

# 21<sup>st</sup> Century Chinese Grand Strategy in Maritime Southeast Asia: A Focus on Belt and Road Initiative (BRI) and the Duterte Administration



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# Introduction

The Southeast Asian countries are located in an important crossroads between the Indian and Pacific Oceans near the center of a newly configured region called the Indo-Pacific. These countries form a sub-region that links strategically significant sea lanes of trade and communication such as the South China Sea and the Malacca Straits.



# Introduction



**China's relations with the Southeast Asian states are complex and ambiguous. This stems from their geographic proximity, historical baggage, and the implications of the constantly changing dynamics of China's comprehensive power and presence in Southeast Asia.**



# Introduction

**For China, the region is important because its southern part is contiguous with the continental Southeast Asian states, with which it has close economic, cultural, and diplomatic ties.**





# Introduction



**China's relations with maritime Southeast Asia are more complicated and challenging as it claims almost 80% of the South China Sea along with the Paracels and Spratly Islands, which are also claimed by four Southeast Asian countries--the Philippines, Brunei, Malaysia and Vietnam.**

# Introduction

**For these reasons, Southeast Asia is a geopolitically vital region for China and an important laboratory for testing its grand strategy of Rejuvenation of the Great Chinese Nation as exemplified by its efforts to create Sinocentric regional order through the application of the BRI on a Southeast Asia country--the Philippines.**





# Introduction

Even before he was elected as the 16<sup>th</sup> Philippine president, Mr. Duterte is determined to take advantage of China's emergence as an economic power, and in the process, replace the Philippine-U.S. alliance's as the country's most importance bilateral relations.



# Introduction



**For Mr. Duterte, the Philippines doesn't have the capabilities to challenge China, and the only option for his country is to foster economic interdependence with China that would reduce the likelihood of armed confrontation between the to claimant states in the South China Sea.**



# Introduction



**President Duterte is determined to take advantage of China's emergence as a major economic power. However, he was fearful that the Philippines might be left out from this development because of the country's strained relations with this economic powerhouse.**

# Introduction

**Investments for several infrastructure projects in the Philippines would come from China if his administration could improve the country's diplomatic relations with this economic powerhouse.**





# Introduction

**President Duterte and his cabinet declared they want to effect the transformation of the Philippines' confrontational foreign policy on China.**



# Introduction

**The Philippines, under the Duterte Administration, has realized that the improvement of Philippine-China economic relations is a matter of strategic importance.**





# Introduction



**This is because Chinese investments, through the Belt and Road Initiative, would facilitate the settlement of the country's internal conflicts and link its market with Asia and Europe through the new Maritime Silk Road.**



# The Rejuvenation of the Great Chinese Nation and the BRI





# The Rejuvenation of the Great Chinese Nation and the BRI

In November 2012, President Xi Jinping declared that China's long-term goal is the realization of the Chinese Dream through the grand strategy of Great Rejuvenation of the Chinese Nation.





# The Rejuvenation of the Great Chinese Nation and the BRI



President XI announced two major principles of this grand strategy: (1) creating an international environment favorable to China's development through cooperative relations with other countries, and (2) protecting China's core interests, even if it meant worsened relations with other countries.



# The Rejuvenation of the Great Chinese Nation and the BRI

**China announced that it would concentrate on periphery diplomacy toward its neighbors to ensure China's peaceful development.**





# The Rejuvenation of the Great Chinese Nation and the BRI



China had specific objectives for its peripheral diplomacy:

- a) driving wedge between countries that have problems the U.S. and China view as touching on their respective core interests, and those countries that do not.
- b) curbing military alliances, and existing international system, while creating new frameworks that will exclude the United States.



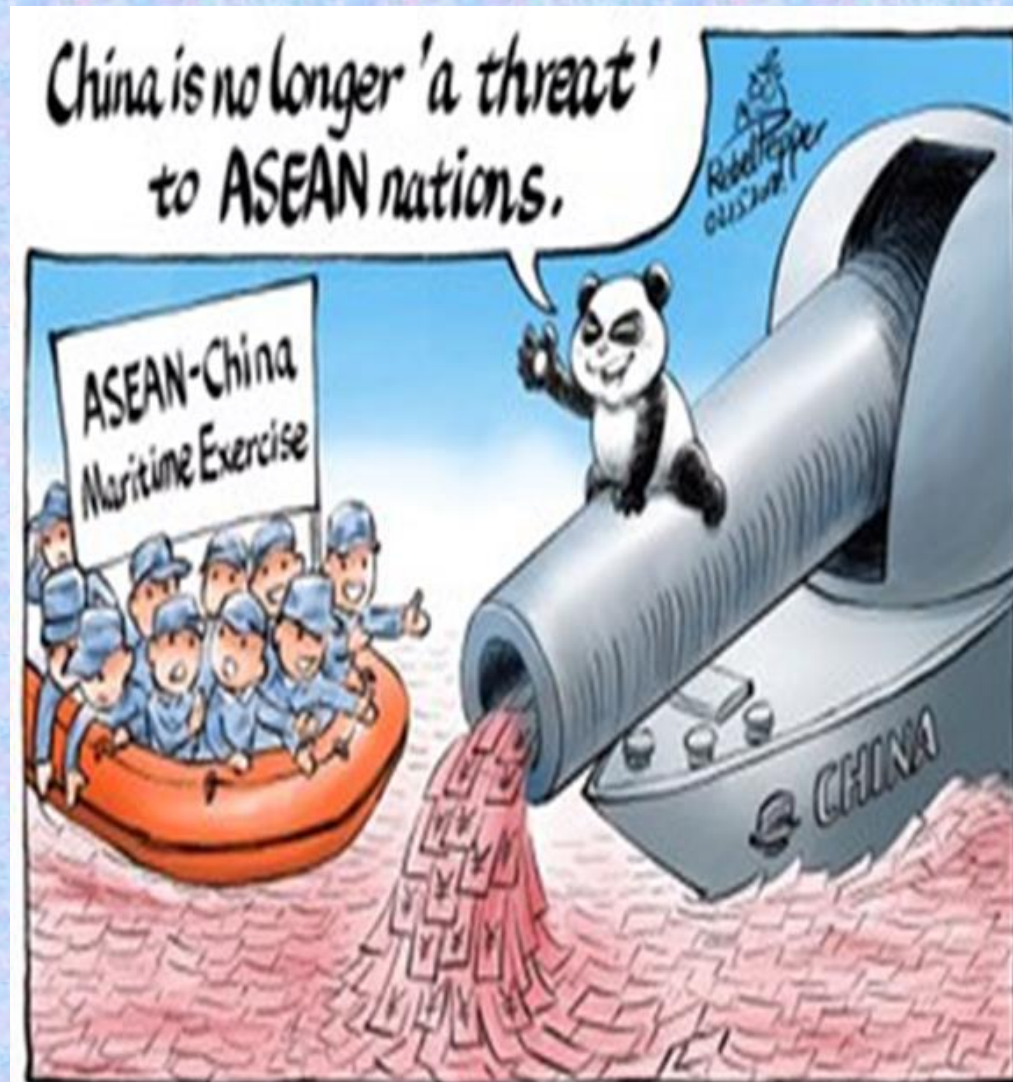
# The Rejuvenation of the Great Chinese Nation and the BRI



As the world's traditional and leading practitioners of economic statecraft or geo-economics, China uses its massive wealth to blunt the Obama Administration's rebalancing strategy to Asia.

# The Rejuvenation of the Great Chinese Nation and the BRI

More significantly, China relied on its economic power as assurance measures and inducements to neighboring states to cooperate with it, but also used coercive economic measures like trade sanction to punish countries opposing its policies.





# The Rejuvenation of the Great Chinese Nation and the BRI

In March 2015, China unveiled a new grand design for sustaining its economic growth and foster cooperative relations with its neighboring states through massive infrastructure development and investment—the Belt and Road Initiative (BRI).



# The Rejuvenation of the Great Chinese Nation and the BRI



**Through the BRI, China pursues its maritime expansion by outflanking and blunting the U.S. rebalancing strategy through its huge foreign aid and several infrastructure projects.**



# The Rejuvenation of the Great Chinese Nation and the BRI

The BRI is intended to shape its peripheral environment in forms favorable to China's vital interests.



# The Rejuvenation of the Great Chinese Nation and the BRI



**It is manifestation of Chinese current plan to effect major changes in the contemporary international order in ways that would be beneficial to the country's long-term strategic and diplomatic goals.**



# The Rejuvenation of the Great Chinese Nation and the BRI

The BRI is a two-edge geo-political sword: It expands China's influence into Eurasian sub-continent away from the Pacific; and in the east, it becomes China's 21<sup>st</sup> century Marshall Plan to blunt the Strategic Rebalancing policy in the Western Pacific.



# **The Rejuvenation of the Great Chinese Nation and the BRI**



**It provides China an effective tool to drive wedge between countries and within countries that it sees as having impact on its core interests such as Taiwan, Tibet, and the South China Sea. Or against any coalition that is challenging its expansionist agenda.**



# The Rejuvenation of the Great Chinese Nation and the BRI



A year after it launched the BRI, China has reaped the diplomatic benefits of this initiative in Southeast Asia as it was able to sway a disputant state from challenging its expansive claim in the South China Sea—the Philippines.

# The Rejuvenation of the Great Chinese Nation and the BRI

Relevant to the South China Sea dispute, the BRI enabled China to foster greater stability in its bilateral relations with the disputant countries. This became evident when China was able to alter the Philippines' balancing policy on its expansionist agenda in the South China Sea.

HENG  
LIANHE ZAOBAO  
Singapore  
SINGAPORE





# The BRI and the Change in Philippine Foreign Policy

## DATI



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# The BRI and the Change in Philippine Foreign Policy



**Mayor Duterte's was highly critical of the Aquino Administration's policy of balancing on China. He wants bilateral negotiations and joint development with China. He also stated that he doesn't believe in arbitration.**



# The BRI and the Change in Philippine Foreign Policy



- He declared “ I announce my separation from the United States, both in military, not maybe social, bit economics also. America has lost now. I have realigned myself to your ideological flow... China, Philippines, and Russia.”

# The BRI and the Change in Philippine Foreign Policy

**During their bilateral meeting, President Xi advised President Duterte that the Philippines and China must thoroughly coordinate their development strategies and cooperate with each other within the framework of OBOR.**





# The BRI and the Change in Philippine Foreign Policy



**In the aftermath of their bilateral meeting, China committed US\$13.5 billion to boost economic cooperation between the two countries, of which US\$9 billion was allocated for infrastructure development for the Philippines.**

# Sidelining the July 2016 UNCLOS Ruling





# Sidelining the July 2016 UNCLOS Ruling

**Despite the overwhelming legal victory after the PCA came out with its award to the Philippines, the Duterte Administration met the decision with sober, cautious, and even muted reaction.**



# Sidelining the July 2016 UNCLOS Ruling

**On December 2016, Chief Presidential Legal Counsel, Salvador B. Panelo, announced that it is better for the Philippines to set aside temporarily the PCA ruling since the Philippines cannot enforce it against China. According to the him, “the ruling is a mere paper judgement.”**





# Sidelining the July 2016 UNCLOS Ruling



On 22 December 2016, President Duterte declared that he is ready to set aside the PCA ruling in the face of the reports that the People's Liberation Army (PLA) has installed weapon systems in the seven artificial islands occupied by Chinese forces. According to him, the changing nature of international politics in Southeast Asia convinced him to set aside the PCA award to the Philippines.

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# Accepting China's Fait Accompli in the South China Sea

Senators seek probe of  
'technical stops' by China  
military planes

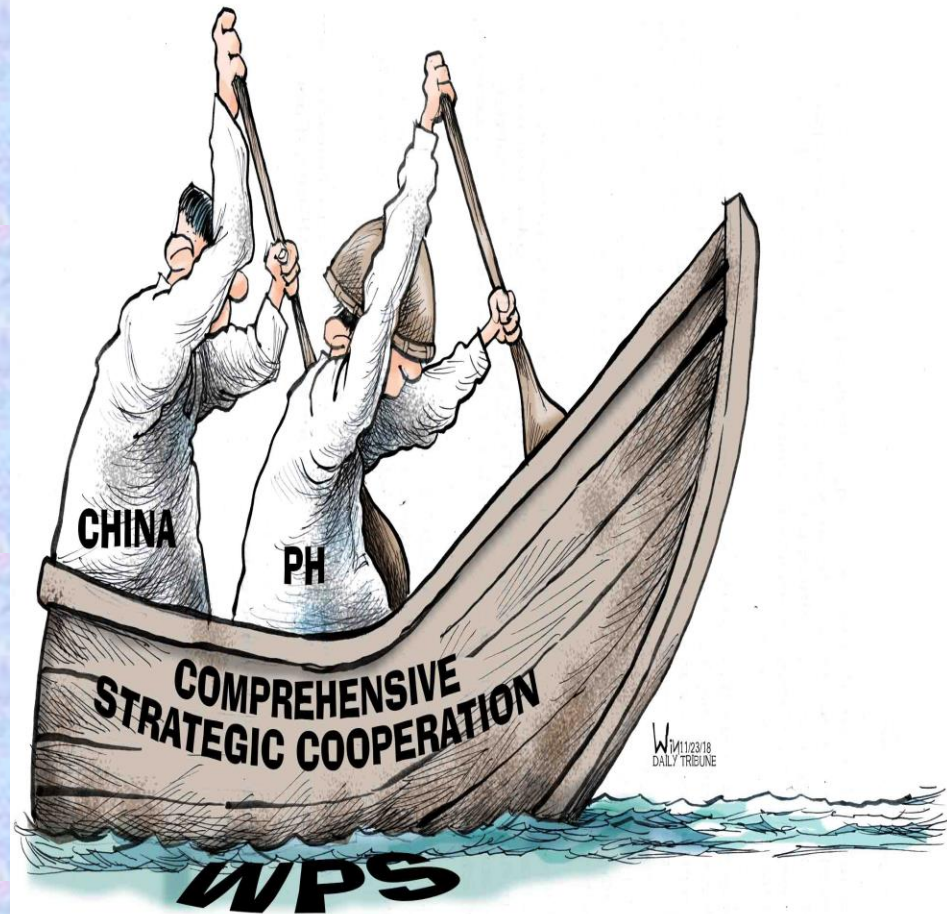


WEST PHILIPPINE SEA



# Accepting China's Fait Accompli in the South China Sea

In December 2016, then Foreign Secretary Yasay admitted that the Philippines is helpless in stopping China's militarization of the disputed islands in the South China.



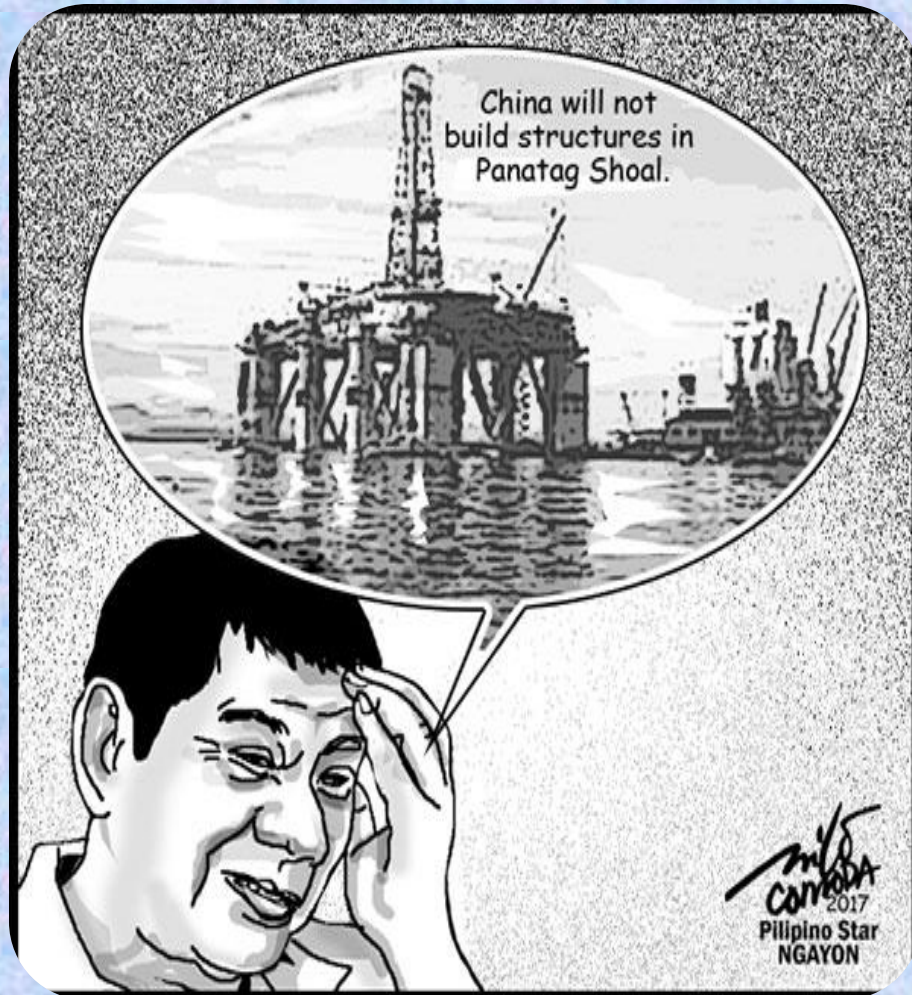
# Accepting China's Fait Accompli in the South China Sea



**He declared that it will be wiser to let other countries with special concerns on China's activities take action (themselves). He then announced that the Philippines has its own bilateral engagement with China.**



# Accepting China's Fait Accompli in the South China Sea



In March 2017, when asked about the report that China would build an environmental station in Panatag Shoal, President replied “We cannot stop China from doing those things...What do you what me to do? Declare war against War on China?” He then said that he would tell the Chinese: just keep it (the waters) open and do not interfere with our Coast Guard.”

# Accepting China's Fait Accompli in the South China Sea



**President Rodrigo Duterte reiterated that he would not provoke China into war. He questioned where the Philippines would end up should war erupt in the South China Sea and even whether the U.S. would remain on the side of the Philippines if war would break out.**



# Accepting China's Fait Accompli in the South China Sea

He argued that the more feasible solution would be to accommodate Chinese expansion by forging a joint exploration pact with this regional power bent on altering the territorial status quo and violating international law.



# Accepting China's Fait Accompli in the South China Sea

**President Duterte's statements that he would not do anything to stop China from building on the disputed shoal was based on the calculation that appeasing China has its rewards in the form of billions of U.S. dollars in deals for agriculture exports to China and loans for infrastructure projects through the BRI.**





# Pursuing the Appeasement Agenda in ASEAN





# Pursuing the Appeasement Agenda in ASEAN

PAUL ERIC ROCA  
MANILA BULLETIN  
2017

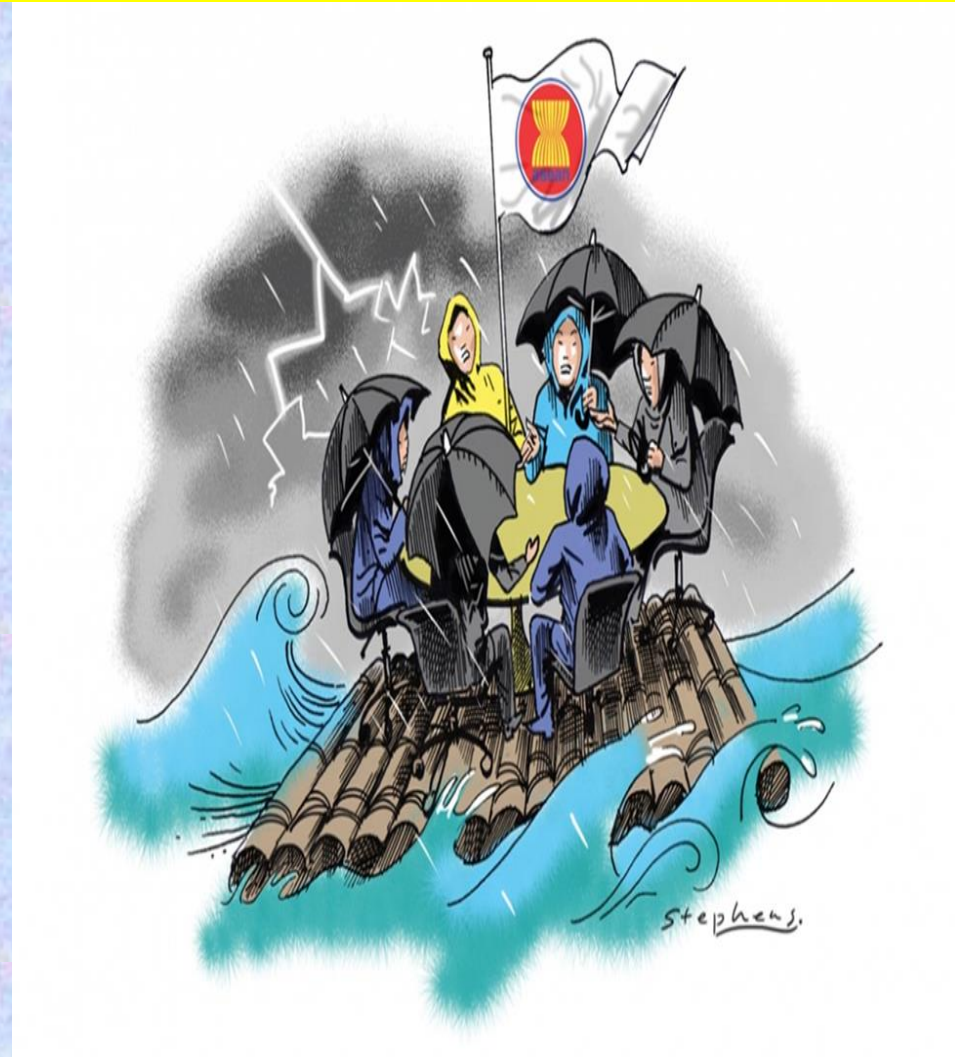


During the 27th ASEAN Summit Meeting in Manila, however, President Duterte down-played the South China Sea dispute. He announced that he would not raise the PCA rulings on the South China Sea during the ASEAN summit on 27 April 2017.

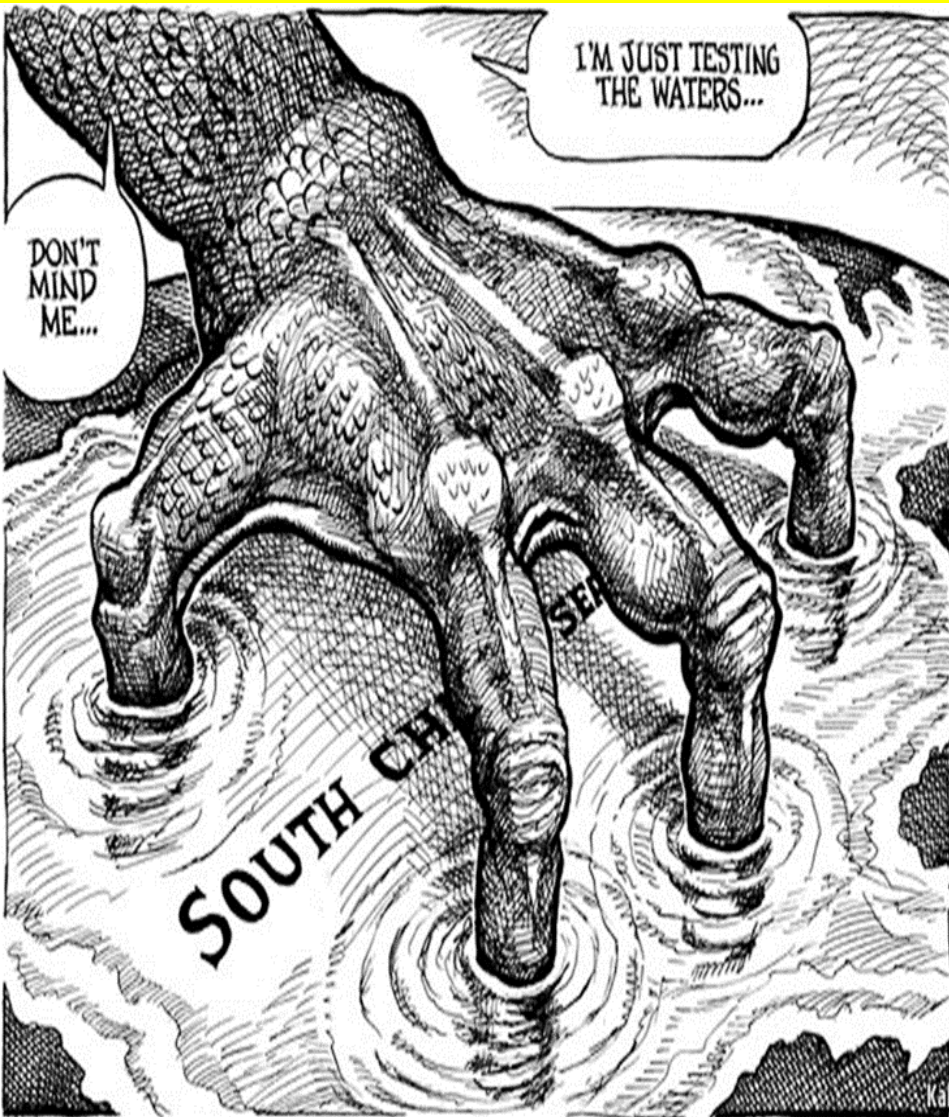


# Pursuing the Appeasement Agenda in ASEAN

**President Duterte as chairman of the 30<sup>th</sup> ASEAN Summit avoided any adversarial statements directed at China. The chairman's communique did not include any references to China's island building and weapons deployment on the reclaimed land features nor did it touch on the PCA ruling that declared China's excessive claim in the South China Sea as a violation of international law.**



# Pursuing the Appeasement Agenda in ASEAN



Pleased by the Philippine president's moves to soften the chairperson's communique, the Chinese foreign ministry announced: "Mr. Duterte's remarks and would continue to deal with the Philippines to create a sound environment for stable development of bilateral relations."



# Pursuing the Appeasement Agenda in ASEAN

During the Philippines' chairmanship, Chinese Primer Li Keqiang cited previous ASEAN meetings to declare that the tension in the South China Sea has eased and the two sides are making notable progress in negotiating for a COC to manage the maritime dispute.



# Cashing in on the Appeasement Policy





# Cashing in on the Appeasement Policy



**In May 2017, President Duterte and his cabinet went to China to attend the BRI Forum for International Cooperation. They all recited the mantra “that the OBOR initiative complements the administration’s Build-Build-Build” Infrastructure Plan.”**

# Cashing in on the Appeasement Policy

The plan provides for the building of nationwide infrastructure network that will connect the Philippine archipelago into one cohesive and dynamic economy that will become one of Asia's tiger economies.





# Cashing in on the Appeasement Policy



Philippine officials believed that the BRI can provide the necessary capital for the Philippines to improve its infrastructure and connectivity and thus, provide the international context for the Duterte Administration's infrastructure development plan.

# Cashing in on the Appeasement Policy

**The Chinese told the Philippine delegation that its country will be part of the ASEAN connectivity plan where Indonesia, Malaysia, and the Philippines will be connected to Singapore through direct maritime link then all the way to Kunming in the southwest region of China. From China, the Philippines will be connected directly to Central Asia and Europe.**

## China's One Belt, One Road initiative





**The Duterte Administration's economic strategy of sustained economic and inclusive economic growth is anchored on an unprecedented infrastructure program that will require Php 8.4 trillion (estimated US\$17 billion) in the next five years.**

# Weighing the Cost of Appeasement



RAW DEAL

Wm. H. Wood  
12/10/18  
SKP



# Weighing the Cost of Appeasement



China's success in applying its grand strategy on the Philippines could not simply be measured in terms of causing the country to change its policy vis-à-vis the South China Sea dispute. China was able to effect this change at minimal cost.

# Weighing the Cost of Appeasement

Ongoing BRI projects in the Philippines included the constructions of two bridges in Manila and a projected larger South Long Haul Railway that will connect ports and special economic zones in the main island of Luzon.



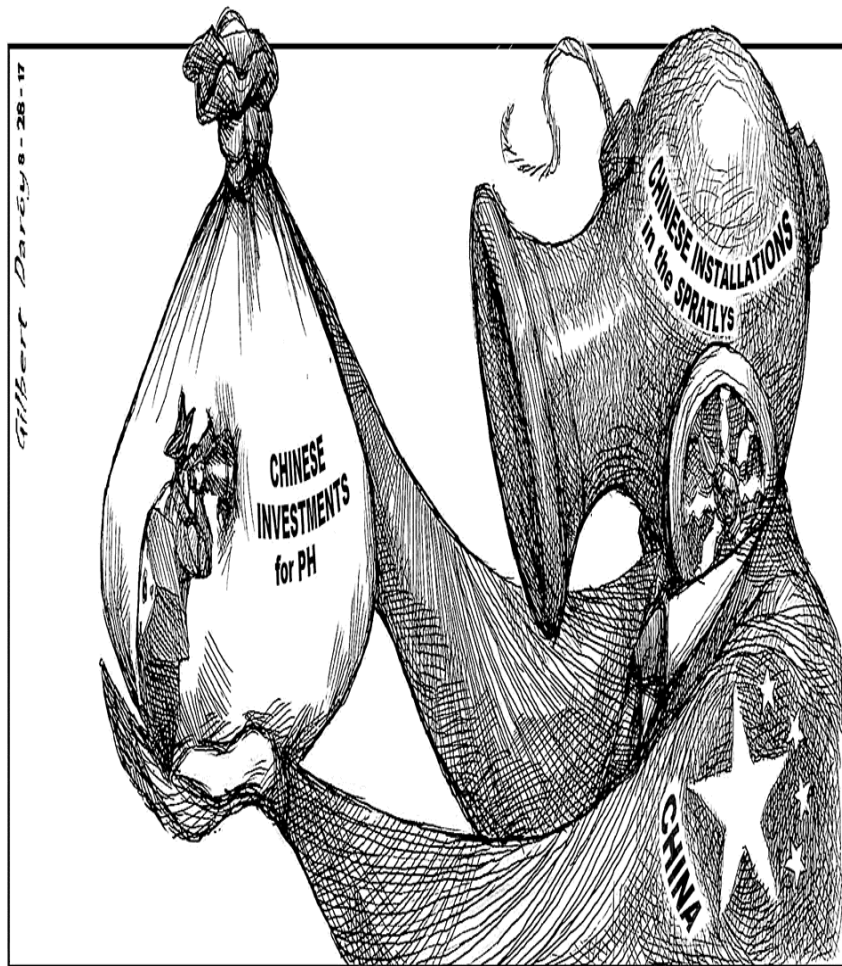


# Weighing the Cost of Appeasement



However, there is no single major port development project that “would have been more in line with the BRI’s thrust of increasing regional connectivity and allow the Philippines to be linked to the Maritime Silk Road.”

# Weighing the Cost of Appeasement



Former Philippine Budget Secretary, Benjamin Diokno, explained that the delay in the implementation of Chinese funded projects is due to the Philippines' lack of experience in certain technology such as the construction of railroads, the competitions among regional-local elite over train stops, the negotiation to settle differences between Manila and Beijing on co-financing options, Remimbi usage, and labor sourcing requirements.



# Weighing the Cost of Appeasement



According a study by Mr. Alvin A. Cambia of John Hopkins University in Washington D.C., of the US\$24 billion pledges made in 2016, \$15 billion were negotiated between private businesspersons that were eventually modified or cancelled. The rest of the projects have been stalled because they are hard to implement such as rail networks and irrigation dams.

# Weighing the Cost of Appeasement

He also observed that while Chinese private investments increased by US\$1.04 billion in March 2018, there has been a lackluster implementation of large-scale Chinese infrastructure or manufacturing investments, which occur through the establishment of new major companies, the construction of infrastructure, and the generation of positive spillovers on the Philippine economy.





# Weighing the Cost of Appeasement

**The Nomura Research Institute believes that China-funded projects in the Philippines risk delays not only because of technical issues but also because of domestic political struggles, possible change in Philippine administration by 2022, and developments related to the South China Sea dispute.**



# CONCLUSION





# CONCLUSION

**Relevant to the South China Sea dispute, the BRI has enabled China to foster greater stability in its bilateral relations with the disputant countries. This became apparent as China was able to change the Philippine balancing policy on China's maritime expansion.**



# CONCLUSION



**Lured by the OBOR, President Duterte's current pronouncements and actions are undoing President Aquino's geo-political agenda of balancing China's expansive claim in the South China Sea. His aims are to appease China and earn its good-will; and harness its huge economy to finance several infrastructure projects in the Philippines.**



# CONCLUSION



**He has initiated efforts to show his sensitivity to Chinese security interests as he watered down the Aquino Administration's geo-political agenda on China by halting joint Philippine-U.S. naval patrols, limiting the number and scope of interactions between the Philippine and U.S. militaries, and threatening to unilaterally abrogate EDCA.**

# CONCLUSION



**From the Duterte Administration's calculation, its appeasement policy on China is worth pursuing because of the perspective economic windfall from the BRI that will finance its unprecedented infrastructure development program.**



# CONCLUSION

The implementation of several BRI projects in the Philippines has been delayed because of the current international backlash against the initiative; technical and financial issues; and by China's reluctance to invest in the administration's Build, Build, Build because of the Filipino public's wariness and opposition to Chinese infrastructure projects, political uncertainty after President Duterte's six-year term in 2022, and developments related to the South China Sea dispute.



# CONCLUSION

**By wielding the BRI as its quintessential tool of its grand strategy, China has effectively stabilized one of its neighboring states located in what it considers a peripheral region, Southeast Asia.**





# CONCLUSION

**As a component of its grand strategy, the BRI provided China with an effective instrument to drive wedge between countries and within countries that it sees as having impact on its core interests such as Taiwan, Tibet, and the South China Sea.**



# TERIMA KASIH BANYAK!

PARA SA  
EKONOMIYA!

