

## Chapter 11

# PHILIPPINE PARTNERSHIP WITH CHINA'S BELT AND ROAD INITIATIVE: LESSONS FROM THE PHILIPPINES' OFFICIAL DEVELOPMENT AID EXPERIENCES

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## Introduction

The memorandum of understanding between the governments of the Republic of the Philippines and the People's Republic of China on the Belt and Road Initiative (BRI) cooperation had been signed and will remain in effect until 2022. Both the Philippines and China agreed on the idea that economic progress and development need not be a zero-sum game and can be achieved through efforts in aiding developing countries “to help build stronger economies and therefore richer markets for the commercial and cultural exchanges.” This has marked the beginning of a relationship which undergirds win-win cooperation and shared destiny.

These mutually-beneficial arrangements, specifically on infrastructure, has been seen to be in line with the Philippines' administration program called “Build Build Build.” Entering the

Age of Infrastructure, it aims to build 75 infrastructure projects, including roads, bridges, airports, sea ports, and railways. Through the years, the Philippines has had many key partner countries to assist them in building infrastructure through the Official Development Aid (ODA).

While ODA has proven to be successful, it wasn't without turbulence. The past issues may shed some light upon future partnerships. This paper aims to answer what are the key issues of Philippine ODA in infrastructure? What are the lessons learned from these past relationships? How can this be applied in the relationship between China and the Philippines' involvement in the Belt and Road Initiative? Given the lessons learned from previous ODA assisted projects and past international political and economic relationship, this paper posits that this arena of international political economy – Belt and Road Initiative – can thrive between the Philippines and China.

## **The Philippines and the BRI**

The BRI upholds the principles of “mutual respect for territorial integrity and sovereignty, and complete transparency in their common endeavors to expand mutually beneficial cooperation” to realize sustainable development and common prosperity among participating nations. For the Philippines and China, BRI has marked the beginning of a relationship which undergirds win-win cooperation and shared destiny.

The BRI cooperation will be done on five fronts: policy dialogue and communication, infrastructure development and connectivity, cooperation on trade and investment, financial cooperation, and social-cultural exchanges. The means would be through the following modes: high-level visits; exchanges and dialogues among stakeholders; pilot programs, research

and development; capacity building and training in key areas; and investment and financial support for projects and programs agreed to by the participants. This is done “to ensure the efficient and successful implementation of this understanding on the basis of free market principles and mutually-beneficial arrangements.”

These mutually beneficial arrangements, specifically on infrastructure, have been seen to be in line with the Philippine administration program, “Build Build Build.” It aims to build 75 infrastructure projects including roads, bridges, airports, sea ports, and railways. By 2022, 28 projects are set to be completed and over USD 180 billion investment is expected. Moreover, the government will cut overseas deployment of construction workers by 90 percent. This plan resonates with efforts by regional countries to invest in their infrastructure to spur development and increase competitiveness. Regional connectivity initiatives such as BRI, new lending institutions like Asian infrastructure Investment Bank and longstanding steady partners like Japan and the Asian Development bank will be very valuable as the Philippines embarks on its Golden Age of Infrastructure.

The Philippine Development Plan (PDP) 2017-2022 lays out the development plan which aims for a strong foundation for inclusive growth, higher trust society, and a globally competitive community. Part of this plan is considering the Sustainable Development Goals (or SDG 9) Industry, Innovation, and Infrastructure, of which this paper is concentrating on is infrastructure.

Key partners of the Philippines in the Build Build Build program were China, Japan, and Korea. The Japan-Philippines economic partnership has been in place for six decades to boost capital formation for particularly infrastructure projects. It resulted in seven major projects, including subway lines, highways, and ports. Japan emerged as the top donor in the Philippines for ODA. In

2018, National Economic Development Authority (NEDA) said that Japan's ODA accounts for 41.2 percent of the country's overall ODAs. A robust relationship surrounded the two countries and other ODA partners, yet, not without turbulence. It has faced various problems due to domestic issues in the Philippines such as peace and order, backlogs of projects, inefficient management, securing bidding processes for procurement regulations and compliance with implementing procedures. These problems were overcome through time but some persist to hinder the pace of the growth and capital invested in infrastructure.

For many decades, the Philippines and Japan have engaged in loan agreements in the form of ODA. This experience has been very beneficial for infrastructure development across the country, yet, not without turbulence. What are the key issues of Philippine ODA in infrastructure? What are the lessons learned from this relationship? How can this be applied in the relationship between China and the Philippines' involvement in the Belt and Road Initiative? Taking the experience of ODA-assisted projects and the Philippines, one would consider a productive and vigorous international political economic partnership and cooperation between China and the Philippines with respect to the infrastructure projects of the Belt and Road Initiative.

## **Application of Lessons Learned to the Partnership of the Philippines and China**

Wang (2016) outlines five key pillars on how to carry out pragmatic cooperation: 1) policy communication, 2) facility connectivity, 3) unimpeded trade, 4) money circulation, and (5) understanding between peoples. These are the key guidelines that he has stated in order for the Belt and Road Initiative to achieve its purpose of a shared community built on common destiny and

prosperity. And the focus of this paper is facility connectivity, specifically infrastructure.

Facility connectivity, according to Wang (2016), should have four areas for connection. They are as follows: transport infrastructure, port infrastructure, energy infrastructure, and main line networks for communications such as cross-border optical cable. This is in line with the second part (areas of cooperation) of the memorandum of understanding between the Philippines and China on the BRI in 2018, which states that there will be cooperation on infrastructure development and connectivity. “The participants will encourage infrastructure cooperation and interconnectivity in the transportation, telecommunication and energy sectors, and other areas of mutual interest.” And in order for this to be realized, it is imperative to identify the previous issues faced with almost similar infrastructure projects such as ODA-assisted infrastructure projects in the Philippines.

The implementation issues from the previous ODA especially for infrastructure projects were the in the following key areas: 1) site condition/ availability, 2) procurement, 3) government/ funding institution approvals, 4) performance of contractors/ consultants, and 5) project management office manpower/ capacity. These were mentioned in Table 7 (Key Areas and Issues) experienced by projects funded by official development aid although limited to these areas because of the focus and its nature is on infrastructure.

Moreover, in the Compendium of Project Lessons Learned Logs for ODA loan-assisted infrastructure projects, this study drew out important lessons on how to respond to the issues. Financing, scope, time and cost, procurement, and risk management were the top lessons learned for 2017. And from the personal interview with the Public Investment staff of National Economic Development Authority (NEDA), the foreseen concerns with

Chinese ODA loans or BRI partnership are feedback mechanisms, OECD parameters, planned vs. actual results. Lastly, Darlene Estrada (2018) pointed out that the “Philippine government could enhance implementation by focusing on improvement of project designs including the technicalities of contracts, the accountability of implementing and partner institutions and the execution of corruption-free processes.”

Given these results, it is clear the bilateral foundation for the Philippines and China has been strong. The issue it might face in furthering the agreement is implementation. Hence, the drawn-out lessons learned are on 1) strengthen planning, 2) constant monitoring, and 3) transparent evaluation. Through this streamlined process of implementation, the lessons learned can be holistically applied to the future of the Belt and Road Initiative Infrastructures in the Philippines.

First, strengthened planning should entail cooperation and open communication between contractors and the implementing agency. “Differences in legal frameworks, possible incompatibility of technical specifications, language barriers, and other forms of operational risks must be looked into (Estrada 2018).” There ought to be first common ground on the language being spoken, so it is suggested to have translators per project. Early planning is also crucial as a part of this segment.

Second, constant monitoring should provide a report in line and that matches the pre-approved plan. The Project Monitoring Office should have a progress report in accordance with the timeline, perhaps every month of activities completed. This should be done on both parties as well, by the contracted organization and the PMO as well to see matching reports. Republic Act 9184 also states, “Public monitoring of the procurement process and the implementation of awarded contracts with the end in view of guaranteeing that these contracts are awarded pursuant to the provisions of this Act and its implementing rules and regulations,

and that all these contracts are performed strictly according to specifications.”

Third, transparent evaluation should include all the accurate reports of problems occurred and issues faced. This is in line with the Republic Act 9184 which states that “transparency in the procurement process and in the implementation of procurement contracts.” This is an imperative document to be published due to the goal of good governance in the same Republic Act. The aforementioned steps are critical, because there is a need to avoid the aforementioned issues in financing, site availability, procurement, performance of contractors and project management office manpower and capacity. The three-pronged plan responds directly towards these issues.

Moving forward, strengthening planning is inclusive of people-to-people linkages and open communication, constant monitoring is a wide-range of responsibilities that ought to be consistent and third, transparent evaluation is a step toward corruption free dealings and becomes a source for future cooperation with China and other countries. It provides a clear-cut framework that considers all aspects of previous lessons learned as well as foreseen issues. Ultimately, when these three steps and lessons learned are applied to the BRI partnership between the Philippines and China, there is a higher possibility of running smoothly and preventing issues that it can face.

The application of international political economy on ODA experience of the Philippines, the application of international political economy to the BRI-Maritime Silk Road Partnership between China and the Philippines, and the key issues from the ODA experience of the Philippines and application of lessons learned to the partnership of the Philippines and China have demonstrated the success rates of ODA Philippines’ past experiences. It also evidently showed that the international political economic relations can thrive in the Belt and Road

Initiative-Maritime Silk Road involvement and the lessons learned have been applied to prevent issues to be faced in the future projects.

## **Conclusion**

China's policies on Asia Pacific Security Cooperation outlines what it considers as a win-win strategy towards peace and prosperity brought about by security and development. This is undergirded by the five principles of coexistence: mutual respect for each other's integrity and sovereignty, mutual non-aggression, mutual non-interference in each other's internal affairs, quality and cooperation for mutual benefit, and peaceful co-existence. China seeks a partnership with the Association of Southeast Asian Nations (ASEAN) to achieve its goals through implementing a holistic approach in fields of economy, multilateral cooperation, and peaceful resolutions. China supports the economic regional integration of ASEAN and the United Nation's Agenda for Sustainable Development.

Moreover, China established the Belt and Road Initiative as the main infrastructure funding institution and put up the Asian Infrastructure Investment Bank and the Silk and Road Fund to bring funding for common development around the world according to its vision. China also sees itself as a facilitator of dialogue between nation-states and views itself as pursuing equal partnerships and inclusiveness to promote multilateralism. China claimed it has also been using frameworks and international law such as the Declaration of Conduct (DOC) in the South China Sea issues, UN Convention on the Law of the Sea (UNCLOS) and the UN for rule-setting and compliance, regardless of how different its interpretation of these are with other nation-states. Military activities and trainings between the region's countries are also encouraged by China for regional security and territorial



integrity. All envisioned under the framework of common, comprehensive, cooperative, and sustainable security. And this is how the so-called Chinese Dream is being realized.

Since President Xi Jinping assumed office in 2012, he has already placed the Chinese Dream center stage and has followed through on this promise. The dream, “Great renewal of the Chinese nation,” embodies the idea of the shared destiny and prosperity for the nation, the Chinese people, and the world. This community of shared interest is motivated by the self-recognition of its great history of bringing the world together through the silk route, moving forward from the perils of its past, a century of humiliation, and continuing the unparalleled rapid expansion of its economy. China’s policies on Asia-Pacific Security Cooperation is a long term and systemic project to pave the road for common prosperity in the region and the Philippines should exercise cautious optimism.

First, the Philippines and the Asia Pacific Region can expect China to deliver a lot of results. China is taking on a role as a global leader, and it is doing so by gaining recognition in various fields such as economy, technology, environment, tourism, and culture. The confidence in their economy has been sustained albeit the gradual decline from the double digit to single digit gross domestic product growth. The Chinese have proven themselves as innovators in the field of technology and have been steering away from the image of being counterfeiters. They have been leading in developing cars for the digital age powered by electricity and operated by artificial intelligence and other sensing technologies. Their digital Silk Road has already launched its three-year plan to compete with America’s Global Positioning System (GPS), which China calls Bei Duo (Big Dipper), with an investment of USD 25 billion and USD 174 billion on information infrastructure initiatives for high-speed internet.

Moreover, it has also recognized the need to cut down on carbon emissions and move towards environment friendly manufacturing processes. On tourism and culture, China has been investing resources into being recognized by United Nations Educational Scientific and Cultural Organization as the country, which would be listed as possessing the most world heritage sites. These efforts are all geared towards boosting their global image, hence, it can be argued that from a surface level standpoint, their commitment to the region is not merely lip service. Their grand plans can be met with difficulties, however, and at the minimum they cannot afford to fail to save face.

Second, the Philippines and other ASEAN member countries can benefit from accelerated cohesion. China's call for regional integration to respond to both traditional and non-traditional threats compels countries to create systematic responses to present issues. Beyond economic gains, cooperation between ASEAN and China can create a streamlined response on disaster relief, counterterrorism cooperation, combatting transnational crimes, cyber security and non-proliferation and disarmament. Given the common occurrence of typhoons in the Philippines, a structured response from the region can be of great help. Top international relief efforts came from distant countries, except Brunei, Bangladesh, China, and Japan.

Terrorist attacks have been a perennial issue in the Philippines (with ISIS-affiliated groups) and across Asia like Kashgar in Xinjiang, China. This problem is complex in nature, involving not only terrorism but religious extremism and separatism. Given the vast experience of Indonesia with Aceh and the Philippines with Mindanao (Moro Islamic Liberation Front), a free exchange of information and learning can be consolidated more efficiently to inform their preventive action plans. The war on drugs can be combatted by a collective regional effort to stop the movement of drugs around porous islands in Asia. Security in terms of arms

and nuclear weapons as well as in the web are areas, which are imperative to address. There is an impetus to act as a unit to ensure safety in the region.

Third, the Philippines can enhance its economy through the infrastructure projects. China recognizes the untapped potential in the Philippines like manpower and natural resources. Given the lack of ability to independently develop, infrastructure projects from the Belt and Road Initiative will create access between unconnected regions within the country and outside. This access will enable the people to make use of the untapped resources, thus more jobs and social mobility. Moreover, the spill over of technological knowledge is also an outcome of this project. This was seen when China solicited the help of Japan's Kawasaki and Germany's Siemens to develop their high-speed railways. Soon after, local engineers learned and improved on the technology they have obtained from the foreign companies. The digital silk road will also provide connectivity for the unserved needs in the country. This online connectivity will bring forth low cost business practices, ability to send help to far-flung areas and relaying of information. The convenience this can bring to the country will stimulate the economy and provide comfort to the lives of the people.

## **Caution**

In practicing caution, the Philippines and the region should assess their laws in foreign investments to ensure the protection of national interests. Reviewing their policies on foreign acquisition of companies should be a priority in the legislative sector of the country to prevent unwelcome and unwanted consequences. The Philippines and the countries with ongoing territorial disputes should recognize the dissonance in China's

position on areas of conflict. Lastly, it should be noted by the Philippines that it is the only ASEAN member country that is not mentioned in the white paper released in January 2017. Given this, the Philippines should remain vigilant with certain dealings with China.

Ultimately, this tempered positive outlook on China's role in the region is because it is in untested and uncharted waters. In the past, there has been an overwhelming reliance and preference for the United States' presence in the region. However, given their volatile political trajectory, trust in them has not remained strong. So, in looking at the long-term situation, China may start believing that regional states see US as no longer the country to seek out for economic wealth. China sees an opportunity for its imagined new world order by fostering better relations with neighbors and binding them together. “保合太和 *Bao he tai he* (Great harmony is preserved in union)” is sharing harmony but not sameness in seeking cooperation and integration.

A Chinese proverb that says, “If you want to get rich, first build a road (要想富先修路 *yao xiang fu xian xiu lu*),” has been interpreted as the physical road and infrastructure projects and even as the digital silk road. However, this road to a shared destiny is more than the tangible pavement, which links territories, it is a connection of peoples. It is imperative to look beyond the concrete but rather see it as progress and prosperity that requires relationship (關係 *guanxi*) and a sense of community built on trust, sincerity, and mutual benefit. And as the Filipino saying goes, “People gain strength by standing together (*Matibay ang walis, palibhasa'y magkabigkis*),” there should be a better understanding of China's strategic thought so that the Philippines can guard its interests while taking advantage of the opportunities that are available.

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