

Duterte deepens economic ties with China

Joseph Santolan**11 September 2018**

In late August, a team of high-level Philippine officials visited Beijing to discuss expanded Chinese infrastructural investment in the country. Among the delegation were Philippine Finance Secretary Carlos Dominguez, Budget Secretary Benjamin Diokno, Socioeconomic Planning Secretary Ernesto Pernia, Transportation Secretary Arthur Tugade, Public Works and Highways Secretary Mark Villar, Foreign Affairs Secretary Alan Peter Cayetano, and Philippine Ambassador to China Chito Sta. Romana.

At stake in the negotiations were a range of major projects, which are being funded through Chinese loans provided by the Asian Infrastructure Investment Bank (AIIB), the Export-Import Bank of China, and the newly created government agency, the China International Development Cooperation Agency (CIDCA).

CIDCA was established in April 2018 as a central organizational apparatus for coordinating the functions of the Ministries of Commerce and Foreign Affairs in keeping with Chinese President Xi Jinping's Belt Road Initiative (BRI). The Philippine delegation was the first major foreign delegation to meet with CIDCA since its creation.

Philippine President Rodrigo Duterte has placed the development of infrastructure, particular that of the provinces, at the center of his executive agenda, calling his campaign to construct bridges, dams, expressways, railroad lines, airports, and irrigation projects, "Build Build Build." Duterte has projected that his Build Build Build program will cost a total of \$US155 billion by 2022. Funding for this does not exist within the Philippines and Duterte is looking to secure loans and direct investment, relying above all on Beijing.

At the center of the Duterte construction agenda is the Department of Public Works and Highways (DPWH), headed by Mark Villar, the son of real estate billionaire and former presidential candidate, Manny Villar. In 2017, Duterte increased the budget of the DPWH by 40 percent to \$US11 billion.

Duterte's mammoth drive to create new infrastructure

and his crusade of mass murder targeting the poor in the name of the war on drugs are two sides of the same coin. Duterte is seeking to expand foreign investment by transforming the entire archipelago, not simply its handful of Economic Processing Zones (EPZ) located near major cities, into a cheap labor platform. This requires major new infrastructure and a policed and disciplined workforce.

The last Philippine administration to attempt an ambitious development of infrastructure was that of Gloria Macapagal-Arroyo, who, like Duterte, sought to secure Chinese investment to carry out her plans. She did so, however, in a manner far less aggressive than that of the current president. Over the course of eight years, the Arroyo administration's DPWH bid out 27,535 civil-works contracts. By contrast, the Duterte administration has bid out 44,000 in the space of just two years.

Construction is underway on a South Long Haul Manila-Bicol Railway and on a Clark-Subic Railway. Manila has signed a \$US76 million loan for the Chico River Pump Irrigation project, which the China CAMC Engineering Co. began work on last month. Another \$US75 million loan is being used to build several bridges in Manila.

The Philippine delegation discussed the possible funding of a number of big ticket construction items, including a Mindanao Railway Project, several large new dams, a port in Cagayan, and a series of inter-island bridges. These include the Luzon-Samar (Matnog-Alen) Bridge, Dinagat (Leyte)-Surigao Link Bridge, Camarines Sur-Catanduanes Friendship Bridge, Bohol-Leyte Link Bridge, Cebu-Bohol Link Bridge and the Negros-Cebu Link Bridge.

China's CIDCA committed over \$20 million to fund feasibility studies for the proposals. Finance Secretary Dominguez told the press that projects under the Duterte administration "have already been moving quite fast ahead" with the aid of Chinese funding. He declared on Twitter, "Our visit to Beijing was extremely productive. We are confident we can henceforth move forward at a faster pace on the projects we are implementing in

cooperation with China.” Manila and Beijing, he stated, had grown “very close.”

It was announced at the end of the delegation’s visit that Chinese President Xi Jinping would visit the Philippines in November as a “follow up” to the recently concluded discussions.

Upon his election in 2016, Duterte moved to establish close economic and political ties with China. Washington had, under his predecessor Benigno Aquino, been tightening a military and diplomatic noose around Beijing, escalating tensions in the South China Sea and undermining Chinese investment with corruption allegations. Duterte, however, sought to diminish tensions between the two countries, ignoring the freshly passed ruling in The Hague against China’s territorial claim in the South China Sea.

Washington, which had initially sought to secure Duterte’s loyalty by funding his murderous war on drugs, responded angrily, criticizing Duterte for human rights violations, and seeking to pressure him back into the fold of opposition to China. Duterte pushed back and relations have soured between Manila and Washington.

In this context, Xi pledged \$US9 billion in overseas development assistance in late 2016. The August 2018 negotiations over infrastructure spending are a part of this commitment.

Under Aquino, Manila had served as the leading voice pushing for anti-China measures during meetings of the Association of South East Asian Nations (ASEAN). Under Duterte, the Philippines has been made the ASEAN-China coordinator to promote ASEAN-China Dialogue relations.

Manila, representing ASEAN, and Beijing have drawn up a draft Code of Conduct (COC) for the South China Sea, which includes regular joint military exercises between the various claimants—China, Malaysia, Vietnam, Brunei, Taiwan, and the Philippines. It would, however, exclude any country outside the region, notably the US, “unless the parties concerned are notified beforehand and express no objection.”

US Deputy Assistant Secretary State Walter Douglas responded to the news of the draft COC, declaring, “The United States has been part of this region for 200 years. We’re not going to change that. We’re not going away, so what’s important is that our role be recognized that we’re here.”

Washington is closely tied to the opposition in Philippine ruling circles to the Duterte administration that revolves around a host of political figures tied to the

Liberal Party, former President Aquino and current Vice President Leni Robredo. The opposition, doubtless with the support of Washington, is seeking to channel mass discontent behind racist, anti-Chinese sentiments.

Over the past half year substantial inflation in the prices of basic commodities, and in particular, the soaring price of the staple rice, has produced an immense level of social anger. In July alone, the price of vegetables rose by 16 percent, corn by 13 and fish by 11. Rice prices have risen so high that the populous Zamboanga City was compelled to declare a state of calamity.

Vicious media rumors began to circulate that round scad (galunggong), a cheap protein consumed by poor families, was expensive because the Chinese were occupying Philippine fisheries, and that the fish in the market were supplied by the Chinese who had poisoned the fish with formaldehyde. In a similar fashion, the high prices of rice were attributed to the hoarding practices of greedy rice dealers—long a trade associated with the Chinese in the Philippines.

The front organizations of the Maoist Communist Party of the Philippines (CPP), which until last year had endorsed the Duterte administration and only left his cabinet last month, have played a leading role in the promotion of these lurid claims. Reactionary anti-Chinese racism has long been exploited by the ruling class in the Philippines as a means of dividing the working class and rural masses.



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