia	2964500	9.3	6474400	20.3	44601400	139.6	214828	6723.928	71.6	33
Vietnam	14802380	15.3	3658005	3.8	136230406	141.2	250511	2596.989	69	41
Thailand	10108819	14.5	2614000	3.8	129614000	186.2	97741	1403.809	60.1	62
Cambodia	184379	1.1	56445	0.3	21418681	129.9	2626	159.2814	55.4	71
Indonesia	9411805	3.5	9477137	3.5	345025155	127.5	455692	1683.847	55.4	72
Philippines	4178822	3.9	4165209	3.9	167322432	154.8	12035	111.315	49.7	88
Laos	76280	1.1	1490831	20.8	4362183	60.8	224	31.24366	44.2	102
Myanmar	129050*	0.2*	520863*	0.9*	61143964*	113.8*	663	12.26746	..	..

*2018

Source: World Development Indicators (World Bank), *2019 Global Competitiveness Report,* World Economic Forum.

Table 3. Projected Transport Infrastructure Investment of Selected ASEAN Countries

(in USD billion at 2015 prices)

	2015	2020	2025
Indonesia	24	31	40
Vietnam	6	11	17
Malaysia	4	6	7
Singapore	4	5	6
Thailand	6	4	5
Philippines	3	4	6

Source: Oxford Economics (PricewaterhouseCoopers 2017); https://www.pwc.com/sg/en/publications/assets/cpi-mas-1-infrastructure-opporuntities-in-asean-201709.pdf

Luzon, inadequate infrastructure limits the country's potentials. Not only will it constrain growth going forward, it will also erode the country's competitiveness relative to its peers.

Prof. Alvin Ang, director of Ateneo Center for Economic Research and Development, argued that failure to close the infrastructure gap may also prevent the country from making the most of its "demographic sweet spot," a period of high labor age population and lower proportion of dependents (2020). It is a generational window of opportunity that should not be missed. Hence, the stakes are high for the government's multi-year "Build, Build, Build" program.

The country's historic high BBB+ credit rating (Lucas 2019) obtained last year is a valuable asset in this infrastructure drive. This investment grade rating was sustained by S&P ("S&P Affirms," 2020) and Moody's ("Rating Action," 2020) despite the onset of COVID-19. This said, even its neighbors Indonesia and Vietnam, which have lower ratings, are ramping up public works spending (Ang 2020). Underscoring its importance to regional countries, work on some priority projects continued amid the pandemic. With the easing of lockdowns, work on other projects has since resumed – in itself an important driver for economic recovery. China-backed projects in the Philippines, for instance, are already back at 80 percent capacity by early August (Lee-Brago 2020).

China's Role: Perils and Promise

China plays an increasingly important role in Philippine infrastructure development. From funding just three flagship projects approved by the National Economic Development Authority-Investment Coordination Committee (NEDA-ICC) in 2017, it increased to 16 by July 2019 – 12 under implementation and four under project development. It is the biggest portfolio increase among all foreign funders. For projects under implementation, two are financed through grants and the rest are loans (see Table 4 for the list of projects).

While China's Belt and Road initiative (BRI) may mean different things to different countries, its stated connectivity goal has clear convergence with the Philippines' "Build, Build, Build." Questions as to whether the country is included or excluded from BRI was already settled when both sides signed a memorandum of understanding (MOU) on Belt and Road Cooperation (Vergara 2018) during the visit of President Xi Jinping to Manila in 2018 and the attendance of President Rodrigo Duterte in the first and second BRI forums in Beijing in 2017 and 2019, respectively. The rest of the ASEAN is also on board this undertaking, signing similar MOUs and dispatching their national leaders to attend the two high-level summits hosted by Beijing. From the Philippines' perspective, China, in relation to infrastructure, possess some advantages. This includes its offer for concessional loans, its ability to rapidly commit large amounts of money, responsiveness

Table 4. Chinese-backed flagship infra projects in the Philippines as of July 2019

Implementing Agency	*Project Title*	*Project Description*	*Fund Type/ Source*	*Total Project Cost (PhP Million)*	*Target Start of Implementation*	*Target End of Implementation*	*Project Milestone*
DPWH	Camarines-Catanduanes Friendship Bridge (Nationwide Island Provinces Link Bridges)	Construction of a 10.7-km, 2-lane tourism friendship bridge with Tourism Complex Midway, connecting San Andres, Catanduanes and Caramoan Peninsula, Camarines Sur	ODA	22,030.16	2020	2023	Project Development
DPWH	Davao City Expressway Project	Construction of 23.3 km expressway within Davao City proper, connecting the Sta. Ana Port near the outskirts of the city proper in Panacan Road and Carlos P. Garcia National Highway	ODA	24,500.00	2021	2026	Project Development
DOTr	Mindanao Railway Project (MRP Phase 2)	The project will extend MRP line to Butuan by a length of 206.20 kms. The whole alignment, or the Butuan-Nabunturan-Davao Corridor extended to Digos, will have a total of 308.48 kms.	ODA	71,631.63	TBD	TBD	Project Development
DOTr	Mindanao Railway Project (Phase 3)	Construction of a 521.52-km railway, completing the loop of the MRP system, i.e., MRP-1.	ODA	TBD	2020	TBD	Project Development

Implementing Agency	*Project Title*	*Project Description*	*Fund Type/ Source*	*Total Project Cost (PhP Million)*	*Target Start of Implementation*	*Target End of Implementation*	*Project Milestone*
DPWH	Ambal-Simuay River and Rio Grande de Mindanao River Flood Control Projects	Construction of various flood management infrastructures such as dikes/revetments and flood gates, and conducting channel dredging among others.	China (Loan)	39,219.68	2020	2024	Procurement
DPWH	Beata-F. Y. Manalo Bridge (initially submitted as Pandacan-Sta. Ana Bridge)*	Construction of a 637-m (of which, main bridge is 165 m), two-lane (with 3 m sidewalks), three-span Prestressed Concrete Box Girder Bridge to connect Beata side (Beata Street and Padre Jacinto Zamora Street) and Manalo side (Felix Manalo Street). The proposed bridge will be between Pandacan Bridge and Lambingan Bridge.	China (Loan)	1,386.61	2021	2023	Budgeting /Financing
DPWH	Blumentritt-Antipolo Bridge*	Construction of a 364-m (of which, main bridge is 87 m), two-lane Nielsen Arch Bridge to connect Makati side (Antipolo Street) and Mandaluyong side (Coronado Street). The proposed bridge will be between Lambingan Bridge and Makati-Mandaluyong Bridge.	China (Loan)	1,103.34	2021	2023	Budgeting /Financing

Implementing Agency	*Project Title*	*Project Description*	*Fund Type/ Source*	*Total Project Cost (PhP Million)*	*Target Start of Implementation*	*Target End of Implementation*	*Project Milestone*
DPWH	East-West Bank Bridge 2*	Construction of a 929.8 m (of which, main bridge: 254.5 m), 4-lane (2-lanes per direction with 3m sidewalks), 3-span Steel Lohse Arch Bridge to connect Eastbank Dike Road and Westbank Dike Road in Cainta, Rizal. The proposed bridge will be between Legaspi Bridge and Barkadahan Bridge.	China	3,176.25	2020	2023	Budgeting /Financing
DPWH	North and South Harbor Bridge (initially submitted as Robinson Bridge)*	Construction of a 2,026 m (of which, main bridge: 300 m), 4-lane (2-lanes per direction with 3m sidewalks), 3-span Pre-stressed Concrete Cable Stayed Bridge to connect North Harbor and South Harbor side over Pasig River with approach bridges overcrossing the roads adjacent to both banks at PAROLA and BASECO areas. The proposed bridge is parallel to the Roxas Jr. Bridge.	China (Loan)	8,029.53	2021	2023	Budgeting /Financing

Implementing Agency	*Project Title*	*Project Description*	*Fund Type/ Source*	*Total Project Cost (PhP Million)*	*Target Start of Implementation*	*Target End of Implementation*	*Project Milestone*
DPWH	Palanca-Villegas (2nd Ayala) (initially submitted as Ayala Bridge)*	Construction of a 438.1 m (of which, main bridge is 125 m), two-lane (with 3m sidewalks), two-span Prestressed Concrete Extradosed Bridge to connect Villegas side (A. Villegas Street) and Palanca side (Carlo Palanca Street). The proposed bridge will be between Quezon Bridge and Ayala Bridge.	China (Loan)	1,595.49	2019	2023	Budgeting /Financing
DOTr	PNR South Long-haul (Manila-Bicol)	Construction of a 639-km, which will traverses the following sites: a) Manila; b) Los Baños, Laguna; c) Lucena, Quezon; d) Gumaca, Quezon; e) Naga, Camarines Sur; f) Legaspi, Albay; g) Sorsogon City, Sorsogon; h) Matnog, Sorsogon; and i) Batangas City.	China (Loan)	175,318	2019	2023	For ICC re-evaluation
DOTr/BCDA	Subic-Clark Railway Project	Construction of a 71.13-km rail located in the western section of Central Luzon running on an exclusive ROW parallel to SCTEX with some sections adjacent to it. It is divided into two major sections: a) Mainline, a 64.19-km railway connecting Subic Bay Freeport Zone and Clark Freeport Zone; and b) Spur Line, a 6.94-km railway connecting Subic Bay Port, New Container Terminal to Mainline.	China (Loan)/ GAA	50,031	2019	2022	Procurement

Implementing Agency	*Project Title*	*Project Description*	*Fund Type/ Source*	*Total Project Cost (PhP Million)*	*Target Start of Implementation*	*Target End of Implementation*	*Project Milestone*
DPWH	Binondo-Intramuros Bridge	Construction of a four-lane, 725-l.m. deck connecting Intramuros (Solana Street and Riverside Drive) and Binondo (San Fernando Street) through a new Steel Bowstring Arch Bridge (90 km) and viaduct	China (Grant)	4,607.04	2018	2021	Ongoing Construction
NIA	Chico River Pump Irrigation Project	Installation of electric motor-driven pumps; construction of pumping station and appurtenant structures; and construction of irrigation canals, facilities, and other appurtenant structures. The project will irrigate around 8,700 hectares, benefiting about 4,350 farmers, thereby serving 21 barangays from Tuao and Piat in Cagayan, and Pinukpuk in Kalinga.	China (Loan)	4,372.90	2018	2021	Ongoing Construction

Implementing Agency	*Project Title*	*Project Description*	*Fund Type/ Source*	*Total Project Cost (PhP Million)*	*Target Start of Implementation*	*Target End of Implementation*	*Project Milestone*
DPWH	Estrella-Pantaleon Bridge	Replacement of existing two-lane bridge with four-lane bridge (143.2 km) and approach connecting Rockwell Center, Makati City and Barangka Ibaba, Mandaluyong City for a total length of 358 km	China (Grant)	1,367.04	2018	2021	Ongoing Construction
MWSS	New Centennial Water Source-Kaliwa Dam Project	The New Centennial Water Source-Kaliwa Dam Project is an integrated system that includes the 600 million liters per day (MLD) Kaliwa Dam, its intake and other appurtenant facilities, and a 2,400 MLD capacity raw water conveyance tunnel.	China (Loan)	12,200.01	2019	2023	Procurement

*Part of the Pasig-Marikina and River Manggahan Floodway Bridges Construction Project

Legend:
- BCDA (Bases Conversion and Development Authority)
- DOTr (Department of Transportation)
- MWSS (Metropolitan Waterworks and Sewerage System)
- ODA (Overseas Development Assistance)
- DPWH (Department of Public Works and Highways)
- NIA (National Irrigation Authority)
- ICC (Investment Coordination Committee)
- TBD (To be determined)

Source: National Economic and Development Authority.

to timelines, and greater resourcefulness in dealing with external factors affecting project formulation and implementation and edge in terms of technology, equipment and materials, and human resources (Ang 2020).

However, Chinese-backed projects also suffer from criticisms. Some of these are not endemic to China. Large infrastructure projects such as dams impact the environment and ancestral domains of indigenous communities and reclaiming railway routes, especially in urban areas, may necessitate evicting informal settlers. These consequences hold regardless of who is underwriting the project. The challenge is to mitigate the harm to the environment and compensate affected communities while serving the larger purpose of delivering public goods, e.g., water security, faster and more efficient transportation.

But several factors also make Chinese companies uniquely more risk-prone and vulnerable to unsound practices such as poor due diligence and corruption. This includes heavy state backing, weak oversight, and the frenzied rush to bag more projects. The botched 2007 National Broadband Network deal, involving Chinese telecoms firm ZTE, is a case in point ("What Went Before," 2018).[1] Beijing has yet to establish a track record of penalizing Chinese enterprises involved in corruption and violations of environmental standards abroad. On the upside, earlier backlash is increasing local labor recruitment and community engagement among Chinese firms (Liu 2020). The United States' sanctions on Chinese telecommunications (e.g., Huawei) and infrastructure (e.g., those involved in building artificial islands in the South China Sea) companies present new challenges for BRI (Swanson 2020). Security concerns also hound Chinese projects. This arises from sectors Chinese investments enter and the proximity of

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[1] To see the 2009 Senate Report on the controversial deal, visit http://legacy.senate.gov.ph/lisdata/1293411633!.pdf

some investments to Philippine military facilities. State-owned State Grid Corporation of China holds a 40 percent stake in the country's national grid. State-owned China Telecom is the foreign partner of the country's third and newest telco player, DITO Telecommunity, which recently got the green light to build cell sites within military bases already hosting such facilities (Cruz 2020). Despite calls by some lawmakers to scrap the deal, the Armed Forces of the Philippines sees low risk (Lopez 2020) in allowing DITO to co-locate towers inside army camps – an arrangement already being done with the existing two players and meant to enhance the security of such infrastructure, a prime target of rebel attacks and extortion.

Huawei has long been an equipment supplier to domestic telco providers with the Chinese tech giant backing the rollout of 5G service by the duopoly of Globe (Morales 2019) and Smart (Venzon 2020). Although a probe launched by the Philippine National Police, in coordination with overseas law enforcement agencies, find no evidence of the firm engaging in espionage (Power 2019), apprehension remains. Another Chinese tech firm added in the US entity list ("Addition," 2020), Fiberhome, also partnered with Globe to increase the country's data and fixed wireless broadband capacity ("Globe Inks," 2016).

In terms of transport infrastructure, a Chinese company partnered with a local firm and won a contract to build a new airport (Cordero 2020). But while it can relieve congestion in Manila's Ninoy Aquino International Airport (NAIA), its proximity to a naval and air base in Cavite raised concerns. China will also be funding the construction of a railway that would link Subic and Clark in the main island of Luzon (Cahiles-Magkilat 2020). But while the project will enhance the connectivity of two important economic zones, Subic also hosts a major naval base along with a deep seaport and Clark is also the site of an air base along with an international airport. Chinese investors also expressed interest to acquire the distressed Hanjin shipyard

(Morales and Lema 2019) in Subic and to develop offshore islands in Subic Bay and Fuga (Mangosing 2019), a strategic island between northern Philippines and southern Taiwan.

Because of unresolved territorial and maritime disputes in the West Philippine Sea and threats of espionage, many remain uneasy about Chinese investments. A 2017 National Intelligence Law, which requires Chinese citizens, organizations, and companies to cooperate in the state's intelligence gathering work (Tanner 2017), raised serious concerns about engaging Chinese telco firms and cast doubts over the security of data that passes through Chinese communications gear or networks. Suspicion is particularly rife in the security establishment and some members of Congress and Senate. This led the country to turn down Chinese offers that may risk national security.

For instance, an Australian-American consortium favored by the Philippine Navy – not Chinese companies – are likely to take over the Subic shipyard (Robson 2020). Chinese proposals for Subic's offshore islands were stalled (Sison Jr. 2019) and an agreement with a Fujian-based company for investment promotion lapsed without garnering Chinese investment to develop Fuga (Rosales 2020). In fact, foreign interest in Fuga even led the country to set aside part of the island for the establishment of a future naval base (Mangosing 2020). Some lawmakers also demand a review of other Chinese investments in the country to ensure that the country's national interests are not being compromised (Romero 2018; Fernandez 2019). Even a Chinese stake at the country's power grid acquired way back in 2009 does not escape scrutiny (Domingo 2019).

It is important for the Philippines to strike the balance between courting Chinese capital to serve its infrastructure needs and protecting its security interests. It is not alone in that predicament and growing US-China tensions do not help. Hence, there is value in learning from its neighbors which also share territorial and maritime disputes with China over the South China Sea, but nonetheless continue to welcome Chinese infrastructure investments. Malaysia and Indonesia offer valuable lessons in this regard. Despite US sanctions, Chinese companies continue to do business in the region. This includes Chinese companies which have become targets of a US global boycott campaign like Huawei and, just recently, subsidiaries of infra behemoth China Communications Construction Company, among others.

Whether a stronger US pressure or enticing inducements, especially from an incoming White House administration, can change this openness to Chinese investments remain to be seen. Regardless, the actions taken by its neighbors should help inform Manila how to calibrate its strategy given developments in the contested sea and the growing gulf between the region's two most important partners.

As Chinese investment in the country grows, ensuring that national security is not being jeopardized is critical. Beijing's increasingly assertive posture in disputed maritime spaces and resort to economic statecraft made regional countries cautious of overexposure to China, creating dilemmas in engaging the world's second largest economy. In this regard, it is important to assess the nature of the risk posed by a potential Chinese investment, how grave it is and whether it can be mitigated. A case-by-case evaluation, not a *carte blanche* rejection, is prudent.

For instance, while a national security case can be made for power grid and telecommunications, other projects such as roads, bridges, industrial parks, railways, dams, and ports are deemed safer bets. This is especially so as China had been doing these projects elsewhere in the region even among South China Sea littoral states. In Malaysia, China's portfolio includes a port and industrial park in Kuantan and the East Coast Rail Link project. In Indonesia, notable projects include the Jakarta-Bandung high-speed railway project, dams in Borneo (Kayan River) and Sumatra (Batang Toru), and industrial parks (e.g., China-Indonesia Economic and Trade Cooperation Zone in greater Jakarta, Morowali in Sulawesi). In Vietnam, China also invested in industrial parks (e.g., Long Jiang Industrial Park in Tien Giang province, Vietnam-China Economic & Trade Cooperation Zone in Haiphong). While concerns have been raised about PLA Navy ships getting access to Chinese-built ports, this matter is likely the subject of separate negotiations to which the country can decline if it thinks it is in its interest to do so.

Even with the telecommunications or power grid (Pitlo 2020), measures can be made to minimize risks. This includes bringing in other foreign investors into a consortium that would build or operate critical infrastructure to dilute Chinese influence. Another option is to get external experts who can competently undertake an impartial information or infra security audit to identify vulnerabilities and recommend remedial measures. Domestic private telco company Globe, for instance, hired British and Israeli consultants who gave a "clean bill of health" to Huawei, greenlighting the company's move to rollout 5G service using Huawei gear (Chua 2019).

The government can also acquire a controlling stake on the investment or allocate shares for the Filipino investing public. Spreading out projects to as many partners gives shape to the saying, "Do not put all your eggs in one basket." For instance, while Indonesia gave the Jakarta-Bandung railway project to China, it awarded the much longer Jakarta-Surabaya railway line to Japan. The country apparently took a similar approach, giving the Philippine National Railways-South project to China while letting Japan build Metro Manila's first subway system (Ramos 2020).

While wary of possible risks associated with some Chinese projects, the country should also recognize the dangers that comes with overly securitizing Chinese investments. China is a major player in the global infrastructure market leveraging enormous financial, material, and engineering capacities to competitively deliver a broad range of turnkey projects. Despite being a perennial source of irritant in ties, the South China Sea row, in itself, does not constitute an impediment for the region to engage its big northern neighbor in this front.

The heavy involvement of China in the burgeoning regional infrastructure market attests to this. In addition, while the flashpoint represents the region's most pressing security challenge as reflected in numerous ASEAN official communiques and statements, members still attach varying degrees of importance to the issue and harbor different threat perceptions of China. Therefore, they employ different strategies in dealing with the promise and peril of living next to a rising superpower. This holds true even, if not more so, among claimant states.

Aside from security concerns, political risk is another major hurdle for Chinese infrastructure investments in the Philippines. Such risk dampen interest for long-term big-ticket projects as policy swings that comes with leadership changes send jitters to investors. If the new government comes from a rival political camp, projects associated with the previous government are in danger of getting scuttled. This affects investor confidence in the country.

Big projects take time to complete. For instance, most projects completed were conceived as early as the Arroyo administration (Ang 2020). As several of the "Build, Build, Build" projects may not be completed before President Rodrigo Duterte steps down in 2022, policy continuity is crucial in sending the right signals to foreign capital. For the Philippines, there is a need to insulate agreed projects from domestic partisan politics and protect the sanctity of contracts. So long as due diligence was done and relevant laws (e.g., on procurement) were observed, upending contracts, especially if no viable alternatives are in place, should be shunned. Otherwise, it may lead to costly arbitration and reputational damage for the country, not to mention further delaying the country's connectivity targets.

The North Rail project, which got off track in the transition from the Arroyo to the Aquino administration, is a case in point (Landingin 2013). At the time the deal was signed in 2004, it was China's largest ODA project in the region. Alleged irregularities led to its suspension and eventual cancellation leading to a five-year long case that ended in an amicable settlement only in 2017, sparing the country from further legal fees and damages (Dela Paz 2017). But, more than the financial costs, it dealt a huge setback to the country's efforts to decongest its capital city and better connect with adjacent provinces to the north (Landingin 2012). Sixteen years after ditching the deal, an alternative is still nowhere in sight and commuters along the railway's proposed route continue to struggle in their daily commute.

Conclusion

In sum, a lot is at stake in the country's "Build, Build, Build" program. As competition heats up to corner more foreign capital exiting China because of the trade war and rising production costs in the mainland, regional states with better infrastructure like are well positioned. To get its fair share of the pie and keep up with its own growing demand, the Philippines has to step up public works spending. Losses due to traffic ("PH Loses P3.5B," 2018) and mounting people's frustration over commuting and poor telco services also feeds into the popular desire to upgrade the country's infrastructure. With demand for communications and internet surging amid the pandemic, President Duterte even echoed such frustration in his fifth State of the Nation Address last July, demanding domestic providers to improve service or face grave consequences (Salaverria 2020).

In its bid to revamp its infrastructure, the Philippines has to remain open to traditional and new partners, local and foreign, including China. However, security concerns and political risks may hamper bilateral cooperation on this field. In striking the proper balance between meeting its massive infrastructure demand and protecting its national security interests, the country should take a long view and reflect on the experiences and approaches pursued by its neighbors. It must better evaluate investment risks, determine their severity, and ascertain ways to mitigate them. Avoiding or managing such risks may pose challenges, but success can keep the momentum of the country's "Golden Age of Infrastructure."

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