CONVERSATIONS ON THE GLOBAL SOUTH

Implications of China's Belt and Road Initiative on the Philippines

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REVITALIZING THE ANCIENT SILK ROAD

The ancient Silk Road had numerous way stations on land and sea that were trading hubs, such as Dunhuang in Gansu and Melaka on the Malay Peninsula, where merchants and travelers could stop over, proceed further, or return home. No single government dictated the flow of goods and services. Neither was there one powerful institution that monopolized the world's commercial transactions. There were many different players and most of them were non-governmental entities. The ancient Silk Road ushered in advances in technology together with the larger scale production of silk and other textiles, ceramics, paper, metallurgy, animal husbandry (as food and as beasts of burden), weaponry, standards of weights and measures, currency, medicine, writing systems, and literature. A wide variety of people engaged in the Silk Road trade. Of course, merchants and diplomatic contingents were most prominent, being organized and well-equipped. But there were those who travelled

on their own—armed men who hired themselves out as mercenary soldiers, craftsmen, transporters, priests and monks on pilgrimages to holy shrines, interpreters, amanuenses, story tellers, musicians, dancers, acrobats, healers, and thieves.

In revitalizing the ancient Silk Road that flourished from 200 BC to the sixteenth century, China decided to undertake measures to link countries through infrastructures both on land and sea. The One Belt One Road (OBOR) or Belt and Road Initiative (BRI) for short was proposed by President Xi Jinping in October 2013 during his speech before the Indonesian Parliament. According to President Xi Jinping, China aims to promote peace. He is confident and optimistic that through goodwill and mutual trust among all countries peace can be achieved. Furthermore, he states that China is steering the world in "the path of more peaceful, more equitable global governance. . . . [W]e must keep our hopes high for a harmonious world" and "seek areas of common interest. . . . Peace loses because of mutual distrust and the subordination by the rich and powerful over the weak and poor." Thus, the proposed BRI is one of the means "to build a community with a shared future for mankind and create a more beautiful world" (*CGTN News*, May 12, 2019).

At the Bo'ao Forum for Asia on March 29, 2015, President Xi Jinping expressed the guiding principles that propel the BRI.

> The Chinese economy is deeply integrated with the global economy and forms an important driving force in the economy of Asia and even the world at large. . . . China's investment opportunities are expanding. Investment opportunities in infrastructure connectivity as well as in new technologies, new products, new business patterns, and new business models are constantly springing up . . . China's foreign cooperation opportunities are expanding. We support the multilateral trading system, devote ourselves to the Doha Round [of] negotiations, advocate the Asia-Pacific Free Trade Zones, promote negotiations on regional comprehensive economic partnership, advocate construction of the Asian Infrastructure Investment Bank (AIIB), boost economic and financial cooperation in an all-around manner and work as an active promoter of economic globalization and regional integration.

Premiere Li Keqiang followed this up with visits to Asia and Europe, giving further clarification on the motive forces of the BRI. Chinese leaders stress the vital importance of promoting closer and more affable ties among all countries through exchanges of goods, services, ideas, and technologies; enhanced innovative economic production; widened domestic and international markets; and strengthened inter-connection and inter-dependence in solving global problems, such as poverty alleviation, unemployment, and environmental degradation.

In short, China wants to take an active role in global affairs. For over half a century she has been pressed into a subordinate role by poverty brought about by wars, fierce economic competition, and conflicts between the two superpowers. Since the 1990s, regardless of the massive social and economic transformation of the country—having become the second largest economy in the world in 2015—China's efforts to participate meaningfully in global governance have been thwarted.

The revival of the ancient Silk Road with its concomitant organizations is the avenue China is taking to induce changes in the way the global economic and political institutions have been operating since the Bretton Woods Agreement in 1945. The BRI is the twin institution of AIIB. While the AIIB is the financier, the BRI translates China's new vision of the Silk Road into concrete projects—the building of roads, highways, bridges, railways, harbors, airports, and supporting facilities (such as telecommunication, navigational networks, warehouses, fuel depots, peace-keeping measures, maintenance facilities and personnel, etc.). Hopefully, these measures will not only facilitate travel and the exchanges of goods and services, but also stimulate innovative local production and employment. Similar to the ancient Silk Road, the BRI infrastructures foster cooperation and stimulate different and new technologies, and the exchange of ideas and values.

However, the ancient Silk Road did come with consequences. One of these were measures taken to ensure the safety of persons, property, and peaceful transactions. Trading caravans sought safety in numbers. They hired, bribed, and forged alliances with the numerous marauders along the route. It was precisely to ensure safety of the trading routes that Han armies (206 BC–25 CE) were mobilized and diplomatic missions were regularly dispatched, a practice continued by the Tang Dynasty (618–907 CE) and

succeeding dynasties (Eliseff 2000). The most astounding diplomats and trade emissaries were Western Han envoy Zhang Qian and Admiral Zheng He of the early Ming Dynasty. Zhang Qian was sent to the western regions to forge friendly relations with the various kingdoms in Central Asia. Zhang Qian reached Ferghana (eastern part of Uzbekistan known as Dayuan); Kangju lower reaches of Syr Darya in Kazakhstan; Bactria (Daxia or northern Afghanistan); Parthia (Anxi or modern region Khorazan in Iran); and India (Yuandu). Zhang Qian also scouted for new trade goods that would enhance Chinese industry and commerce. Admiral Zheng He's ocean voyages (1403–1433) brought Chinese goods to Southeast Asia, India, Africa, and Persia. He helped stabilize local governments, suppressed piracy, and strengthened diplomatic ties with their trade countries. Despite the successes of these two men, there were two major disruptions that made land travel dangerous: the spread of Islam in the eighth century, which toppled the Persian Sassanian Empire (226 CE to 651 CE), and the Mongol invasions (1292–1368). Most trade and travel shifted away from the land to the maritime route.

It is remarkable that despite providing the bulk of trade goods and being the dominant trading country of the Silk Road, China was not domineering. Most importantly, the Silk Road facilitated the transmission of philosophical and religious ideas and values—Buddhism, Confucianism, Zoroastrianism, Manichaeism, Christianity, Islam—that inspired a kind of syncretism that may be called Asian ecumenism (from the Greek word *oikoumene*, meaning shared beliefs, values, and practices). Of all religious-philosophical tenets, it was Buddhism with its monks and monasteries that served as a haven for travelers, the ailing, and the impaired. Buddhist monks were the exemplars of moral and non-violent behavior. Buddhist teachings were the framework of Asian ecumenism. It is one of the cultural consequences in the search for peaceful transactions and tolerance among very diverse peoples. Hopefully, in 2019 the world would have learned from the experiences of the ancient Silk Road.

THE BELT AND ROAD INITIATIVE

The BRI is the outcome of a long sequence of various Chinese efforts to bring together as many countries of the world as possible for the

main purpose of trade and economic development. Prior to the BRI, China organized the AIIB and invited countries to contribute to the fund. The AIIB is an ambitious economic project to finance vital infrastructures to link the countries of the world and to facilitate travel and trade. Fifty-six countries have already joined as founding members with 24 more having expressed intentions of joining. In 2017, the members totaled 87 countries with the entry of the Cook Islands, Vanuatu, Belarus, and Ecuador. So far, the US and Japan have not joined. The AIIB started operations on December 25, 2016.

In the meantime, China fostered good relations (bilaterally and multilaterally) with countries along its immediate borders (such as Russia, Mongolia, and Kazakhstan) under the Shanghai Cooperation Organization (SCO). China forged bilateral relations with Pakistan; negotiated with India to temporarily set aside border disputes while improving trade and economic relations; and strengthened ties with the ASEAN countries (Japan, North, and South Korea) and with Africa through the Organization of African Unity (OAU). Instead of supporting liberation movements as in the 1950s to 1960s, China has been investing and building infrastructures in Africa. China is also capitalizing on its long trade and cultural ties with Iran, making China a key mediator on the peaceful uses of nuclear energy. China also has good relations with the Middle East via OPEC countries including Israel even though China sympathizes with the displaced Palestinians. China forged ties with the Latin American and the Caribbean countries (Comunidad de Estados Latinoamericanos y Caribeños or CELAC), especially with long-term allies Cuba and Venezuela.

China's trade, economic, and socio-cultural relations with the USA and with the EU are deep rooted and remain vibrant despite political differences. Eastern Europe and the Balkan states are viewed by China not as mere appendages and pawns of the Big Powers but, like China, as developing countries in transition still striving toward equitable economic prosperity and political stability. China can bring together far flung countries from three continents under BRICS (Brazil-Russia-India-China-South Africa). As one of the members of the UN Security Council and a big contributor to the World Bank (WB), International Monetary Fund (IMF), and Asian Development Bank (ADB), China moderates big power pressures that impinge not only on its national interests but also in behalf of the developing countries. China seeks reforms in the decision-making process of the

UN and its many agencies by giving more voice to the developing countries. Likewise, China leads trade and commercial negotiations called the Doha Round in behalf of developing countries under the World Trade Organization (WTO). All these efforts in building multilateral organizations and institutions are pragmatic measures to bring about more inclusive, open, and equitable relations among countries around the world.

FUNDING THE BELT ROAD INITIATIVE

China pledged $113 billion as initial capital during the meeting held in Beijing (May 14–15, 2017), which was attended by 70 countries. China hopes to increase funding and expressed the need to formulate rules, regulations, and an administrative structure during the next meeting in 2019. The BRI as envisioned by President Xi Jinping is an ambitious project to link Africa–Asia–Europe–the Americas through vital infrastructures with a cost of $5 to $8 trillion (estimated by ADB). China stresses that this globalization project is inclusive, open, and hospitable to all, especially to developing countries. It must also be mutually beneficial and equitable for participating countries.

China offers a new model for international relations through this initiative. The basic principles are peaceful negotiations, dialogue and cooperation not hostile confrontation, and to avoid the use of force. Negotiations should be made among equal partners to reach a mutually beneficial consensus. This contrasts US President Donald Trump's policy of "America First." There is no mention of pre-requisites based on social-political ideology but emphasizes raising people's livelihood by stimulating innovative economic production and employment, lessening trade and investment barriers, and ensuring stability and safety of investments. In 2017, 65 countries confirmed membership and 20 countries sent their Heads of State (among them Philippine President Rodrigo Duterte). International organizations like the UN and ADB also expressed their willingness to participate. However, France, Germany, and the UK sent low-ranking officials. India absented itself in opposition to the China-Pakistan close relationship. More importantly, Prime Minister Mahendra Modi opposed the BRI because it entails unimpeded passage through all countries thereby violating the territorial integrity and sovereignty

of involved countries. The North Koreans boycotted the forum with China's expressed concern over the launching of nuclear missile tests on May 14, 2017. (This has become a moot point following the meeting between President Kim Jung-un and President Donald Trump on June 12, 2018.) Additionally, the US openly opposes the project and is pressuring both Australia and Japan to withhold their membership.

THE BRI'S FUNDING SOURCE

Apart from the initial capital of $113 billion, there is also the $40 billion Silk Road Fund. The Silk Road Fund is distinct from the AIIB because it is purposed for business investments. China will supplement funds from several other sources such as the New Development Bank (under BRICS) that allotted $50 billion in 2016 and the AIIB's approval of $1.7 billion for loans to developing countries. China National Development Bank and Import-Export Bank are expected to contribute their share. According to Gov. Zhou Xiaochuan, the Central Bank of China has appropriated $130 billion for loans to developing countries. There are no specific details yet on the planned projects, priorities, cost, terms of implementation, and modes of payment of loans. But Gov. Zhou is appealing to participating countries to contribute to the fund. Furthermore, State Owned Enterprises, corporations, and other commercial banks are also expected to contribute to the AIIB. As we shall see, some projects are being carried out by state owned enterprises and business corporations.

From 2015–2016, there was a series of Chief Negotiators' Meetings for the crafting of the Articles of Agreement that serves as the legal framework of the AIIB. From these meetings, the details for the coordination, allocation, and management of various sources of funds together with the technical complexities in managing a multilateral bank were threshed out. Subsequently, the Board of Governors and the Board of Directors were elected followed by the election of bank officials. Jin Liqun was elected President with a term of five years. There are four vice presidents from four different countries with corresponding tasks, namely: D. J. Pandian, Chief Investment Officer; Danny Alexander, Corporate Secretary; Thierry de Longuemar, Chief Financial Officer; Joachim von Ansberg,

Policy and Strategy; and Luky Eko Wuryanto, Chief Administrative Officer (*China Daily*, April 15, 2015; *Peoples' Daily*, May 15, 2015). The bank officials face the daunting task of overseeing a wide variety of infrastructure projects among countries with varied economic levels and socio-political systems, not to speak of political stability. Another difficult issue is the coordination of customs, tax and revenue collection, institutionalization of rules and regulations, and the operations of the BRI in more than eighty different countries. For this purpose, the AIIB encourages research on the formulation of customs rules and regulations and practices of different countries (*China Daily*, September 18, 2016).

WHAT HAS BEEN ACCOMPLISHED SO FAR SINCE ITS INCEPTION?[1]

CHANNELS OF CONNECTION

Adding to their historical Silk Road, China appears to be constructing highways and railways that will make "all roads lead to China." The construction of the China–Laos highway will provide transportation needs to land-locked Laos. The China–Thailand railway will link China directly to mainland Southeast Asia—incidentally, Thailand is taking its own investment initiative independent from the BRI project. A highway from Kunming, Yunnan (land-locked south western province) to the south down to Myanmar and all the way to the port of Sitwe facing the Bay of Bengal includes economic zones (in Kyaukpyu, Rakhine state; Myanmar in the south; and north to Yunnan). With the project's accompanying oil and gas lines, it will not only ensure access to oil and natural gas but will enable China to circumvent the narrow and often congested Malacca Straits.

In Malaysia, China will build the Kelantan–Pahang railway that will provide faster land travel east to west from Kota Bharu in Kelantan to Gombak, Selangor. Included in the negotiations is the building of the Malaysia-China Kuantan Industrial Park in Pahang and the Melaka Gateway. However, some sectors in Malaysia are questioning the viability of these projects. In addition to this, some countries get loans to accomplish these BRI projects. A case in point, Oman obtained $36 million in loans on December 8, 2016 to

build a railway and another loan of $265 million for port facilities.

The Baku–Tbilisi–Kars railway, which was completed in October 2017, was accompanied by the Chinese upgrade of the railroad at the International Seaport of Baku in Azerbaijan. This is the preferred route (instead of Russia–Belarus) because it is warmer. Moreover, this will help integrate the countries facing the Caspian Sea (Russia, Kazakhstan, Turkmenistan, Azerbaijan, and Iran). These channels of connection are also accompanied by developments in different sectors. Apart from China's building of the Jakarta–Bandung high-speed railway, the AIIB approved a loan of $216.5 billion in 2016 to improve housing in poor districts in Indonesia.

Underway are plans of connecting Urumqi in Xinjiang Uyghur Autonomous Region to Europe by rail across Central Asia and a tunnel to be dug at Marmara Sea under the Bosporus Strait (starting in Turkey) to reach Bulgaria. There is a Cooperation Agreement regarding the Budapest–Belgrade high-speed railway as the first step to build the China–Europe land-sea expressway up to the Mediterranean.

Taking the Silk Road beyond land, China is also developing or rather growing its Maritime Silk Road. China Overseas Shipping Corporation (COSCO), the state-owned enterprise, has heavily participated and invested in this area. COSCO has already made two successful trips to the Arctic for the "Ice Silk Road." Through this version of the Silk Road, China and Russia will jointly develop the North Seas Route, which in turn will develop the Arctic Region. Venturing away from the Arctic and into warmer waters, COSCO has also heavily invested in key ports that link Europe to Asia: Kumport terminal in Turkey, the Piraeus port in Greece, and even the Euromax Terminal at Rotterdam—one of the world's busiest ports and one of COSCO's regular port of call.

Exterior to COSCO's investments, there have also been negotiations in West Africa and the Asian countries with key locations for maritime connections. The Chinese have negotiated the improvement of the Kilindini port in Mombasa. Included in the negotiations is the building of the 480-kilometer standard gauge railway from Mombasa to Nairobi. China and Pakistan have been invited by the Islamic Republic of Iran to take over upgrading the port of Chabahar, Iran's southeast province of Baluchistan on the Gulf of Oman. Iran has turned to China and Pakistan for assistance in this project as India has not implemented the upgrading project

(since the signing of the MOA in 2003). There are plans to build the Trans Caspian Corridor from China across the Caspian Sea via Kazakhstan, Azerbaijan, Georgia and on to Turkey, Ukraine, and Bulgaria. States around the Caspian Sea and Black Sea will be linked by 6,500 kilometers of roads, bridges, and tunnels. On December 21, 2016, Azerbaijan obtained a loan of $600 million to build a gas pipeline funded jointly by several multilateral development banks.

INDUSTRIAL CONNECTIONS

In the same way that the construction of roads and highways is accompanied by developments in different sectors, this Silk Road is also making a mark in industrial development. There are already agreements for industrial capacity cooperation with 20 countries that will ensure preparedness for industrial production in Africa, Asia, Eastern Europe, Latin America, and the Caribbean countries. The ASEAN countries have even proposed a regional infrastructure project to facilitate and ensure accessibility to sources of energy by submitting the Trans ASEAN Gas Pipeline (TRAGP) to be funded by the AIIB. In addition to this, Myanmar and Bangladesh have acquired loans to develop energy sources. Myanmar obtained a $20 million loan on September 27, 2016 to construct a gas turbine power plant. This is jointly funded by ADB International Finance Corporation and other commercial banks. Bangladesh obtained a $165 million loan on June 24, 2016 to set up power distribution lines.

TRANSACTIONS OF CONNECTION

Through the Silk Road, China is drastically changing the world of finances. China has negotiated to have the renminbi (RMB) as part of the Special Drawing Rights (SDR) of the IMF, making the RMB at par with the US dollar as global currency. According to the Ministry of Finance, more than 250,000 enterprises and 245 banks have engaged in cross border yuan transactions in 2017. London volunteered to be the clearing house for yuan-denominated transactions in Europe. Negotiations are being undertaken for the China–Japan–Republic of Korea Free Trade Area and for the

upgrading of the China-ASEAN Free Trade Area for Regional Comprehensive Partnership (RCEP). Free Trade Agreements were also signed with Australia and the Republic of Korea. Bilateral investment treaties are being negotiated with the USA and EU. China has also offered interest-free loans to developing countries that are land-locked, isolated tiny islands threatened by climate change; plagued by health (Ebola virus); and plagued by environmental hazards (earthquakes, typhoons, tsunami). They have also been extending aid to the Pacific Islands and undertaking infrastructure projects.

A series of projects concerning the protection of the environment offers a wide variety of new investment opportunities. President Xi Jinping in his speech at the United Nations forum on Economic Sustainability (September 26, 2015) enunciated the need to finance projects that address environmental pollution and degradation; the search and use of non-polluting and renewable energy; reduced carbon dioxide; and non-polluting, energy saving manufacturing practices and sustainable water management. China is strengthening the role of the State Environmental Protection Agency (SEPA) to monitor the strict compliance of corporations and businesses with environmental laws. Chinese banks are issuing Green Bonds to induce investment in safeguarding the environment. One of the BRI projects is the Beijing Air Quality Improvement and Coal Replacement Project funded by AIIB to reduce "coal use by about 650,000 tons annually through connecting about 216,750 households in approximately 510 rural villages to the natural gas distribution network" (Asia Infrastructure Investment Bank, 2017). Projects are also underway to build "green buildings" that use renewable sources of energy, impound rain water, recycle waste water and overall enjoin citizens not to be wasteful.

THE ROADBUMPS

However, there are plans for the Silk Road that are met with caution and even apprehension. A case in point is the upgrading of the Sri Lankan port of Hambantota, the shipping hub in the Indian Ocean to the Persian Gulf. President Maithripala Sirisena has questioned the economic viability of the project entered unto by former President Mahindra Rajapaksa. This case is a good lesson on the necessity

of careful detailed planning that takes into consideration not only technical and engineering aspects but the project's profitability and its capacity to generate enough revenue to pay interest and principal. This project caused Sri Lanka's indebtedness amounting to $1.1 billion. In order to meet debt payments, the country allowed the China Merchant Holdings Corporation to lease 15,000 acres of land for 99 years, acquire an 85 percent stake in the port, and operate it for an undisclosed period (*New York Times*, June 25, 2018; *The Diplomat*, December 11, 2017; *Reuters*, July 25, 2017). There are also feasibility studies on the Twin Ocean Railway also known as the Trans-Amazonian Railway in Brazil.

Let me briefly mention the Mekong River Infrastructure projects, although these are not directly connected with the BRI these projects have repercussions on whatever BRI projects are being planned in mainland Southeast Asia. Since the 1990s, China and Vietnam have been building hydro-electric dams to harness the Mekong River to generate electricity. These hydro-electric dams have a wide reach, from Yunnan going down south 4,800 kilometers to Myanmar, Thailand, Laos, Cambodia, and Vietnam. Besides generating electricity, the projects are supposed to control flooding, and widen and deepen the river to enable ships to navigate through. This is one of the most difficult and controversial projects being undertaken. Fisher folk and farmers who derive their livelihood from the river oppose the projects. This means that all economic development projects must take into consideration the conflicting interest and welfare of the various social sectors including the long-term consequences on the environment (Wain 2004).

CRITICISMS OF BRI

The criticisms leveled at the BRI are not lacking. Critics say it is too ambitious, covering over half of the globe that possesses 75 percent of the world's resources and 40 percent of the world's GDP. It intends to traverse some of the world's most difficult terrain. On land it will go through high rugged mountains, deserts, large rivers with many tributaries, harsh climates—not to speak of the need to obtain free transit and pacify hostile populations along the way. For instance, India objects to unimpeded passage of transportation infrastructure through her territory. To India, the BRI threatens the

country's territorial integrity and sovereignty. No less daunting is the maritime route that is subject to typhoons, tsunamis, earthquakes, and the need to negotiate free transit with countries along the maritime route. The project is vague and has yet to produce detailed feasibility studies on the technical, engineering requirements of the land and maritime routes. With regards to financing, if China intends to extend loans to developing countries in need of advanced infrastructure the critics warn China that most of these countries will most certainly default on the loans. They foresee that the new advanced infrastructure may not generate enough revenue to meet interest payments much less undertake proper maintenance measures. They pointed to countries like Mongolia, Kyrgyzstan, Tajikistan, Laos, Cambodia, and Sub-Saharan African countries such as the Democratic Republic of Congo (*Foreign Policy*, June 27, 2018).

Critics are wary that since the project is China's initiative most of the construction projects will be monopolized by Chinese construction firms. China can make gainful use of its huge savings (US Treasury Bills) over production of cement, steel, and construction equipment. They believe that China is interested in getting access to vital raw materials (such as oil, natural gas, minerals, etc.) and to local markets. Behind China's benign expressions of peaceful and harmonious co-existence among equal partners, they suspect China's true intention is to become the word's hegemon, replacing the US as the world's dominant power. Critics also allege that because China claims sovereignty over the South China Sea, her military and naval build-up in the Indian Ocean provide reasons for suspicion. Moreover, dominatingly bilateral negotiations lack transparency—not subjected to scrutiny by third parties as to their practical urgency, economic viability, as well as social and environmental impact. Critics believe that China lacks experience in dealing with many countries especially in Africa where projects undertaken by Chinese corporations fail, citing the Sicomines venture (copper and cobalt) in the Democratic Republic of Congo. Such projects are being undertaken to gain political influence rather than economic development.

So far, I have not yet found China's reply to these criticisms. Apparently, the Chinese prefer to undertake measures to address economic and social issues rather than engage in polemics. China refrains from formulating detailed structural, organizational administrative and management rules and regulations and does not

prescribe one economic system for the entire world. It is well known that unlike the US and EU, China does not set down political, ideological, and social preconditions before projects are negotiated. Neither would China suspend projects for ideological differences. Instead, China appeals to her partners on the broad principles of equality, partnership, cooperation for mutual benefit, facilitating trade and commerce, people-to-people exchanges in knowhow, and technology, devising projects that provide employment and raise people's livelihood. Most of all negotiations should be conducted through peaceful dialogue to avoid violent confrontations. The list of projects indicate that China deals mainly with individual countries bilaterally or a cluster of countries within geographical regions. China focuses on specific projects that require their own modes of operation, scheme of loans, interest payments, and all other factors peculiar to the project.

In effect, the BRI system of operation and implementation is not a rigid straight jacket. It is flexible, adaptable, adjustable, and subject to re-negotiation. Naturally, such flexibility also causes a lot of uncertainty that could lead to misunderstanding or even abuse in the process of implementation. Overlaps are expected as several projects under the AIIB and BRI (including Official Development Assistance and International Organizations like UN agencies) involve the same areas and countries. Successfully coordinating the various projects is another convoluted problem. It is also notable that projects under the BRI and funded by AIIB are often undertaken in cooperation with the WB, the ADB, and a consortium of private corporations and other commercial banks. Hence, it is most likely that most projects undergo rigorous scrutiny by experts from different countries and disciplines.[2]

IMPLICATIONS OF THE BRI ON THE PHILIPPINES

Our country will surely benefit from the BRI if we negotiate carefully, keeping in mind our own national priorities. We must undertake projects beneficial to most of our citizens many of whom are poor and lacking in the necessary skills to cope with the demands of fast changing technological developments in the world. Up until 2015, our relations with China have been hostilely fueled by our territorial dispute on the West Philippine Sea (South China Sea).

With the change of our government's policy toward China under President Rodrigo Duterte, relations improved by temporarily shelving sovereignty claims of the disputed areas. Philippine-China relations were smoothened out beginning with the attendance of President Xi Jinping at the APEC meeting (November 17–19, 2015). Meanwhile, our government stands firm on our sovereignty over the 200 nautical miles exclusive economic zone under the UNCLOS. President Duterte, on the other hand, focuses on improving trade; the economy; and educational, social, cultural exchanges. Some of the bilateral projects include agreements on civil aviation, cooperation on information technology, extradition treaty of fugitives from justice (human and drug trafficking), joint surveillance and cooperation to ensure safety at sea to suppress piracy, terrorism and extremism, food and product safety of imports and exports, sports, and other educational and cultural cooperation and exchanges. These were carried-over from previous agreements. What is new is the emphasis on building infrastructures in Mindanao and other (previously ignored) parts of our archipelago. As of 2017, the Philippines contributed $979.1 million to the AIIB Fund as one of the 87 member countries of the AIIB.

Between 2002–2013, China Development Assistance to the Philippines amounted to $1,272 billion. In 2015, Chinese investments amounted to $1,455 billion. Proposed infrastructure projects were discussed by NEDA Director Ernesto Pernia in a meeting held in Davao (August 14 and 17, 2017). The Philippines negotiated with China, represented by the Chinese Secretary of Commerce Zhong Shan, for a six-year (2017–2022) infrastructure development program to be guided and implemented by the Joint Economic and Trade Cooperation Commission. Among the priority projects discussed in the meeting are the following: East–West railway in Mindanao; two bridges across the Pasig River in Manila; Panay–Guimaras–Negros Island bridge; improvements for the Chico River dam in Northern Luzon (funded by a loan of $53 million); the Kaliwa dam and irrigation project in Quezon province (to be built with a $374 million loan); and the construction of the north railway from Tarlac to Pangasinan and the south railway to the Bicol peninsula in Southern Luzon (to be funded with a loan of $ 3.01 billion).

According to the Department of Finance Secretary Carlos G. Dominguez III, there are several projects being planned to be submitted for funding to the AIIB: Metro Manila Rapid Bus System;

a connecting highway from Bonifacio Global City to NAIA; Balatan tourism coastal highway in Camarines Sur, from San Fernando to Pili; and Metro Manila Flood Control Project. Aside from these, there are countless other projects being proposed: a capacity building program for rice and aquaculture; establishing alert mechanisms in the detection and control of plant and animal diseases; gasification of waste; facilities for ship repair, ship building, iron, and steel; and the establishment of an industrial park for manufacturing.

Both sides have expressed the desirability of involving private businesses in all these projects (Private Public Partnership), joint ventures, and even in Build Operate and Transfer (BOT). Ernesto Pernia stressed that our government does not rely only on China but seeks other sources for financing infrastructures. Pernia said that the government prefers local funding in peso denomination to lessen risks of relying on foreign currency. He also revealed that Chinese loans require at most 2 percent interest with 20 years maturity and 7 years grace period. It is vital to negotiate for longer maturity of loans to be economically self-sustaining, especially since infrastructure projects take much longer than expected. Several factors are necessary to avoid failure of projects as what happened during the previous administrations, among these are the following: open disclosure and public scrutiny of terms of loans, cost, mode of implementation, interest payments (how much and how long), labor arrangements, procurement of materials, technology transfer, environmental protection measures, green non-polluting and sustainable sources of energy.

CONCLUSION

The BRI can surely benefit the Philippines by the provision of funds in the form of loans for vital infrastructures that require and induce long-term investments in the production of useful goods and services. It may also help curtail the entry of "hot money" that preys on currency devaluations and appreciations, fluctuation of commodity prices, swap of debt papers, etc. Hopefully, President Duterte's "Build, Build, Build" Program will help persuade Filipino capitalists to finance factories; efficient public transport; and build low cost, durable, safe, hygienic shelter for workers and employees instead of casinos, golf courses, luxurious condominiums, and shopping malls.

We must prepare thorough and detailed feasibility studies and negotiate the most beneficial terms for our citizens. We must avoid getting snared by huge debt from putting up infrastructures that are unnecessary and are not self-sustaining. Negotiators should bear in mind that we are not dealing with saintly self-sacrificing Buddhist monks. Regardless of the idealistic and benign pronouncements of Chinese top leaders, we must keep in mind that those who implement projects are hardnosed bankers and businessmen.

Although President Duterte gives priority to the economic development of Mindanao, the proposed projects cover the entire archipelago. The gasification of waste is part of the environmental protection program of our government. Ship building and ship repairing are one of the most important means of improving the transportation needs of our archipelago. Putting up iron and steel facilities are essential to beef up our industrial capability. Reliable sources of water are an absolute necessity even though our country experiences periodic floods during *habagat* (southwest monsoon). A system of desalination facilities for our numerous islands will ensure potable water, considering that our brothers and sisters in Tawi-tawi often need to go as far as Labuan to obtain potable water. China can assist us by the technological transfer of desalination equipment. In the urban areas, we can profit from "green building" that collects rain water and recycles it within a structure complemented by solar panels as sources of renewable energy—such "green buildings" were displayed during the Shanghai Expo in 2010. So far, there are no project proposals covering these economic sectors.

Forging closer links with China also entails keeping good relations with all countries of the world, particularly with the more technologically advanced countries (USA, EU, UK, Japan, South Korea, Russia, etc.). Most importantly, our country will benefit from the BRI by linking us with countries we are yet unable to reach on a regular basis, such as Africa, CELAC, Central Asia, and Eastern Europe. Closer ties with China through the BRI ought to widen the range and scope of our economic and cultural relations with as many countries of the world not only to enhance Philippine national interests but to foster friendly relations with all countries and ensure peace of the world.

NOTES

1 For more sources on the BRI projects you may check the following: official website of the Philippine Embassy, Beijing; website of the Ministry of Finance of China; website of the Bank of China (esp. the report of Governor Zhou Xiaochuan); website of the Ministry of Foreign Affairs (esp. report of Foreign Minster Wang Yi; Xinhua News (Silk Road database); various issue of the *Beijing Review*, *China Morning Post*, and the *China Daily*; various issues of the *Wall Street Journal*.

2 See Mark Tucker, Asia-Pacific Credit Officer, HSBC Global Research, January 10, 2018.

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