

Opening Remarks
Dr. Francisco Magno
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The Stratbase ADRI is organizing this important policy forum as part of its Indo-Pacific Discussion Series to shed light on the phenomenon of corrosive capital and to explore options on how to mitigate the corruption risks arising from the pursuit of China's Belt and Road Initiative (BRI) in the Philippines.

Sometimes referred to as the New Silk Road, the BRI was launched by President Xi Jinping in 2013 to connect a vast collection of investment and infrastructure projects stretching from East Asia to Europe, with the aim of fostering trade and stimulating economic growth.

Since coming to power, President Rodrigo Duterte has warmed to China in exchange for billions of dollars in pledged Chinese aid, loans and investments in infrastructure. In October 2016, Manila and Beijing negotiated \$24 billion worth of deals and 13 government-to-government agreements. The Duterte administration's Build, Build, Build Program which pledged to usher in the golden age of infrastructure in the Philippines coincides with China's BRI.

Foreign direct investment and government-to-government development assistance are important for emerging economies. Foreign direct investment also indicates a stamp of confidence in the political leadership and long-term economic prospects in fragile states. However, it is becoming apparent that many overseas investment activities by authoritarian regimes like are having a corrosive effect on democratic institutions and competitive markets in developing countries.

Corrosive capital is often marked by opaque financial flows from authoritarian states that undermine the rule of law and democratic governance in other countries. This speaks about politically driven investment initiatives from authoritarian states. For instance, states that depended on China for economic partnership were hard pressed to side with Beijing in international forums.

On the other hand, the Philippines bartered a favorable international arbitral ruling over territorial claims in the West Philippine Sea in exchange for China's promised investments that did not fully materialized. Even the projects that proceeded are derailed due to social acceptability and accountability issues.

Indeed, there is a need to scrutinize corporate ownership patterns, investment deals, and inter-governmental arrangements involving the Philippines and China to identify possible threats of state capture and manipulation. It is important to promote public awareness and encourage citizen monitoring of state actions that facilitate the entry of corrosive capital, as well as efforts to bind the economy into costly and asymmetric relationships. We should look closely on strategies to mitigate the corruption risks arising from corrosive capital and take active measures to prevent the forces within and without that undermine democracy and rule of law in the country.