

## THE BELT AND ROAD INITIATIVE AND PHILIPPINE PARTICIPATION IN THE MARITIME SILK ROAD

by Darlene V. Estrada

Philippines-China relations have gone through dramatic changes in recent months. Following the Duterte Administration's pronouncements signaling a change in the approach towards China, an impact on the bilateral relations was immediately felt – 13 bilateral cooperation agreements were signed and USD 24 billion worth of Chinese funding and investment was pledged. Chinese Vice Foreign Minister Liu Zhen Min affirmed and welcomed the Philippines' participation in China's *Belt and Road Initiative* (BRI) in a recent statement. Correspondingly, the Philippines took action to become a full member of the China-led Asian Infrastructure Investment Bank (AIIB) – a move indicative of Philippine interest in China's massive infrastructure project. While the Duterte administration has yet to outlay its plans on how to approach BRI, its actions point towards Philippine participation in the project. News from Beijing confirms that President Duterte will be attending the BRI Summit in May.

However, the country's participation in the BRI must have a practical consideration – implementing BRI's future infrastructure investment plans must be consistent with the Philippines' infrastructure and other development plans. Specifically, what scenarios at the domestic level should the Philippines anticipate in order to implement the plans effectively and harness the benefits of BRI?

### *Understanding BRI*

In 2013, Chinese President Xi Jinping declared the building of the Silk Road Economic Belt (SREB) and the 21<sup>st</sup> Century Maritime Silk Road (MSR), collectively known as the BRI project, to enhance connectivity between Asia, Europe, and Africa, facilitate smoother trade flows, and, if successfully implemented, ultimately improve regional economic growth and development.

BRI instantly caught the world's attention because it was both ambitious and risky. When it was initially announced, details were unclear, stirring public wariness. Questions about the initiative include: Which countries can participate? How will they participate? How will the projects be funded?

In 2015, the Chinese government published the "Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road" to give a general idea of its plans. The document stated that the initiative covers, but is not limited to, the countries along the route and funding will be obtained through investments, syndicated loans, and bank credits. No specific answers, however, were given regarding the mechanics for participation. It was only when a number of SREB and MSR projects materialized that participation technicalities became apparent.

The onset of BRI witnessed a great number of bilateral agreements signed by China and participating countries. These bilateral agreements mark the starting point for a country in engaging in BRI. In effect, BRI becomes a web of bilateral ties, with China functioning at the center.

### *The 21<sup>st</sup> century Maritime Silk Road*

Of the two BRI projects, MSR bears more impact on the Philippines, as it deals with port network development that will connect Chinese coastal ports to Europe through the South China Sea and Indian Ocean, and to the southern Pacific Ocean through the South China Sea.

A principal factor driving China to play an active role in the international maritime domain is trade. China is the world's largest trading nation, responsible for 10 percent of the global trade in goods, which are mostly transported through ships. The [United Nations Conference on Trade and Development \(UNCTAD\) Review of Maritime Transport 2016](#) reported that China ranked first in the leading ship owners in developing countries in Asia and ranked third globally, next to developed countries Greece and Japan. Moreover, 14 of the top 20 ports by volume in 2013-2015 were reported as belonging to China.

Chinese scholars view MSR as one of China's many initiatives to achieve its dream of "[great rejuvenation of the Chinese nation](#)," and should be understood as a project complementing the SRB in the context of the BRI, and against the broader background of realizing the Chinese Dream, which, according to President Xi, represents the desire for "[prosperity for the country, renewal of the nation, and happiness for citizens](#)." Projections indicate that MSR-enhanced sea lanes will complement the railways that will be built through the SREB. Both will pave the way for new trade links among regions within Eurasia, Africa, North and Latin America.

#### *Is the Philippines prepared to engage in MSR?*

Without a doubt, a well implemented port development project would be beneficial for the Philippines. However, addressing concerns in a more practical level is also important. Are Philippine institutions prepared to implement massive joint infrastructure projects with China?

Declaring Philippine involvement in China's MSR appears to be the easier part of the engagement, but actually implementing the port infrastructure plan in the country as efficiently and corruption-free as possible is not only difficult, but also the most important part. Engaging in MSR requires overcoming logistical, political, and financial challenges. A number of port development projects in other countries are already undergoing difficulties because of domestic factors; thus underscoring the need for both China and the Philippines to do a comprehensive check of implementing institutions and technicalities before commencing projects.

The inclusion of plans anchored on achieving sound macroeconomic policies and accelerated infrastructure development in the recently approved [Philippine Development Plan 2017-2022](#) proves to be of strategic timing and importance. The Philippines is off to a good start in envisioning the enabling environment needed for the success of forthcoming infrastructure projects in the country. Implementation, however, will require these visions and plans to be translated into actual policies, programs and actions.

In the end, the success of MSR implementation depends not only on how good relations are between China and the Philippines, but also on the efficient and clean undertaking of infrastructure plans by the Philippine government.

Avoiding the pitfalls of the past offers lessons on how to better implement infrastructure plans alongside China, and hopefully it will not go off the track. 🌸

#### **Endnotes**

<sup>1</sup> Pia Ranada, "PH, China sign coast guard cooperation pact, 12 other deals." October 21, 2016. <http://www.rappler.com/nation/149774-ph-china-sign-coast-guard-cooperation-pact> (accessed 12 November 2016).

<sup>2</sup> Frans-Paul van der Putten & Minke Meijnders, "China, Europe and the Maritime Silk Road." Clingendael Report. <https://www.clingendael.nl/sites/default/files/China%20Europe%20and%20the%20Maritime%20Silk%20Road.pdf> (accessed 12 November 2016).

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