Beijing's Big Bet on the Philippines

Decoding two decades of China's financing for development

Full Report

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Samantha Custer, Bryan Burgess, Jonathan A. Solis, Narayani Sritharan, and Divya Mathew

AIDDATA
A Research Lab at William & Mary

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Acronyms

ADB	Asian Development Bank
ASEAN	Association of Southeast Asian Nations
BARMM	Bangsamoro Autonomous Region in Muslim Mindanao
BCDA	Philippines Bases Conversion and Development Authority
BOC	Bank of China
BOCHK	Bank of China (Hong Kong) Limited
BRI	Belt and Road Initiative
CAMC	China National Construction & Agricultural Machinery Import & Export Corporation
CAMCE	China CAMC Engineering
CAR	Cordillera Administrative Region

CCCC	China Communications Construction Company
CDB	China Development Bank
CDRRMC	City Disaster Risk Reduction Management Council
CECC	China National Energy Engineering & Construction Co. Ltd.
CEED	Philippines Center for Energy, Ecology, and Development
CGGC	China Gezhouba Group Company Ltd.
CHMC	China National Heavy Machinery Corporation
CIDCA	China International Development Cooperation Agency
CIEF	Chinese International Education Foundation
CITCC	China International Telecommunication Construction Company
CLEC	PRC Ministry of Education Center for Education and Cooperation
CNMEG	China National Machinery and Equipment Group
CNTIC	China National Technical Import and Export Corporation
CPA	Cordillera People's Alliance
COMELEC	Philippines Commission on Elections
CRBC	China Road and Bridge Company
CRDC	China Railway Design Corporation
CNOOC	China National Offshore Oil Corporation
CRPIP	Chico River Pump Irrigation Project
CSCEC	China State Construction Engineering Corporation
CWE	China International Water and Electrical Corporation
DILG	Philippines Department of the Interior and Local Government
DPWH	Philippines Department of Public Works and Highways
ESG	Environmental, Social, Governance
Eximbank	Export-Import Bank of China
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GNI	Gross National Income
GNPK	GNPower Kauswagan Ltd. Co.
GWP	Gallup World Poll
ICBC	Industrial and Commercial Bank of China
JICA	Japan International Cooperation Agency
MFA	PRC Ministry of Foreign Affairs
MOFCOM	PRC Ministry of Commerce
MoU	Memorandum of Understanding
MWSS	Philippines Metropolitan Waterworks and Sewerage System
NBN	National Broadband Network
NCR	National Capital Region

NORD/LB	Norddeutsche Landesbank Girozentrale
Northrail	North Luzon Railway Project
ODA	Official Development Assistance
OOF	Other Official Flows
PGN	Panay-Guimaras-Negros Island Bridges
PHIVIDEC	Philippines Veterans Investment Development Corporation
PLAN	People's Liberation Army Navy
POWERCHINA	Power Construction Corporation of China
PRC	People's Republic of China
SASAC	State-Owned Assets Supervision and Administration Commission
SGCC	State Grid Corporation of China
SIDC	Samal Island-Davao City Connector
SOE	State-owned Enterprise
SPV	Special Purpose Vehicle
UN	United Nations
U.S.	United States
V-Dem	Varieties of Democracy
WB	World Bank

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Executive Summary

In this report, we assess the money, relationships, and outcomes of two decades of Beijing's financing for development in the Philippines. We aim to answer three critical questions.

- What projects does the People's Republic of China (PRC) finance, where, and when via its state-directed development finance and private sector foreign direct investment (FDI)?
- How many players are involved in these projects, who are they, what roles do they play, and are some more important than others?
- To what extent does Beijing follow through on its commitments, how does it manage risk, and what are the downstream outcomes?

Following the Money

Beijing has channeled a formidable US$9.1 billion in state-directed development finance to the Philippines over two decades (2000-2022) for more than 200 projects. However, the PRC's appetite to finance Philippine development is erratic and influenced by its relations with Manila. Beijing bankrolled the Arroyo and Duterte administrations' priorities with gusto, while frosty relations with Aquino dampened collaboration. As the Marcos Jr administration diversifies its relationships and distances itself from Beijing, future PRC investments will likely mirror dynamics observed previously under Aquino.

The PRC's support was often smaller (until 2016) and less generous compared with other donors. Moreover, its financing came at a higher cost: only 6 percent was issued as aid (i.e., grants or no- or low-interest loans), and the rest was high-interest debt. Even at the apex of diplomatic relations between the two countries, for every US$1 of aid Beijing gave to the Philippines in 2016, it issued US$167 in debt. By 2019, the terms were worse: US$1 of aid for every US$211 of debt.

Notably, Beijing employs a two-track model in the Philippines. It counts on infrequent big-ticket infrastructure projects, financed with debt on less concessional terms, to generate economic returns. The PRC also subsidizes many inexpensive social projects more frequently to cultivate goodwill.

Beijing uses its development finance to crowd in market opportunities for Chinese firms and bankroll activities in politically important regions. Between 2010 and 2023, new commitments of inbound Chinese FDI to the Philippines (worth US$21.9 billion) skyrocketed by 514 percent, driven by outsized investments in 2012 and 2018. The timing, sector, and geographic focus of these FDI flows reflect the importance of three strategic factors: proximity to PRC development finance projects, the presence of attractive local tax incentives, and Beijing's desire to position itself as a supplier of value-added products over raw material commodities.

Understanding the Relationships

It is tempting to assume that the PRC operates as a unitary actor with tightly controlled operations among a few players. In fact, our analysis shows the opposite. Fifty-two Chinese financiers, often state-owned policy or commercial banks, were primarily responsible for mobilizing money. However, Beijing relies on an extensive network of 101 banks from across Europe, North America, and Asia as co-financiers to pool risk, vet borrowers, assess project viability, and contribute capital for big-ticket infrastructure projects.

Beijing has an overreliance on 37 Chinese state-owned enterprises (SOEs) as its go-to implementers. Opaque assistance terms, limited competitive procurement, and weak reporting requirements create perverse incentives for these implementers to cut corners or collude with local counterparts. Notably, 43 percent of Chinese SOE implementers in the Philippines have been directly sanctioned by international finance institutions like the World Bank or Asian Development Bank for questionable financial practices or indirectly associated with such practices through a parent-subsidiary relationship.

On the demand side, local governments in economically dynamic and politically connected areas and national-level agencies were frequent recipients of PRC-financed projects. State-owned and private sector firms in the energy, utilities, and extractives sectors attracted sizable dollars. Beijing is favorably disposed to work with recipients that have strong ties to mainland China (promoting Chinese language and culture) or linkages via Filipino-Chinese diaspora families or groups.

Unpacking the Outcomes

Although Beijing delivers on projects more quickly in the Philippines—just under one year on average from committing financing to completing a project—some regions and sectors have longer wait times than others. Big-ticket infrastructure projects are more risky and complex to execute. For example, the worst delays were in the agriculture, forestry, and fishing sectors where projects took more than four years to deliver, reflecting logistical hurdles, environmental challenges, or social unrest from displacement.

Although the particulars of the six suspended or canceled PRC projects varied, common themes emerged: weak management and oversight systems in the Northrail and National Broadband Network projects; local opposition to project goals and financing in the Agus 3 Hydropower and Cyber Education projects; external shocks such as COVID-19 prompting China to exit from the Panay-Guimaras-Negros Island Bridges project; and geopolitical sensitivities stoking calls to cancel contracts with the PRC over maritime disputes.

Taking a portfolio-level view, Beijing's development finance faces heightened exposure to risk from its trusted cadre of Chinese state-owned and private sector implementers. Over half of the PRC's development finance dollars (US$4.5 billion) relied on Chinese implementers with tarnished performance. Six of the highest-risk firms, involved in US$870 million worth of PRC-financed development projects, were associated with both questionable financial practices and higher ESG risk exposure.

What are the outcomes of Beijing's infrastructure bonanza in the Philippines? Chinese financing (both development finance and FDI) may positively contribute to economic gains, at least in aggregate terms. However, these benefits do not yet appear to trickle down in a visible way to Filipinos. As PRC financing increased, Filipinos surveyed were more likely to say they struggled to afford food and shelter, an important indicator of financial health.

Just under 40 percent of Beijing's development finance portfolio in the Philippines is associated with at least one type of environmental (E), social (S), or governance (G) risk. However, there is less clarity on whether and how these risks translate into measurable harm. PRC development finance and FDI were associated with favorable outcomes in the social sector (i.e., youth development and civic engagement). Results were polarized when it came to governance and environmental outcomes.

1. Introduction

When Philippine President Gloria Macapagal Arroyo took office in 2001, economic engagement with the People's Republic of China (PRC) was modest. Bilateral trade between the two nations at the time amounted to a little over US$3.0 billion, concentrated on Philippine exports of integrated circuits to Chinese companies (OEC, 2022). China was not yet importing nickel at any scale. Nor was Beijing bankrolling big-ticket investments in infrastructure and critical industries that would become the backbone of the Belt and Road Initiative (BRI).

The Philippine-PRC relationship is decidedly different today. Beijing has become a go-to source of development finance and foreign direct investment (FDI). Over roughly two decades (2000-2022), the Philippines attracted US$9.1 billion in PRC financing for more than 200 development projects. These activities involved a staggering number of players: financiers or implementers from China, the Philippines, and 22 other countries and territories. Additionally, Chinese FDI during this time was worth another US$21.9 billion in financing inbound to the Philippines.

High-risk, high-reward infrastructure investments attracted the lion's share of the PRC's development finance and Chinese FDI dollars. Beijing also bankrolled small-dollar social and educational projects to build goodwill. Taken together, these projects have the potential to transform local economies, ecosystems, governance norms, and social rhythms—for better or worse. Although some of Beijing's efforts have made laudable contributions to Philippine growth and prosperity, others have failed to materialize, struggled during implementation, or triggered debate over their outcomes.

Launched with great fanfare and ample controversy, there is surprisingly little hard evidence for the Philippine public to assess the true costs and benefits of partnering with Beijing. This report arrives at a critical inflection point as the Philippines is considering a reset in its relationship with the PRC. On the heels of President Duterte's enthusiastic embrace of Beijing, relations between the two countries have since become strained in the early days of President Marcos Jr's administration. The Philippines withdrew from three BRI railway projects in November 2023. Chinese Coast Guard vessels shot water cannons at a Philippine patrol boat on the Second Thomas Shoal in March 2024 amid unresolved maritime disputes between the two countries. Meanwhile, Marcos Jr has courted infrastructure financing from the United States (McCartney, 2023; Widakauswara, 2024).

In this report, *Beijing's Big Bet on the Philippines*, we meticulously piece together data from multiple sources to assess the money, relationships, and outcomes from two decades of PRC investment. Chapter 2 follows the money to spotlight Beijing's revealed priorities in what projects it finances, where, and when in the Philippines. Chapter 3 scrutinizes the relationships behind these investments: how many players, who are they, what roles do they play, and are some more important than others? Chapter 4 assesses Beijing's performance—to what extent does it follow through on its commitments, how does it manage the risk of public harm from its projects, and what early indications do we see of the downstream outcomes across society? Chapter 5 concludes with key takeaways arising from this research.

2. Money

Key insights in this chapter:

- *Beijing's development finance has grown over two decades, but support fluctuates across administrations and is smaller and less generous than many donors*
- *Beijing employs a two-track model in the Philippines—it offsets a few risky hard infrastructure big bets with many small-dollar social development projects*
- *The energy and metals sectors showcase how Beijing's state-directed development and private-sector FDI reinforce each other to advance shared goals*

The last four Philippine presidents—Gloria Macapagal Arroyo, Benigno Aquino III, Rodrigo Duterte, and Ferdinand Marcos Jr—have held dramatically different stances toward the PRC. So too has Beijing's appetite to finance the Philippines' growth and development varied substantially over this period. When a president's rhetoric and policy signaled openness to Beijing, PRC officials were opportunistic about bankrolling their counterparts' priorities with great fanfare. Conversely, when a more adversarial administration takes power, the dollar value and number of PRC-financed development projects in the Philippines tend to plummet.

In this chapter, we follow the money to highlight Beijing's revealed priorities in what projects it finances, where, and when in the Philippines. Using two decades of historical data, we have a unique opportunity in this report to examine these dynamics more closely. Our analysis investigates how PRC development finance and inbound Chinese foreign direct investment (FDI) have changed over time in absolute terms relative to the alternatives. We surface insights about which sectors and communities attract more or less PRC development projects and investment dollars—and why.

By *development finance*, we refer to how the PRC employs state-directed grants, loans, other debt instruments, and in-kind and technical assistance to support the Philippines. This development finance includes Official Development Assistance (i.e., grants and no- or low-interest loans, typically referred to as "aid") and Other Official Flows (i.e., loans and other debt instruments approaching market rates, referred to as "debt"). We also consider *inbound Chinese FDI*, which involves investors establishing a lasting interest in, and a significant degree of influence over, an enterprise resident in the

Philippines, defined by an ownership stake of 10 percent or more (OECD, n.d.a and n.d.b).

For this analysis, we draw upon three primary sources: (i) AidData's Global Chinese Development Finance Dataset, Version 3.0, a project-level database of Chinese state-directed aid and debt financing from 2000-2021; (ii) supplemental desk research to identify provisional projects for 2022;[1] and (iii) inbound Chinese FDI data tracked by the global fDi Markets online database of cross-border greenfield investments for the Philippines, produced by Financial Times, Ltd.[2]

2.1 How has the PRC's development finance changed over time in absolute terms and relative to the alternatives?

From a slow start, Beijing's development finance has skyrocketed over the last 20 years. However, the PRC's assistance does not operate in a vacuum. There are a host of other bilateral and multilateral development partners actively supporting development in the Philippines. This raises a critical question: how does Beijing's contribution compare to the alternatives when it comes to the volume, focus, and terms of its assistance? In this section, we take a closer look at variations in PRC financing compared with other development partners (Section 2.1.1), across administrations (Section 2.1.2), and between different subnational regions (Section 2.1.3).

2.1.1 How does Beijing compare with other development partners?

To situate its assistance relative to other development partners, we benchmarked the PRC against six active players in the Philippines: the Asian Development Bank (ADB), Australia, Japan, South Korea, the United States (U.S.), and the World Bank (WB). Each of the six comparators reports their development finance by country, sector, flow type, and year to the OECD's Creditor Reporting System. Our analysis considers Official Development Assistance (i.e., grants and no- or low-interest loans, commonly referred to as "aid") and Other Official Flows (i.e., loans and export credits at market rates referred to as "debt"). For comparability, we focus this discussion on commitments.

[1] The data for 2022 is provisional only. It likely undercounts the total number of projects committed by the PRC because it relies upon identifying relevant activities from global news databases (Factiva DNA). The relative recency of the projects and the limited scope of this report constrains our ability to cross-verify, due to the limited publication of official sources as of 2024.
[2] We consulted both the FDI data reported by the Philippine Statistical Authority (PSA) and that which was provided by fDi Markets. Given our interest in exploring the sectoral and subnational distribution of FDI, we ultimately used the fDi Markets project-level database rather than PSA's aggregate numbers for our analysis. These two data sources diverge in their top-line numbers and should be interpreted with this context in mind.

Between 2000 and 2022, the PRC's US$9.1 billion in commitments fell in the middle of the pack. Beijing outspent other bilaterals such as Australia (US$2.3 billion), South Korea (US$4.5 billion, and the U.S. (US$4.6 billion) by a considerable margin. Nevertheless, it lagged behind multilaterals such as the ADB (US$23.8 billion) and the World Bank (US$16.3 billion). As the Philippines' leading bilateral development partner, Japan (US$21.7 billion) was well ahead of the field for most of the two-decade period.

However, this is an "apples and dragon fruits" comparison (Dreher et al., 2018). The cost to the Philippines to access financing from its two largest bilateral donors is quite different. Tokyo offers more generous terms: 98 percent of its financing was in the form of grants and no- or low-interest loans (Table 2.1). Only 6 percent of Beijing's financing was offered on similarly generous terms. The PRC relies heavily on higher-interest loans and other debt instruments. On the surface, it has a similar ratio of aid to debt as the two multilaterals. However, there is another important difference here—the level of concessionality. ADB and World Bank loans are still focused on development outcomes and often provided at discounted rates. For example, in a comparison of infrastructure projects under Duterte's "Build, Build, Build" initiative, Tabbada and Pacho (2022) found that projects financed by the World Bank and the Japanese International Cooperation Agency (JICA) offered less onerous interest rates than those offered by the PRC for similar efforts.[3]

[3] It should be noted that Tabbada and Pacho (2022) only considered four projects; however, this finding is broadly consistent with global studies, such as those conducted by Parks et al. (2023) and Malik et al. (2021), that similarly find PRC lending to be less generous in their terms on average as compared to the World Bank and OECD DAC donors that also provide loans.

Table 2.1: Total official finance commitments from major development partners to the Philippines, 2000-2022

Billions of 2021 USD

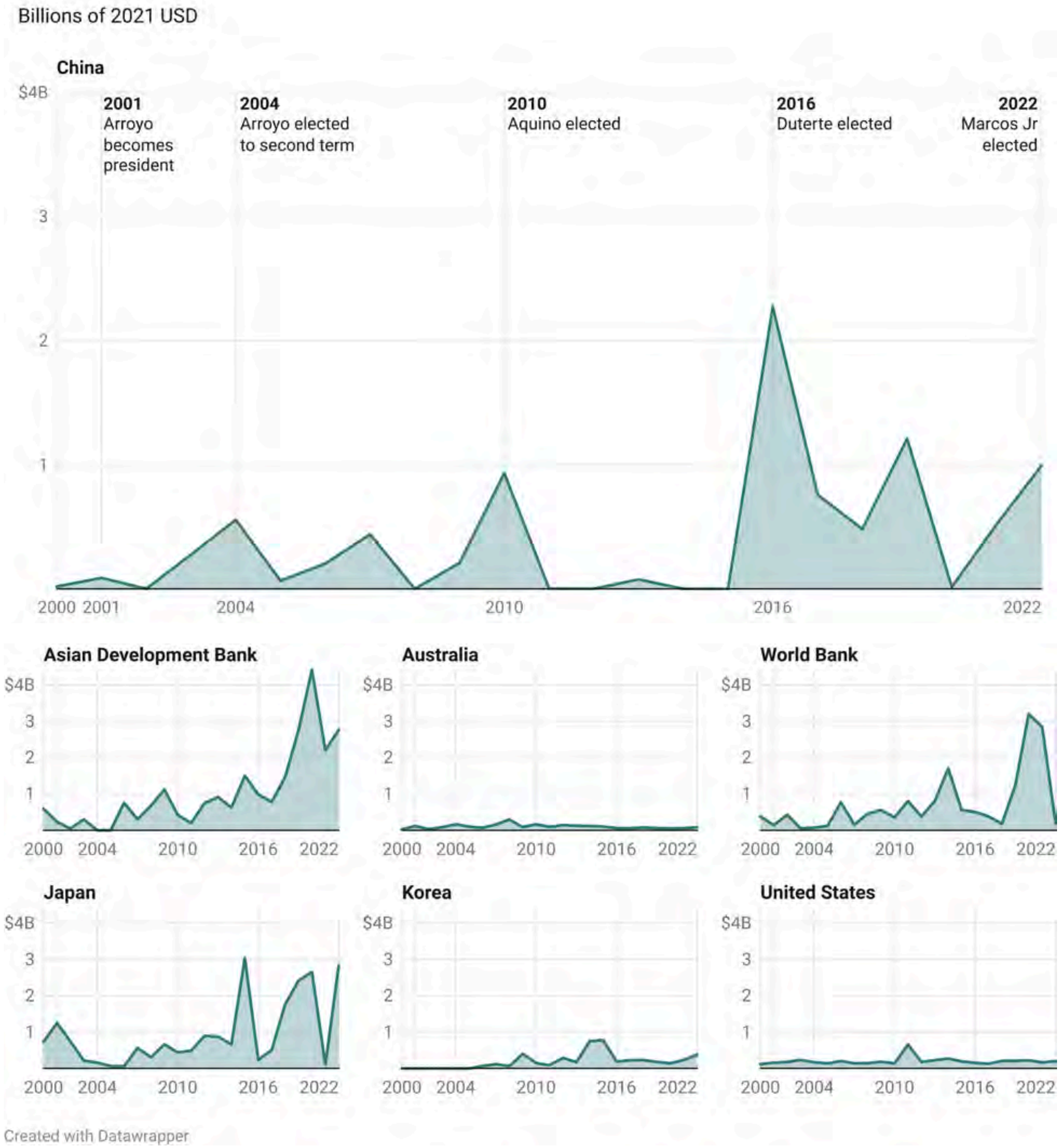
	Official Development Assistance (ODA)	Other Official Flows (OOF)	Vague (level of concessionality undetermined)
China (Total: $9.1B; ODA: 6%)	0.55	8.26	0.30
Asian Development Bank (Total: $23.8B; ODA: 0%)	0.05	23.71	
Australia (Total: $2.3B; ODA: 96%)	2.24	0.08	
World Bank (Total: $16.3B; ODA: 0%)	0.00	16.26	
Japan (Total: $21.7B; ODA: 98%)	21.16	0.50	
South Korea (Total: $4.5B; ODA: 52%)	2.31	2.15	
United States (Total: $4.6B; ODA: 100%)	4.60	0.02	

Notes: The research team supplemented PRC finance with limited desk research and media article reviews to identify additional projects and details for 2022. Sources: OECD CRS Database, 2000-2022 and AidData's Global Chinese Development Finance Dataset, Version 3.0 for 2000-2021 (Custer et al., 2023; Dreher et al., 2022).

The PRC was initially a relatively small player (Figure 2.2), as most of the Philippines' development finance commitments between 2000 and 2009 came from another bilateral source: Japan (US$4.8 billion). Multilateral development banks like the World Bank and Asian Development Bank also played an outsized role from 2010 onwards. By contrast, it was not until 2016 that the PRC catapulted ahead of its peers as the top development finance supplier. Yet, the PRC's assistance fell off thereafter, particularly during the COVID-19 period, in absolute terms and compared to others.[4]

[4] The drop in PRC financing to the Philippines in 2020 is striking. Beijing did in fact mobilize more projects by number as well as donations of medical supplies—a strategy widely described as "mask diplomacy"—yet it provided the Philippines with less than US$15 million in project finance, while the ADB, the World Bank, and Japan collectively mobilized US$10.7 billion in development finance across a variety of crucial sectors (transport and storage, general budget support, health, and government).

Figure 2.2: Official finance commitments by year from major development partners to the Philippines, 2000-2022



Notes: The research team supplemented PRC finance with limited desk research and media article reviews to identify additional projects and details for 2022. Sources: OECD CRS Database, 2000-2022 and AidData's Global Chinese Development Finance Dataset, Version 3.0 for 2000-2021 (Custer et al., 2023; Dreher et al., 2022).

The Philippine Development Plan (2023-2028) outlines several different facets of infrastructure as essential to the nation's growth and prosperity, such as (i) physical connectivity; (ii) utilities; (iii) social; and (iv) information (NEDA, 2023).[5] Building on this foundation, in this report, we consider the extent to which Beijing (as compared to other development partners) finances these different types of infrastructure, including:

- Economic and information infrastructure (i.e., banking and financial services; business services; telecommunications; economic infrastructure and services)
- Physical connectivity infrastructure (i.e., trade policies and regulations; transport and storage)
- Utilities, food, and power infrastructure (i.e., agriculture, forestry, fishing; energy; industry, mining, construction; production sectors; water supply and sanitation)
- Social and environmental infrastructure (i.e., education; environmental protection; government and civil society; health; social infrastructure and services; population policies/programs; and reproductive health)

Most of Beijing's development finance over the last two decades has focused on hard infrastructure sectors (i.e., economic and information, physical connectivity, utilities, food, and power). However, it has implemented a large number of small-dollar projects supporting social development in the Philippines (see Table 2.3). The PRC does not invest much in areas such as environmental protection, disaster prevention, and the government and civil society.

Table 2.3: Top 10 sectors for PRC-funded development projects in the Philippines, 2000-2022

Top 10 sectors by project value	Millions USD	Top 10 sectors by project count	Count
1. Energy	3,220	1. Health	46
2. Transport and storage	1,328	2. Emergency response	44
3. Communications	1,001	3. Education	32
4. Water supply and sanitation	934	4. Agriculture, forestry, fishing	14
5. Business and other services	781	5. Transport and storage	12
6. Industry, mining, construction	389	6. Communications	12

[5] The term "critical infrastructure" is used more narrowly under the amended Public Service Act of 2022, Section 13(b) which defines it as: "*any public service which owns, uses, or operates systems and assets, whether physical or virtual, so vital to the Republic of the Philippines that the incapacity or destruction of such systems or assets would have a detrimental impact on national security, including telecommunications and other such vital services as may be declared by the President of the Philippines*" (Alonzo, 2023). In practice, the legislation has only explicitly identified telecommunications as a critical industry.

Top 10 sectors by project value	Millions USD	Top 10 sectors by project count	Count
7. Agriculture, forestry, fishing	387	7. Business and other services	12
8. Trade policies and regulations	291	8. Energy	10
9. Unallocated/unspecified	261	9. Government and civil society	9
10. Banking and financial services	231	10. Developmental food aid/food security assistance	8

Notes: This table shows the top 10 sectors of PRC-funded development projects from 2000 to 2022 (inclusive of aid and debt instruments) in millions of constant 2021 USD (left) and number of projects (right). Data for 2022 is preliminary. "Unallocated/unspecified" indicates that there was insufficient detail to assign a sector to the project. Sources: AidData's Global Chinese Development Finance Dataset, Version 3.0 for 2000-2021 (Custer et al., 2023; Dreher et al., 2022). Supplemented by limited desk research and media article review by the research team to identify additional projects and details for 2022.

Like the PRC, Japanese development agencies directed most of their funding to the transport sector, spending a total of US$14.6 billion—nearly US$6 billion more than the other five donors combined (US$8.57 billion). South Korea also has an outsized interest in bankrolling hard infrastructure projects (transport and storage; industry, mining, construction; and energy), albeit with a smaller budget. Seoul is the only external donor mobilizing comparable funds to the PRC in one area: telecommunications (US$753 million to US$1.0 billion, respectively).

But Beijing has been willing to take on infrastructure projects other donors have walked away from. The bridge connecting Davao City to Samal Island, a popular tourist site, is one such example. The Japanese International Cooperation Agency (JICA) conducted a feasibility and environmental impact study in 2016, proposing a landing location on Samal with minimal environmental or real estate impacts (JICA, 2018a; Ledesma, 2020). However, later in 2020, the ADB, backed by a roughly US$350 million Chinese loan, consulted with then Davao City Mayor Sara Duterte to develop a plan to deliver the Samal Island-Davao City Connector (SIDC) bridge as a flagship project for President Duterte's "Build, Build, Build" Initiative (Pinlac, 2022; Ledesma, 2020).[6]

Other development partners diverged from the PRC's priority sectors to some extent. The World Bank focused on agriculture, forestry and fishing; government and civil society; social infrastructure and service; energy; and disaster prevention. It was a leading supplier of emergency response support to save lives in the aftermath of

[6] Groundbreaking on the SIDC bridge occurred in October 2022, but the project has attracted criticism over harm to the environment and implementation delays (Pinlac, 2022; Ledesma, 2020; Kapunan, 2022). The project was temporarily paused in January 2024 due to issues negotiating with landowners on the Samal side. As of April 2024, local resort owners are still pursuing a legal injunction to stop construction at the Supreme Court (Francisquete, 2024; Escovilla, 2024).

earthquakes, typhoons, and volcano eruptions. Meanwhile, the U.S. was the leading donor for food assistance and environmental protection. Both the U.S. and Australia committed large sums to strengthen social infrastructure via investments in education, government, and civil society (Table 2.4).

This positioning is fairly consistent with how Asia-Pacific leaders, including those in the Philippines, view these players' comparative advantages. In a 2022-2023 survey, Custer et al. (2024) found that public, private, and civil society leaders in the region viewed leading democracies such as the U.S. as preferred partners for governance and social sector projects but looked to Beijing for hard infrastructure and energy projects.

Table 2.4: Total official finance commitments from major development partners to the Philippines by sector, 2000-2022

Billions of 2021 USD

Sector	China	Asian Development Bank	Australia	World Bank	Japan	South Korea	United States
Disaster risk reduction, emergency response	0.1	0.0	0.1	0.2	0.8	0.0	0.7
Economic and information infrastructure	2.0	3.1	0.0	1.2	0.1	0.8	0.2
Physical connectivity infrastructure	1.6	4.6	0.2	1.1	14.6	1.3	0.5
Social and environmental infrastructure	0.2	12.0	1.4	7.8	1.0	0.4	2.7
Utilities, food, and power infrastructure	4.9	2.9	0.2	2.6	1.4	1.5	0.2
Other	0.3	1.1	0.4	3.3	3.8	0.4	0.3

Created with Datawrapper

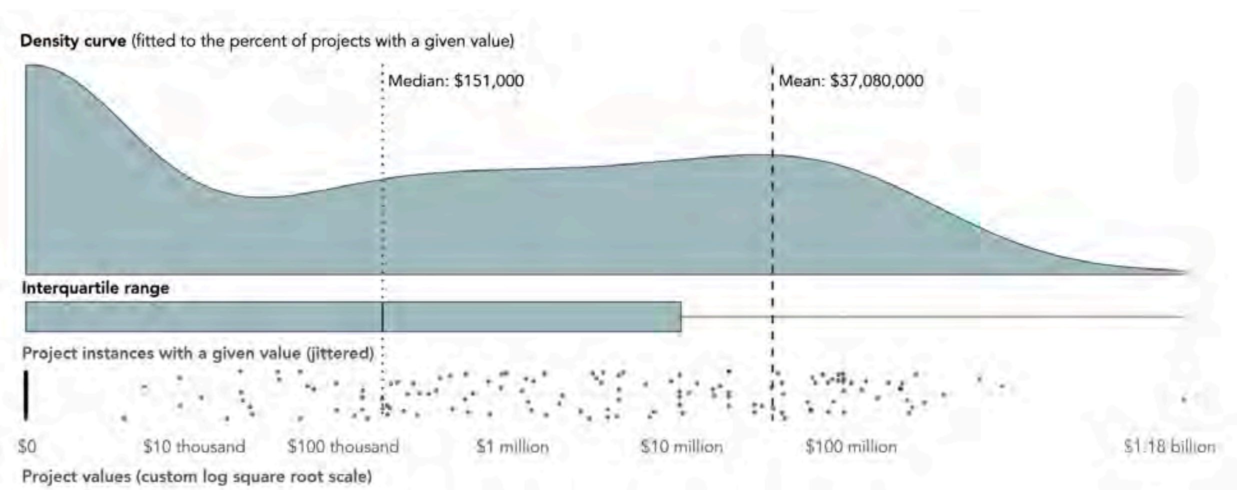
Notes: Commitments are denominated in billions of constant 2021 USD. Darker colors indicate higher volumes of financing from a particular donor in a given sector. Sources: OECD CRS Database, 2000-2022 and AidData's Global Chinese Development Finance Dataset, Version 3.0 for 2000-2021 (Custer et al., 2023; Dreher et al., 2022). The "Disaster risk reduction, emergency response" sector includes: development food assistance; disaster prevention and preparedness; emergency response; reconstruction relief and rehabilitation. The "Other" sector includes: action relating to debt; administrative costs of donors; commodity aid/general programme assistance; general budget support; other multisector; other commodity assistance; and unallocated/unspecified. PRC finance was supplemented by limited desk research and media article review by the research team to identify additional projects and details for 2022.

2.1.2 How has Beijing's financing changed across administrations?

As an economist by training, President Arroyo was adamant that growth and job creation would drive her foreign policy (Government of the Philippines, 2004; Tran, 2019). She publicly embraced the PRC as a friend, even amid the Philippines' maritime disputes with China (ibid). In parallel, Jiang Zemin's "Going Out" (or "Going Global") policy provided PRC officials with a clear mandate to look outward to put China's excess industrial capacity to productive use abroad. Beijing's development finance to the Philippines grew by over 950 percent during Arroyo's time in office (from US$88 million to US$931 million), particularly in the areas of energy and telecommunications.

Nevertheless, even during a so-called "golden age" of PRC-Philippine relations (PRC Embassy, 2005), Beijing's bankrolling of development projects was episodic, with notable peaks in 2004, 2006, and 2010, surrounded by lower activity (Figure 2.2). These fluctuations were likely driven, at least in part, by the nature of PRC development finance, which prioritizes a few large-dollar investments that take multiple years to implement alongside many small-dollar education and social development efforts (Figure 2.5).

Figure 2.5: PRC-funded development projects in the Philippines, 2000-2022



Notes: This "raincloud" visualization illustrates the distribution of PRC-funded development projects in the Philippines according to the financial values associated with the project. Each black dot along the x-axis represents a PRC-funded development project. (Note that dots overlap and that not all projects can be visualized due to space constraints.) The interquartile range, from nearly $0 to $10 million, represents the upper and lower limits of the middle half of project values. The density curve represents the distribution of values in the dataset. For visualization purposes, a custom scale along the x-axis expands values closer to $0 and compresses values above $1 million. Sources: AidData's Global Chinese Development Finance Dataset, Version 3.0 for 2000-2021 (Custer et al., 2023; Dreher et al., 2022). Supplemented by limited desk research and media article review by the research team to identify additional projects and details for 2022.

The Philippines' first PRC debt-financed development project beginning in 2001, a US$88 million line of credit for the Department of Finance for an irrigation project in Ilocos Sur province, was a sign of things to come (Custer et al., 2023; Dreher et al., 2022). The project's emphasis on water supply and power grid expansion served as something akin to a trial run for even larger investments in those two sectors over the next two decades. With the exception of humanitarian aid, the vast majority of PRC project funding during Arroyo's administration would come via loans with fairly standardized interest rates (3-3.5 percent interest) and maturities (7-12 years).

Ambitions were high: the Banaoang Pump Irrigation Project aimed to expand local rice production and market access through improved roads and electrical connectivity, building a pumping station and a series of irrigation canals (Custer et al., 2023; Dreher et al., 2022). The project was expected to irrigate over 6,000 hectares of land to benefit over 5,000 farming families. However, the implementing partner for the irrigation project, the state-owned China National Construction & Agricultural Machinery Import & Export Corporation (CAMC), quickly ran behind schedule, an indication of CAMC's relative inexperience at this early stage in delivering overseas projects.

In 2006, Beijing bankrolled 10 projects worth US$204 million dollars, spanning business development and trade expansion, along with emergency response to aid communities impacted by Typhoon Reming and the Southern Leyte landslide. In 2010, Arroyo's final year in office, PRC investment jumped to a historic high, reaching US$931 million in a single year driven by two projects: a coal-fired power plant in Mariveles, and the treatment of wastewater in Metro Manila (Custer et al., 2023; Dreher et al., 2022). An additional agreement for the expansion of Digital Mobile's 3G network was signed in September 2010 after Arroyo had left office.

Noteworthy for their size (the largest was worth US$687 million), these projects were also illustrative of a broader trend: the privatization of debt financing for development. Increasingly, the PRC was lending to private sector actors in the Philippines and elsewhere, often with sovereign guarantees that made the host country government accountable if a private company failed to repay (Malik et al., 2021).

Arroyo's enthusiasm to pursue stronger ties with Beijing was not without criticism. Domestic critics accused the president of corruption, election fraud, and "trading Philippine sovereignty for personal benefits" (Quimpo, 2009; Zha, 2015; Tran, 2019). Under pressure at home, Arroyo suspended a Cyber Education project worth US$466 million, canceled a US$329 million National Broadband Network project, and was compelled to safeguard Philippine maritime boundaries as the PRC began to flex its naval muscles to assert its territorial claims in the South China Sea (West Philippine Sea) (Tran, 2019).

The election of President Aquino in May 2010 marked an inflection point in the PRC-Philippine relationship. Diplomatic relations with Beijing took on a chillier turn. During the first few months of Aquino's presidency, the PRC expanded its presence in the Spratly Islands and made six incursions into Philippine territorial waters (Thayer, 2014). Heated rhetoric and gamesmanship over conflicting claims in the South China Sea (West Philippine Sea) characterized much of the Philippine-PRC relationship during Aquino's tenure. Aquino protested the PRC's claims, initiating arbitral proceedings against Beijing in 2013 under the United Nations Convention on the Law of the Sea (PCA, 2013), and meeting with ASEAN peers and the U.S. Coast Guard (Thayer, 2014).[7]

Frosty diplomatic relations extended to declining interest from leaders on both sides to collaborate on new development projects and move forward with past agreements.[8] During the Aquino administration, the Philippines received less money from the PRC over six years and 14 projects than it did from just one of the three projects that Chinese banks funded in 2010, the final year of the Arroyo administration.

There were only three consequential development finance agreements between the two countries during the Aquino era. Two of these agreements were loans issued by PRC state-owned banks to two Philippine firms: the San Miguel Corporation (a business conglomerate working across the food and beverage, energy, and infrastructure industries) and Rizal Commercial Banking Corporation (a privately owned bank) (Custer et al., 2023; Dreher et al., 2022). In both instances, Chinese banks were the primary but not sole lenders, instead working as part of a larger group of 33 and 17 entities, respectively. The third instance was a loan agreement with the Development Bank of the Philippines (a state-owned development bank), where the Bank of China was a mid-sized lender among a group of 20 banks. This arrangement is often referred to as "syndicated lending," in which a lead bank manages contributions from other lenders (i.e., the syndicate) who jointly provide financing to the same borrower using the same loan terms (BOC, n.d.).

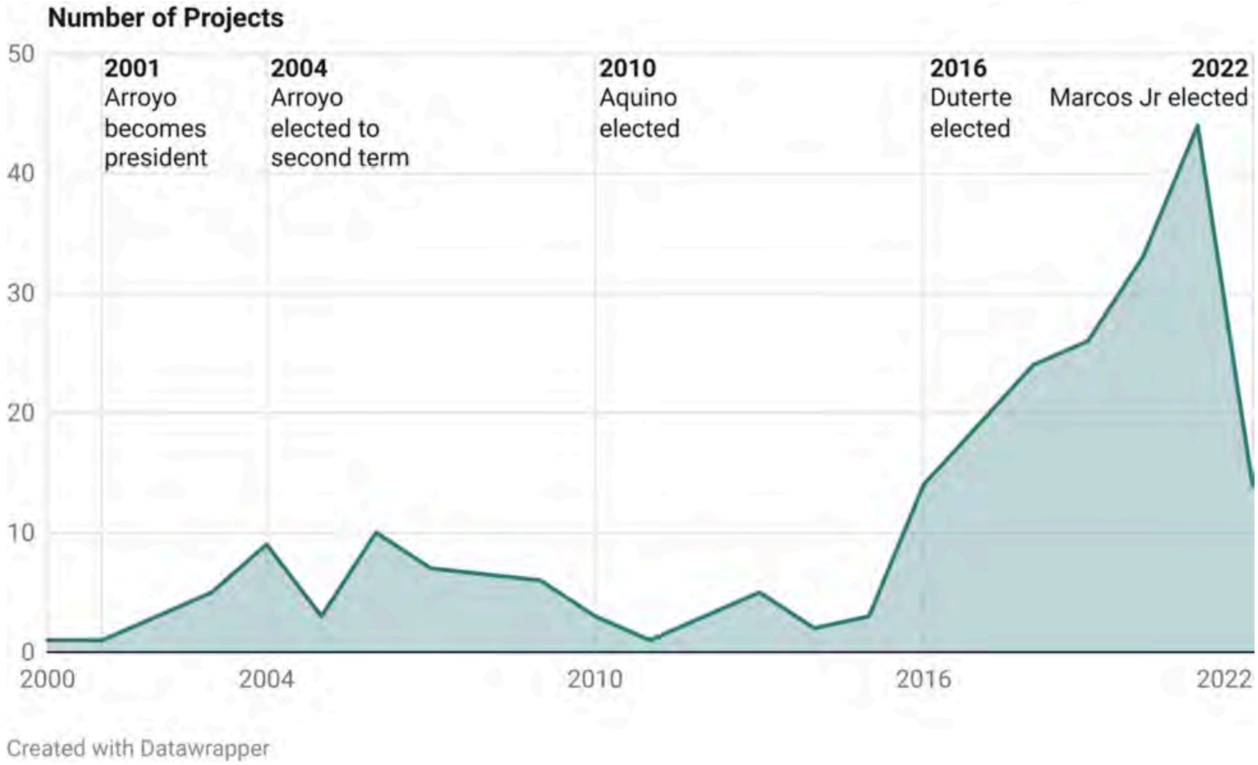
[7] The dispute dampened development cooperation between the two countries, though trading relations continued to grow with the PRC becoming the Philippines' second-largest trading partner (Tran, 2019).
[8] The Philippines notably canceled two Arroyo-era agreements with Beijing related to the contentious Northrail project (see Chapter 3) and suspended a third project (the Agus 3 Hydropower project) during Aquino's tenure (Custer et al., 2023; Dreher et al., 2022).

Otherwise, PRC assistance during Aquino's tenure was limited to smaller-scale goodwill projects oriented more towards stoking positive public opinion than responding to the priorities of political leaders. In this 'quiet' phase of PRC-Philippine relations, Beijing was likely cultivating people-to-people ties to create a more conducive environment for a resurgence of cooperation with the next administration, once Aquino stepped out of power.

One such goodwill project was a US$2 million grant from the PRC's Ministry of Commerce to continue technical cooperation with the Philippines-Sino Center for Agricultural Technology, though notably at a lower level of support than its previous grant to the joint effort in 2003 (Custer et al., 2023; Dreher et al., 2022). Beijing also made modest donations to the National Library of the Philippines and helped establish a Confucius Institute at the University of the Philippines. On a somewhat larger scale, the PRC sent several rounds of emergency aid and a hospital ship to aid victims of Typhoon Yolanda.

Assuming office in mid-2016, President Duterte's stated aspiration for the Philippines to pursue an "independent" foreign policy, his appreciation for the PRC's economic power, and Beijing's willingness to back his anti-drug policies provided a favorable environment for renewed cooperation between the countries (Tran, 2019; Blanchard, 2016). By extension, the Philippines attracted by far the greatest volume of new projects (174) and development finance dollars (US$6.2 billion) during Duterte's tenure (2016-2022), as compared to his predecessors (Figure 2.6).

Figure 2.6: PRC-funded development projects in the Philippines over time, 2000-2022



Notes: Vertical lines represent elections and transitions between different administrations. Sources: AidData's Global Chinese Development Finance Dataset, Version 3.0 for 2000-2021 (Custer et al., 2023; Dreher et al., 2022). Supplemented by limited desk research and media article review by the research team to identify additional projects and details for 2022.

In record time, Duterte mobilized US$2.2 billion in loans for two power projects in Dinginin and Kauswagan (from July to September 2016). Following his state visit to China (between October and December 2016), Beijing agreed to bankroll 10 additional development projects in the Philippines worth US$28 million. GNPower, through its special purpose vehicles[9] GNPower Dinginin Ltd. Co (GNPD) and GNPower Kauswagan Ltd. Co (GNPK), was looking to secure project funding prior to the election; however, the speed with which these loans were finalized suggests that the PRC was weighing the political situation in their calculus (Custer et al., 2023; Dreher et al., 2022).

The PRC was highly attuned to the priorities of its newfound ally in President Duterte, namely his "Build, Build, Build" program, which aimed to usher in a new "golden age of infrastructure in the Philippines" (DBM, n.d.). The largest PRC-financed projects in the early years of Duterte's tenure were in hard infrastructure sectors (industry, mining, and construction; energy; and water). Telecommunications also attracted ample attention from PRC financiers during this period, though these investments were more

[9] A special purpose vehicle (SPV) refers to a creditor lending to an "independent legal entity that is established for the express purpose of developing, owning, and operating a specific project." The operating parameters for these SPVs are limited to incurring debts and obligations related to the explicit purpose of the project and nothing else (Custer et al., 2023 and Dreher et al., 2022).

diffused across partners and years. In fact, the top sectors attracting PRC development finance dollars (by project value) for the 2000-2022 period highly converged with the infrastructure priorities of both Duterte and Arroyo.

Beijing's interest in financing development in the Philippines proved to be fairly durable, as the number of projects increased at a rapid clip throughout Duterte's presidency—from 14 projects in 2016 to 44 projects in 2021. Although the big-ticket infrastructure projects still tended to attract debt financing (loans approaching market rates and export credits), the year-on-year growth in the number of projects was driven by an uptick in aid activities in the health, education, and emergency response sectors financed on more generous terms (e.g., grants and no- or low-interest loans).[10]

Riding high following a resurgence of inbound PRC development finance in 2016, Philippine officials were publicly optimistic about the prospects of their country joining Chinese President Xi Jinping's signature Belt and Road Initiative (BRI) in 2017. Finance Secretary Carlos Dominguez III declared that the initiative would bolster the Philippines' ports and airports (DoF, 2017), and the South China Morning Post promised a "flurry of Chinese-invested projects" destined for Duterte's hometown of Davao (Huang, 2017).

Instead, new development finance from Beijing decreased in 2017 and 2018, while commitments in 2019 and 2022 were one billion dollars lower than the peak of 2016. As the PRC's development finance tapered off, the Philippines still mobilized FDI from commercial Chinese enterprises, rather than state-backed banks, in 2018. However, this, too, was relatively unstable and fell off in 2019. Section 2.2 discusses Chinese FDI in the Philippines in greater depth.

Despite warming relations, Beijing did not become more generous to the Philippines in terms of the cost of accessing its financing. For every US$1 of aid that Beijing gave the Philippines in 2016, it issued US$167 of debt. By 2019, the terms were even more unbalanced: US$1 of grant funding for every US$211 of debt. The reason comes down to a common feature in the PRC's development finance globally: it bankrolls a small number of high-cost hard infrastructure projects from which it expects an economic return, alongside a large number of inexpensive social projects to cultivate goodwill. Although the PRC occasionally has financed infrastructure projects with grants and no- or low-interest loans, these are increasingly the exception rather than the rule.

[10] As a case in point, the number of these conventional aid activities on generous terms grew from seven projects in 2016 to 38 projects in 2021, at the height of the COVID-19 pandemic. This was in addition to, rather than at the expense of, the infrastructure lending at larger scale and with less concessional terms (Custer et al., 2023; Dreher et al., 2022)

The decrease in new development finance dollars from Beijing, alongside increasing costs for the Philippines to access this financing, may be less a reflection of bilateral Philippine-PRC relations than a broader repositioning of Beijing's portfolio. PRC officials, seeing a growing number of BRI countries struggling to service mounting debts from PRC-financed development, began to pivot away from bankrolling 'new' infrastructure projects to bailing out the 'old' projects through supplying emergency lending (e.g., balance-of-payment loans, currency swaps) to assist its borrowers with limited-term cash liquidity to avoid default (Horn et al., 2023). Moreover, in an attempt to "de-risk its overseas lending portfolio" globally (Parks et al., 2023), the PRC expanded the frequency with which it co-financed projects with commercial banks in other countries to pool risk and mobilize capital.

This global context may shed insight into the rationale behind the PRC's less generous financing terms in backing the Philippines Clark Global City project. Highly aligned with the stated priorities of Beijing's Maritime Silk Road Strategy (PRC State Council, 2017), the Philippines sought to expand a mixed-use business district in the Clark Freeport Special Economic Zone adjacent to Clark International Airport (in the city of Mabalacat in Pampanga province). The Bank of China teamed up with two Philippine commercial banks, Banco de Oro and Philippine National Bank, as co-financiers to make a US$265 million syndicated loan commitment to the project. The financing came with a 10-year maturity and a 7.61 and 8.98 percent interest rate (Custer et al., 2023; Dreher et al., 2022). Comparatively, development finance loans offered by Japan (another frequent supplier of loans) are typically more concessional, with interest rates close to 1 percent on average (OECD, 2023), grace periods of 10 years, and repayment periods of 40 years (OECD, 2020).

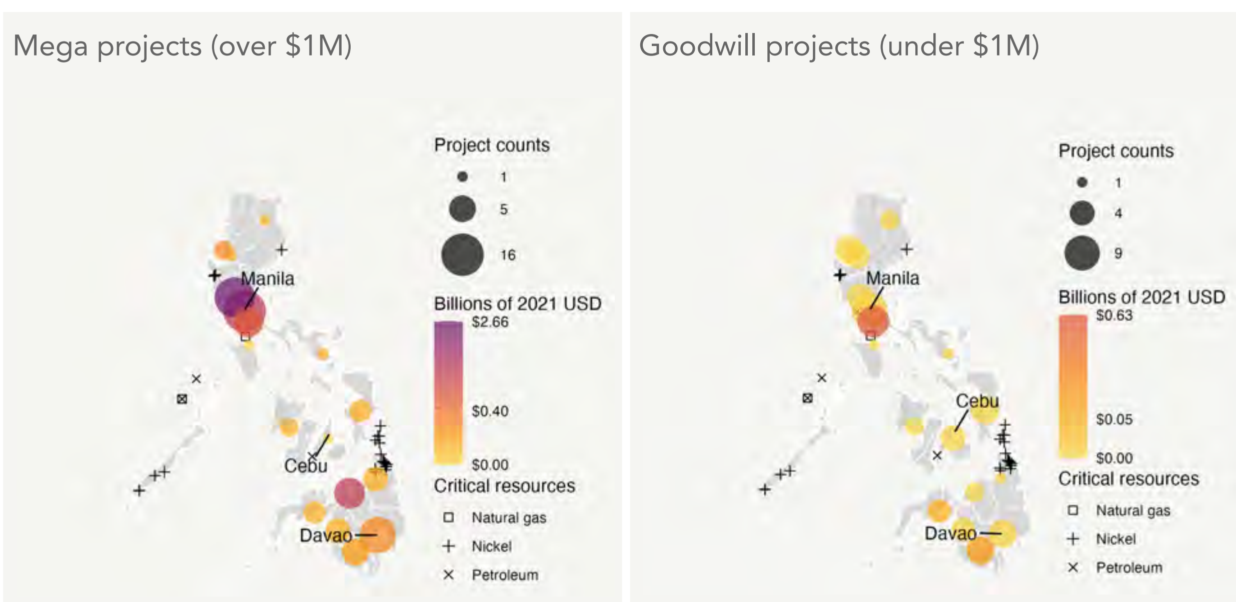
Two years into the tenure of Duterte's successor, President Marcos Jr, we can only make educated guesses as to how the PRC's development finance may evolve. There was a post-COVID-19 pandemic rebound in the dollar value of new PRC projects in 2022 (US$1.06 billion), compared to a slump in 2020 and 2021. Three planned projects account for eighty percent of the estimated new money: the Samal-Davao bridge project in former President Duterte's hometown; a loan for Manila Water Company to expand its operations; and an investment in the next phase of the Kaliwa Dam project. This debt financing was paired with 11 smaller aid-like activities in the social sector (e.g., education, health, and social services). Some deals could reflect Beijing's warm relations with Duterte, whose tenure ended mid-2022.

The PRC's behavior in past election years (e.g., 2010 and 2016) has signaled anticipated relations with an incoming president. Beijing's naval assertiveness in the early months of Aquino's presidency was matched with a slowdown in development finance. At the same time, its rapid approval of a few high-value infrastructure projects paired with a larger number of small-scale goodwill social projects was responsive to a perceived thaw in relations with the Philippines in the early months of Duterte's tenure. As the Marcos Jr administration diversifies its international relationships and distances Manila from Beijing, it is likely that PRC investments will mirror the dynamics observed previously under Aquino.

2.1.3 In which communities is the PRC investing—and why?

In this section, we explore whether and how the PRC's development finance may vary in another respect: geography. To answer this question, we draw upon the location information in AidData's project-level data on PRC development finance to identify the subnational distribution of Beijing's activities *within* the Philippines across 17 regions (the first administrative division level). Looking at these investments over more than two decades (2000-2021),[11] Beijing was most interested in bankrolling activities in politically important regions, which represent attractive markets for Chinese firms (see maps below).

Figures 2.7a and 2.7b: PRC-funded development projects in the Philippines by region, 2000-2021



[11] 2022 projects were not able to be assigned to regions.

Notes: These maps show cumulative counts and dollars values for PRC-funded development projects aggregated to the region level from 2000-2021, along with major cities and sites of nickel, natural gas, and petroleum that are operational or under development.. The left map shows projects above US$1 million (mega projects), while the right map shows projects below US$1 million (goodwill projects). Multiple PRC projects could not be linked to a region, either because the project was national in nature or there was insufficient information to determine the precise location. Sources: AidData's Global Chinese Development Finance Dataset, Version 3.0 for 2000-2021 (Custer et al., 2023; Dreher et al., 2022).

The National Capital Region (NCR), the country's political epicenter and home to many of its largest companies, received the most projects by count (45 projects) and second-most by value (US$1.3 billion) (Table 2.8). Neighboring Central Luzon received the greatest value of PRC projects (US$2.7 billion), concentrated in the south. Central Luzon is the home region of President Arroyo, who declared her interest in developing the Luzon Urban Beltway as a "globally competitive industrial and service center" (E.O. 561, 2006). Beijing funded several projects related to this goal, including a series of container inspection scanners in 2007 and the GNPower Mariveles Coal Plant in 2010.[12]

Table 2.8: PRC-funded development projects in the Philippines by region, 2000-2021

Region name	Project count	Total project value, millions USD	Project value per capita, USD
National Capital Region (NCR)	45	1,284.27	95.24
Region III (Central Luzon)	26	2,659.16	214.07
Region XI (Davao Region)	26	238.73	45.53
Region I (Ilocos Region)	11	222.06	41.89
Region IV-A (Calabarzon)	10	634.07	39.15
Region VII (Central Visayas)	10	0.86	0.11
Region X (Northern Mindanao)	10	1,161.96	231.34
Cordillera Administrative Region (CAR)	9	33.91	18.86
Region VIII (Eastern Visayas)	9	58.42	12.85
Bangsamoro Autonomous Region In Muslim Mindanao (BARMM)	7	61.57	13.98

[12] Interestingly, U.S. President Joe Biden's April 2024 announcement of the "PGI Luzon" infrastructure corridor largely mimics the arc of this urban beltway, pledging to "connect Subic Bay, Clark, Manila and Batangas" via rail, ports, electric, and high value-add industries (Widakuswara, 2024). If delivered, this U.S.-funded corridor would invest in many of the existing areas of PRC projects, as well as some potentially overlooked areas like Batangas.

Region name	Project count	Total project value, millions USD	Project value per capita, USD
Region XIII (Caraga)	6	61.64	21.98
Region VI (Western Visayas)	5	56.25	7.07
Region XII (Soccsksargen)	5	127.51	26.01
Region II (Cagayan Valley)	4	33.96	9.21
Region V (Bicol Region)	4	82.43	13.55
Mimaropa Region	3	0.68	0.21
Zamboanga Peninsula	3	56.84	0.00
Unspecified	86	1,342.24	NA

Notes: This table shows PRC-funded development projects by region between 2000 and 2021 (inclusive of aid and debt instruments) by number of projects, dollar value (in millions of constant 2021 USD), and dollar value per capita based on 2020 census figures. "Unspecified" indicates that projects were either national/cross-regional in nature or were otherwise unable to be conclusively linked to a specific region. Sources: AidData's Global Chinese Development Finance Dataset, Version 3.0 for 2000-2021 (Custer et al., 2023; Dreher et al., 2022); Philippine Statistics Agency 2020 Census of Population and Housing.

Davao, another politically important region, is the home of former President Rodrigo Duterte and current Vice-President Sara Zimmerman Duterte-Carpio. Although the total dollar value of PRC projects is moderate (US$239 million), the number of projects is the second-highest in the country (26 between 2000 and 2021). Timing plays an important role: 85 percent of Beijing's projects were committed after Duterte's election in 2016. These projects were more about soft power than economic return and included donations of educational materials, medical supplies, emergency food relief, and motorcycles for the Davao City police department.

PRC financing did not shy away from the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM), despite the armed conflict in Marawi. Beijing instead identified an opportunity to bolster President Duterte following one of his administration's defining domestic crises. From 2017 through 2019, the PRC financed seven projects in the region, principally focused on relief and reconstruction efforts in Marawi City, but expanded to funding Dito Holdings Corporation to install a nationwide 4G/5G system in 2019, positioning it as the third telecommunications player in the Philippines alongside Globe and PLDT/Smart.

Energy potential was another factor in the direction of PRC development finance; however, the rationale was not necessarily about proximity to raw energy resources and critical minerals.[13] PRC state-backed investments do not overlap with regions with the greatest concentration of nickel mines (Carraga and Mimaropa) or proximity to oil and natural gas deposits[14] (Calabarazon, Central Visayas, Central Luzon) (see Figures 2.7a and 2.7b, above). Instead, Beijing's interests appear to lie in boosting local electricity consumption to unlock increased productivity and follow-on projects for Chinese firms.

The Alegria Oil Field in Cebu, in the Central Visayas region, is the only petroleum site identified that was directly operated by a PRC company, China International Mining Petroleum Co., Ltd. (Trimmer et al., 2024; Padayhag, 2014). However, there were no apparent direct connections to concentrations of Chinese official development finance. Instead, the large coal-powered GNPower sites in Central Luzon and Northern Mindanao appear to be the main anchors for additional PRC investment, including both official development finance and FDI—a theme we will further explore in the next section.

2.2 How has Chinese FDI changed over time, in both absolute terms and in relation to the PRC's development finance?

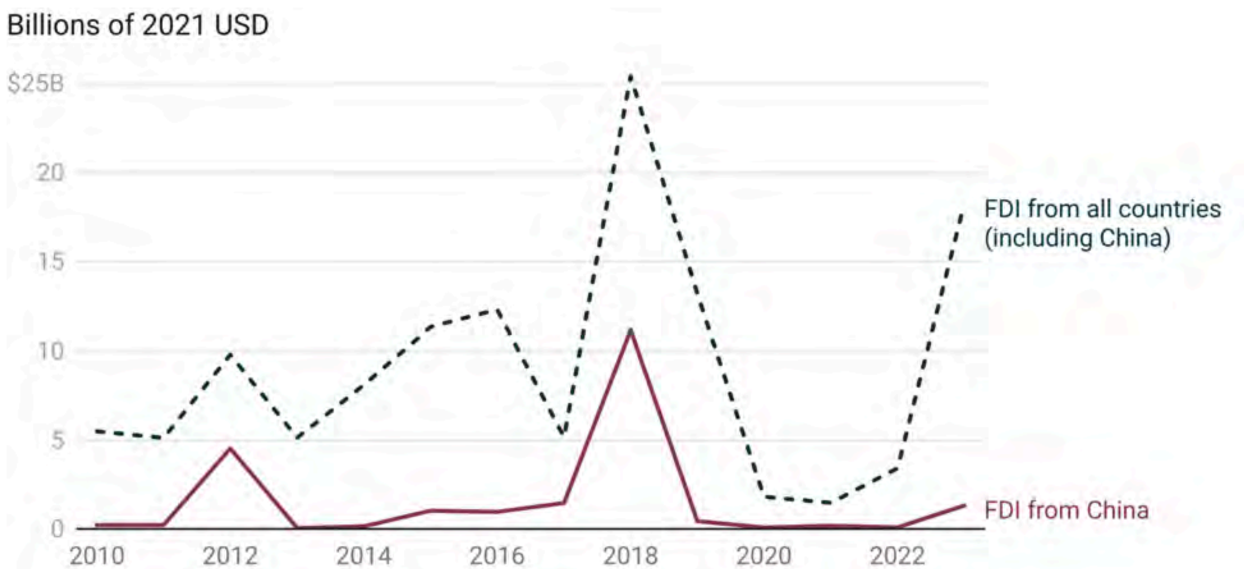
Beijing's state-directed development finance across the Philippines is substantial but sensitive to changes in political administrations and concerns over the degree of risk in its global debt portfolio. Moreover, discrete development finance investments are also time-limited rather than long-term. By comparison, FDI implies a longer-lasting ownership stake or financial interest between individual or corporate investors in one economy and another (OECD, n.d.a and n.d.b). The trends described here reflect new inbound FDI annually, not the stock or total value of all previous and current FDI in a given year.

[13] Critical minerals refers to a category of materials related to clean energy technologies including: copper, lithium, nickel, cobalt, and rare earth elements. These materials are considered to be critical to the functioning and scaling of clean energy transitions (e.g., wind turbines, electric vehicles, and batteries) (International Energy Administration, n.d.).

[14] The Petron Bataan Refinery in Central Luzon is the closest to the PRC's energy investments in the Mariveles and Dinginin power plants. However, there are no clear linkages between the two sites. The Malampaya Gas plant in Batangas is the onshore destination of the two Malampaya Gas Fields off of Palawan, the lucrative reserves between the Philippines and the Spratly Islands. Yet, perhaps due to sensitivity around the South China Sea (West Philippine Sea) issue or due to restrictions on foreign access to Philippine natural resources, neither Batangas nor the province of Mimaropa, which has high concentrations of nickel mines and proximity to South China Sea (West Philippine Sea) hydrocarbons, was a focus of PRC financial overtures. The Batangas city government did receive one donation of emergency relief supplies in January 2020 following the eruption of Taal volcano.

Between 2010 and 2023, new commitments of inbound Chinese FDI to the Philippines skyrocketed by 514 percent, from US$214 million to US$1.3 billion.[15] This growth was by no means steady. As with the PRC's development finance (section 2.1), Chinese FDI in the Philippines fluctuated dramatically year-on-year. Inbound FDI commitments from China peaked in 2018 with US$11.2 billion announced (Figure 2.9), accounting for 44 percent of new projects that year and roughly half of the growth in the Philippines' global FDI inflows that year (Figure 2.10). By contrast, just two years prior, in 2016, Chinese FDI comprised just under 8 percent of the total inbound investment.

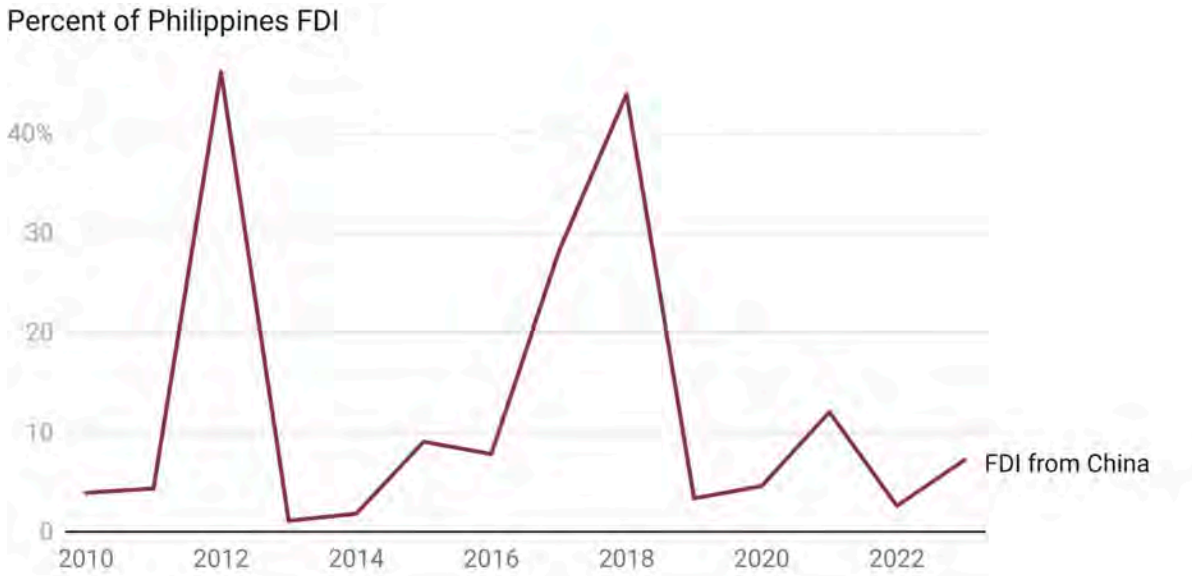
Figure 2.9: Annual inbound Chinese FDI versus global FDI to the Philippines, 2010-2023



Notes: This figure shows the annual inbound commitment of new foreign direct investment (FDI) in the Philippines from 2010 to 2023. FDI dollars represent capital expenditures (CAPEX) in billions of 2021 USD. Sources: fDi Markets, from the Financial Times Ltd.

[15] FDI is recorded as the estimated capital expenditures (CAPEX) of announcements of new investments or expansions of existing projects recorded in each calendar year. Constant 2021 USD.

Figure 2.10: Annual inbound Chinese FDI as share of total FDI in the Philippines, 2010-2023



Notes: This figure shows PRC-sourced inbound commitments of new foreign direct investment (FDI) as a share of total annual inbound FDI in the Philippines from 2010 to 2023. FDI dollars represent capital expenditures (CAPEX) in billions of 2021 YSD. Sources: fDi Markets, from the Financial Times Ltd., calculations by AidData.

The 2018 investments followed the Philippines' hosting of two ASEAN summits in 2017, where President Duterte courted leaders from the PRC, the U.S., Japan, and the European Union, among others (Heydarian, 2017). Duterte's 2017 diplomatic press aligned with the first anniversary of his "Build, Build, Build" Infrastructure Program. The ASEAN summits served as a valuable expo for the Philippines to pitch potential investors and mobilize billions of pesos in infrastructure and transportation projects.

Two massive steel projects undergirded Chinese FDI investment commitments in 2018: a US$3.5 billion investment by the state-owned company Panhua Group Co. Ltd. to build a new steel mill and port facility (Canivel, 2018)[16] and a US$4.4 billion joint venture announced by the state-owned enterprise Hesteel Group in conjunction with SteelAsia Manufacturing Corp[17] (Asia Times, 2018; Choo and Fox, 2018). Both of these pledged investments aimed to expand steel production capacity in the state-owned Philippines Veterans Investment Development Corporation (PHIVIDEC) Industrial Authority's 3,000-hectare estate in Misamis Oriental Province, Northern Mindanao.[18]

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[16] This project was captured in AidData's Global Chinese Development Finance Dataset, Version 3.0 but with no financial amounts (Custer et al., 2023; Dreher et al., 2022).

[17] This project is not included in AidData's Global Chinese Development Finance Dataset, Version 3.0.

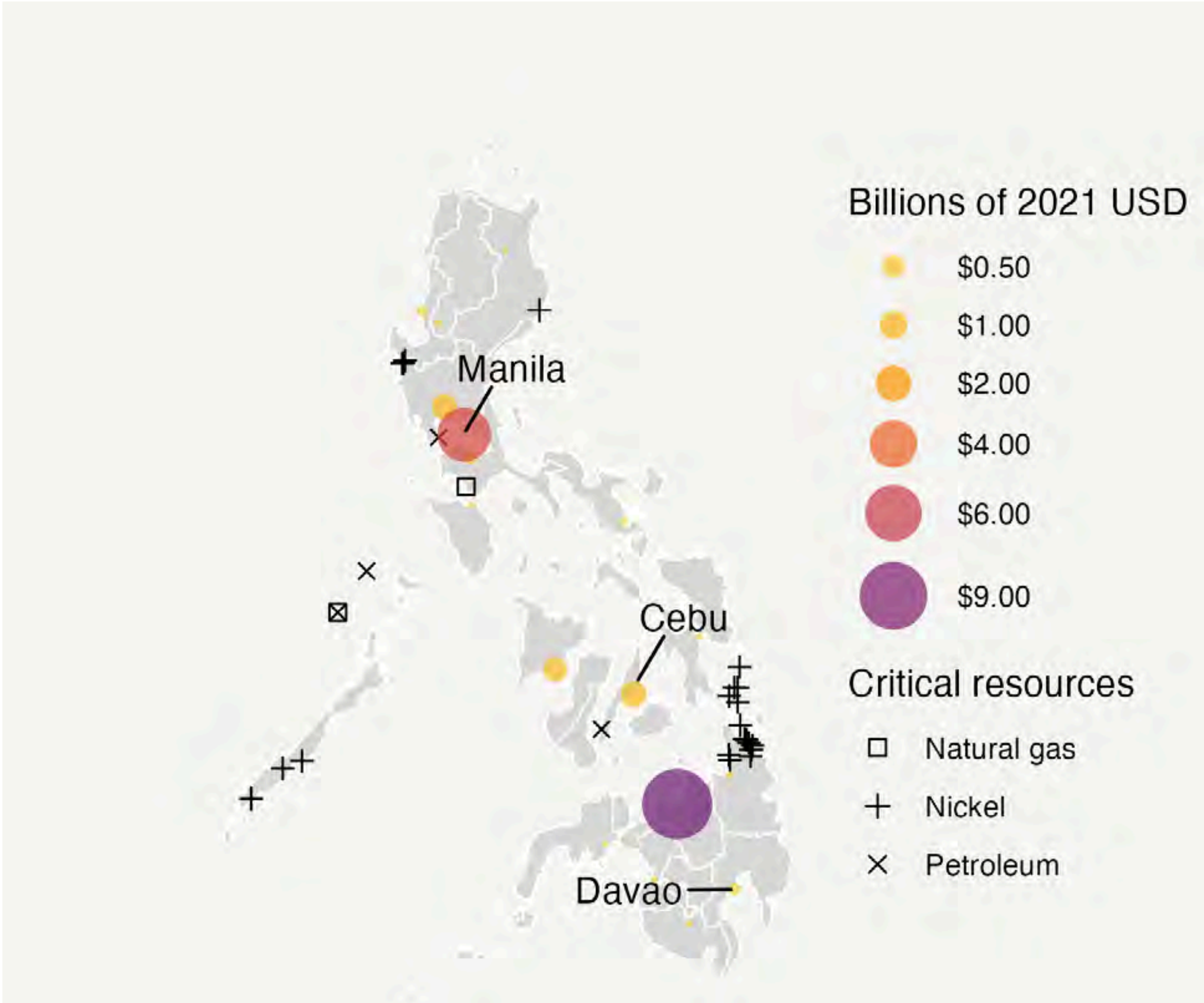
[18] PHIVIDEC operates, administers, and manages local businesses that promote socio-economic well-being for veterans and retirees of the Armed Forces (PHIVIDEC, n.d.b.).

Critical minerals do not readily explain the geography of inbound Chinese FDI in the Philippines. Caraga and Mimaropa account for over three-quarters of the country's viable nickel production sites, but neither region attracted a single Chinese FDI project (Figure 2.11).[19] Hydrocarbons are a similar refrain. Although China International Petroleum Company Limited has explored petroleum extraction from the Alegria Oil Field in Central Visayas since 2012 (Padayhag, 2014; Polyard Petroleum International Group, Ltd. 2012), the region attracted less than 4 percent of inbound Chinese FDI.

The main reported energy investments in Central Visayas and Central Luzon were instead power generation for domestic consumption, as opposed to refining or exporting petroleum (Griffiths, 2019). 2017 talks between Philippine Trade Secretary Ramon Lopez and a Chinese firm (Handi Group) about investing in a Northern Mindanao petroleum refinery (Campos, 2017; DTI, 2017; Handi Group, 2017; Philippine Star, 2017) failed to progress beyond an initial handshake.

[19] Caraga has 18 mines and quarries in operation, development, or exploration stages (Trimmer et al., 2024). Mimaropa has 9 nickel sites in development (ibid). Together, these two regions account for 77 percent of all nickel production sites.

Figure 2.11: Critical natural resources and inbound Chinese FDI in the Philippines, 2010-2023



Notes: This map shows the total inbound commitments of new Chinese foreign direct investment (FDI) in the Philippines from 2010 to 2023 and the sites of natural gas, nickel, and petroleum extraction that are operational or under development. FDI dollars represent Capital Expenditures (CAPEX) in billions of 2021 USD. Several FDI projects did not have a specified location. Sources: fDi Markets, from the Financial Times Ltd.; U.S. Geological Survey.

Instead, these inbound FDI flows may be more a reflection of three other strategic factors: (i) proximity to existing PRC-funded development projects; (ii) tax incentives; and (iii) a pivot to producing higher value-added projects. The 2018 Chinese FDI investments in two Misamis Oriental steel factories (contributing to the 72 percent Chinese share of all FDI in the metals sector) are a useful illustration of these dynamics. The two new FDI commitments were announced less than two years after a PRC development finance agreement was reached to construct a power plant in neighboring Lanao del Norte province (Custer et al., 2023; Dreher et al., 2022).[20] Just 75 miles down the coast from the PHIVIDEC Industrial estate, the power plant offers

[20] This was a US$1 billion loan agreement by the Chinese Development Bank and China Export-Import Bank to bankroll GNPower Kauswagan Ltd. Co.'s construction of a 552 MW power plant.

cheap electricity[21] to power the operations of the two steel factories (GNPower, n.d.). The integration of the factories within the PHIVIDEC industrial estate was also an attractive proposition—as the state-owned enterprise offers various incentives to attract foreign investment, from low-priced land leases to tax exemptions (PHIVIDEC, n.d.a.).[22]

Memoranda of Understanding (MoUs) for the Panhua and Hesteel plants were personally signed by then Secretary of Trade and Industry Ramon Lopez (Canivel, 2018; Choo and Fox, 2018), underscoring the high alignment of interest at the time between private Chinese investors,[23] the Duterte administration,[24] and Philippine companies. In fact, local organizations, such as the left-leaning think tank IBON Foundation, have criticized the coziness between local mining interests and foreign steel manufacturers in the Asia-Pacific region, arguing that the Philippines should either process more minerals for domestic construction purposes or export a higher value-added product than raw ores (IBON Foundation, 2017).

Comparatively, China is underrepresented as a share of inbound FDI supporting other sectors of the Philippine economy. This asymmetry is noticeable in the tourism and leisure industry—the single largest sector in terms of inbound FDI overall (Table 2.12). Aside from a US$850 million joint venture investment in 2012 by Jin Jiang International Investments Co. of Shanghai with Liwayway Marketing Corporation to build 28 economy hotels, Chinese investors have been markedly less interested in this sector than their peers in other countries (Gonzalez, 2012; Travel Weekly Asia, 2016).[25]

The ramp-up of Chinese FDI in the metals industry has mobilized substantial inflows of capital, but not without setbacks. The Panhua steel plant was unable to start construction by the end of 2019 as planned and was stalled until it was restarted in May 2022 (Desiderio, 2019; DFA, 2022). There have been unconfirmed reports of work permit violations[26] related to another Panhua steel plant in Sarangani province that

[21] The plant is billed as a "sub-P5", costing just 5 Philippine pesos per kilowatt-hour—less than half the going rate for residential consumers in Metro Manila (Crismundo, 2024).
[22] The government website lists the following incentives: "Low land lease rates; exemption from customs duties and taxes if goods are 50-70% for export (Domestic and Foreign companies); availment of Board of Investments' privileges if eligible for BOI-registration; and availment of Philippine Economic Zone Authority's privileges if eligible for PEZA-registration considering that PIEMO has been declared as a PEZA area." (https://piamo.gov.ph/about/about-pia/legal-mandate). Across the Philippines, there is a relatively limited Chinese investment presence in Philippine Economic Zone Authority (PEZA) sites, with only five sites out of 419 reporting that a portion of the tenants are Chinese. The PHIVIDEC site, located next to a container terminal, is authorized under an older piece of legislation than other PEZ sites (1974 vs. 1994) and appears to benefit from closer links to executive authority.
[23] The "Build, Build, Build" political push also promised a surge in demand for steel in infrastructure projects, and Chinese investors likely identified that moment as one of strong profit synergies with existing Filipino operations.
[24] As a candidate in 2016, President Duterte campaigned on bolstering steel processing in the Philippines, calling it "the mother of all industries and the backbone of industrialization" (Quiros, 2016).
[25] This project is not included in AidData's Global Chinese Development Finance Dataset, Version 3.0, which focuses on state-directed development finance, rather than private sector FDI flows.
[26] Specifically, news reports highlighted work permit violations involving 48 employees which stoked local concerns about Filipino workers being displaced by imported Chinese laborers. This project was not identified in the fDi Markets database, however.

came under scrutiny in 2021 (Gubalani, 2021; Rebollido, 2021). We further explore concerns regarding the economic, environmental, and social outcomes of PRC financing for development in Chapter 4.

Table 2.12: Inbound Chinese FDI versus total FDI by sector in the Philippines, 2010-2023

Sector	PRC-sourced FDI, billions USD	All source FDI, billions USD	PRC share of FDI
Metals	8.78	12.18	72.08%
Hotels and tourism	3.71	20.97	17.68%
Coal, oil, and gas	2.04	11.47	17.80%
Real estate	1.66	9.50	17.46%
Financial services	0.98	6.68	14.63%
Non-automotive transport original equipment manufacturer (OEM)	0.96	1.67	57.61%
Consumer products	0.74	2.37	31.27%
Leisure and entertainment	0.66	0.86	77.25%
Automotive original equipment manufacturer (OEM)	0.60	1.38	43.15%
Communications	0.55	3.49	15.84%

Notes: This table shows the top ten sectors for (i) total inbound Chinese FDI and (ii) FDI from all sources in the Philippines from 2010 through 2023. FDI dollars represent capital expenditures (CAPEX) in billions of 2021 USD. Sources: fDi Markets, from the Financial Times Ltd.

3. Relationships

<u>Key insights in this chapter:</u>

- *Chinese development finance in the Philippines increasingly relies on 101 global banks from Asia, Europe, and North America to pool risk and mobilize capital*
- *Beijing's reliance on 37 Chinese state-owned enterprises to implement its projects is problematic: 43 percent are linked to questionable financial practices*
- *Recipients of PRC financing are often located in politically or economically important regions or have links to mainland China or the Filipino-Chinese diaspora*

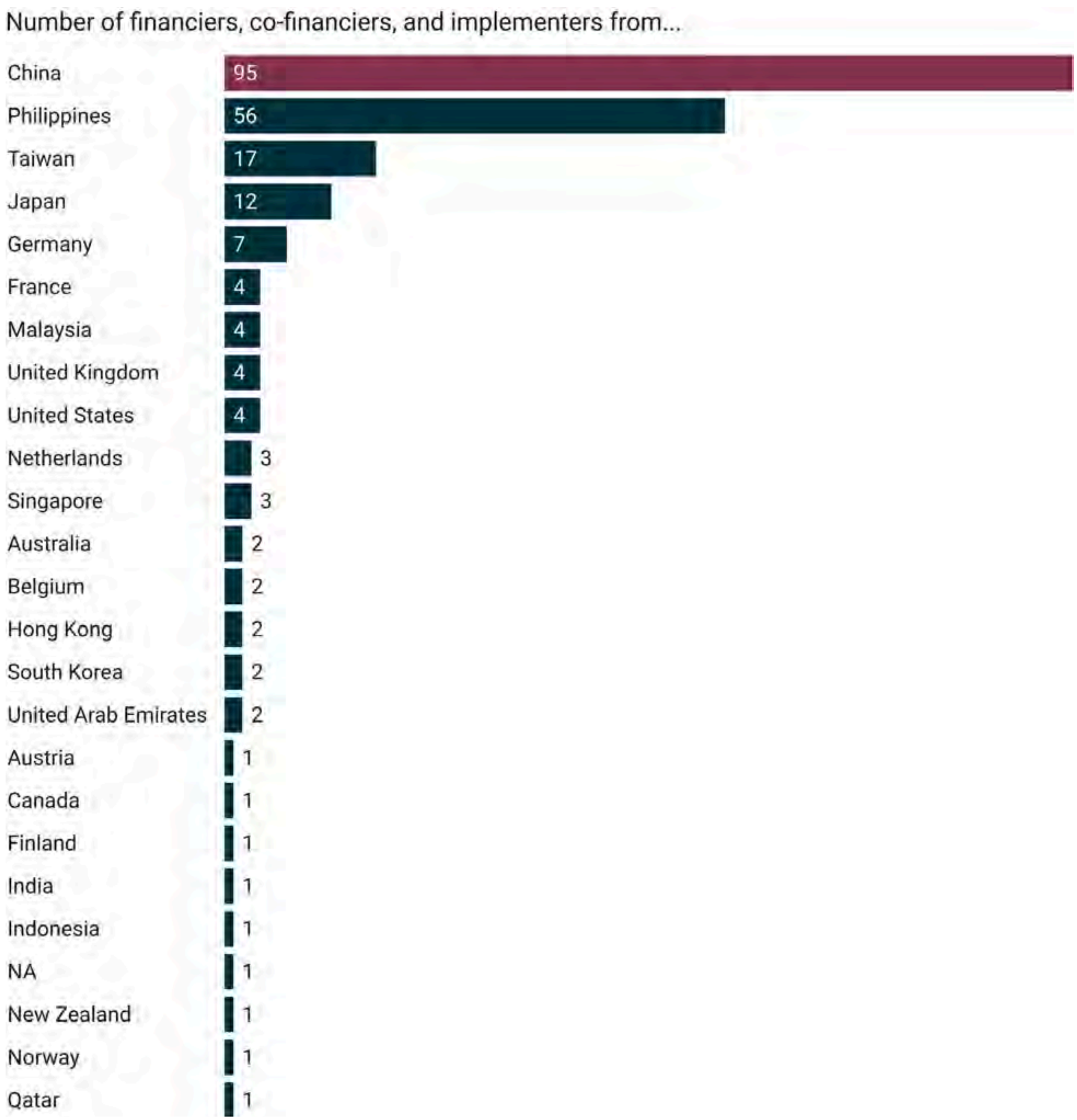
Beijing is one of the largest financiers of overseas development projects globally but it is not a unitary actor. What was once the purview of a bounded number of Chinese players has expanded to an extensive network of suppliers that cross international boundaries and have varying reputations for their transparency, follow-through, and outcomes. However, this is only one side of the picture: for every project that Beijing bankrolls, it must also have a willing counterpart. In fact, the PRC's development finance in the Philippines involves a vast universe of government agencies, policy and commercial banks (state-owned and private sector), non-governmental organizations, and companies to take these activities from idea to delivery.

In this chapter, we scrutinize the relationships behind these investments: how many players, who are they, what roles do they play, and are some more important than others? As a starting point, we used the project-level information described in Chapter 2 to identify entities involved in PRC development projects via financing, co-financing, or implementation (supply side) or listed as recipient entities (demand side). We then developed profiles of the attributes of these entities by accessing large industry databases (e.g., GlobalData Explorer, FitchConnect) and desk research. We also employed the Factiva Dow Jones News and Analysis database to gauge media coverage of these actors to understand how they are perceived locally.

3.1 Supply side: Who finances and implements PRC projects?

There is a staggering number of players involved in the supply of PRC-financed development projects in the Philippines. Over roughly two decades (2000-2022), we identified **228 discrete entities** involved in financing or implementing such activities. These players were surprisingly diverse, hailing from 24 countries or territories (Figure 3.1). While the majority were headquartered in China (95) or the Philippines (56), one-third of these entities span other parts of Asia, Europe, and North America.

Figure 3.1: Headquarters of financiers and implementers of PRC-funded development projects in the Philippines, 2000-2022



Sources: AidData's Global Chinese Development Finance Dataset, Version 3.0 for 2000-2021 (Custer et al., 2023; Dreher et al., 2022). Supplemented by limited desk research and media article review by the research team to identify additional projects and details for 2022.

Some actors supplied primary financing in the form of aid (e.g., grants and no- or low-interest loans) or debt (e.g., loans approaching market rates and export credits). Since we are interested in PRC-financed development investments, all 52 primary financiers were, by definition, from mainland China. Two-thirds of these actors were less consistent in supporting the Philippines' development—bankrolling just one project in the country over the time period. By contrast, the top 15 financiers were mentioned in two or more projects (Figure 3.2). Figure 3.3 illustrates the interconnectedness of these actors, where financiers and recipients overlap across multiple projects.

Two state-owned commercial banking groups—Bank of China (BOC) and the Industrial and Commercial Bank of China (ICBC), and their subsidiaries—along with the state-owned policy banks of Export-Import Bank of China (Eximbank) and the China Development Bank (CDB) have outsized importance in not only the number of projects they support but also the volume of the financing they mobilize. These banks typically bankroll larger infrastructure projects such as BOC's and CDB's investments in power plants and telecommunications (e.g., coal-fired power plants in Lanao Del Norte and Mariveles, as well as DITO Telecommunity Corporation's network of towers), Eximbank's interest in irrigation, power, and technology (e.g., the Kaliwa Dam, a Chico River irrigation project, and Safe City initiatives with 18 local government units), along with ICBC's syndicated loans (e.g., for San Miguel Corporation, Bangko Sentral ng Pilipinas, and Jobin-SQM, Inc).

Under the purview of the PRC's Ministry of Foreign Affairs (MFA), the Chinese embassy in Manila and its three consulates (in Davao City, Laoag, and Cebu City) are at the front lines of Beijing's engagements with Filipino counterparts. These representational institutions tend to finance a large number of small-dollar projects positioned to win hearts and minds. In contrast to other financiers, frequent thematic areas of focus of these diplomatic institutions include educational cooperation (e.g., donating textbooks and computer equipment to local schools), visible support to healthcare systems (e.g., distributing masks and medical supplies to local hospitals and health clinics), and humanitarian assistance (e.g., supplying rice and other food aid).

In a similar vein, Hanban (renamed in 2020 as the Ministry of Education Center for Education and Cooperation, CLEC) was also a top financier of educational cooperation projects related to opening Confucius Institutes (CIs) with local university counterparts such as Ateneo de Manila University, Angeles University Foundation, Bulacan State University, and the University of Philippines Diliman. As part of Hanban's 2020 rebranding, Beijing moved oversight and funding of the Confucius Institutes into a separate non-profit, charitable organization—the Chinese International Education Foundation (CIEF). Observers largely saw the decision as a defensive posture in response to international scrutiny and criticism over the PRC's influence over CIs (Sharma, 2022).[27]

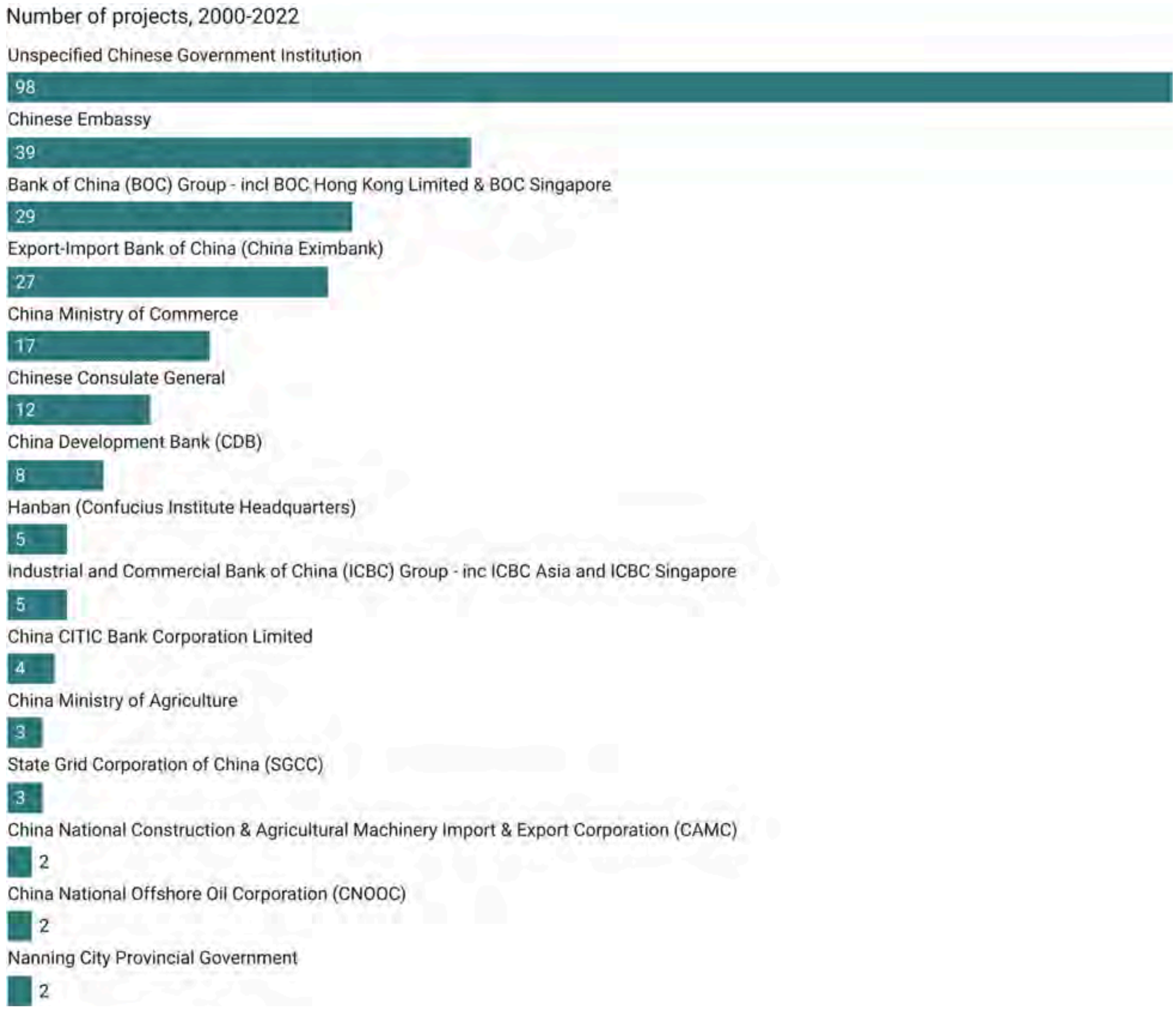
The PRC's Ministry of Commerce (MOFCOM), another line ministry that is a top financier, has more of a commercial orientation to its projects, given its mandate to advance China's economic interests (Mathew and Custer, 2023). MOFCOM projects focus on large-scale connective infrastructure to improve market access and ease the flow of goods. High-profile examples of such projects include bridges (such as the Bucana or Davao River Bridge, Estrella-Pantaleon Bridge, and Binondo-Intramuros Bridge), roads (Davao City Expressway), and the rehabilitation of Marawi City in Mindanao, among others. Nevertheless, even with MOFCOM's commercial orientation, these example projects were outliers for Beijing, in that they were financed with more generous grants akin to official development assistance, rather than the debt instruments it typically favors.

Unlike many other leading bilateral suppliers, the PRC does not disclose the details of its development finance activities via internationally accepted reporting regimes like the OECD's Creditor Reporting System or the International Aid Transparency Initiative. Instead, tracking Beijing's state-directed aid and debt in the Philippines requires painstaking work by AidData and other third parties to piece together data points from multiple sources meticulously.[28] This context may explain why the most frequently mentioned financier is an "unspecified Chinese government institution."

[27] There is substantial debate over whether the move to position CIs under the oversight of the CIEF is a meaningful change in practice, or more of the same under a different logo.

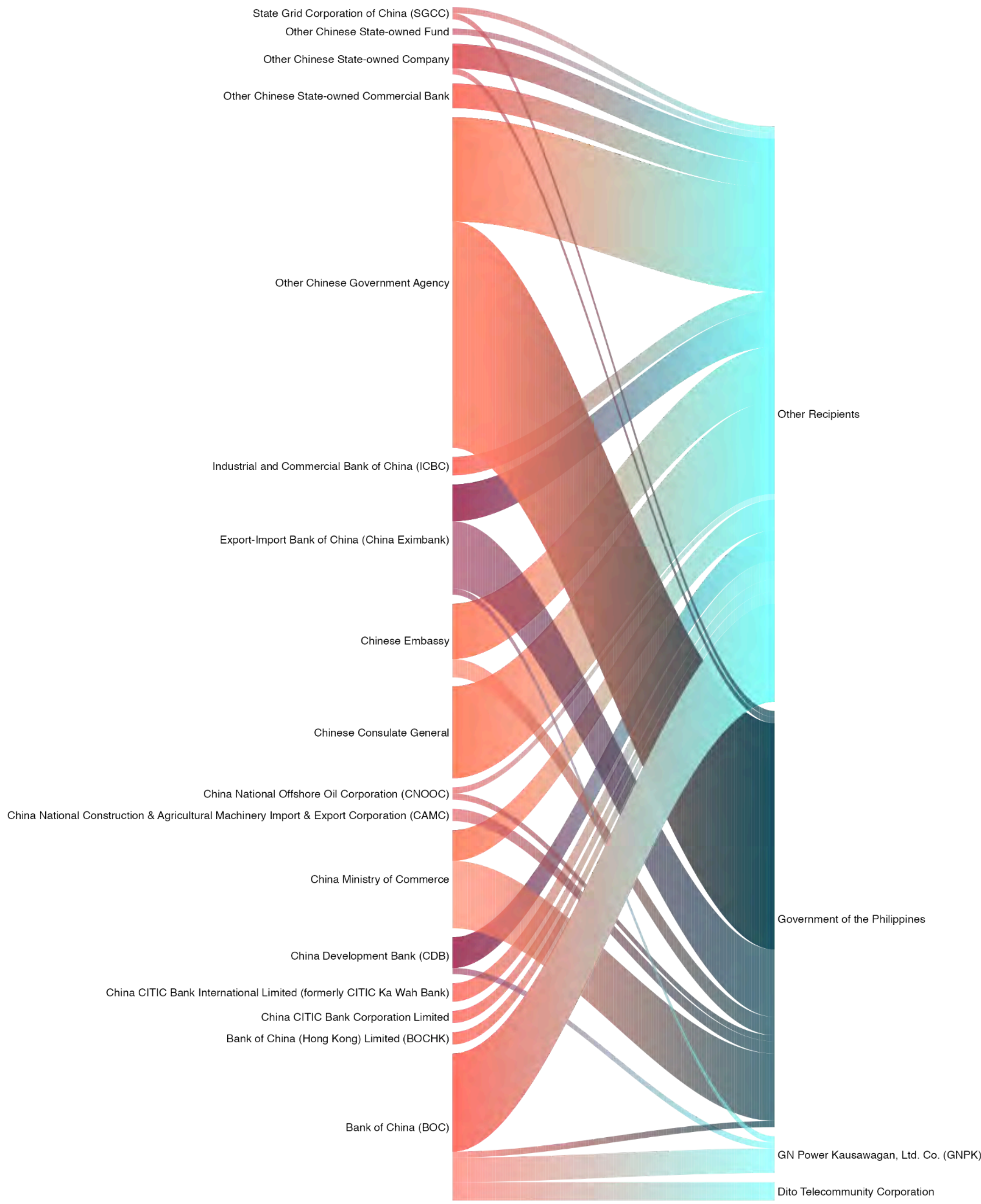
[28] For example, AidData triangulated information from multiple sources to construct its Global Chinese Development Finance Dataset, Version 3.0, including: official government sources from donor-recipient government agencies; implementing or intermediary agency reports/websites; other official sources (e.g., IMF, World Bank); peer-reviewed scholarly articles; other scholarly outputs, including working papers and dissertations; NGO, civil society, or advocacy group reports/websites; media reports, including Wikileaks; and social media, including blogs from unofficial sources (Custer et al., 2023; Dreher et al., 2022).

Figure 3.2: Top 15 primary financiers of PRC-funded development projects in the Philippines, 2000-2022



Sources: AidData's Global Chinese Development Finance Dataset, Version 3.0 for 2000-2021 (Custer et al., 2023; Dreher et al., 2022). BOC Group includes BOC Hong Kong Limited and BOC Singapore. ICBC Group includes ICBC Asia and ICBC Singapore. Supplemented by limited desk research and media article review by the research team to identify additional projects and details for 2022.

Figure 3.3: Top PRC financiers and their recipients in the Philippines, 2000-2022



Notes: Line weights are based on project counts. See legend below for suppliers (first row) and recipients (second row). Sources: AidData's Global Chinese Development Finance Dataset, Version 3.0 for 2000-2021 (Custer et al., 2023; Dreher et al., 2022).

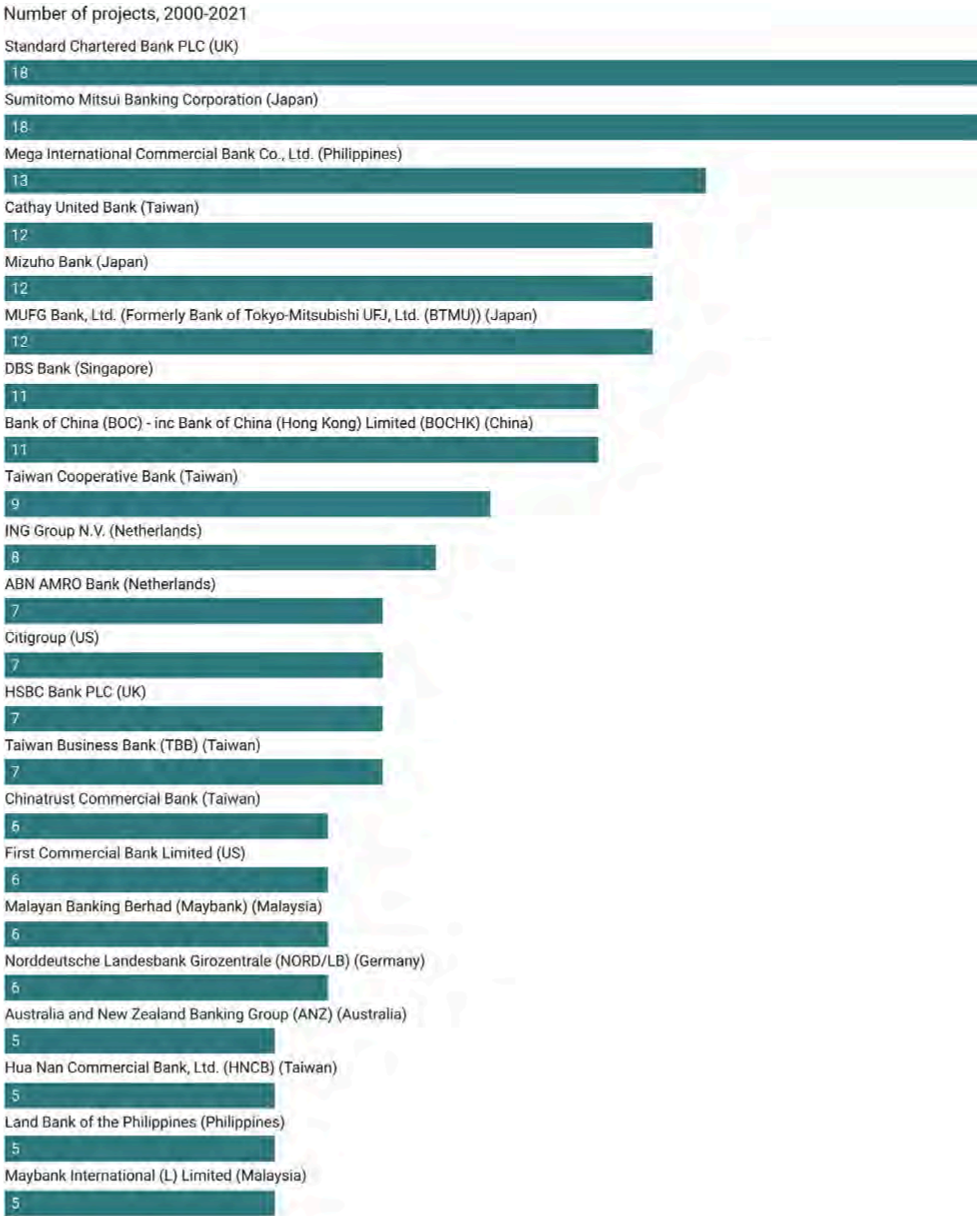
Many of the PRC's big-ticket infrastructure projects crowded in co-financiers from China and internationally to mobilize additional capital, pool risk, or facilitate debt refinancing. The number of co-financiers per project varies widely, from one or two additional actors in smaller projects to double-digits in the larger ones. In the Philippines, we identified 101 co-financiers of PRC-financed development projects, 68 percent of which were private sector entities. This dynamic is consistent with Beijing's increasing use of "collaborative lending arrangements with Western commercial banks and multilateral institutions" globally in an effort to borrow their risk management expertise in vetting borrowers and project viability (Parks et al., 2023).[29]

These co-financing institutions were most often from the financial services sector with extensive international operations in investment management and commercial banking, as well as insurance, foreign exchange, and other capital market solutions. There was strong representation from across Asia among these co-financiers, including Taiwan (17), Japan (12), the Philippines (11), and Malaysia (4). However, not all of the co-financiers were equally important in terms of the consistency of their engagement in PRC-financed development projects. Roughly 40 percent of the co-financiers were involved with only one Philippines project each.

By contrast, the top 22 co-financiers (by project count) each supported five or more projects over two decades (Figure 3.4). Well-known names in Europe's banking sector—the United Kingdom's Standard Chartered Bank PLC and HSBC Bank PLC, the Netherlands' ING Group NV and ABN AMRO, and Germany's state-owned Norddeutsche Landesbank Girozentrale (NORD/LB) featured prominently in the list of top co-financiers. They were joined by U.S. commercial banks (Citigroup and First Commercial Bank Limited) and an Australian banking conglomerate, ANZ Group.

[29] According to Parks et al. (2023), an estimated "50% of China's non-emergency lending portfolio in low- and middle-income countries is now provided via these syndicated loan arrangements—and more than 80% of these arrangements involve Western commercial banks and multilateral institutions."

Figure 3.4: Top 22 co-financiers of PRC-funded development projects in the Philippines, 2000-2021



Sources: AidData's Global Chinese Development Finance Dataset, Version 3.0 for 2000-2021 (Custer et al., 2023; Dreher et al., 2022).

Another critical component of the PRC's capacity to deliver development projects is its stable implementation partners. In the Philippines, this group includes 88 identified implementers, representing a smaller set of countries than the other roles. Since Beijing is known for tying access to financing to the use of Chinese implementers (Horn et al., 2019),[30] it stands to reason that Chinese firms, agencies, or organizations account for the second-largest group of implementers (41 entities). Philippine government agencies, non-profits, and private sector entities were also frequently referenced in projects as implementers (45 entities), either alone or in concert with a Chinese partner.

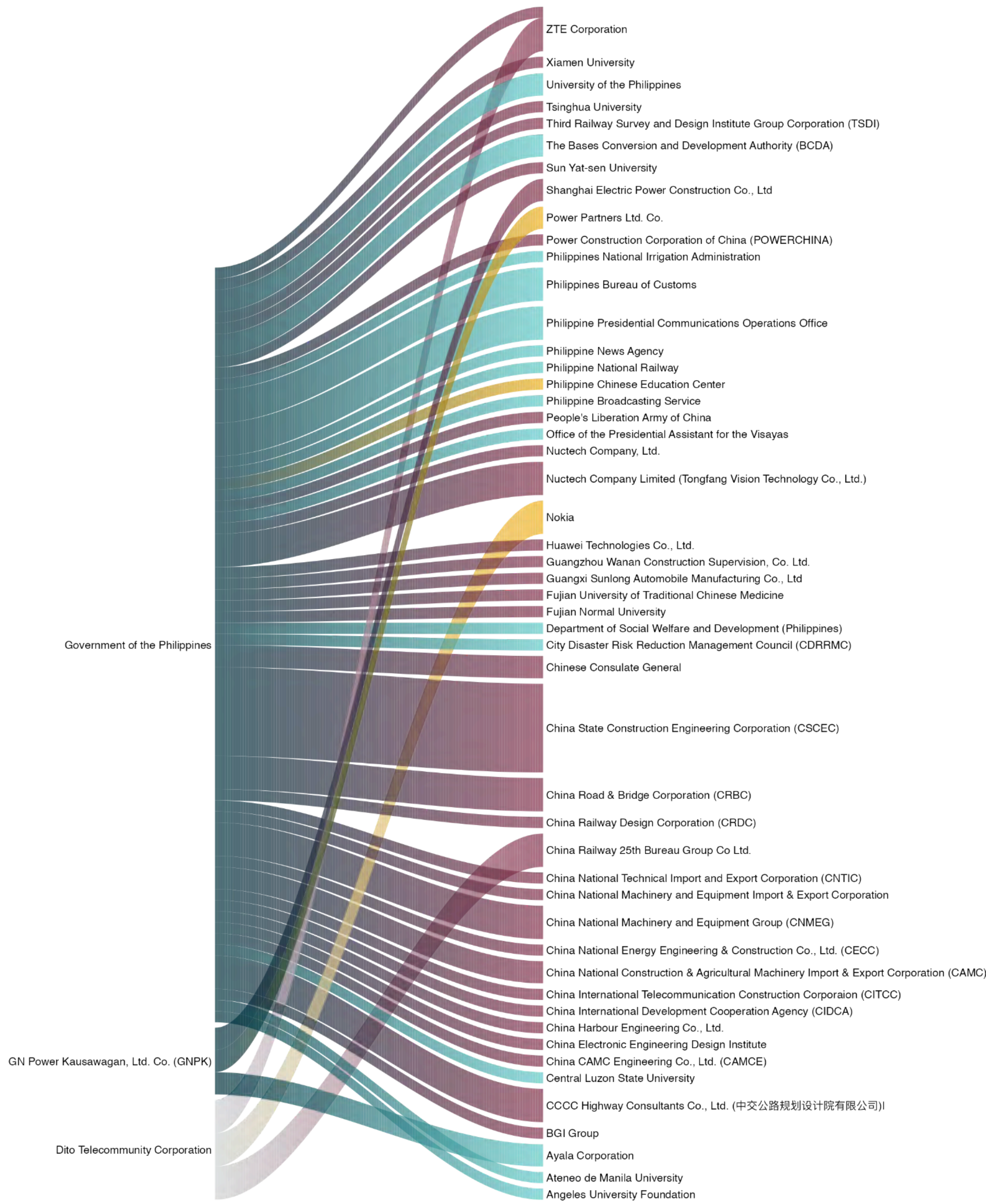
The top 20 implementers overall were identified as supporting three or more projects (Figure 3.5). Over half of these actors were focused on physical infrastructure (e.g., energy and utilities, construction, and transportation) or digital connectivity (e.g., telecommunications and technology). This profile aligns with one of Beijing's stated motivations for its overseas development finance and the Belt and Road Initiative: to open up raw materials, energy supplies, and export markets for Chinese goods and services through increased connectivity within and between countries (Mathew and Custer, 2023; Hillman and Sacks, 2021). Other entities emphasized education projects that advance Beijing's reputation-building objectives or humanitarian response in one of the world's most climate-vulnerable countries (ADB, 2021). Implementers often have long-standing relationships with Philippine counterparts, as underscored by Figure 3.6 which visualizes the connections between recipients who partner with the same implementer in three or more projects.

[30] This practice is sometimes referred to as "circular lending," in that the PRC channels financing for its overseas development projects through Chinese firms, suppliers, and labor, such that the money effectively never leaves China (Horn et al., 2019). Although this practice minimizes the economic spillover benefits for local populations in terms of jobs and contracts, it allows Beijing to both minimize risk and maximize the visible benefits for the Chinese population as part of its "Going Global" strategy.

Figure 3.5: Top 20 implementers of PRC-funded development projects in the Philippines, 2000-2021

Sources: AidData's Global Chinese Development Finance Dataset, Version 3.0 for 2000-2021 (Custer et al., 2023; Dreher et al., 2022). Supplemented by limited desk research and media article review by the research team to identify additional projects and details for 2022.

Figure 3.6: Top Philippine recipients of PRC-funded development projects and their implementers, 2000-2022



Notes: Line weights are based on project counts. See legend below for implementers (first row) and recipients (second row).
Sources: AidData's Global Chinese Development Finance Dataset, Version 3.0 for 2000-2021 (Custer et al., 2023; Dreher et al., 2022).

		Filipino				Mixed			
Chinese				Filipino				Other	

Chinese state-owned companies were among the most prolific implementers across numerous PRC-financed projects in the Philippines. This trend is not unique to the Philippines. It is part of the design and delivery of the BRI, which is an extension of Beijing's 1999 "Going Global" (or "Going Out") strategy that seeks to export excess capacity in its construction, steel, and cement industries and put this to productive use abroad in ways that advance the PRC's national interests (Mathew and Custer, 2023). As state-owned companies, many of the Chinese entities on the list of top implementers ultimately report to the same oversight body: the State-Owned Assets Supervision and Administration Commission of the PRC's State Council (SASAC).

Within China's heavily state-planned economy, SASAC plays an outsized role in guiding the productivity and direction of Chinese SOEs and their estimated $30.48 trillion in total assets (SASAC, 2022). For example, one of the top 20 implementers (by number of projects) in the Philippines, China State Construction Engineering Company (CSCEC), is a SASAC subsidiary that has been involved in the design and delivery of a wide variety of physical infrastructure (e.g., power plants, airports, and tunnels) worldwide and in the Philippines.

SASAC also oversees the China Communications Construction Company (CCCC), which has outsized involvement in a large number of projects in the Philippines, primarily through its extensive network of subsidiaries. Collectively CCCC and its subsidiaries are a go-to implementer for BRI projects related to transportation and power infrastructure—from construction and dredging to manufacturing and export services. This includes CCCC Highway Consultants Company, Ltd., China Railway 25th Bureau Group, and China Road and Bridge Company, which all feature in the top 20 implementers list in their own right. CCCC is also the parent company for China Harbour Engineering Company, Ltd. and China Dredging, which have also been involved in Philippine development projects.

Other state-owned corporations in the construction and power sectors round out the list of Chinese implementers, including Shanghai Electric Power Construction Co., Ltd. (power transmission and distribution), China National Machinery and Equipment Group (agriculture, industrial, and power projects), and China National Construction & Agricultural Machinery Import & Export Corporation (import-export of heavy equipment). Leading Chinese technology companies also feature prominently on the list. Nuctech (formerly Tongfang Vision Technology Co, Ltd.), a state-owned company, provides advanced security and inspection solutions for civil aviation, customs, and other industries. The partly state-owned ZTE Corporation[31] and the state-influenced Huawei Corporation (private sector in name, but with an opaque ownership structure and suspected ties to the Chinese Communist Party)[32] are household names in the information and telecommunications technology industry.

All but one of the Philippine actors in the top 20 implementers were government agencies, SOEs, or public universities. There was only one private sector firm: San Miguel Corporation. Many of the Philippine entities had mandates related to the PRC's traditional emphasis on hard infrastructure sectors and were often jointly named as implementers alongside a Chinese counterpart. For example, the Philippine Bureau of Customs partnered with the Chinese technology company Nuctech to develop inspection systems (e.g., mobile x-rays to inspect container vehicles and luggage) to detect illegal drugs and other harmful items at critical international transit points such as the ports of Manila and Subic Bay and Ninoy Aquino International Airport, among others.

The state-owned Philippine Bases Conversion and Development Authority (BCDA) previously worked with Chinese actors such as China Gezhouba Group Ltd. and China Road and Bridge Corporation to transform former U.S. military bases into alternative productive civilian use, including projects related to Bonifacio Global City and New Clark City. The Philippine Presidential Communications Office collaborated with the China Electronic Engineering Design Institute to jointly implement a project to expand the country's state radio and television broadcasting network.

Looking across all three supplier roles (financier, co-financier, implementer), we can better understand the profile of entities involved in PRC development projects in the Philippines. Outside of government entities, these actors cluster around three thematic areas: financial services, hard infrastructure sectors (construction, energy and utilities, and telecommunications), and the social sector (educational cooperation and humanitarian response and recovery), as shown in Table 3.7. Chinese (41 percent) and Filipino (24 percent) actors are the two most prevalent nationalities among suppliers. However, co-financiers were more heavily drawn from a more diverse set of third-country actors (35 percent).

Of the more than 200 entities that finance or implement PRC development projects in the Philippines, private sector entities from third countries are the most frequent type

[31] According to the FitchConnect database and information available on the company's website, ZTE is owned by Zhongxing Xin or ZTE Holdings (27.4%, China) and the China Aerospace Science and Industry Corporation (72.6%, China).
[32] For a more in-depth discussion of these suspected ties, see Berman et al. (2023).

(60), almost exclusively providing co-financing support to one or more Chinese primary financiers. There is a heavy state orientation in the remainder of entities, including Chinese state-owned companies (38); Chinese government or other public agencies (38); Philippine government or other public agencies (27); third country state-owned funds, commercial or policy banks (16); and Chinese state-owned fund, commercial or policy banks (11).

Table 3.7: Suppliers of PRC-funded development projects in the Philippines, by sector and role, 2000-2022

Number of distinct entities who appear in the roles of...

Sector	At least one role	Primary financier	Co-financier	Implementer
Business and consumer services	3	0	1	2
Construction	24	4	0	23
Energy and utilities	11	5	0	7
Financial services	96	10	93	1
Food, beverage & tobacco	1	0	0	1
Government	53	28	4	27
Industrial goods and machinery	1	1	0	0
Metals and mining	1	1	0	0
Social	22	1	3	18
Telecommunications	15	1	0	8
Transportation	1	0	0	1

Sources: AidData's Global Chinese Development Finance Dataset, Version 3.0 for 2000-2021 (Custer et al., 2023; Dreher et al., 2022). Supplemented by limited desk research and media article review by the research team to identify additional projects and details for 2022. A given entity may serve more than one function. Based upon their public profiles, social sector institutions primarily are involved in education or humanitarian response and recovery.

3.1.1 Polarized views of Chinese implementers in the Philippines

If money is indicative of priorities, then Beijing has demonstrated a clear preference for bankrolling big-ticket physical and digital infrastructure projects in the Philippines and globally over the last two decades. By virtue of their design, these projects have the potential to be transformative—fundamentally altering transportation, commerce, communication, and power generation systems in positive ways. Nevertheless, if implementation breaks down, the economic, environmental, social, and governance ramifications of these projects for communities are experienced at a much larger scale.

Several features of Beijing's design and delivery of development finance raise the stakes by creating perverse incentives for implementers to cut corners, collude with local counterparts, or fail to mitigate negative spillover effects for communities. These features include opaque assistance terms, limited competitive procurement, and weak reporting requirements on implementation and outcomes. Given the high-profile nature of the PRC's investments in critical industries and infrastructure in the Philippines, it can be difficult to separate myth from fact when it comes to the reputation and follow-through of its implementers.

One of the most objective measures we can use to lay some groundwork is the World Bank's (n.d.) long-standing administrative sanctions process, which aims to detect and deter what it refers to as "sanctionable practices": fraud, corruption, coercion, collusion, or obstruction by firms and individuals. The World Bank has sanctioned (or debarred) over 700 firms and individuals publicly since 2001 for questionable business practices (ibid).[33] The Asian Development Bank also maintains its own database. Debarred firms are prohibited from working on projects financed by the sanctioning entity for a defined period of time. If a firm has been sanctioned by the World Bank or the Asian Development Bank at some point, this does not preclude a country like the Philippines from awarding the entity in question a contract to implement a given development project using its own domestic procurement processes. The value of this measure is better understood as reflective of the risks of engaging with certain firms that have been associated with questionable financial practices.

For each of the 88 identified implementers of PRC-financed development projects in the Philippines, we used the databases of the World Bank and the Asian Development Bank, supplemented by additional desk research, to assess whether any of these actors had been debarred or sanctioned either in the past or at present.[34] Accordingly, we identified that 16 of the 37 Chinese state-owned enterprises (43 percent) involved in PRC-funded projects in the Philippines had either been directly sanctioned by one of the two multilateral processes or indirectly through parent-subsidiary company relationships. Table 3.8 provides a detailed list of each Chinese firm involved in Philippine development projects at some point in the last two decades that was directly or indirectly sanctioned by the World Bank Group or the Asian Development Bank.[35]

[33] Admittedly, the World Bank's process is far from definitive, in that it only sanctions firms for conduct in connection with the projects it finances, and the level of information varies on the basis of the years and particulars of each case.
[34] The World Bank's publicized list is available at: https://www.worldbank.org/en/projects-operations/procurement/debarred-firms. The Asian Development Bank's public database is available at: https://lnadbg4.adb.org/oga0009p.nsf.
[35] In some cases the World Bank and Asian Development Bank included firms on their list that was a cross-debarment that initiated from another regional development bank.

In addition to the World Bank Group sanctions process, bilateral actors such as the United States government have also developed lists of sanctioned firms. In 2020, for example, the U.S. Commerce Department released a list of 24 Chinese firms it had identified as abetting the PRC military to construct and militarize artificial islands in the South China Sea (West Philippine Sea) as part of Beijing's bid to exert its maritime territorial claims (Gan, 2020). Given the relevance to the Philippines' territorial sovereignty, along with the fact that this issue has also been hotly debated in local media and political discourse, we have also identified in the table any implementers that were directly or indirectly identified on the U.S. blacklist for engaging in the construction of artificial islands.

Table 3.8: PRC implementers sanctioned or debarred for questionable business practices by the World Bank Group or the Asian Development Bank, 2000-2022

Entity name	Sanctioned/debarred by the World Bank Group or the Asian Development Bank?	Firm involved in artificial island construction?
CCCC Highway Consultants Co., Ltd.	Yes, indirect sanction as a subsidiary of CCCC, which was debarred in 2011 by the World Bank (Dizon, 2016)	Yes, indirectly as subsidiary of CCCC
China CAMC Engineering Co., Ltd. (CAMCE)	Yes, directly sanctioned for violating ADB's Integrity Principles Guidelines 2A	No
China Communications Construction Co., Ltd. (CCCC)	Yes, directly debarred in 2011 by the World Bank	Yes, direct mention
China Energy Engineering Group Co., Ltd. (CEEC)	Yes, directly included as one of 198 Chinese firms listed as sanctioned under the WB fraud and corruption policy (NewsCom World, 2020)	No
China Gezhouba Group Company Ltd. (CGGC)	Yes, indirect sanction as a subsidiary of CCCC, which was debarred in 2011 by the World Bank	Yes, direct mention
China Harbour Engineering Co., Ltd.	Yes, directly debarred in 2009 by the World Bank	Yes, indirectly as a subsidiary of CCCC
China International Water and Electrical Corporation (CWE)	Yes, directly sanctioned in 2014 by the World Bank (World Bank, 2014)	No
China National Construction & Agricultural Machinery Import & Export Corporation (CAMC)	Yes, directly sanctioned by ADB, violated ADB's Integrity Principles and Guidelines 2A	No

Entity name	Sanctioned/debarred by the World Bank Group or the Asian Development Bank?	Firm involved in artificial island construction?
China National Energy Engineering & Construction Co., Ltd. (CECC)	Yes, directly sanctioned in 2020 by the World Bank	No
China National Heavy Machinery Corporation (CHMC)	Yes, directly sanctioned by the ADB for a violation	No
China National Machinery and Equipment Group (CNMEG)	Yes, indirectly sanctioned as a subsidiary of the National Machinery Industry Corporation, which was debarred by the World Bank in 2018 (World Bank, 2018)	No
China Railway 25th Bureau Group Co., Ltd.	Yes, indirectly sanctioned as a subsidiary of China Railway Construction Corporation Ltd. (CRCC), which was debarred by the WB in 2019 (World Bank, 2019)	No
China Road & Bridge Corporation (CRBC)	Yes, directly debarred by the World Bank, along with six other firms, beginning January 12, 2009	Yes, indirectly as a subsidiary of CCCC
China State Construction Engineering Corporation (CSCEC) Road and Bridge Group	Yes, direct mention, sanctions violation identified by the World Bank in 2009 (Wroughton, 2009)	No
Chinese Agricultural, Machinery and Engineering Corporation (CAMCE Corp.)	Sanctioned by ADB, violated ADB's Integrity Principles and Guidelines 2A	No
Power Construction Corporation of China (POWERCHINA)	Yes, direct mention, sanctioned by ADB for a violation	No

Notes: Sanctions information was obtained from the World Bank and the Asian Development Bank's online databases of recorded sanctioned and debarred firms, supplemental press releases from those institutions, and media articles. Named firms involved in the construction of artificial islands were obtained from the U.S. government's published list. Sources: AidData's Global Chinese Development Finance Dataset, Version 3.0 for 2000-2021 (Custer et al., 2023; Dreher et al., 2022). Supplemented by limited desk research and media article review by the research team to identify additional projects and details for 2022.

Using the list of Chinese implementers sanctioned directly or indirectly as a starting point, we conducted a limited review of media articles via the Factiva Dow Jones News and Analytics platform related to the involvement of these firms in PRC-financed development projects in the Philippines.[36] By no means exhaustive, the process was

[36] For each sanctioned firm, we identified a limited query to mine the Factiva database for relevant articles that mentioned the full name or acronym of the Chinese firm within 5 words of the terms Philippine*, Manila*, or Filipino*.

sufficient to identify a corpus of relevant media articles representing a spectrum of viewpoints and different types of interactions between the firms and local communities.

From here, we developed four mini-case studies to explore perceptions of the conduct and contribution of these implementers. Each case study focuses on either a single firm or a parent company and subsidiaries, including China Road and Bridge Corporation (3.1.1.1), China National Machinery and Equipment Group (3.1.1.2), China Energy Engineering Group (3.1.1.3), and China Harbour Engineering and its parent China Construction Communications Company (3.1.1.4).

3.1.1.1 Case study 1: China Road and Bridge Corporation

China Road and Bridge Corporation (CRBC), along with three other Chinese firms, was debarred by the World Bank in 2009 for artificially inflating and fixing prices in the first phase of the Philippine National Roads Improvement and Management Program (New Zealand Herald, 2010; Colombo Gazette, 2023; Achuka, 2019; Dizon, 2016).[37] Despite the scrutiny over its business practices, CRBC has many advocates in the Philippines.

Raul Ignacio, President of Cavitex Infrastructure Corporation (a Philippine firm), hailed CRBC as a "pioneer in the international engineering contracting market" that has helped "stimulate the growth of the region with its quality and on-time construction" (Manila Bulletin, 2023a). Ignacio highlighted examples such as CRBC's involvement in the Central Luzon Link Expressway[38] and the Estrella-Pantaleon and Binondo-Intramuros bridges (ibid). Emil Sadain, Senior Undersecretary of the Department of Public Works and Highways (DPWH), shared similar sentiments, stressing the two bridge projects have "not only boosted infrastructure but also fueled economic growth" (Manila Bulletin, 2023b; Depasupil, 2023).

Other news stories have lauded CRBC's philanthropic mindset. The Philippines News Agency (2020) noted CRBC's efforts to assist displaced Filipino construction workers with essential supplies during a COVID-19-induced work stoppage. PRC state media have echoed this refrain and highlighted goodwill stories, such as the CRBC's donation of teaching supplies and toiletries to the Joy Kiddie Center, a Philippine educational non-profit (People's Daily Online, 2019; Xinhua, 2019).

[37] The debarment (January 2009 to January 2017) was ultimately extended to CRBC's parent company, China Construction Communications Company (The Guardian, 2015; Business Daily, 2014).
[38] According to CRBC's parent company (China Construction Communications Company), the Central Luzon Link Expressway Project Phase 1 opened in the Philippines on July 15, 2021. In its press release, CCCC argued that the highway project will drive transportation and economic development near the capital city Manila (CCCC, 2021)

CRBC's presence in the Philippines has proven durable thus far, even as Malacañang has canceled several big-ticket projects with PRC financing. The firm signed a new November 2023 agreement with the Philippine DPWH to construct the Davao River (Bucana) Bridge and link road by 2025 (Manila Bulletin, 2023; Manila Times, 2023). The project is worth an estimated PHL3.1 billion (ibid). In the view of DPWH Secretary Sadain, the bridge is poised to "complement the Davao City Coastal Road, which now serves as an alternate route to the existing urban road network of the city" (ibid).

3.1.1.2 Case study 2: China National Machinery and Equipment Group

One of the most heated debates over a PRC-financed development project was the North Luzon Railway project (Northrail) implemented by the China National Machinery and Equipment Group (CNMEG). The parent company of CNMEG, China National Machinery Industry (Sinomach), was debarred by the World Bank in 2018 for fraudulent financial practices, such as falsifying documents pertaining to payments and quality standards in an energy project in China (World Bank, 2018).

Northrail began as a signature infrastructure priority of former President Arroyo and attracted criticism from skeptics questioning whether implementer CNMEG had the requisite experience to be charged with a project of this scale (Chanco, 2011). The project's defenders countered that criticism of CNMEG was motivated by the opposition's desire to score cheap political points against President Arroyo. More favorable coverage pointed to CNMEG's success in other engineering and construction activities in the Philippines (e.g., General Santos City port and a mini hydroelectric project in Ilocos Sur) (Manila Standard, 2005).

Concerns compounded, however, as the Northrail project was beset by delays and mounting costs, which gave rise to allegations of corruption, displacement of the urban poor, and a design ill-suited to the Philippine terrain (Chanco, 2011; Philippine Daily Inquirer, 2012). Local media and political discourse faulted both the PRC (for "exporting" problems of graft in China's railway industry to the Philippines) and the Arroyo administration for failing to follow legal standards over public bidding, loan review by the Monetary Board, and relocation of informal communities of urban poor along the proposed route (Jimenez-David, 2005; Philippine Daily Inquirer, 2012).[39]

Calls to renegotiate what local media coined "the world's most expensive railway

[39] Former House Speaker Jose de Venecia Jr said that a Truth Commission should investigate any project irregularities, but asserted that the cause of delays and mistakes is most likely "incompetence and corruption on the Philippine side" (PhilStarGlobal, 2010).

project" reached a frenzied pitch as CNMEG demanded additional funds to complete Northrail (PhilStar Global, 2010). Citing losses from changes in scope, exchange rate fluctuation, and delays in resettling informal communities, CNMEG suspended work in early 2008 when its demands were unmet (ibid). In 2012, the Philippine Supreme Court cleared the way for CNMEG to be called as a defendant in a civil case (No. 06-203) in a Makati City regional court brought by concerned citizens, which asked for the contract agreement with the firm to be declared void (Philippine Daily Inquirer, 2012).

3.1.1.3 Case study 3: China Energy Engineering Group

Another well-publicized and debated PRC-financed development project that has encountered difficulties is the Kaliwa Dam, a signature effort of President Duterte's "Build, Build, Build" initiative, implemented by China Energy Engineering Group (CEEC) in partnership with the Philippine Metropolitan Waterworks and Sewerage System (MWSS). In describing the project, the state-run Philippine News Agency positioned the dam as solving a "persistent water shortage problem" for the Metro Manila area and commended the choice of CEEC as the implementer as "a wise and good decision" given its reputation for improving water safety and ecological conservation (PNA, 2022).

Nevertheless, one criticism of the Kaliwa Dam project has been the absence of truly competitive bidding. As required by the Procurement Law, the PRC put forth three Chinese state-owned enterprises it deemed to be qualified for consideration.[40] Two of the three bids were declared invalid on technicalities (e.g., exceeding a published budget cap or failing to submit required documents) that a qualified firm should not have fallen victim to unless they were instructed otherwise (Philippine Daily Inquirer, 2020). In its investigation, the Philippine Commission on Audit's verdict was that the procurement was only competitive on the surface and, in fact, appeared to be a negotiated contract from inception (ibid). This suggests either incompetence on the part of Chinese officials (if they unknowingly selected ill-qualified firms) or collusion (if they knowingly gave the firms instructions to pre-determine the outcome). The MWSS has disputed the Commission on Audit's version of events, seeking to reassure Filipinos that its bidding process was in compliance with all of the country's laws and regulations (Cordero, 2019; Philippine Star, 2019).

The Philippine Center for Energy, Ecology, and Development (CEED) has separately

[40] The three firms included a consortium of Guangdong Foreign Construction Company and Yuantian Engineering Company; Power Construction Corp of China; and CEEC.

raised environmental and social concerns about the Kaliwa Dam project—from the prospect of increased climate vulnerability and ecosystem destruction to the displacement of tribal and indigenous communities from their native lands (Manila Bulletin, 2020). It further alleged misconduct by the project implementers, CEEC and MWSS, for intimidating community leaders into consenting to a dam that may "culturally and economically displace their families" (ibid). The Commission on Audit had also previously questioned in 2019 whether the project had provided sufficient notice to the affected communities of the planned development (ibid). MWSS refuted these charges, emphasizing extensive negotiations with tribal communities as facilitated by the National Commission on Indigenous People and pointing to its environmental compliance certificate from the Philippine government (ibid).

Criticism over the Kaliwa Dam has not seemed to deter the China Energy Engineering Group from pursuing new opportunities to implement development projects in the Philippines. The firm had plans to construct jointly a gas thermal power station and a liquefied natural gas receiving terminal at a site owned by the Philippine National Oil Corporation in Bataan province along with Glencore, a Swiss multinational company (RIM Intel, 2018). Although a deal was signed in 2018, a 2019 report indicated that the project was on hold pending guidance from the Philippine government (Velasco, 2018; Business World, 2019).[41] More recently, Chandak (2023) reported that President Marcos agreed during the 2023 BRI Summit to two Luzon-based solar projects to be implemented by CEEC. The move is likely tied to President Marcos' stated priority to see the Philippines diversify its energy supplies and expand into the use of renewables. The two projects include a 304MW power plant in Labrador municipality (Pangasinan province) and a 50MW power plant in Zambales (ibid).

3.1.1.4 Case study 4: China Harbour Engineering and China Communications Construction Company

China Communications Construction Company (CCCC) and its subsidiary, China Harbour Engineering Company, Ltd., have found themselves in a firestorm of public opinion over reclamation projects in Manila Bay and other locations[42] across the Philippines. A local association of Filipino seafarers, Samahan ng Nagkakaisang Marinong Pilipino, accused China Harbour of illegally employing all-Chinese crews to

[41] According to coverage by the Manila Bulletin (2018), the agreement was said to include incentives for CEEC and other actors, such as a 7-year income tax holiday and the duty-free import of equipment.
[42] Another CCCC subsidiary, CCCC Dredging Company, is reportedly working on reclamation projects in Davao harbor to expand land available for offices, housing, port terminals, and industry (Saudi Press Agency, 2016).

operate dredging vessels in Manila Bay (Manila Standard, 2023a and 2023b). Although Philippine officials confirmed that China Harbour had been granted permits for its operations since 2019, this did not allow for the use of an all-Chinese crew (ibid).

In 2023, President Marcos temporarily suspended all reclamation activities in Manila Bay (not limited to those conducted by Chinese firms) over alleged violations of environmental laws, concerns regarding the destruction of marine habitats, and the forced evacuation of fishing families (Business Mirror, 2023). Local and international environmental groups have lobbied the Marcos administration to enact rollbacks of reclamation projects across the country (Philippine Daily Inquirer, 2023; Casilao, 2024). Meanwhile, geopolitical concerns have also arisen regarding China Harbour's status as a subsidiary of CCCC, since the U.S. identified the parent company as one of 24 Chinese firms helping the People's Liberation Army Navy (PLAN) build artificial islands in the South China Sea (West Philippine Sea) (Atienza, 2023; Ismael and Tamayo, 2023).

Former Foreign Affairs Secretary Teodoro Locsin has argued that the Philippines should cancel these projects bankrolled by Beijing on national security grounds (Postmedia News, 2020; Reuters, 2020).[43] Senator Risa Hontiveros publicly supported this position, saying, "These projects should be revoked, if we continue with these deals, it may be equivalent to giving up our territories" (Lee-Brago, 2020). She also advocated for a ban on CCCC and its subsidiaries after China's Coast Guard attempted to obstruct Philippine naval vessels from completing a resupply mission for its troops at Second Thomas or Ayungin Shoal (Cruz, 2023).[44] However, other political elites, such as Senator Francis Escudero, reportedly view rolling back cooperation with the PRC as giving in to pressure from the U.S. and other international players (Global Times, 2023).

China Harbor Engineering has been linked to projects beyond Manila Bay, including the development of the Davao coastline and port (Manila Standard, 2020), the Makati City subway (Valdez, 2019), the Cervantes-Mankayan-Abatan Road in Ilocos Sur and Benguet Province (Thai News Services, 2008), and the Subic-Clark railway (Business Monitor International, 2017). However, allegations of fraudulent business practices in China Harbour's engagements in other countries—such as Bangladesh, which banned the firm following a bribery scandal related to a major road project (NF News, 2020)—have tarnished its reputation as a trustworthy implementer.

China Harbour's parent company, CCCC, has also had its share of difficulties related to

[43] CCCC signed a strategic cooperation agreement on maritime defense projects with the PLAN's Logistics Academy in 2018 (Dow Jones Institutional News, 2020).
[44] The Shoal is a submerged reef where a handful of troops live on grounded WWII-era U.S. ship (BusinessWorld, 2023)

a high-profile and contentious contract to construct the Sangley Point International Airport in Cavite province. CCCC, in a consortium with MacroAsia Corporation (an airline service company), initially won the airport contract in 2019, largely by default as the only submitted bid (Reuters, 2019). Soon after CCCC lost the contract, the Cavite provincial government recompeted the project, claiming that the original consortium "repeatedly failed to comply with the requirements of the joint venture contract" despite being granted two extensions (Asian News International, 2021).

According to Mercurio (2021), the provincial government amended the bid requirements to address national security concerns. Officials added requirements that an individual bidder should be Philippine majority-owned and controlled, or if bidding as part of a consortium, the Philippine corporation should own and control 51% or more of equity or voting interest (ibid). Not to be deterred, CCCC is still actively pursuing new opportunities to implement PRC-financed projects in the Philippines, proposing construction of a highway between Laoag City and Rosario City, along with a Tech Demonstration Center and Industrial Park in Juncao (Inquirer.net, 2023).

3.2 Demand side: Who are the primary recipients of PRC investment projects in the Philippines?

In section 3.1, we scrutinized the supply side of PRC development finance—from the banks and other agencies who provide financing or in-kind support to the firms who implement these projects in practice. However, this is only one side of the picture: for every project that Beijing bankrolls, it must have a willing counterpart. In fact, between 2000 and 2022, there were 136 known recipients of PRC-financed development projects in the Philippines, 96 percent of which were Filipino.[45] These recipients are concentrated in three areas (Table 3.9): government (47 percent), hard infrastructure sectors (20 percent), and the social sector (24 percent).[46]

[45] These were five recipients that were either chapters/offices of international organizations or foreign-owned special purpose vehicles. These included: Dito Telecommunity Corporation, UNDP Philippines, Save the Children Philippines, Sinophile Shengyun Management Inc., and GNPower Mariveles Coal Plant Ltd. Co.

[46] According to our classification, hard infrastructure sectors included telecommunications (16 entities), energy and utilities (7 entities), transportation (2 entities), along with agriculture, extractives and mining (1 entity each). The Other category included financial services (6 entities), as well as food, beverage, and tobacco; and real estate (1 entity each).

Table 3.9: Philippine recipients of PRC funding by sector, 2000-2022

Sources: AidData's Global Chinese Development Finance Dataset, Version 3.0 for 2000-2021 (Custer et al., 2023; Dreher et al., 2022). Supplemented by limited desk research and media article review by the research team to identify additional projects and details for 2022.

Local governments were most frequently Beijing's partners of choice (Table 3.10), followed by national-level government agencies—from departments working on energy and telecommunications to law enforcement, including the Coast Guard and the Philippine National Police. The focus on public sector partners makes strategic sense for the PRC, since its top sectors of investment by project dollar value (energy, transport and storage, and communications) and by project count (health, emergency response, and education) tend to be government-regulated and controlled. The PRC also counts holding companies and private enterprises among its partners, including media and telecom companies and internet providers. In the social sector, Beijing works with public and private schools, universities, non-profits, and cooperatives.

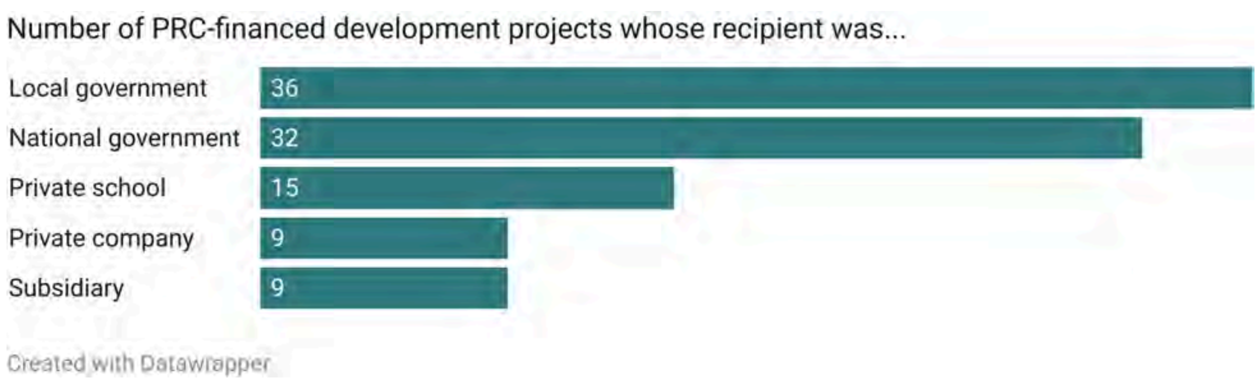
Beijing has demonstrated interest in collaborating with Philippine entities that have an affinity for the Chinese mainland via language, culture, or diaspora ties. Twenty of the recipients of PRC development finance projects had something in their mandates or public profiles that self-identified as teaching the Chinese language, supporting Chinese diaspora communities, or promoting Chinese culture. The preponderance of these actors was in the education sector, including Chinese schools and cultural institutes, Chinese language media outlets, and non-profits providing medical, firefighting, and other social services.

Another subtheme in the recipient entities was related to their ownership. Twenty of the recipients were owned, in whole or in part, by companies or individuals that were members of the Filipino-Chinese diaspora or from mainland China. This list included large corporations and banks, along with smaller social services organizations. Most commonly, prominent individual Filipino-Chinese families (including those related to

Filipino-Chinese businessmen George Ty,[47] Ramon S Ang,[48] Henry Sy,[49] Dennis Uy,[50] and the Yuchengcos[51]) held ownership stakes of 10 percent or higher in recipient entities, either directly or via holding companies they controlled.

Sometimes, ownership was tied to a Filipino-Chinese diaspora group such as a non-profit association like the Filipino-Chinese Women's Association, the Filipino-Chinese Chamber of Commerce, the Negros Occidental Filipino-Chinese Amity Club, the Chinese Community of Baguio, and the Philippine-Chinese Charitable Association. In addition to ownership shares in prominent companies via the Filipino-Chinese diaspora community, the PRC less frequently has held a direct stake in a recipient entity, as in the case of Dito Telecommunity Corporation, of which the China Telecommunications Corporation owns a 40 percent stake,[52] and the case of the Philippines-Sino Center for Agricultural Technology, a joint venture between the Philippine and PRC governments.

Table 3.10: Recipients of PRC-funded development projects in the Philippines, 2000-2022



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[47] The family of George Ty holds a substantial stake in Metrobank, through GT Capital holdings (37 percent) and directly through shares held by the Ty family and other related parties (15 percent) (FitchConnect Database, 2024 Metrobank, 2024). Metrobank was listed as both a demand-side recipient of 1 PRC project as well as a supplier of co-financing or implementation in other cases (Custer et al., 2023; Dreher et al., 2022).
[48] The family of Ramon S Ang holds a substantial stake in San Miguel Corporation (11.4 percent) through Privado Holdings and by extension, Petron Corporation, a subsidiary of San Miguel (San Miguel, 2022; Morales, 2014; BizNews Asia, 2020; GlobalData Explorer, 2024). San Miguel was listed as a demand-side recipient in 1 PRC project as well as a supply-side implementer (Custer et al., 2023; Dreher et al., 2022).
[49] The family of Henry Sy holds a substantial stake in SM Prime Holdings, Inc. (GlobalData Explorer, 2024; ChinaBank, 2019). SM Prime was listed as both a demand-side recipient and a supplier of co-financing of PRC projects (Custer et al., 2023; Dreher et al., 2022).
[50] Dennis Uy is the Founder and Chairman of Udenna Holdings Corporation which in turn controls 60% of DITO Telecommunity Corporation (DITO CME Holdings), 75 percent of Chelsea Logistics and Infrastructure Holdings Corporation, and 100 percent of Clark Global City Corporation, a special purpose vehicle (DITO, 2024; GlobalData Explorer, 2024; ChelseaLogistics, 2024; ClarkGlobalCity, 2024). DITO, Chelsea Logistics, and Clark Global City were each named recipients of PRC development finance projects (Custer et al., 2023; Dreher et al., 2022)
[51] The Yuchengco family owns a large stake in Rizal Commercial Banking through its Yuchengco Group of Companies (27 percent) (FitchConnect, 2024; GlobalData Explorer, 2024; DeLeon, 2015). Rizal Commercial Banking was listed as both a recipient of PRC financing and as a supplier of co-financing (Custer et al., 2023; Dreher et al., 2022).
[52] This is in addition to the 60% share held by Udenna Holdings Corporation, whose Founder and Chairman is the prominent Filipino-Chinese diaspora businessman Dennis Uy.

Sources: AidData's Global Chinese Development Finance Dataset, Version 3.0 for 2000-2021 (Custer et al., 2023; Dreher et al., 2022). Supplemented by limited desk research and media article review by the research team to identify additional projects and details for 2022.

The PRC routinely prioritizes regions and communities that are economically dynamic and politically important in its global development finance. This dynamic extends to its choice of local partners across the Philippines. Geographically, Beijing concentrates most of its attention on entities in the National Capital Region (Metro Manila), which account for 47 percent of all project recipients. The Davao, Ilocos, and Central Luzon regions captured the second, third, and fourth largest shares of recipient entities, respectively (Table 3.11).

Three of these regions are among the country's top five largest economies by GDP, while the Ilocos region is one of the fastest-growing localities (Philippine Statistics Authority, 2023 and 2024). As the seat of the national government, the National Capital Region holds considerable political clout, while the Davao region is home to former President Rodrigo Duterte and current Vice President Sara Duterte. Central Luzon is the home region of President Arroyo.

Another indication of the importance of these regions is the degree to which they attract an outsized share of the PRC's public diplomacy overtures. In our analysis, we considered the distribution of Beijing's public diplomacy activities across education (Confucius Institutes and Classrooms, Luban workshops),[53] mass media (content-sharing partnerships), and local governments (sister city agreements, diplomatic visits).[54] The National Capital Region, Central Luzon, Davao, and Ilocos were among the recipients of educational agreements and diplomatic visits. Sister cities/province agreements were an outlier, with larger concentrations of activity in Central Visayas (Region VII) and Mimaropa (Southwestern Tagalog Region), though they also appeared in the four previously mentioned regions.

[53] According to AidData's research, the Philippines was home to 4 known Confucius Institutes and 3 known Confucius Classrooms as of 2021 (AidData, 2022). Additionally, as of 2023, an agreement was signed between Mabalacat City College with Shijiazhuang Institute of Railway Technology for the first Luban workshop to be opened in the Philippines. There were 10 reported partnership agreements signed between Chinese higher education institutions and Philippine counterparts in 2023. https://thepienews.com/news/china-philippines-heis-sign-record-number-of-partnerships/

[54] According to AidData research, the Philippines was home to 21 known sister cities/municipalities/provinces twinned with Chinese counterparts as of 2021 (AidData, 2022).

Table 3.11: Regional distribution of recipients of PRC-funded development projects and Chinese public diplomacy overtures, 2000-2022

Region	Number of PRC development finance recipient entities	Number of public diplomacy overtures recorded
National Capital Region	64	23
Davao	14	3
Ilocos	11	9
Central Luzon	10	4
Central Visayas	8	7
Northern Mindanao	5	3
Bangsamoro	4	0
Western Visayas	4	2
Cagayan Valley	3	3
Caraga	3	0
Other	10	4

Notes: The number of recipient entities reflects the number of organizations from a given subnational region that were named as a recipient of PRC development finance projects. The number of public diplomacy overtures includes the number of recipients from that same region that received one or more of the following: a Confucius Institute or Classroom, a content-sharing partnership, a sister city/province agreement, or was identified as having a public profile whose mandate identified themselves as promoting closer language, culture, diaspora ties with mainland China. Sources: AidData's Global Chinese Development Finance Dataset, Version 3.0 for 2000-2021 (Custer et al., 2023; Dreher et al., 2022). AidData Global Chinese Public Diplomacy Dataset, 2021. Supplemented by limited desk research and media article review by the research team to identify additional projects and details for 2022.

3.2.1 Which firms and agencies have the greatest exposure to Beijing?

State-owned and private sector firms in the energy and utilities sector, such as Manila Water Company and a series of GNPower investments in power plants, attracted a substantial share of Beijing's development finance commitments in dollar terms (Table 3.12). Private companies and government agencies in hard infrastructure sectors were also top recipients of PRC financing between 2000 and 2022. Atlas Consolidated Mining & Development Corporation (a Philippine private sector company engaged in mineral exploration and mining) received more money from the PRC than the next five recipients combined. The largest share of development project financing overall was directed to unspecified agencies within the Government of the Philippines.

Metrobank, one of the largest banks in the Philippines, received PRC financing four times totaling at least US$1.3 billion. San Miguel Corporation (a multinational conglomerate with a diversified portfolio that includes oil refining, infrastructure, and food and beverage) has a long-standing relationship with Beijing going back to at least 2006. All engagements between San Miguel Corporation and the PRC involve multi-million dollar business loans, including a syndicated loan for US$1.5 billion. Both companies have ties to prominent Chinese-Filipino diaspora families—George Ty in the case of Metrobank and Ramon S Ang in the case of San Miguel Corporation (FitchConnect Database, 2024; GlobalData Explorer, 2024).

Table 3.12: Top 15 recipients of PRC funding in the Philippines by dollar value, 2000-2022

Entity name	Sector	PRC funding, millions USD
Government of the Philippines	Government	28,093
Atlas Consolidated Mining & Development Corporation	Extractives and mining	5,133
Metrobank	Financial services	1,378.2
GNPower Dinginin Ltd. Co. (GNPD)	Energy and utilities	1,180.8
GNPower Kausawagan, Ltd. Co. (GNPK)	Energy and utilities	1,165
GNPower Mariveles Coal Plant Ltd. Co.	Energy and utilities	686.6
Dito Telecommunity Corporation	Telecommunications	561.8
San Miguel Corporation	Food, beverage & tobacco	539
Agus 3 Hydropower Corporation	Energy and utilities	410.94
Philippines Metropolitan Waterworks and Sewerage System (MWSS)	Government	392.6
Philippine Department of Agriculture (DA)	Government	331.8
Manila Water Company	Energy and utilities	314.6
Clark Global City Corporation	Real estate	265.04
Chelsea Logistics and Infrastructure Holdings Corporation	Transportation	253.5
Philippine Coconut Authority	Government	227.77

Sources: AidData's Global Chinese Development Finance Dataset, Version 3.0 for 2000-2021 (Custer et al., 2023; Dreher et al., 2022). Supplemented by limited desk research and media article review by the research team to identify additional projects and details for 2022.

Beijing's relationships with its demand-side recipients are not monolithic, however. Only 29 percent of recipient entities partnered with the PRC on two or more projects, and only 10 percent were involved in four or more projects. Those who attract the most money are seldom the same as those who receive the most projects. This dynamic reflects the PRC's two-track development finance portfolio in the Philippines, discussed previously in Chapter 2: Beijing bankrolls many small-dollar social and educational projects to build goodwill alongside a modest number of large-dollar hard infrastructure projects to maximize economic returns.

Local governments, such as Davao City and Manila City, have become more frequent partners of Beijing since 2020 (Table 3.13). Typical projects include donations ranging from police motorcycles and tablets to medical supplies and "friendship packs" containing rice and other food. These projects are not large-scale, but they are frequent and signal that Chinese leaders are interested in sustaining warm relationships with local government units, particularly those connected to political elites.

Table 3.13: Top 15 recipients of PRC funding in the Philippines by project count, 2000-2022

Entity name	Entity type	Project count	PRC funding, millions USD
Government of the Philippines*	National government	113	28,095
Davao City Government	Local government	9	0.09636
San Miguel Corporation*	Private sector	7	539
City of Manila Government	Local government	6	0.8287
GNPower Kausawagan, Ltd. Co. (GNPK)	Special Purpose Vehicle	5	1,165
Department of Agriculture, Philippines*	Government agency	5	331.8
Bureau of Customs, Philippines	Government agency	4	unknown
Bases Conversion and Development Authority	State-owned company	4	unknown
Philippines-Sino Center for Agricultural Technology	Miscellaneous agency type	4	32.064
Rizal Commercial Banking Corporation	Private sector	4	10.434
University of the Philippines	Public university	4	unknown
Department of Social Welfare and Development, Philippines	Government agency	4	unknown
Department of Public Works and Highways, Philippines	Government agency	4	6.577
Metrobank*	Private sector	4	1,378.2

Entity name	Entity type	Project count	PRC funding, millions USD
Philippine Red Cross	NGO/CSO/foundation	4	0.16753

Notes: Entities followed by an asterisk also appeared in the top 15 entities by largest dollar amounts of PRC financing. In cases where the amount of PRC funding is "unknown," project details have been recorded but no estimate of the value is available, as these projects often involve donations of equipment or other in-kind support. Sources: AidData's Global Chinese Development Finance Dataset, Version 3.0 for 2000-2021 (Custer et al., 2023; Dreher et al., 2022). Supplemented by limited desk research and media article review by the research team to identify additional projects and details for 2022.

4. Outcomes

Key insights in this chapter:

- *Beijing's ability to deliver quickly and follow through on its commitments is highly vulnerable to project complexity, management risks, and geopolitical sensitivities*
- *Over half of Beijing's development finance dollars (US$4.5 billion) relied on Chinese implementers with tarnished performance track records by our measures*
- *Money doesn't buy Beijing much love in Filipino public approval and its financing is associated with mixed economic, environmental, social, and governance results*

Leaders in the Philippines and elsewhere often recognize that the types of big-ticket infrastructure projects Beijing is willing to bankroll are a high-risk, high-reward proposition (Custer et al., 2024). These projects have the potential to transform local economies and societies for the better: improving the delivery of basic public goods (e.g., clean water, sanitation, and electricity), enhancing economic productivity through improvements ranging from better irrigation to digital connectivity, and facilitating market access through more robust air, water, and land transportation infrastructure. On the flip side, these projects can create public harm—disrupting fragile environmental ecosystems, displacing vulnerable populations (e.g., the urban poor and tribal and indigenous groups), and undermining good governance with worsening corruption and accountability.

In this chapter, we assess Beijing's performance—to what extent does it follow through on its commitments, how does it manage the risk of public harm from its projects, and what early indications do we see of the downstream outcomes? Once again, we used the project-level information produced by AidData and described in Chapter 2, paired with supplemental desk research and data on environmental, social, and governance risk mitigation measures in PRC-financed projects. We also integrated data on economic, environmental, social, and governance indicators from third parties, including the Gallup World Poll, Varieties of Democracy, the World Bank, the Philippines Statistical Authority, and others.

4.1. To what degree does the PRC follow through on promised investments on time and in line with its advertised commitments?

Beijing's development finance investments in the Philippines have been heralded in the media and by political leaders as having transformative potential—creating high-value jobs, boosting trade revenues, and stimulating economic productivity (Custer et al., 2024). However, this potential can only be realized when Beijing follows through on its promises: successfully moving a project along from commitment to completion. Given Beijing's propensity to invest in large-scale, complex, and risky infrastructure projects, this follow-through is neither straightforward nor quick. In this section, we assess the PRC's capacity to follow through on its promises from two perspectives: average wait times to move from when funding is committed to when projects are delivered (section 4.1.1) and occurrences of suspensions or cancellations of its projects (section 4.1.2).

4.1.1 Speed of moving from funds committed to projects delivered

One reason why Global South leaders turn to the PRC as a preferred infrastructure partner is Beijing's reputation for quick delivery (Custer et al., 2024). The Philippines benefits from one of the faster delivery times among other low- and middle-income country recipients of Beijing's development finance (Malik et al., 2021). On average, the PRC's network of financiers, co-financiers, and implementers moves a project from commitment to implementation within 147 days and from start to finish in just under one year (Table 4.1).

However, some areas experience a longer wait time than others to see projects break ground: as short as 25-30 days if you live in Cagayan Valley or Cordillera regions, or as long as nearly a year or more if you live in Mimaropa, Central Luzon, or the Zamboanga Peninsula. Seven regions have better commitment to implementation wait times, while 10 fall below average. When it comes to final delivery (commitment to completion), there is a similar degree of variation, with eight regions above average and nine regions below average. On the surface, regions with shorter implementation times tend to be in the north and geographically closer to Manila, compared to a longer wait in the south. However, there are likely more factors in play (e.g., sector or type of financing) to account for these differences than geography alone, which we examine in the rest of this section.

Table 4.1: Average number of days between stages of PRC-funded development projects in the Philippines nationally and by region, 2000-2021

	Geocoded observations	Commitment → Implementation	Implementation → Completion	Commitment → Completion
Philippines, nationally	131	147	149	324
Bangsamoro Autonomous Region In Muslim Mindanao (BARMM)	7	265	15	447
Cordillera Administrative Region (CAR)	5	31	4	35
Mimaropa (Southwestern Tagalog Region)	2	301	306	743
National Capital Region (NCR)	25	128	179	291
Ilocos (Region I)	7	68	538	615
Cagayan Valley (Region II)	3	25	1	16
Central Luzon (Region III)	17	279	592	833
Calabarzon (Region IV-A)	7	174	165	365
Zamboanga Peninsula (Region IX)	3	837	598	1116
Bicol (Region V)	2	123	1	16
Western Visayas (Region VI)	4	52	7	243
Central Visayas (Region VII)	5	104	4	108
Eastern Visayas (Region VIII)	7	169	5	238
Northern Mindanao (Region X)	9	181	0	699
Davao (Region XI)	16	190	64	217
Soccsksargen (Region XII)	5	241	877	1051
Caraga (Region XIII)	5	255	140	397

Notes: Not every PRC project is geocoded; because some projects are missing a date of implementation or for completion, the averages from commitment to completion do not perfectly align. Sources: AidData's Global Chinese Development Finance Dataset, Version 3.0 (Custer et al., 2023; Dreher et al., 2022).

Not all projects have the same degree of complexity, and these differences could be a factor in the PRC's ability to consistently deliver quickly. As discussed in Chapter 2, while Beijiing orients most of its development finance dollars to hard infrastructure sectors, it has many more small-dollar projects in education, health, and disaster response, among other areas. Since big-ticket infrastructure is more risky and complex to execute (e.g., obtaining permits, relocating people, laying foundations, transferring technology, and conducting quality checks), we might assume that these activities would have longer wait times between dollars committed and projects delivered.

Consistent with this logic, projects in the transport and storage (1,431 days), water and sanitation (922 days), energy (866 days), and telecommunications (758 days) sectors had longer wait times on average (Table 4.2). When there is a high concentration of such complex infrastructure projects in a given region, such as Central Luzon, this can compound delays, as these activities drive up the average wait time. On the surface, it may seem strange that projects in the agriculture, forestry, and fishing sector had the longest wait times of all from start to finish (1,500+ days). However, many of Beijing's investments were ambitious irrigation projects (e.g., Chico River, Agno River, and Banaoang Pump Irrigation) or commercial infrastructure to fuel exports (e.g., General Santos Fish Port Complex). Such projects are vulnerable to unplanned delays, environmental challenges, or social unrest from displacement (see Chapter 3).

Agriculture, fishing, and forestry activities can be technically and logistically challenging, requiring stakeholder coordination and supply chain management, among other considerations. Technology transfer, the focus of the second phase of an agricultural technical cooperation program (TCP-II) with the Philippines-Sino Center for Agricultural Technology (Custer et al., 2023; Dreher et al., 2022), can create delays due to the time that it takes to integrate new technologies into existing systems and practices effectively. This cooperation requires extensive training and adaptation periods.

Energy projects have faced challenges related to policy certainty and the speed of regulatory processes. Issues such as slow permit approvals and a lack of clear government policies and support have been highlighted as obstacles to the rapid development of renewable energy infrastructure, in particular (Garcia, 2023a; Garcia, 2023b).[55] Telecommunications investments also come with their share of controversies,

[55] The Philippine government has responded by adjusting policies to encourage more FDI and improve the operational environment for these projects. This includes measures like allowing 100 percent foreign ownership in renewable energy projects (Crismundo, 2023; Garcia, 2023b).

and questions around the level of transparency, adherence to local laws, and the direct benefits to the Filipino populace have all been points of contention (Rivas and Tomacruz, 2021).

By contrast, the PRC's projects in the health sector enjoy quicker transitions—139 days on average from start to finish. This sector also tended to begin the implementation of projects even earlier than planned. Looking at the types of health activities Beijing supported underscores three possible reasons behind this speedy delivery. First, a number of the PRC's development finance projects in this sector were related to the COVID-19 pandemic—a global health crisis requiring immediate action, leading to the rapid deployment of resources and expertise. Second, a sizable share of projects in the health sector involved donations of equipment or supplies (e.g., masks and other protective gear) that are relatively straightforward to deliver quickly.

Third, some of the more ambitious projects in the health sector were political priorities of Philippine officials and an opportunity for Beijing to shore up a friendly ally. In line with President Duterte's anti-drug campaign, the PRC helped Philippine authorities build two drug rehabilitation facilities in Agusan del Sur and Sarangani provinces outfitted with beds, administration buildings, and support structures to address drug dependency (Custer et al., 2023; Dreher et al., 2022). High-level involvement from both Chinese and Philippine officials helped prioritize these projects, potentially contributing to their expedited commencement.

Table 4.2: Average number of days between stages of PRC-funded projects in the Philippines by sector, 2000-2021

Number of days

Sector	Commitment → Implementation	Implementation → Completion	Commitment → Completion
Agriculture, forestry, fishing	216	1,369	1,577
Communications	180	413	758
Developmental food aid/food security assistance	0	0	0
Disaster prevention and preparedness	0	0	0
Education	125	50	168
Emergency response	220	2	204
Energy	161	337	866
Government and civil society	36	2	44
Health	89	39	139
Industry, mining, construction	256	-	-
Other social infrastructure and services	0	0	8
Reconstruction relief and rehabilitation	0	0	0
Trade policies and regulations	238	100	339
Transport and storage	447	945	1,431
Unallocated/unspecified	148	-	-
Water supply and sanitation	66	853	922

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Notes: Zeros denote imperceptible wait times between stages, suggesting that these projects were likely implemented and completed almost immediately (e.g., food aid, disaster preparedness, and reconstruction relief). Dashes indicate sectors where there is only partial information available on the start and finish of each phase. This table excludes sectors with missing data for which it was difficult to determine average wait times. Sources: AidData's Global Chinese Development Finance Dataset Version 3.0 (Custer et al., 2023; Dreher et al., 2022).

Taken together, the PRC had the fastest delivery in completing projects where time was of the essence (e.g., food aid, disaster preparedness, and reconstruction efforts) and smaller-scale demonstration projects geared towards building goodwill with the Filipino public and their leaders (e.g., education, health, and other social infrastructure). These activities also tend to come with generous 'aid-like' terms—grants, in-kind donations, and no- or low-interest loans—and more centralized financing (i.e., fewer suppliers attached to the same project). The PRC is relatively swift in delivering its 'aid-like' (Official Development Assistance-like) projects, with completion taking less than half a year (Table 4.3).

Comparatively, the PRC's debt-financed projects can take more than two years to go from start to completion. This extended timeframe might reflect the nature of debt-financed investments, which involve large-scale infrastructure projects that are commercially driven, requiring more time for comprehensive planning, negotiation, and implementation. These larger, more risky projects are prime candidates for Beijing's use of syndicated lending—pooling risk and capital between the PRC's state-owned policy or commercial banks and co-financiers from other nations (see Chapter 3). These multiplayer financing deals are more complex to design and execute, possibly contributing to longer wait times.

Table 4.3: Average number of days between stages of PRC-funded projects in the Philippines by flow type, 2000-2021

Flow Class	Commitment → Implementation	Implementation → Completion	Commitment → Completion
Official Development Assistance (ODA)-like	124	63	184
Other Official Flows (OOF)-like	247	625	864

Sources: AidData's Global Chinese Development Finance Dataset, Version 3.0 (Custer et al., 2023; Dreher et al., 2022).

4.1.2 Failure to deliver? Project suspensions and cancellations

Beyond the speed of delivery, attrition is another important facet of follow-through: of the projects Beijing commits to finance, how many drop off due to temporary suspension or outright cancellation along the way? Suspended or canceled projects could reflect changes in the appetite of PRC suppliers to continue or misgivings on the demand side among counterparts in the Philippines. In this section, we surface insights from the six known cases of suspended or canceled PRC-financed projects in the Philippines to better understand the reasons why these activities floundered.[56] There are instances of suspensions and cancellations at all stages of the process. In some cases, the project ceased after the signing of financing agreements, never proceeding

[56] Each of these cases was identified as suspended or canceled within AidData's historical project-level database.

to implementation. In other cases, projects were already well underway when the agreement was terminated.

Projects can face delays or cancellations due to slow bureaucratic processes or public and political opposition. Limited transparency in Beijing's development finance—from financing terms and procurement to reporting on progress and outcomes—also increases the vulnerability of projects to allegations of corruption, collusion, and mismanagement on both sides. The transportation, energy, and telecommunications infrastructure sectors are risky investments, involving extensive coordination, substantial financial outlays, and long-term commitments. Such projects are acutely susceptible to disruptions from logistical hurdles and policy shifts.

In one case, a series of PRC-backed loans issued for the North Luzon Railways project was canceled over allegations of collusion to artificially inflate prices and contractual disputes between the Chinese implementer (CNMEG, as discussed in Chapter 3), Philippine government officials, and a local citizen's group (Table 4.4). The Northrail project included two phases, both funded by China Eximbank with preferential buyer's credits to the Philippine government (Custer et al., 2023; Dreher et al., 2022). Beijing canceled the loans due to contractual disputes with the implementer and after the Philippine Supreme Court found the project had bypassed competitive bidding. In November 2017, the Philippines government reached an out-of-court dispute settlement agreement with CNMEG (ibid).

Similarly, the National Broadband Network (NBN) project, financed by China Eximbank and implemented by Chinese technology firm ZTE to provide high-speed internet to over 25,000 government offices, was heavily impacted by corruption allegations and governance issues. Accusations emerged that the contract was inflated by $130 million to facilitate kickbacks involving Benjamin S. Abalos, Chairperson of the Commission on Elections (COMELEC) at the time. The Supreme Court issued a restraining order, canceling the project in 2007 (Custer et al., 2023; Dreher et al., 2022).

The Agus 3 Hydropower Project, which aimed to develop a 250MW power plant on the Agus River in Lanao del Sur and Lanao del Norte, faced headwinds from opposition to the China Development Bank-financed effort. The joint venture of Tranzen Group and Lanao Hydropower Development Corporation broke ground in 2010 but struggled to proceed amid unspecified financial issues (Custer et al., 2023; Dreher et al., 2022). It also encountered resistance to plans to privatize the region's hydropower resources from the Department of Energy and electric service companies (Morales, 2012).[57] An attempt was made to restart the project in 2017 and, as of 2021, the project was in the process of obtaining the necessary permits to begin operation set to begin in 2025 (Custer et al., 2023; Dreher et al., 2022).

The Cyber Education project, which planned to link schools and administrative units to a nationwide internet network and develop satellite-based multimedia classrooms, also ran afoul of local opposition. The Alliance of Concerned Teachers called for the initiative to be dismantled, as it would not improve educational outcomes and was an "expensive white elephant that will burden our people for the next years to come" (ACT Metro-Baguio, 2007). The campaign cited concerns over the lack of transparency in contracting and questioned the wisdom of the Philippines taking on costly debt financing (ibid). Opposition politicians threatened to bring the project to the Supreme Court until Arroyo called for its cancellation (Custer et al., 2023; Dreher et al., 2022).

Supply-side issues such as internal policy changes and economic shocks (e.g., the COVID-19 pandemic) and logistical challenges have also influenced project progress. These factors can lead to a reevaluation of investment priorities or a withdrawal of support, as observed during the pandemic's peak when China had to prioritize domestic over international investments. The Panay-Guimaras-Negros (PGN) Island Bridges project is a good example. The project aimed to link the Panay and Guimaras islands in line with President Duterte's "Build, Build, Build" infrastructure program[58] and aligned with the Philippine National Development Strategy (Garion, 2024).

The PRC bankrolled a feasibility study (CCCC Highway Consultants, 2019) for the PGN Island Bridges project to be conducted by a subsidiary of the state-owned China Communications Construction Company. However, the PRC subsequently lost interest, citing disruptions due to COVID-19, and the project was suspended. Manila turned to an alternative partner, South Korea, which has since conducted its own feasibility study and agreed to bankroll the engineering design phase for the two bridges (Sornito, 2023). Philippine officials from the Department of Public Works and Highways hope the bridges will be complete by 2028 (Garion, 2024) even without Beijing's involvement.

Geopolitical sensitivities—including regional power dynamics and territorial disputes—can abruptly alter the landscape, threatening to derail ongoing and planned

[57] The Electric Power Industry Reform Act of 2001, Republic Act 9136, allowed for the privatization of the Agus complex within 10 years; however, DOE expressed concerns over the feasibility of awarding "cascading resources" (Morales, 2012). The Alliance of Electric Service Companies group was concerned about privatization triggering price hikes in the cost of accessing electricity (ibid).
[58] In 2017, President Duterte included the PGN Island Bridges among 44 priority projects under the "Build, Build, Build" program and cultivated Beijing to partner with the Philippines on the project (Ilonggo Engineer Blog, 2023).

PRC development projects. There have been on-again, off-again calls within the Philippines to cancel contracts with Chinese implementers and stop PRC-financed projects over maritime disputes in the South China Sea (West Philippine Sea). These calls take on additional fervor following a highly visible flashpoint, such as the U.S. identifying Chinese implementers of Philippine development projects as connected to developing artificial islands in disputed waters (Manila Standard, 2023) or the 2024 altercation between Chinese Coast Guard and Philippine vessels in the Second Thomas Shoal (Cruz, 2023; Ismael and Tamayo, 2023).

When announcing his decision in late 2023 to no longer seek PRC financing for three railway projects in Luzon and Mindanao, the Philippine Department of Transportation Secretary Jaime Bautista did not cite the intensifying maritime conflict (Walker, 2023). However, the timing of the decision, given the broader context of increasingly public calls for the country to pull out of contracts with the PRC in protest of its growing assertiveness, makes it difficult to imagine that the conflict had no bearing whatsoever on the Philippines' decision to pull back from making new agreements.

Table 4.4: Suspended or canceled Chinese investments in the Philippines, 2000-2021

Case study	Sector	Flow type	Status	Project value, millions USD	Supply-side reasons for change	Demand-side reasons for change
Panay-Guimaras-Negros Island Bridges	Transport	Grant	Suspended before funds disbursed, to resume in 2024 with South Korea	14.60	Covid-19 pandemic, resource allocation	Bureaucratic delays, shift in prioritization, political changes, geopolitical sensitivities
Agus 3 Hydropower Project	Energy	Loan	Suspended after financing agreement signed	410.94	Not applicable	Government withholding approval
North Luzon Railways Project (Initial)	Transport	Loan	Canceled after funds were disbursed	899.6	Contractual and financial issues	Corruption allegations, governance and oversight issues, legal challenges, administrative decisions
North Luzon Railways Project (Revised)	Transport	Loan	Canceled after funds were disbursed	813.5	Contractual and financial mismanagement	Political and economic shifts, judicial and legislative challenges, governance and oversight issues, administrative decisions
National	Communicati	Loan	Canceled	569.1	Contractual and	Corruption and

Case study	Sector	Flow type	Status	Project value, millions USD	Supply-side reasons for change	Demand-side reasons for change
Broadband Network (NBN) Project	ons		after the financing agreement was signed		financial mismanagement	overpricing, judicial intervention, governance issues, administrative decisions
Cyber Education Project	Education	Loan	Suspended after financing agreement signed	911.1	Contractual and financial mismanagement	Political criticism, judicial and legislative scrutiny, governance and oversight, administrative decisions

Notes: This is not an exhaustive list of all cases of troubled projects; however, these are each cases identified as suspended or canceled within AidData's historical project-level database. Sources: AidData's Global Chinese Development Finance Dataset Version 3.0 (Custer et al., 2023; Dreher et al., 2022), supplemented by staff desk research.

4.2. How are PRC investment projects implemented within and experienced by recipient communities in the Philippines?

Throughout this research, we have highlighted many laudable contributions of the PRC's development finance investments to help the Philippines build critical industries and infrastructure. Nevertheless, we have also highlighted several cases where Beijing's development projects have failed to materialize, struggled during implementation, and triggered scrutiny and debate over their outcomes. In this section, we examine environmental, social, and governance (ESG) risks across Beijing's development projects in the Philippines (section 4.2.1) and assess the PRC's willingness to contract with Chinese firms as implementers on the basis of various performance metrics (section 4.2.2).

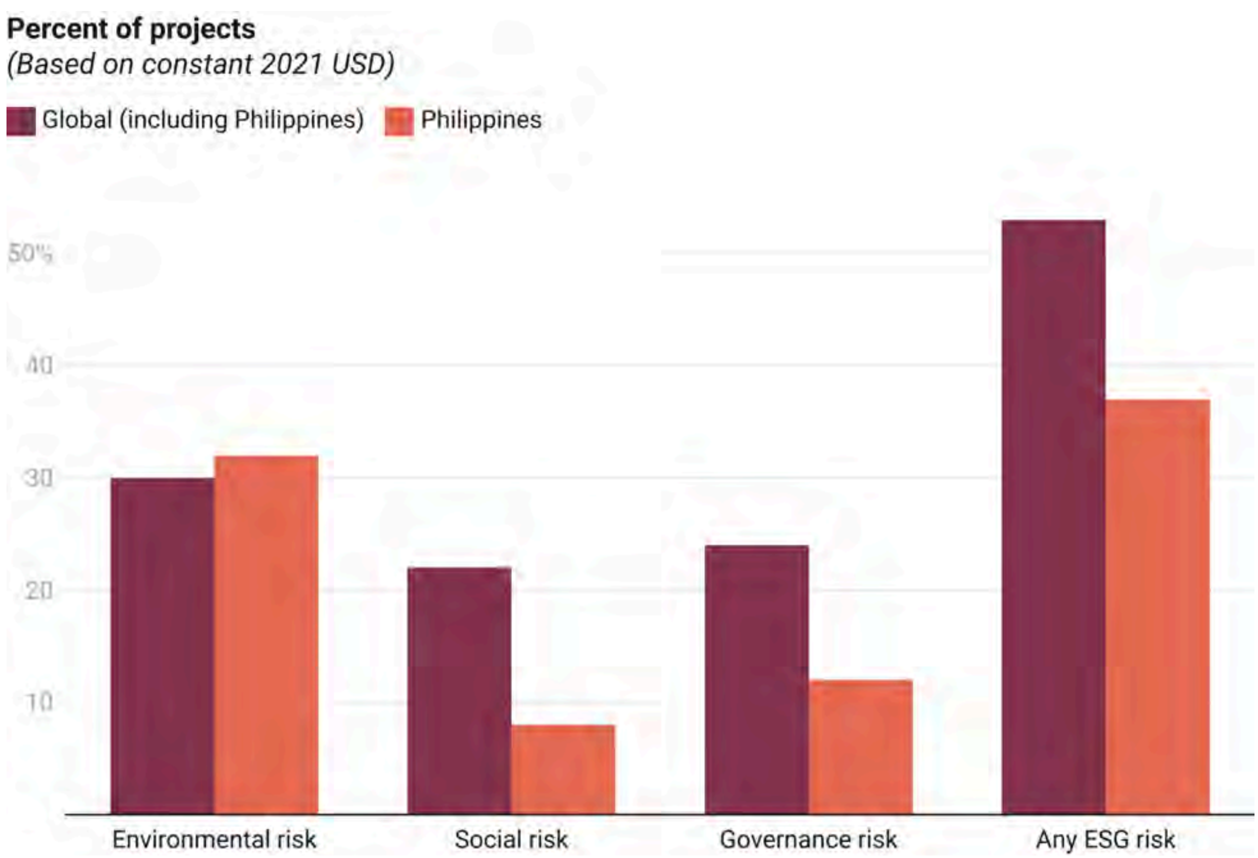
4.2.1 Early warning indicators of ESG risk in PRC-financed projects

Large-scale investments in critical industries and infrastructure—whether they are made by a local government, a private sector company, or a development partner like the PRC—have the potential to transform communities for better or worse. Such projects are inherently risky bets when it comes to anticipating environmental, social, and governance (ESG) outcomes. For this reason, leading development agencies such as the World Bank Group apply robust ESG safeguards in the design and throughout the execution of projects as a way to mitigate and manage the risk of negative outcomes.

A common critique volleyed at Beijing is that the PRC's development finance prioritizes faster speeds and lower costs over ensuring that its projects are environmentally sound, socially responsible, and promote good governance (Parks et al., 2023). However, it can be difficult to separate the signal of truth from the noise of opinion. To help overcome this data gap, Parks et al. (2023) developed a systematic set of criteria to assess how well Chinese state-owned financiers and co-financiers include high-quality ESG risk management strategies in the projects they support.

The 26 evaluation criteria from Parks et al. (2023) assess the strength or weakness of a project's ESG risk based on whether they include: (i) rules and standards to set behavioral expectations for ESG management and mitigation; (ii) oversight mechanisms to monitor compliance with these standards; and (iii) enforcement strategies to penalize deviations from these standards. The degree of risk is assessed based on eight environmental safeguards, seven social safeguards, and twelve governance safeguards. (See the Technical Appendix for more information on the assessment criteria used).

Figure 4.5: Percentage of the PRC's development finance portfolio facing ESG risks in the Philippines versus the global average, 2000-2021



Notes: This figure compares average ESG risk levels for low- and middle-income countries globally versus the Philippines. Sources: Methodology adapted from Parks et al. (2023) as applied to AidData's Global Chinese Development Finance Dataset, Version 3.0 (Custer et al., 2023; Dreher et al., 2022).

Over half of the PRC's development finance portfolio (by dollar value) across low- and middle-income countries is associated with at least one type of ESG risk (Parks et al., 2023). The Philippines does relatively better than its peers: just under 40 percent of its development finance from Beijing is tied up in projects presenting some sort of ESG risk. Breaking this out across different categories, we find that Beijing's project portfolio in the Philippines is much less exposed to social and governance risk than the global picture, on average. However, the Philippines is experiencing more exposure to environmental risk in PRC-funded projects, a touch higher than even the global average.

There could be several possible explanations for these differences. In their study, Parks et al. (2023) found that upper-middle income countries and those in Latin America and the Caribbean had a disproportionately high level of governance risk compared to other borrowers. Moreover, the authors identified that the PRC's rigor in including ESG safeguards has improved over time, which may make newer projects less risk-prone than earlier efforts. Although classified as a "flawed democracy" on the Economist Intelligence Unit's Democracy Index, the Philippines is still likely to have stronger government institutions to promote civil liberties, enforce laws, and ensure access to justice than hybrid or authoritarian regimes (Mateo, 2024).[59] Additionally, if some types of projects are more or less prone to ESG risk, it could be that there is something about the PRC's portfolio in the Philippines that is better positioned to withstand social and governance pressures but not so with environmental risk.

To what extent do we see indications of Beijing learning on the job and improving ESG risk mitigation measures in its projects in the Philippines over time? Not to a high degree. In most years, one to two projects were vulnerable to at least one type of ESG risk. This is somewhat to be expected, since Beijing bankrolls just a few large-dollar projects each year (typically physical or digital infrastructure) and many small-dollar projects in the social sectors. There was one dramatic exception to the Philippines' risk exposure in 2018, when nine projects were identified as having some form of ESG risk (Figure 4.6). The environment was the greatest vulnerability across the board. Social risks were less frequent than environmental risks, with only a few instances over the 20-year span. Governance risks were also not very prevalent during the period we examined.

[59] According to the Economist Intelligence Unit's methodology, the classification "flawed democracy" refers to countries that: have free and fair elections and, even if there are problems (such as infringements on media freedom), basic civil liberties are respected. However, there are significant weaknesses in other aspects of democracy, including problems in governance, an underdeveloped political culture, and low levels of political participation (EIU, 2023).

Figure 4.6: PRC-funded development projects in the Philippines with newly identified ESG risks, 2000-2021

	At least 1 ESG risk	Environmental	Social	Governance	Sum of ESG components
2001	1	1	0	0	1
2002	0	0	0	0	0
2003	0	0	0	0	0
2004	0	0	0	0	0
2005	0	0	0	0	0
2006	0	0	0	0	0
2007	0	0	0	0	0
2008	0	0	0	0	0
2009	0	0	0	0	0
2010	1	1	0	1	2
2011	0	0	0	0	0
2012	0	0	0	0	0
2013	0	0	0	0	0
2014	0	0	0	0	0
2015	0	0	0	0	0
2016	2	2	0	0	2
2017	1	1	0	0	1
2018	9	8	6	2	16
2019	1	1	1	0	2
2020	0	0	0	0	0
2021	1	0	0	1	1

Notes: Methodology adapted from Parks et al. (2023) as applied to AidData's Global Chinese Development Finance Dataset, Version 3.0 (Custer et al., 2023; Dreher et al., 2022) for all Philippines' projects.

Breaking down the level of risk across sectors (Table 4.7), one or more ESG concerns appeared across PRC-financed projects in nine sectors. Governance risks (G) were less frequently identified than environmental and social risks across most sectors. Some sectors were associated with only one form of ESG risk, while others had higher levels of exposure across multiple types. The energy sector appears to be one of the

Philippines' greatest vulnerabilities, as PRC-financed projects in this sector have the highest incidence of ESG risk overall. Although all three types of risk manifest, environmental risks (E) are most frequently associated with these projects. The agriculture, forestry, and fishing sector also had elevated ESG risk across the board.

The Chico River Pump Irrigation Project (CRPIP) is an example of how multiple ESG challenges can manifest in a single project stemming from inadequate risk mitigation. Initially announced in 2016, the CRPIP promised irrigation for agricultural land but faced fierce opposition (Custer et al., 2023; Dreher et al., 2022). The Cordillera Peoples Alliance (CPA) feared the project would privatize crucial services and harm the environment (ibid). They argued that consultations were inadequate and the project would exploit their ancestral lands (ibid). China Eximbank and the Philippine government signed an agreement in 2018 to move forward with the CRPIP, despite these concerns (ibid).

The CRPIP project navigated construction delays due to ongoing protests and legal challenges from groups like the "No to Karayan Movement." A group of legislators from the House of Representatives known as the Makabayan (Patriotic Coalition of the People) bloc also filed a petition before the Supreme Court in 2019, asking it to stop the loan agreement with China Eximbank. The project reached 82 percent completion by December 2021 but remains a source of tension, highlighting the ongoing struggle of indigenous communities to protect their land and way of life.

Social risks (S) appear prominently in the telecommunications sector, indicating impacts on or requirements from the local communities, labor issues, or impacts on consumers. Beijing's bankrolling of a "Safe City Project" across 18 local government units in the Philippines offers a lens into where these social vulnerabilities lie. Spurred by a 2016 MoU signed between China Eximbank and the Philippine Government, the Safe City Project intended to enhance public safety and response to crime via high-definition CCTV surveillance (Custer et al., 2023; Dreher et al., 2022). The project unfolded a complex tapestry of social risks alongside its technological ambitions.[60]

The Safe City Project underwent meticulous planning and compliance processes before being officially sanctioned by the National Economic Development Authority's Investment Coordination Committee. Despite this due diligence, the project quickly

[60] The potential for reduced crime rates and increased response rates to emergencies, cited by the Department of the Interior and Local Government (DILG), offered a glimpse into the project's transformative potential. The logistical execution planned for the installation of approximately 12,000 cameras, an Intelligent Command, Control, and Communication Center (IC4), and city-level command centers—a testament to the sophisticated integration of ICT in public administration.

became mired in debates around national security, privacy, and sovereignty. The planned involvement of Huawei Technologies as a supplier of critical equipment sparked controversy over global accusations related to cyber espionage. Congressional leaders in Manila attempted to block project funding or use other maneuvers to derail the project. Although its indefinite halt in May 2022 was publicly attributed to a lack of funds, it is likely that the formidable social resistance to the Safe City Project up to that point also had an influence on the government's political will to continue.

Table 4.7: ESG risks in PRC-funded development projects in the Philippines by sector, 2000-2021

Commitment year	Sector	ESG risk
2001	Agriculture, forestry, fishing	E
2010	Water supply and sanitation	E, G
2016	Energy	E
2016	Energy	E
2017	Industry, mining, construction	E
2018	Transport and storage	E
2018	Agriculture, forestry, fishing	E, S, G
2018	Energy	E, S, G
2018	Education	E
2018	Transport and storage	S
2018	Industry, mining, construction	E, S
2018	Other social infrastructure and services	E
2018	Communications	E, S
2018	Trade policies and regulations	E, S
2019	Communications	E, S
2021	Communications	G

Notes: The table shows if an ESG risk was detected by year and then by sector in the Philippines. Years excluded from the table had no known projects from our sample manifesting ESG risk in that year. Sources: Methodology adapted from Parks et al. (2023) as applied to AidData's Global Chinese Development Finance Dataset, Version 3.0 (Custer et al., 2023; Dreher et al., 2022) for all Philippines' projects.

4.2.2 Exposure to performance risk in PRC-financed projects

Not all Chinese implementers of PRC-financed development projects are equally strong performers when it comes to delivering quickly and responsibly. So the choice of *who* implements a project bankrolled by Beijing is a consequential one, with far-reaching implications for local communities. In this section we examine whether and how three dimensions of performance risk vary across Chinese implementers: (i) speed of delivery from project start to completion; (ii) management of ESG risk in projects; and (iii) reputation for unsavory financial practices. Moreover, we assess whether firms that perform worse on any of these measures are less likely to attract repeat business from Beijing in being tapped to implement its projects.

Some Chinese firms deliver more quickly than others (Table 4.8). For instance, China International Water and Electrical Corporation (CWE) completed projects much earlier than planned (86.5 days ahead of time). Comparatively, China National Construction & Agricultural Machinery Import & Export Corporation (CAMC) experienced substantial delays (an average delay of 1,972 days). These differences could signal varying levels of operational efficiency and project management capacity in these firms. Alternatively, this state of play could reflect differing levels of complexity in the projects these actors implement.

Fifteen Chinese state-owned firms on the roster of implementers for PRC-financed projects in the Philippines have been sanctioned (directly or indirectly as a subsidiary to a sanctioned parent company) by the Asian Development Bank or World Bank for questionable business practices related to financial management or corruption. Moreover, 11 Chinese firms (10 state-owned and one private sector with deep ties to the Chinese Communist Party) have been flagged as having a heightened level of exposure to one or more ESG risk dimensions in their projects in the Philippines.

Table 4.8: Performance risk and Chinese implementers of development projects in the Philippines, 2000-2021

Implementing agency	Implementing agency type	Average delay, number of days	ADB or WB sanctions/debarred (yes/no)	ESG problems identified by Parks et al. (2023)
People's Liberation Army of China	Chinese government agency	-6	No	None
CCCC Highway Consultants Co., Ltd.	Chinese state-owned company	-75.5	Yes	E,S

Implementing agency	Implementing agency type	Average delay, number of days	ADB or WB sanctions/debarred (yes/no)	ESG problems identified by Parks et al. (2023)
China CAMC Engineering Co., Ltd. (CAMCE)	Chinese state-owned company		Yes	E,S,G
China Communications Construction Co., Ltd. (CCCC)	Chinese state-owned company		Yes	None
China Energy Engineering Group Co., Ltd. (CEEC)	Chinese state-owned company		Yes	E,S,G
China International Telecommunication Construction Corporation (CITCC)	Chinese state-owned company	-368	No	G
China International Water and Electrical Corporation (CWE)	Chinese state-owned company	+86.5	Yes	E,G
China National Construction & Agricultural Machinery Import & Export Corporation (CAMC)	Chinese state-owned company	-1972	Yes	E
China National Energy Engineering & Construction Co., Ltd. (CECC)	Chinese state-owned company		Yes	None
China National Machinery and Equipment Group (CNMEG)	Chinese state-owned company		Yes	None
China Railway 25th Bureau Group Co Ltd.	Chinese state-owned company	-7	Yes	E,S
Huawei Technologies Co., Ltd.	Chinese private sector	-187.5	No	E,S,G
ZTE Corporation	Chinese state-owned company	-7	No	E,S
China Road & Bridge Corporation (CRBC)	Chinese state-owned company		Yes	None
China State Construction Engineering Corporation (CSCEC)	Chinese state-owned company	-344	Yes	None

Implementing agency	Implementing agency type	Average delay, number of days	ADB or WB sanctions/debarred (yes/no)	ESG problems identified by Parks et al. (2023)
Chinese Agricultural, Machinery and Engineering Corporation (CAMCE Corp.)	Chinese state-owned company	-84	Yes	None
Nuctech Company Limited (Tongfang Vision Technology Co., Ltd.)	Chinese state-owned company	-196.5	No	E,S
Panhua Group Co. Ltd.	Chinese state-owned company	-42	No	None
Shanghai Electric Power Construction Co., Ltd.	Chinese state-owned company		No	E

Notes: This list of implementation agencies is limited to only those that were flagged as either sanctioned (directly or indirectly through their parent company) or evidenced higher ESG risk exposure in their projects. Average delays are calculated by the number of days of deviation from planned implementation or completion. Negative (-) values indicate delays, while positive (+) values indicate days ahead of schedule. Sources: Sanctions information was obtained from the World Bank and the Asian Development Bank registries of debarred firms, along with desk research to identify additional cases of sanctions noted in these institutions' press releases and reported in third-party articles. ESG risk methodology was adapted from Parks et al. (2023) as applied to AidData's Global Chinese Development Finance Dataset, Version 3.0 (Custer et al., 2023; Dreher et al., 2022).

Given the large-dollar and high-stakes nature of PRC-financed development projects, we might expect to see issues of poor performance with individual firms. The more critical question is how much of Beijing's development finance portfolio in the Philippines is associated with risky implementers based on two measures of performance (exposure to ESG risk in their projects and association with World Bank or ADB sanctions)? It turns out this is a relatively high number.

We estimate that US$4.5 billion of Beijing's development finance commitments to the Philippines across 36 projects relied on Chinese implementers with tarnished performance track records. Put another way, roughly 55 percent of Beijing's development finance dollars to the Philippines involved the use of risky firms (e.g., those with higher exposure to ESG risk or facing direct or indirect sanctions). The picture is less bleak in terms of the number of projects, as only 16.7 percent of Beijing's total development activities relied on such firms.

Examining the financiers behind these projects reveals significant exposure to high-risk Chinese implementers. Among the top Chinese financiers of Philippine development projects, the Export-Import Bank of China (China Eximbank) stands out with 91 percent of its project count and an equal share of its financial commitment associated with performance risk. China Development Bank (CDB) follows closely, with 67 percent of its project count and a staggering 95 percent of its financial commitment linked to risky implementers. Notably, the State Grid Corporation of China (SGCC) has a lower financial commitment associated with risk, albeit with a limited project count.

Noticeably, nine of the high-risk firms attracted repeat business from Beijing despite their performance issues and were awarded the implementation of between two and four projects. This state-of-play suggests that performance is not always top-of-mind for the PRC, which favors some firms over others as its go-to implementers in the Philippines. There may be other considerations for the PRC as well: financial cost, political connections, specific expertise, and more.

Six of the highest-risk firms involved in Philippine development projects over the last two decades appear on both problem lists, associated with questionable financial practices *and* higher ESG risk exposure. These firms include China CAMC Engineering Co., Ltd. (CAMCE); China National Construction & Agricultural Machinery Import & Export Corporation (CAMC); CCCC Highway Consultants Company, Ltd.; China Energy Engineering Group, Ltd.; China International Water and Electrical Corporation (CWE); and China Railway 25th Bureau Group Company, Ltd. Taken together, these six higher-risk firms were involved in nine known PRC-financed development projects in the Philippines valued at US$870 million (Table 4.9). This represents 9.6 percent of the PRC's development finance dollars and 4.1 percent of its projects in the country.

Table 4.9: PRC financing of higher-risk implementers by project count and total dollars, 2000-2021

Implementing agency	Project count	Project value, billions USD
People's Liberation Army of China	1	-
CCCC Highway Consultants Co., Ltd.	4	0.06
China CAMC Engineering Co., Ltd. (CAMCE)	1	0.07
China Communications Construction Co., Ltd. (CCCC)	1	0.34
China Energy Engineering Group Co., Ltd. (CEEC)	1	0.06
China International Telecommunication Construction Corporation (CITCC)	1	0.14
China International Water and Electrical Corporation (CWE)	1	0.16

China National Construction & Agricultural Machinery Import & Export Corporation (CAMC)	2	0.10
China National Energy Engineering & Construction Co., Ltd. (CECC)	1	0.01
China National Machinery and Equipment Group (CNMEG)	1	0.41
China Railway 25th Bureau Group Co Ltd.	3	0.14
Huawei Technologies Co., Ltd.	4	0.28
ZTE Corporation	3	0.14
China Road & Bridge Corporation (CRBC)	2	0.05
China State Construction Engineering Corporation (CSCEC)	2	0.01
Chinese Agricultural, Machinery and Engineering Corporation (CAMCE Corp.)	1	0.13
Nuctech Company Limited (Tongfang Vision Technology Co., Ltd.)	3	0.15
Panhua Group Co. Ltd.	1	-
Shanghai Electric Power Construction Co., Ltd	3	2.23

Notes: Sanctions information was obtained from the World Bank and Asian Development Bank registries of debarred firms, along with desk research to identify additional cases of sanctions noted in these institutions' press releases and reported in third-party articles. ESG risk methodology was adapted from Parks et al. (2023) as applied to AidData's Global Chinese Development Finance Dataset, Version 3.0 (Custer et al., 2023; Dreher et al., 2022).

Table 4.10: Top Chinese financiers of Philippine development projects and share of project counts and values associated with performance risk, 2000-2021

Name of state-owned enterprise	Project count	Project value, billions USD	Share of project count associated with risk	Share of project value associated with risk
Bank of China (BOC)	24	2.36	17%	28%
Export-Import Bank of China (China Eximbank)	11	5.57	91%	91%
ICBC	5	0.23		
China CITIC Bank Corporation Limited	4	0.24		
China Development Bank (CDB)	3	1.71	67%	95%
China National Construction & Agricultural Machinery Import & Export Corporation (CAMC)	2	0.15	100%	100%
State Grid Corporation of China (SGCC)	2	0.00*		

China Construction Bank Corporation (CCB)	1	0.01		
China National Energy Engineering & Construction Co., Ltd. (CECC)	1	0.01	100%	100%
China National Offshore Oil Corporation (CNOOC)	1	0.00*		
China South-South Cooperation Fund	1	0.00*		
Chinese Enterprises' Mutual Aid Group in Mindanao	1	0.00*		
SEPCO Electric Power Construction Corporation	1	0.00*		

Notes: Asterisks indicate dollar values too small to show. State Grid Corporation of China was US$841,664; China National Offshore Oil Corporation was US$101,597; China South-South Cooperation Fund was US$1,070,000; Chinese Enterprises' Mutual Aid Group in Mindanao was US$46,682; and SEPCO Electric Power Construction Corporation was US$4,317. Sources: Sanctions information was obtained from the World Bank and Asian Development Bank registries of debarred firms, along with desk research to identify additional cases of sanctions noted in these institutions' press releases and reported in third-party articles. ESG risk methodology was adapted from Parks et al. (2023) as applied to AidData's Global Chinese Development Finance Dataset, Version 3.0 (Custer et al., 2023; Dreher et al., 2022).

4.3. How may PRC financing shape perceptions and contribute to development outcomes in the Philippines?

Beijing is an important supplier of financing for development in the Philippines. It bankrolls ambitious infrastructure projects with the potential to transform local economies, ecosystems, governance norms, and social rhythms—for better or worse. Moreover, the sum and total of these overtures may shape public and elite opinion about the PRC as a global power and development partner. Looking beyond specific projects, financiers, or implementers, in this section, we examine whether and how the PRC's overall portfolio of investments appears to shape Philippine perceptions (section 4.3.1) and the country's development trajectory (section 4.3.2).

4.3.1 Winning hearts and minds? Perceptions and financing

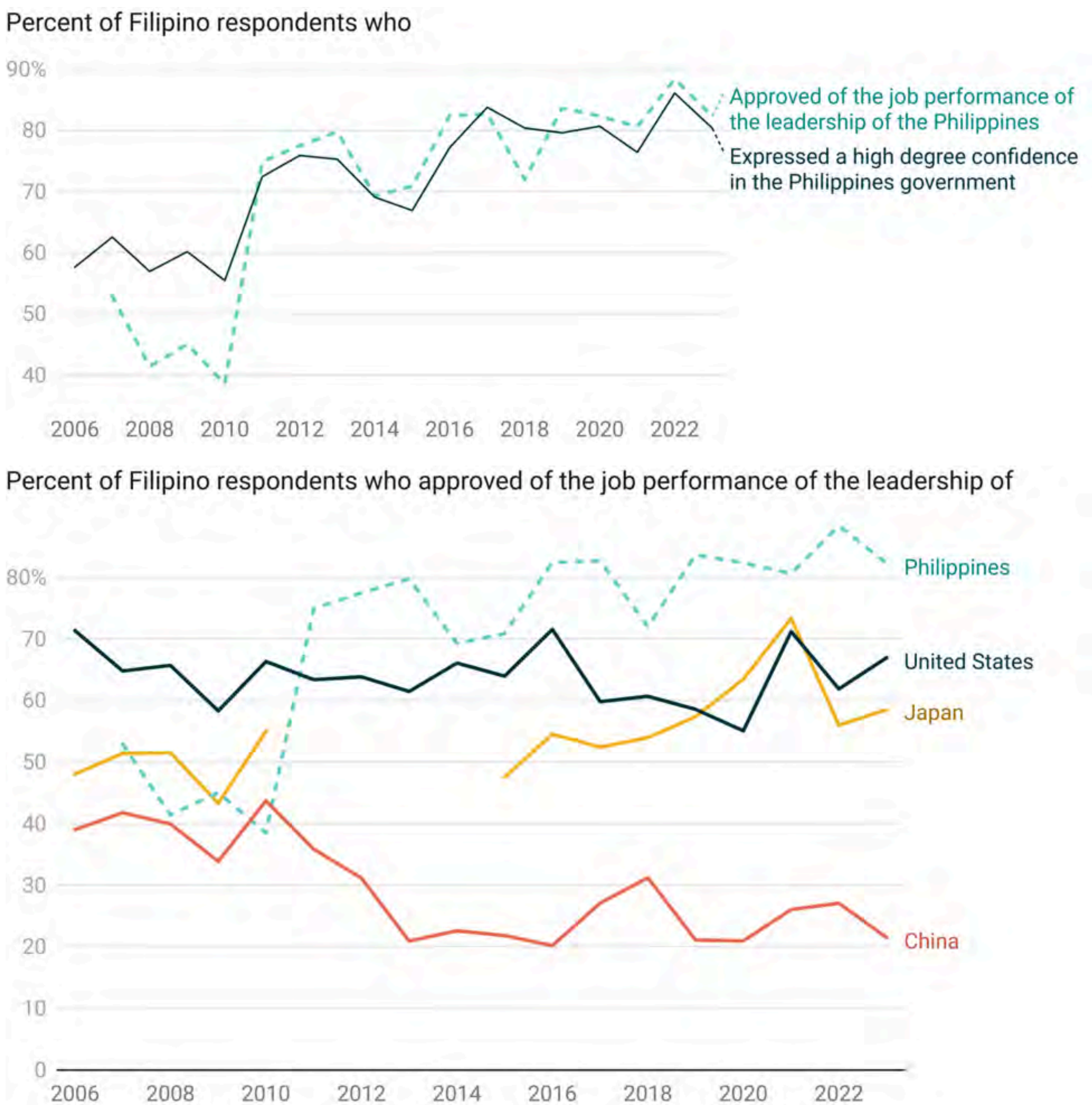
There are many reasons why the PRC spends a substantial amount of money to support development activities in other countries. One goal that Beijing has in common with many foreign powers is to deploy development finance as a signal of generosity and solidarity to win friends and allies. In this battle for hearts and minds, the PRC seeks to stoke favorable views of China in absolute terms and relative to other powers (Mathew and Custer, 2023). In electoral democracies like the Philippines (Freedom House, 2024), where the public's preference for candidates directly influences government policy, it is not only leaders' opinions that matter but also those of average citizens.

Strikingly, money does not appear to buy Beijing much love when it comes to public perceptions of China in the Philippines. Even as the volume of its development projects and financing expanded, Filipino approval of the PRC's leadership declined roughly 20 percentage points between 2006 and 2023 (Figure 4.11), according to the Gallup World Poll, an annual citizen survey. Eroding support among Filipinos regarding the PRC's leadership did not extend to their own government, which saw an uptick in approval and confidence after 2010 with the election of President Aquino.[61] Approval and confidence in government remained stable at roughly 70 percent or higher throughout the subsequent Duterte and Marcos Jr administrations.

Japan, one of the PRC's regional rivals, fared relatively better in winning Filipino hearts and minds. Filipino approval of Japanese leadership hovered around 50 percent for many years but started to climb in late 2018. As discussed in Chapter 2, one factor could be Japan's long-standing position as one of the Philippines' largest development partners over the last two decades, as well as close cultural ties. In later years, Philippine media coverage of Tokyo's plan to bankroll the Manila underground railway could also have played a role. Approval spiked again in 2021 and 2024 when the second and third tranches of Japanese loans for the railway were announced (Simeon, 2021; Rivas, 2024). Attitudes towards the United States were somewhat more tumultuous, declining from an initial high of 70 percent approval to 60 percent or below during Duterte's tenure, before rebounding in 2021. Duterte's initial public pivot to align with China may have contributed to this decline.

[61] President Aquino championed anti-corruption initiatives, such as a successful program that worked to eliminate bribery at the Department of Public Works and Highways. This program significantly reduced the cost of large national contracts by 25-30% (Konishi, 2021).

Figure 4.11: Filipino citizen perceptions of the leadership of China, the U.S., Japan, and their own government, 2006-2023



Notes: The bottom figure shows the percentage of respondents from the Philippines who said they approved of the job performance of the leadership of a given foreign power, as well as their own government (respondents could select between approve, disapprove, or did not know how they felt). A second question asked Filipino respondents the degree to which they have confidence in their own government, illustrated in the top figure. Sources: Gallup World Poll (2006-2023). All figures use Gallup's provided weights to ensure a representative sample.

To probe these trends more deeply, we constructed a statistical model to explore how exposure to PRC development finance or FDI may influence Filipino public opinion about Beijing's political leadership. We considered three inputs: (i) the level of PRC development finance dollars (including aid and debt instruments); (ii) the number of development projects the PRC bankrolled; and (iii) the level of inbound FDI from China to the Philippines. We examined two outcomes: (i) Filipino approval of the PRC's leadership; and (ii) Filipino approval of their own government.

The statistical model tests whether our two dimensions of Filipino public opinion appear to move in relation to our three financial measures (PRC development finance dollars and projects and Chinese FDI) at national and subnational levels.[62] The model accounts for individual characteristics such as age, gender, education, employment status, location (rural or urban), and household income, as well time and geographic effects using year- and region-fixed effects. This process identifies whether a relationship appears to exist but does not tell for certain why that is the case. We encourage further analysis using more complex models to refine these findings.

Contrary to what Beijing may have hoped for, as exposure to Chinese development finance increases (in either dollars or number of projects), Filipinos are less likely to approve of the PRC's leadership. The same dynamic was in play for exposure to inbound Chinese FDI. This waning support for Beijing does not extend to how Filipinos view their own government. Interestingly, as PRC financial inputs increased, so did the probability that Filipinos approved and had confidence in the Philippine government.

Why might this be? Stepping back from the statistical model to layer in additional context, here are three possible explanations. First, it could be that while Filipinos appreciate the PRC's development finance and FDI, they still do not entirely approve of the leaders at the reins of Beijing's decision-making. Economic engagement is only one facet of Filipinos' exposure to China. Tensions over Beijing's assertiveness in pressing its maritime claims in the South China Sea (West Philippine Sea), visible in Philippine media and politics, likely sour the national mood towards the PRC's leadership. Second, it is plausible that Filipino attitudes towards China could be informed by the negative coverage related to troubled PRC projects wrapped up in corruption scandals, delays or cost overruns, and social or environmental harms. Finally, it is possible that Filipinos may credit the benefits from PRC-funded projects to their local officials rather than Beijing.

Although citizens' views matter, one might argue that the attitudes of political, civil society, and private sector elites towards Beijing have outsized importance. AidData

[62] National level-data pairs an individual's perceptions with all PRC financing or FDI that the Philippines received that year. Subnational-level data pairs all the PRC financing or FDI in the respondent's region. While the latter is preferred for fine-grained analysis, not all PRC financing projects can be identified to a region, so regional amounts are incomplete, which could skew the results. We therefore focus primarily on the national-level analysis as not all PRC finance. Survey data are weighted to be optimized at the national level. These two factors may influence subnational regression analysis.

has fielded several surveys over the last decade to monitor perceptions of the PRC over time and across 100+ countries, including the Philippines. While the data on Filipino elites is insufficient for a standalone quantitative analysis, the broader survey offers valuable insights into regional perspectives on China as a development partner, and we can pair this with qualitative insights from the sample of Filipino respondents.

Over the last decade, there have been consequential changes in how elites across low- and middle-income countries think about the PRC as a development partner. Beijing has a much larger footprint now than before. In tandem with the uptick in the PRC's development finance in the Philippines and globally, there was a seven percent increase (from eight to 15 percent) in elites who received development advice or assistance from Beijing between 2017 and 2020.[63] The PRC's expanded reach was partly driven by growth in East Asia and the Pacific (Custer et al., 2021).

Nearly 85 percent of Asia-Pacific leaders surveyed (Figure 4.12) said that Beijing was influential in shaping their domestic policy priorities as of 2020 (Custer et al., 2021). The PRC was the third most influential bilateral, falling behind the United States and Japan (ibid). This was noteworthy, as Beijing's regional influence was less perceptible in surveys conducted in 2014 and 2017 (ibid). Asia-Pacific respondents had misgivings about the implications of Beijing's growing influence: only 30 percent said it was a net positive for their countries (ibid). Regional leaders were less impressed with the PRC's support in the design and implementation of policy reforms: only 45 percent said that Beijing was helpful in this regard (ibid).

Philippine respondents were in lockstep with their Asia-Pacific peers; they viewed Beijing as a highly influential development partner and were wary over whether this was a good thing (ibid). However, they were more favorably disposed to view the PRC as helpful in designing and implementing reforms than their regional counterparts (ibid).

Figure 4.12: Perceptions of the PRC as a development partner held by leaders in the Philippines and Asia-Pacific, 2020

[63] Respondents who reported receiving advice or assistance from the PRC assessed Beijing's engagement along three dimensions: its influence over policy priorities in their country; the degree to which its influence was positive or negative; and its helpfulness in the design and implementation of policy reforms.

Notes: This visual shows the percentage of public, private, and civil society leaders in the East Asia and Pacific (EAP) region surveyed in 2020 who: (i) identified the PRC as quite or very influential in shaping domestic policy priorities in their country (influence); (ii) said the PRC's influence was quite or very positive for their country (positivity); and (iii) rated the PRC as quite or very helpful in the design and implementation of policy reforms (helpful) during the period of 2016 to 2020. Leaders could only rate the PRC's performance if they had previously said that they had received its advice or assistance during the last five years. EAP countries in the sample are Cambodia, Timor-Leste, Malaysia, Indonesia, Mongolia, Philippines, Myanmar, Thailand, Laos, Fiji, Vanuatu, Papua New Guinea, and Tonga. Sources: Listening to Leaders Survey, Wave 3. Custer et al., (2021).

4.3.2 Public good or public harm? Outcomes of PRC financing

Without a doubt, Beijing has mobilized substantial money to support the Philippines' development over the last two decades. What is less certain is whether and how these investments may improve or worsen life for the average Filipino. Given the diverse nature of PRC-financed projects in the Philippines, it is difficult to say with certainty that these investments singularly *caused* specific impacts. Instead, in this section, we test and summarize plausible relationships between PRC investments overall (and in critical industries and infrastructure specifically) and a core set of economic, environmental, social, and governance of importance to the Philippines' growth and prosperity.

4.3.2.1 PRC financing and Philippine economic outcomes

We see some evidence to support the idea that PRC development finance (both dollars and project counts) and Chinese FDI may positively contribute to economic outcomes in the Philippines. Constructing a statistical model, we assessed whether and how PRC financing was associated with three economic outcomes: domestic productivity from goods and services produced in the country (gross domestic product, or GDP), economic growth across society (GDP per capita), and income from Philippine residents and business at home or abroad (gross national income, or GNI). On all three measures, we found increases in PRC financing were significantly and positively associated with GDP, GDP per capita, and GNI (Table 4.13).

Results were more mixed when it came to how individual Filipinos felt about their own economic prospects. Using responses to Gallup World Poll survey questions, we assessed whether and how PRC development finance and Chinese FDI were associated with Filipino perceptions of their food and shelter, job climate, and local economic confidence. As PRC development finance and inbound FDI increased, respondents were more likely to say they struggled to afford food and shelter. Conversely, respondents were also more optimistic about the local jobs climate and their degree of confidence in their local economy, though these findings were not statistically significant.[64] This suggests that Chinese investments might be contributing to aggregate economic growth, but the benefits have not yet trickled down to many Filipinos.

Table 4.13: PRC development finance, Chinese FDI, and local economic outcomes, 2014-2023

	Observed economic aggregates			Perceived economic experiences of Filipinos		
	Gross Domestic Product (GDP)	GDP per capita	Gross National Income (GNI)	Affordable food and shelter	Confidence in the local economy	Local job climate
PRC development finance (dollars)	+	+	+	-	+	+
PRC development finance (project count)	+	+	+	-	+	+
inbound Chinese FDI	+	+	+	-	+	+

Notes: These results are from models that include the three PRC financing types as inputs (independent variables), demographic control variables, and time and region fixed effects. +/- signs indicate the direction of the relationship. Cells in green indicate that the association between the type of PRC financing and the economic indicator of interest is significant at conventional levels (p < 0.001 or p < 0.01). Due to data availability, models cover the years 2014-2023. See the Technical Appendix for more details. Sources: Philippine Statistical Authority (2024b) for GDP and GNI, with GDP per capita bespoke using population data from World Bank (2024). Gallup World Poll Data: Food and Shelter Index (assesses the ability people have to meet basic needs for food and shelter. Lower scores on this index indicate that more respondents reported struggling to afford food and shelter in the past year, while higher scores indicate fewer respondents reported such struggles); Local Economic Confidence Index (based on the combined responses to two questions asking respondents to first rate economic conditions in their city today and then consider whether economic conditions in their city as a whole are getting better or getting worse); Job Climate Index (measures the attitudes about a community's efforts to provide economic opportunities. Higher categories indicate a more positive outlook).

4.3.2.2 PRC development financing and Philippine environmental outcomes

In a survey of leaders across 100 countries, there was considerable consensus that PRC-financed development offered strong prospects for economic growth through

[64] We also test for a respondent's personal financial situation, which prompts respondents to reflect on the financial situation of both themselves and their broader communities. The coefficients were positive, suggesting higher levels of both PRC financing (by dollar value and by project count) and FDI indicate a better financial situation for the respondents, though the results were not significant at conventional levels of statistical significance. However, since this question mixes both inward and outward financial reflection, we cannot determine if respondents had themselves or their communities and the broader Philippines at top of mind while answering. We present the results in the Technical Appendix.

tourism and trade, but that this may come at the cost of environmental harms (Custer et al., 2024). In the Philippines, there have also been concerns over the environmental implications of large-scale infrastructure projects (Mendoza et al., 2018). We considered how PRC development finance and inbound Chinese FDI may be associated with two facets of the environment in the Philippines: observed CO2 emissions and perceptions of local air quality from the Gallup World Poll.

Past research has highlighted a significant relationship between Chinese FDI and increased observed CO2 emissions in the Philippines (De Robles et al., 2021). Filipinos' perceptions of local air quality do not necessarily follow this trend. In fact, increased PRC development finance and inbound Chinese FDI were positively and significantly associated with Filipino attitudes towards their local air quality.

One challenge in understanding the linkages between PRC financing and environmental outcomes is the number of other complicating factors. Urbanization is a case in point. A study by Mendoza et al. (2018) links urbanization with deteriorated air quality. The National Capital Region (NCR), highly urbanized, exemplifies this trend, displaying poorer air quality than less urbanized areas. Unsurprisingly, our analysis also reveals a negative association between living in an urban area and perceptions of local air quality. This may reflect the adverse environmental impacts of increased industrial activities and the concentration of human consumption in urban areas.

So what do we take away from this dynamic of worsening CO2 levels but positive views of air quality? While the PRC has revealed interest in investing in metropolitan areas (to open up markets for Chinese goods and services), it could be that there are other aspects of urbanization or the regulatory environment that affect worsening air quality, hence why Filipinos may not penalize PRC financing as contributing to this. Although CO2 levels affect climate vulnerability (e.g., through rising sea levels and increasing temperatures), it could be that such changes appear far removed and thus imperceptible to the average Filipino. Another possible explanation is that, aside from a few implementers with poor ESG mitigation practices, other Chinese firms hold themselves to better environmental safeguards or are concentrated in less polluting industries.

4.3.2.3 PRC development financing and social and governance outcomes

PRC financing in the Philippines—from Beijing's bankrolling of big-ticket infrastructure development to Chinese FDI backing for the gaming sectors—can bring social and governance risks, even alongside the prospect of economic gain.[65] Constructing a statistical model, we considered the degree to which social development and governance outcomes in the Philippines were associated with the volume of PRC development finance (dollars and projects) and inbound Chinese FDI (Table 4.14).

For this analysis, we used three indicators of social development related to access to healthcare (health equality), youth development, and civic engagement. We also considered three measures of political or technocratic governance: liberal democracy, mass mobilization, and political corruption. These indicators were drawn from two sources: citizen attitudes reported via the Gallup World Poll and the Varieties of Democracy (V-Dem) global research database which uses expert assessments. PRC financing tended to be associated more favorably with social development than governance outcomes. Beijing's outcomes were more negative with the V-Dem expert assessments and more positive when using Gallup's citizen survey measures.

Both Beijing's development finance and inbound Chinese FDI were positively and significantly associated with Filipino perceptions of youth development and civic engagement. On the one hand, this favorable impression could reflect the fact that Beijing has invested in a large number of small-scale development activities in the education and civil society spheres, with the direct beneficiaries of these activities being children and youth. Anecdotally, there have also been cases where individual Chinese firms were involved in visible donations of books and equipment to youth-focused causes. However, other social indicators were less rosy, as exposure to PRC development projects was associated with worse healthcare access.

Comparatively, the outlook for governance indicators was decidedly more bleak. PRC financing, both development finance and inbound Chinese FDI, was strongly and negatively associated with perceived political corruption. Additionally, increased levels of Beijing's development finance dollars and projects were negatively associated with two aspects of political democracy: liberal democracy and mass mobilization, though these findings were not statistically significant.

[65] Ambitious and financially lucrative infrastructure projects may create perverse incentives for local corruption or displacement of vulnerable populations. Philippine Offshore Gaming Operators (POGOs)—predominantly staffed by Chinese nationals and supported through conventional FDI and the more fluid and less regulated influx of Chinese 'flexible capital'—have been implicated in exacerbating crime rates and contributing to social instability (Rappler, 2020). This type of capital, while instrumental in rapidly fueling economic activities, sidesteps standard financial oversight, thus complicating the regulatory landscape and potentially amplifying associated risks (Camba and Jiang, 2022).

Table 4.14: PRC development finance, Chinese FDI, and local social and governance outcomes, 2000-2023

	Expert-assessed measures				Citizen perception measures		
	Liberal democracy	Mass mobilization	Health equality	Political corruption	Civic engagement	Youth development	Perceptions of corruption
PRC development finance (dollars)	-	-	-	-	+	+	-
PRC development finance (project count)	-	-	-	-	+	+	-
inbound Chinese FDI	N/A	N/A	N/A	N/A	+	+	-

Notes: These results are from models that include the three PRC financing types as inputs (independent variables), demographic control variables, and time and region fixed effects. +/- signs indicate the direction of the relationship. Cells in green indicate that the association between the type of PRC financing and the social or governance indicator of interest is significant at conventional levels ($p < 0.001$ or $p < 0.01$). Due to data availability, Liberal Democracy, Mass Mobilization, Health Equality, and Political Corruption models cover the years 2000-2023, while Civic Engagement, Youth Development, and Perceptions of Corruption models cover the years 2014-2023. Models marked with 'N/A' have samples of insufficient size to make reliable inferences. See the Technical Appendix for more details. Sources: Data for Liberal Democracy, Mass Mobilization, Health Equality, and Political Corruption drawn from Varieties of Democracy (Coppedge et al., 2024). Data for the Civic Engagement, Youth Development, and Perceptions of Corruption indicators drawn from the Gallup World Poll.

Using the Asian Barometer survey, we can probe the question of whether and how exposure to PRC development finance and inbound Chinese FDI may affect democracy perceptions. The Asian Barometer includes two additional lenses to consider: the degree to which Filipinos are satisfied with their democracy and whether they view their country as a "full democracy." Over the last two decades, Filipinos have grown less satisfied with their democracy: only 30 percent of respondents were satisfied with their democracy in 2021, down from over half of those surveyed in 2002 (Figure 4.15). Even more alarming, only around 10 percent of Filipinos consistently believed their country to be a full or nearly full democracy throughout this entire period (2002-2021).

Figure 4.15: Filipino attitudes towards democracy, 2002-2021

Notes: This figure visualizes Filipino responses to Asian Barometer Waves 1 (2002), 2 (2005), 3 (2010), 4 (2014), 5 (2018), and 6 (2021) on two questions of interest. The first question asked Filipinos to assess their "Satisfaction with the way democracy works in our country." The trend line in the figure "Satisfied w/ democracy" indicates the percentage of Filipinos that responded 'very satisfied' or 'fairly satisfied' to the question. The second question of interest asks: "In your opinion how much of a democracy is [the Philippines]? The trend line in the figure "Democracy in the Philippines" indicates the percentage of Filipinos that responded 'full democracy' or 'democracy but with minor problems' to the question. Data is weighted using values provided by the Asian Barometer.

Integrating the Asian Barometer into our statistical model, two opposing patterns emerge. First, respondents with higher exposure to PRC development finance (in dollars) were more likely to be satisfied with the way democracy works in the Philippines but less likely to consider the Philippines a full democracy. Conversely, Filipino respondents with exposure to a larger number of projects (not dollars) were less likely to be satisfied with their democratic government but more inclined to view the Philippines as a full democracy. The implications of these relationships are potentially consequential.

As discussed in Chapter 2, Beijing puts most of its money into relatively few large-scale infrastructure initiatives, while also supporting many social and civil society-focused projects on a much smaller scale. These two tracks of projects may afford different value propositions. High-value projects (which attract most of the PRC's development finance dollars) allow elected leaders to visibly demonstrate how democracy can deliver tangible benefits to citizens, but Filipinos do not necessarily view these projects as strengthening democratic norms and institutions in their country. Comparatively, smaller-scale PRC projects may appear less threatening to democratic norms and institutions, but less visible in delivering tangible development benefits.

This preliminary analysis lays a foundation for understanding the complex relationship between PRC financing (both development finance and inbound Chinese FDI) and economic, environmental, governance, and social outcomes in the Philippines. There is some evidence to support the idea that PRC financing may contribute to economic gains as well as deliver some tangible social development benefits. However, the picture is more mixed for environmental and governance outcomes—with communities recognizing some benefits from PRC financing, alongside anxieties about negative spillovers. Further research is needed to fully unpack the multifaceted implications, positive or negative, of the PRC's financing for local communities in the Philippines.

5. Conclusion

In this report, *Beijing's Big Bet on the Philippines*, we set out to separate myth from fact by systematically decoding the money, relationships, and outcomes from two decades of Beijing's investment in the Philippines. In this concluding section, we surface some higher-level takeaways that arise from this research.

5.1 What projects does China finance, where, and when via its state-directed development finance and private sector FDI?

Beijing's development finance to the Philippines has grown over two decades and is worth a formidable US$9.1 billion (2000-2022). However, its support was smaller, at least until 2016, and less generous than many donors. PRC financing lagged behind many multilaterals (e.g., the Asian Development Bank and the World Bank) and a key bilateral donor (Japan). Moreover, Beijing's financing came at a higher cost: only 6 percent was issued as aid (i.e., grants or no- or low-interest loans), and the rest was high-interest debt. Affinity did not translate into better financial terms. At the apex of diplomatic relations, for every US$1 of aid Beijing gave to the Philippines in 2016, it issued US$167 in debt. By 2019, the terms were worse: US$1 of aid for every US$211 of debt.

The PRC's appetite to finance Philippine development is erratic and influenced by its relations with Manila. Beijing bankrolled the Arroyo and Duterte administrations' priorities with gusto—ramping up financing by 950 percent under Arroyo and fast-tracking new projects at an unprecedented rate under Duterte. Frosty relations with Aquino extended to declining interest in collaborating on new projects and past agreements. Aside from an initial post-pandemic rebound in 2022, as the Marcos Jr administration diversifies its relationships and distances itself from Beijing, it is likely that future PRC investments will mirror dynamics observed previously under Aquino.

Beijing employs a two-track model in the Philippines. High-risk, high-reward, big-bet infrastructure investments capture the lion's share of PRC state-directed development finance and private sector FDI dollars. Beijing counts on these infrequent big-ticket projects, typically financed with debt on less concessional terms, to generate economic returns. These projects span various types of infrastructure: economic, information, connectivity, utilities, food, and power. The PRC also subsidizes a larger number of inexpensive social projects on a more frequent basis to cultivate goodwill.

If budgets reflect priorities, then Beijing is most interested in using its development finance to crowd in market opportunities for Chinese firms and bankroll activities in politically important regions. By extension, the National Capital Region attracted the most projects overall and Central Luzon, President Arroyo's home region, received the largest share of financing overall. The PRC is highly attuned to the power of timing: Davao region, home to President Duterte, attracted the second highest number of development projects, 85 percent of which came after Duterte's election in 2016.

The metals sector showcases how Beijing's state-directed development and private sector FDI reinforce each other to advance shared goals. Between 2010 and 2023, new commitments of inbound Chinese FDI to the Philippines skyrocketed by 514 percent (US$214 million to US$1.3 billion), peaking in 2018 from two projects to expand steel production capacity. The timing, sector, and geographic focus of these FDI flows reflect the importance of three strategic factors: proximity to existing PRC development finance projects, the presence of attractive local tax incentives, and a desire to position itself in higher value-added goods industries. Chinese FDI is notably skewed toward the metals sector, where it accounts for 72 percent of all inbound FDI.

5.2 How many players, who are they, what roles do they play, and are some more important than others?

Given the dominant personality of Chinese President Xi Jinping, it is easy to assume that the PRC operates as a unitary actor with tightly controlled operations among a few players. In fact, our analysis shows the opposite is true. Fifty-two Chinese financiers, often state-owned policy or commercial banks, were primarily responsible for mobilizing money. However, Beijing's development finance apparatus relies on a more extensive network of 101 global banks as co-financiers to pool risk, vet borrowers, assess project viability, and contribute capital for big-ticket infrastructure projects. The top co-financiers—including well-known banks from across Europe, North America, and Asia—supported five or more projects.

Although 88 implementers supported PRC-financed projects, Beijing emphasizes 37 Chinese state-owned enterprises. These implementers have varying reputations for transparency, follow-through, and outcomes. Opaque assistance terms, limited competitive procurement, and weak reporting requirements create perverse incentives for implementers to cut corners or collude with local counterparts. Notably, 43 percent of Chinese SOE implementers in the Philippines have been directly sanctioned for questionable financial practices by the World Bank and the Asian Development Bank or were indirectly associated with such practices through a parent-subsidiary relationship.

Altogether, we identified 136 known recipient entities, 96 percent of which were Filipino. Local governments in economically dynamic and politically connected areas (e.g., the National Capital Region, Davao, Ilocos, and Central Luzon) were frequent partners. National-level government agencies—from departments working on energy or telecommunications to law enforcement, including the Coast Guard and the Philippine National Police—were also popular counterparts. State-owned and private sector firms in the energy and utilities (e.g., Manila Water Company and GNPower) and extractives (e.g., Atlas Consolidated Mining and Development) sectors attracted sizable PRC development finance dollars.

Beijing is favorably disposed to work with recipients that have strong ties to mainland China or linkages via the Filipino-Chinese diaspora. Twenty recipients self-identified as teaching Chinese language, supporting Chinese diaspora communities, or promoting Chinese culture. Most of these actors were involved in small goodwill projects in the education sector, including Chinese schools and cultural institutes, Chinese language media outlets, and non-profits providing medical, firefighting, and other social services. Ownership, in whole or in part, of recipient entities by prominent Filipino-Chinese diaspora families or organized groups was another commonality across twenty entities.

5.3 Does Beijing follow through on its commitments? How does it manage risk? What indications do we have of the downstream outcomes from its investments?

The PRC's ability to deliver quickly and follow through on its commitments is highly vulnerable to project complexity, management risks, and geopolitical sensitivities. Although Beijing delivers on projects more quickly in the Philippines—just under one year on average between when it commits financing to when it completes projects—some regions and sectors have longer wait times than others. Big-ticket infrastructure projects are more risky and complex to execute. Consistent with this logic, PRC investments in transport and storage, water and sanitation, energy, and telecommunications had substantially longer wait times on average. The worst delays were in the agriculture, forestry, and fishing sector, where projects took more than four years to deliver, reflecting vulnerabilities to logistical hurdles, environmental challenges, or social unrest from displacement.

Although the particulars of six suspended or canceled PRC projects varied, common themes emerged. The Northrail and the National Broadband Network projects were derailed by weak management and oversight systems enabling Chinese implementers to collude with local counterparts to inflate prices or engage in other corrupt practices. The planned Agus 3 Hydropower plant and an Arroyo-era Cyber Education initiative ran afoul of opposition over project goals, debt financing, and concerns over possible negative outcomes for local constituencies. Non-project-specific factors can also play a role—COVID-19 prompted China to back out of the Panay-Guimaras-Negros Island Bridges project, while geopolitical sensitivities in the Philippines have stoked calls to cancel contracts with Chinese implementers over maritime disputes.

Stepping back from projects to take a portfolio-level view, Beijing's development finance in the Philippines rests on very shaky ground due to heightened exposure to risk from its trusted cadre of Chinese state-owned and private sector implementers. Not all Chinese implementers are equally strong performers when it comes to delivering quickly and responsibly, so the choice of who implements a project bankrolled by Beijing is a consequential one. In this report, we examined three dimensions of performance risk—speed of delivery, management of ESG risk, and reputation for unsavory financial practices.

Strikingly, we found that over half of Beijing's development finance dollars (US$4.5 billion, 36 projects) relied on Chinese implementers with tarnished performance track records by our measures. Nine high-risk firms attracted repeat business from Beijing despite their performance issues. Among the top PRC financiers, China Eximbank stands out with 91 percent of its project count and an equal share of its financial commitment associated with performance risk. China Development Bank follows, with 67 percent of its projects and 95 percent of its dollars linked to risky implementers.

Six of the highest-risk firms, involved in US$870 million worth of PRC-financed development projects in the Philippines, were associated with both questionable financial practices AND higher risk ESG risk exposure. These high-risk firms include China CAMC Engineering Co; China National Construction & Agricultural Machinery Import and Export Corp; CCCC Highway Consultants Company; China Energy

Engineering Group; China International Water and Electrical Corporation; and the China Railway 25th Bureau Group Company Ltd.

If reputational gains are part of the calculus for Beijing in bankrolling development in the Philippines, its efforts have come up short. Filipino approval of the PRC's leadership declined by roughly 20 percentage points between 2006 and 2023, according to the Gallup World Poll. Moreover, we find that as exposure to Chinese development finance increases (in dollars or by number of projects), Filipinos are actually less likely to approve of PRC leadership. The same dynamic is in play for exposure to inbound Chinese FDI. These attitudes could indicate disapproval of Beijing's policies in other areas, awareness of troubled PRC projects in the news, or that Filipinos may be more inclined to credit their own government rather than Beijing for the benefits of its projects.

What are the outcomes of Beijing's infrastructure bonanza in the Philippines? PRC development finance and inbound FDI are associated with mixed results. Economically, there is some evidence to support the idea that Chinese financing (both development finance and FDI) positively contributes to economic gains, at least in aggregate terms across indicators such as GDP, GNI, and GDP per capita. However, these benefits do not yet appear to be trickling down in a visible way to Filipinos. As PRC financing increased, respondents were more likely to say they struggled to afford food and shelter, an indication of personal financial health.

Just under 40 percent of Beijing's development finance portfolio in the Philippines is associated with at least one type of environmental (E), social (S), or governance (G) risk. Compared to its peers, the Philippines had a higher level of exposure to environmental risk, with the most acute vulnerability in two sectors: (i) energy and (ii) agriculture, forestry, and fishing. However, there is less clarity on whether and how this environmental risk translates into measurable harm. On one facet of environmental health, past research has surfaced concerns that PRC FDI was associated with higher levels of CO2 emissions. Yet, a different measure of environmental health, Filipino perceptions of local air quality, do not appear to follow this same trend.

PRC development finance and inbound FDI were associated with favorable outcomes in the social sector (i.e., improved youth development and civic engagement). Results were polarized, however, when it came to governance. PRC financing was negatively associated with political corruption but attitudes towards democracy were mixed. One possible explanation is that this dynamic may reflect Beijing's two-track development model in the Philippines. The PRC's engagement in the social sphere involves lower-risk, small-dollar projects that may generate goodwill and appear less threatening to democratic institutions, but deliver less visible benefits at scale. By contrast, big-ticket infrastructure projects allow elected leaders to visibly demonstrate how democracy can deliver economic growth, but Filipinos don't necessarily see these projects as strengthening democratic norms and institutions in their country.

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