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CHINA local/global

How Duterte Strong-Armed Chinese Dam-Builders But Weakened Philippine Institutions

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China Local/Global

China has become a global power, but there is too little debate about *how* this has happened and what it means. Many argue that China exports its developmental model and imposes it on other countries. But Chinese players also extend their influence by working through local actors and institutions while adapting and assimilating local and traditional forms, norms, and practices.

With a generous multiyear grant from the Ford Foundation, Carnegie has launched an innovative body of research on Chinese engagement strategies in seven regions of the world—Africa, Central Asia, Latin America, the Middle East and North Africa, the Pacific, South Asia, and Southeast Asia. Through a mix of research and strategic convening, this project explores these complex dynamics, including the ways Chinese firms are adapting to local labor laws in Latin America, Chinese banks and funds are exploring traditional Islamic financial and credit products in Southeast Asia and the Middle East, and Chinese actors are helping local workers upgrade their skills in Central Asia. These adaptive Chinese strategies that accommodate and work within local realities are mostly ignored by Western policymakers in particular.

Ultimately, the project aims to significantly broaden understanding and debate about China's role in the world and to generate innovative policy ideas. These could enable local players to better channel Chinese energies to support their societies and economies; provide lessons for Western engagement around the world, especially in developing countries; help China's own policy community learn from the diversity of Chinese experience; and potentially reduce frictions.

Evan A. Feigenbaum
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Summary

Chinese construction contracts and development finance have increased massively in recent years. According to many experts, these projects are largely transplants designed to offshore and export Chinese technology, labor, and policy designs to host countries. However, these views have little regard for important nuances of place, time, and politics, ignoring the degree to which host countries—such as local elites, members of civil society, and norms—shape project design, implementation, and results on the ground.

Under the regime of President Rodrigo Duterte, political elites in the Philippines have pressed Chinese firms to adapt to some of their demands for political expediency on key infrastructure projects. This pattern is evident from the Kaliwa Dam and the Chico River Pump Irrigation Project—which of both have made substantial progress during Duterte's rule. In particular, Manila has bypassed local social and environmental regulations and has paved the way for Chinese dam builders to break ground on projects quickly so as to strengthen the Duterte government's political standing.

Around the world, Chinese firms have been highly attentive to the will of local political elites, limiting or sometimes completely avoiding relationships with opposition elites and ties to civil society members. Philippine politics is turbulent. Projects supported by the Duterte regime today might not have the same traction under his successor. So while these Chinese concessions have earned favor with Duterte and his allies, such tactics may prove unsustainable over the long term and could easily spur future resentment against China among local communities marginalized by this decisionmaking. In sum, it is Filipinos, not Chinese actors, who mostly have set the agenda on these major infrastructure projects, except on a few specific contractual terms.

- **Duterte chose the Chinese fund that financed the projects to win the support of key local elites and maximize his political clout.** Despite all the rhetoric, Japanese lenders have remained the largest foreign aid provider in the Philippines. However, choosing Japanese partners to fund these two major projects might have derailed Duterte's plans to use these projects to reward local elites, so he opted to work with more amenable Chinese partners instead.

- **Chinese partners were also chosen to expedite these projects so they would be finished during Duterte's term.** Choosing Japanese partners, whom would have demanded more stringent social and environmental standards, would have delayed both projects. Duterte needed the projects to be finished during his term to cement his legacy. Chinese lenders' interest rates, which were higher than the Japanese rates on offer, were not important to Duterte since a sizable portion of the repayment schedule will fall to his successors.

- **Chinese negotiators acceded to key Filipino demands but held firm on others.** The Philippines asked Chinese lenders to slash the interest rates and offer a higher local labor share on both projects. Yet Chinese negotiators insisted that the agreements' details be shielded by nondisclosure terms, that the projects be excluded from the lending provisions of the Paris Club, and that Chinese laborers receive higher wages. The nondisclosure agreements were later modified to allow the Philippine government to disclose project terms under certain conditions. The Paris Club is an informal group of international creditors that allows debtors and multinational banks to coordinate to find sustainable solutions to debt burdens. China's insistence on these terms have kept these deals bilateral in nature, limiting the capacity of thirty party lenders to restructure debt or propose new payment terms for host countries.

- **Filipino elites and agencies drove the implementation process.** The projects' disregard for social and environmental standards was instigated by the Duterte administration, not by Chinese actors. The Filipino government's Chinese partners largely followed the regime's lead, which led to the displacing and marginalization of local communities.

Introduction

Chinese construction contracts and development financing through the Belt and Road Initiative—particularly from two state-backed policy banks, the Export-Import Bank of China and the China Development Bank—have increased around the world in recent years. In 2014, the College of William and Mary's AidData research institute estimated the total amount of worldwide official Chinese financing from these two policy banks between 2000 and 2014 to be around $351 billion.[1] And besides that, other Chinese actors have poured billions more into overseas ventures from the balance sheets of state-owned and private Chinese corporations, which draw from state-run investment funds or the country's five largest state-owned commercial banks.[2]

Some experts argue that the Chinese projects financed by this huge pool of capital are simply transplanting Chinese economic outputs overseas, offshoring or exporting Chinese technology, labor, and policy designs to host countries with little regard for the granular realities of place, time, and local politics.[3] However, this perspective ignores the degree to which host countries—particularly local elites, members of civil society, and norms—shape project design, implementation, and results on the ground.

The interactions between Chinese lenders and Filipino political elites (especially President Rodrigo Duterte and his allies) offer a compelling test case of whether and how Chinese players adapt to local conditions in host countries for two reasons. First, Duterte's predecessor, former president Benigno Aquino III, effectively excluded Chinese government-backed financing from any of the country's public infrastructure projects. Instead, Aquino relied on public-private partnerships (PPPs), which benefited from the surge in global capital markets that allowed Philippine conglomerates to access international capital themselves.[4] Aquino heavily shielded these conglomerates from foreign competitors by bidding out infrastructure projects largely through PPP mechanisms. That made the Philippine government a buyer of private services rather than a public builder in its own right. In contrast, the Duterte administration took a more proactive role in infrastructure construction for the country's public sector while heavily encouraging Chinese partners to get more involved. Second, many of the country's infrastructure projects financed by Chinese capital are still ongoing. This allows for real-time analysis of how these projects continue to unfold, including the push and pull between various local and foreign players, the bargaining between them, and any prospective adaptations that result.

Two major projects in the Philippines that have made substantial progress under Duterte's watch with the backing of Chinese financing and Chinese project involvement are the Kaliwa Dam and the Chico River Pump Irrigation Project (CRPIP). Both projects are likely to be completed or have made substantial progress by the end of Duterte's six-year presidential term in 2022. Studying how both projects were implemented, detailing the procedures at different project phases, and examining *whose*

interests won the day (and how) all yield lessons about how local adaptation and negotiations between Filipino elites and Chinese actors have played out.

Chinese firms have adapted to the political demands of the Duterte government on both projects. Specifically, Manila successfully has bypassed local social and environmental regulations to pave the way for Chinese construction companies to break ground on projects so as to strengthen the Duterte government's political standing. Duterte-backed players have insisted on key contract terms, including restrictions on exporting Chinese labor for the projects and requirements related to construction activities, which the Chinese firms have acceded to. Chinese participants have allowed their Filipino counterparts to choose project parameters and deal with land reclamation, and they have deferred to Filipinos on negotiations with local communities.

In many cases around the world, Chinese players have been careful to accommodate the will of the political elites in power when negotiations are underway, while limiting or avoiding relationships with opposition elites and contentious ties to civil society members. In the Philippines, this practice, while reflecting a Chinese willingness to adapt to the local political needs of the Duterte government, is likely to yield longer-term challenges because such tactics have bred resentment against China among many local communities.

Both projects have manifested signs of Duterte's autocratic tendencies, not least through the state's intimidation of civil society organizations, manipulation of project evaluations, and neglect of the standards by which the Philippine government is supposed to secure the free, prior, and informed consent (FPIC) before building on the lands of indigenous communities. FPIC, a concept developed to give indigenous groups the right to decide on construction activities in their ancestral domains, gives Philippine communities including local districts known as *barangays* the power to refuse to allow any business activities on their lands.[5] Chinese firms have contributed, albeit indirectly, to efforts by Filipino ruling elites to quell local social movements. Many Filipinos are likely, as a result, to increasingly regard Chinese firms as irresponsible foreign actors.[6] The Social Weather Stations, the Philippines' premier survey research firm, conducts yearly trust surveys of how average Filipinos view other countries.[7]

Despite short-term commercial gains under Duterte, then, political change at the top in the Philippines could mean that Chinese firms will then lose out on future opportunities to build projects that contribute to the country's development and win greater support from local communities. Put simply, financing and letting the Philippine government expedite these major projects may satisfy China's immediate interests in the Philippines, but these actions are generating anti-Chinese sentiments that will have adverse long-term consequences. The conclusions in this analysis are based on fieldwork for both dam projects conducted from 2018 to 2020 and site visits to several Philippine provinces that have been affected by both projects.[8]

Philippine elite politics is contentious and unpredictable. Projects supported today might not win the same degree of support tomorrow, as many elites are simply clinging to the shirttails of the government in power at any given moment. As such, any wrongdoing by Chinese firms may harm the progression of these projects and backfire on the local elites who have supported them. To avoid these negative long-term repercussions, the Chinese state and firms should *insist* on thorough environmental, social, and other impact assessments. Chinese firms could also partner with local agencies to conduct these procedures in ways that strengthen local acceptance.

The paper first summarizes Chinese investments in the Philippines during the two administrations that preceded Duterte's: that of Gloria Macapagal Arroyo (2001–2010) and Benigno Aquino III (2010–2016). It then turns to developments during the Duterte presidency (2016–the present). These sections outline key events, discuss overall trends, and narrate the current state of play concerning Chinese money in the Philippines. Next, the paper briefly examines the key project details of the Kaliwa Dam and the CRPIP. This section discusses the Chinese contractor, the loan conditions, and the current status of each project. Subsequent sections examine both projects, drawing on fieldwork data to analyze adaptations to local elite preferences by the Chinese actors involved, the actions of the host country, and the impact on local communities. The conclusion outlines key recommendations that the Chinese and Philippine governments could follow to better support the Philippines' long-term development goals.

Chinese Development Finance and Foreign Direct Investment in the Philippines

The recent history of Chinese investment in the Philippines goes back to before Duterte's election, at least to the tenures of his two immediate predecessors. During her administration from 2001 to 2010, Philippine president Gloria Macapagal Arroyo set aside the Philippines' territorial claims in the South China Sea seeking to strengthen bilateral ties with China. These overtures culminated in about twenty major investments from Chinese state-owned enterprises (SOEs) in sectors spanning power to transportation.[9] However, the majority of these investments sparked fervent local opposition, not least a bid by Zhongxing New Telecommunications Equipment Corporation (now known as ZTE) to upgrade the broadcasting infrastructure of the Philippine National Broadcasting Network, eventually prompting Arroyo to nix the deal.

Similar problems plagued other ventures too. The China National Machinery Industry Corporation, which broke ground on a high-speed rail line, was stymied by an indefinite moratorium in 2008 that halted the project. China's largest bank, the state-owned Industrial and Commercial Bank of China, sought to open branches in the Philippines but also ultimately elected not to do so amid political opposition.[10] Eighteen Chinese agribusiness projects and a few major mining projects were also scuttled by opposition from multiple Filipino regional and local elites. In the end, only one successful major

investment came to fruition: the bid by the State Grid Corporation of China to acquire the National Transmission Corporation of the Philippines as part of a three-party consortium that also included the Monte Oro Grid Resources Corporation and another local player, the Calaca High Power Corporation.

Arroyo's successor, Aquino, is known for having bitterly confronted China during his term in office, yet he initially began with cordial relations with the Chinese government. Aquino extracted a Chinese commitment to enhance foreign direct investment (FDI) and development finance projects to the tune of $13 billion.[11] But after territorial disputes between China and the Philippines over Scarborough Shoal erupted into a 2012 standoff in the South China Sea, Aquino and his team shelved government-to-government transactions. After China imposed sanctions on Philippine fruit exports and limited Chinese tourist inflows, the Philippines took China to an international arbitration tribunal in The Hague, which issued a 2016 decision stating that the maritime territorial claims of Beijing's nine-dash line have no legal basis. This decision legitimized the Philippines' economic activities in its exclusive economic zone, which overlaps with China's claims.[12]

The investment deal involving the State Grid Corporation of China—which gave a Chinese SOE the largest (albeit still a minority) stake in the Philippines' only electricity grid—was subjected to political attacks and opprobrium from the Aquino government.[13] Still, despite the conflictual political relationship, a strong economic relationship between China and the Philippines continued in other ways. Chinese FDI, including FDI from Hong Kong, *increased* during Aquino's term due to the Philippines' booming economic growth, as the country's gross domestic product climbed by an average of 6.2 percent per year during his tenure and reached a high point of 7.2 percent in 2013.[14] Several Chinese SOEs worked with Philippine oligarchs to offer engineering, procurement, and construction services for building two major power projects. The Philippines ultimately became the largest exporter of nickel to China, even at the height of the political tensions associated with the South China Sea disputes.[15] Overall, most of these investments involved smaller Chinese investors or firms in the manufacturing, services, tourism, and real estate sectors—not major Chinese SOEs.[16]

Once Duterte ascended to the presidency in 2016, he reversed the Philippines' stance on the eastern parts of the South China Sea, which Manila refers to as the West Philippine Sea. The driving factor for this reversal was Duterte's desire to pursue better relations with Beijing and access loans and direct investment from Chinese policy banks and an array of Chinese firms. Duterte and his administration claim to have signed some $24 billion in Chinese commitments of aid and FDI, but this figure must be taken with a grain of salt.[17] Duterte's approach has had many critics, especially among pundits and academics. Such critics have generally thought that even though better relations with Beijing would lead to more Chinese investment in the Philippines, the government would end up kowtowing to the Chinese Communist Party. For example, the well-known Philippine analyst

Renato De Castro argued that "lured by the Belt and Road Initiative, President Rodrigo Duterte is undoing his predecessor's policy of balancing China's expansive claim in the disputed waters."[18]

However, this popular view misses the deeper story of Chinese investment during the Duterte years. For one thing, there have been many other negotiators apart from Duterte and Chinese state officials, including over 200 Philippine businesspeople and their staff members, as well as local and China-based representatives of Chinese SOEs, private firms, and Chinese government ministries.[19] Political brokers from both countries who do not belong to *either* the Chinese or Philippine governments have attended negotiations on such agreements. These actors have negotiated FDI deals for themselves outside the framework of direct negotiations with the Duterte administration: they have sought engineering, procurement, and construction contracts; service-related projects; and supplier deals.

These actors have often misled one another. For instance, touting their connections to their home ministries in Beijing, some Chinese firms have promised Filipino elites that they could quickly bring funding to the Philippines. Similarly, several Filipino business elites have promised Chinese firms and officials that their access to the Duterte team could alleviate bureaucratic constraints in Manila. In many cases, memoranda of understanding (MOUs) have been hastily signed without proper due diligence.

Duterte and his elites have also done a good deal of "credit claiming," seeking to generate political capital by claiming credit for projects or investments that they themselves had little, if anything, to do with.[20] This has included announcements by Duterte allies publicizing the signing of MOUs, the first step in agreements, as if they were *actualized* Chinese investments. After Duterte's China trip in 2016, Duterte's allies touted the "huge" success of his Beijing visit, making it appear as if Duterte had attained an impressive haul of new economic agreements, financing, and jobs for Filipinos.[21]

This trend of credit claiming is quite common to the Duterte administration across the board, particularly in its war on drugs and, most recently, its response to the coronavirus pandemic. A high-level official in the Department of Trade and Industry told the author that, during the Arroyo and Aquino administrations, "the Philippine president would only appear for the MOUs when deals were worth more than a substantial amount of money. Now it seems like the president will appear for a deal valued at as little as $10 million."[22]

Yet even though these publicity stunts can be misleading, the increase in Chinese investment that Duterte has claimed is not all smoke and mirrors. There has indeed been a major surge of Chinese capital in the Philippines during his term. Table 1 details the completed, delayed, and ongoing projects during the Duterte administration.[23]

TABLE 1

Status of Major Chinese Projects Under Duterte

Major Chinese Projects	Loan, Grant, or Investment Amounts	Opposition	Outcome
Long Haul South Rail Project/Bicol South Rail Project	$220 million (in loans)[24]	Oligarchs and congresspersons	Ongoing
Safe Philippines Project (Phase 1)	$375 million (in loans)[25]	A human rights group and the anti-Duterte opposition	Ongoing
Chico River Pump Irrigation Project	$62 million (in loans)[26]	Local nongovernmental organizations (NGOs)	Ongoing[27] (Almost completed as of May 2021)
Kaliwa Dam	$211 million (in loans)[28]	Local NGOs	Ongoing (Making substantial progress)
Binondo-Intramuros Bridge and Estrella-Pantaleon Bridge	$56.5 million (in grants)[29]	A Philippine-Chinese association, a local elite, and a neighborhood association	Ongoing[30] (Almost completed as of May 2021)
Dito Telecommunity[31]	Initially $860 million (in Chinese FDI as part of a broader consortium)[32]	Anti-Duterte opposition	Completed

SOURCES: Various newspaper and government data (see endnotes)

Duterte's desire to bolster FDI is not especially difficult to understand once placed in a broader context. From 2010 to 2016, the Philippines, despite its booming economy, still had some of the lowest levels of Chinese investment in Southeast Asia.[33] The State Grid Corporation of China's 40 percent stake in the country's national electrical grid (dating from 2009) remains the largest Chinese investment and/or operational partnership in the Philippines.[34] This deal has resulted in some technical upgrading to the national grid: since 2011, the joint Chinese-Philippine consortium has begun upgrading the electricity grids across the country and has increased its construction and transmission activities since the beginning of the Duterte administration.[35]

Before Duterte, (apart from the electrical grid deal) leading Chinese SOEs and private firms had long made no major capital investment in the Philippines; instead, nearly all Chinese FDI went into thousands of small firms in wholesale retail, business activities, and services.[36] This has changed on

Duterte's watch: in addition to the major power grid deal, China Telecom's recently approved investment under Duterte is among the largest Chinese efforts thus far, and around 100 or more Chinese online gambling firms (which are registered as non-Chinese companies) are also among the country's largest foreign investors.[37] More recently, some Chinese firms, facing rising labor costs in China, have started examining the prospect of relocating manufacturing plants to Luzon and Mindanao or building industrial parks there.

There is no simple way to capture the scope and scale of Chinese FDI in the Philippines because different datasets offer multiple and sometimes competing stories. China's Ministry of Commerce calculated Chinese FDI in the country at $712 million at the end of 2015, but the Philippines' Central Bank places FDI stock from China and Hong Kong at $821 million at the end of Arroyo's term in 2010, about $1.2 billion at the close of Aquino's in 2016, and $1.6 billion during the first four years of the Duterte administration.[38]

The practice of using both FDI stock and flows—and sometimes conflating them—in these datasets presents analytical problems.[39] That is why the author and a collaborator created their own unique dataset on the annual number of new firms with Chinese investors. They found 2,785 new firms under Arroyo, 3,647 under Aquino, and 2,767 in just the first two years of Duterte's term. [40] Chinese online gambling firms, which surged in number in the Philippines during the Duterte administration, do not appear in the data, as many of these firms use offshore financial centers or foreign countries for registration or domiciling.[41] Nonetheless, the huge increase of Chinese firms active in the country during the Duterte administration signals the greater role that Chinese money and "flexible capital" has come to play in the Philippines' economy and business environment.[42]

In the Philippines, the efforts of the Duterte government and associated elites to expedite the Kaliwa Dam project and the CRPIP demonstrates how local elites can help foreign players bypass social, environmental, and regulatory provisions for parochial political objectives. In this way, Chinese players are fueling social dislocation and mass disruption. These Chinese actors are doing so not so much because they are exporting a putative China model but because they are responding to demand-side signals from local players and elites who are in conflict with others in host countries like the Philippines.

What Two Major Chinese Capital Projects Reveal About Filipino Politics

Neither the Kaliwa Dam project nor the CRPIP were conceived of by Chinese investors; rather, these projects were proposed by Filipinos themselves during the rule of former president Ferdinand Marcos (1965–1986). At the time, Philippine relations with China were complicated, and Manila was a close strategic and political ally of the United States. In 1976, the World Bank designed the Kaliwa Dam to increase the water supply of the National Capital Region around Manila and its adjacent provinc-

es. World Bank managers and engineers completed a project appraisal, economic evaluation, and other detailed procedures. However, just as the Marcos regime was about to launch the project, elite and social mobilization cascaded into the People Power movement, removing the dictator from power. Several subsequent presidents including Corazon Aquino (1986–1992), Fidel V. Ramos (1992–1998), Joseph Estrada (1998–2001), and Gloria Macapagal Arroyo all wanted to restart the project, but domestic politics and institutional reforms in the Philippines prevented them from doing so.

Once Corazon Aquino's son, Benigno Aquino III, took office in 2010, he began to make some progress on the project. The Metropolitan Waterworks and Sewerage System (MWSS), a government agency in charge of water distribution and infrastructure construction, placed the Kaliwa Dam under the Aquino administration's PPP-focused build-operate-transfer scheme.[43]

But by this time, the CRPIP had become a different type of project from the one that Marcos had initially tried to implement, which had been one of the most controversial projects of its time. During the Marcos presidency, the National Corporation of the Philippines (a now-defunct government-owned enterprise) conducted a study of the hydropower potential of the Chico River, which is connected to three tributaries in Luzon.[44] Lahmeyer International, a German engineering firm, submitted a feasibility study of the river's hydropower potential. Specifically, Lahmeyer proposed that four dams be built on the territories of the Kalinga and Bontoc, two major indigenous groups in northern Luzon.[45]

The Marcos regime sought help from the World Bank to finance the project. The indigenous groups in the area, who opposed the scheme, mobilized against it. Initially, they appealed to the Marcos government to reverse its decision. When government officials refused to heed their pleas, these groups responded with intense social mobilization over many years, engaging in protests, road blockades, and economic sabotage on the Philippine and German firms.[46] In response, Marcos sent in troops and arrested protesters en masse without warrants. This only made the situation worse when an indigenous group leader was killed in 1980, resulting in even greater social mobilization and leading the World Bank and Marcos himself to accede to their demands. Thereafter, no Philippine president tried to revive the CRPIP for some time, and some even sought to further accommodate the needs of the Kalinga population. Aquino III, for instance, acquired a $9.2 million World Bank loan to rehabilitate an irrigation system for the Kalinga,[47] although he eventually pulled the plug on the irrigation system after problems of negligence by a Philippine construction company.[48] At the end of Aquino III's term, his economic team envisioned another project on the Chico River instead.[49]

In mid-2016, the newly inaugurated Duterte announced the Build! Build! Build! Program, aimed at increasing the role of foreign loans and aid in the Philippines' infrastructure buildout.[50] Duterte canceled the Aquino-era PPP-centered build-operate-transfer scheme for the Kaliwa Dam and then placed the project under a foreign loans scheme. In this way, Duterte, not China, was the driver of

this big new Chinese capital investment. Duterte and his team simply took the earlier studies and plans finished under Aquino III and then submitted them to China as a high-priority project for bilateral investment.

The CRPIP, meanwhile, is a newer project that aims to have a smaller type of dam in the area for irrigation purposes. Although this project was not simply passed over to Duterte from previous administrations, it still reflects the spirit of earlier Philippine initiatives: specifically, the CRPIP is not intended to benefit the local Kalinga population and instead simply transfers the stored water to other parts of Luzon, making the project a comparable successor to the defunct Chico River Dam project of the Marcos years.

Duterte's economic managers repackaged these old ideas and then in early 2017 proposed both the Kaliwa Dam and the CRPIP to China, as two of the three key projects for Chinese investment in the Philippines.[51] A financing deal for both projects followed and was signed by the end of the year. In 2018, during a state visit to the Philippines by Chinese President Xi Jinping, the two sides signed loan agreements worth $211 million and $62 million for the two projects, respectively.[52] The Export-Import Bank of China provided loans for both projects.[53] Chinese firms are in charge of construction, and the MWSS and the National Irrigation Authority (NIA) have handled other aspects of project implementation (see table 2).[54]

TABLE 2

Two Major Chinese Capital Projects in the Philippines

	Kaliwa Dam	**Chico River Pump Irrigation Project**
Location	Infanta Quezon to Teresa, Rizal	Cordillera
Type of Project	Dam	Irrigation pump
Developers	China Energy Engineering Corporation Limited	China CAMC Engineering Company Limited
Contractors	MWSS	NIA
Financiers	Export-Import Bank of China	Export-Import Bank of China
Loan Amounts	Approximately $211 million	Approximately $62 million
Project Status	Ongoing	Ongoing
Interest Rates	2%	2%
Commitment Fee	.30	.30
Management Fee	.30	.30

SOURCE: Export-Import Bank of China

The Kaliwa Dam is in Quezon Province in the middle of the General Nakar and Infanta municipalities. A sixty-meter-tall dam spread over 113 hectares, the Kaliwa Dam is supposed to hold 57 million cubic meters of water and to increase the water supply sent to the National Capital Region and its adjacent provinces.[55] These provinces currently draw their water from the Angat Dam, which has experienced consistent resource shortfalls in the last decade.[56] With the help of the MWSS, the China Energy Engineering Corporation Limited or Energy China, a major SOE located in Beijing and one of the big firms under the State Council's State-Owned Assets Supervision and Administration Commission, is in charge of the construction of the Kaliwa Dam.

The CRPIP is designed to provide water to 7,530 hectares of agricultural land in the municipalities of Tuao and Piat, located in Cagayan Province, and another 1,170 hectares in the municipality of Pinukpuk in Kalinga Province.[57] This project includes the "construction of a pump house, sub-station, transmission line, diversion main canal, lateral canals, appurtenant structures, service/access road, and terminal facilities for Chico River PIP."[58] The China CAMC Engineering Company Limited—which is affiliated with Sinomach, another major SOE that previously worked on the Philippines' North Rail project—is working with the NIA to build the pump.

How China Has Accommodated Duterte's Political Demands

Chinese firms and Philippine government agencies have subdivided the work and have expedited both these project proposals. The crucial player has been the Duterte administration, whose political needs and impulses have led it to expedite construction, brush aside regulations, and facilitate the necessary procedures for both projects, while strong-arming other government agencies and local communities to follow suit or bypassing them.

Chinese firms have allowed the Duterte administration to act this way to safeguard their investments, looking the other way as Duterte has violated the Philippine public's FPIC rights. The Duterte administration has moved to ensure that only superficial environmental impact assessments are conducted and even has militarized the areas around both project sites.

These practices are not exclusive only to projects involving Chinese lending in the Philippines. However, one local rule of thumb is that such efforts by national Philippine government officials happen whenever powerful Filipino officials and other elites have a political interest in expediting projects at the expense of conducting dialogues and working with communities. These practices often emerge in key private sector projects in the natural resources and mining sectors and have resulted in arrests and alleged threats of members of local communities.[59]

In this sense, Chinese firms have been both adapting to and accommodating local political norms. This Chinese tendency to accommodate one set of local elites has, in this instance, indirectly contributed to the arrests and alleged threats that the Duterte administration has meted out on local communities. Philippine politics, however, can shift markedly from election cycle to election cycle. When new elites come to power in the country's next election, Chinese commercial and political interests will presumably be impacted too.

Project Design and Financing

When financing for infrastructure projects is sought, actors in host countries often get to select which specific projects win financial backing. However, there are situations when Chinese and host country firms work *together* to present a project to China's two major policy banks for financing.

For example, such a situation arose involving a partnership between the Philippines' flagship state media outlet (NBN) and the Chinese firm ZTE, when Benjamin Abalos, a former mayor and supporter of Arroyo, worked with ZTE to acquire financing from the Export-Import Bank of China.[60] Such cases raise another question: why do such partnerships form in the first place when certain projects are prioritized for Chinese financing over others?

If the Duterte government had simply wanted financing, China was by no means the only available option. After all, Japanese firms and lenders, such as the Japan Bank for International Cooperation, were apparently willing to fund these ventures. That said, seeking Chinese support instead even though such alternatives were available does not necessarily mean that Duterte was simply a "puppet" of China either, as many in the Philippines now argue.[61] If he was, then it is difficult to understand why the number of Chinese projects remains relatively low in the Philippines today.[62] In fact, between 2016 and 2020, even under the watch of supposedly China-friendly Duterte, it is Japan (not China) that still funds more than half the country's infrastructure projects.[63] During Duterte's tenure, loans from the Japan International Cooperation Agency and the Asian Development Bank have accounted for more than half of the Philippines' loans since October 2016.[64] Despite the domestic criticism that Duterte is Beijing's "puppet," he has not steered many projects directly to China.

That is why the cases of the Kaliwa Dam and the CRPIP are so interesting. It is true that these projects are being built with Chinese financing, but it was Duterte who repackaged ideas that predated him by several Philippine administrations and pushed the gas pedal to the floor. Multiple Philippine interests, not simply Duterte's desire for better relations with Beijing, have shaped both projects. Apart from the immediate need to address growing water shortages in and around Manila, technocrats within the Philippine government have been motivated to secure as many concessional loans from as many sources as possible before the country graduates into upper-middle income status.[65]

Once the Philippines advances into this income group, most concessional loans and financing terms will no longer be available.[66]

There are plenty of other players with interests in backing the dams too. For instance, the Armed Forces of the Philippines, which has been waging a decades-long counterinsurgency campaign against the rebel New People's Army (NPA)—the armed wing of the Communist Party of the Philippines—stands to gain from the construction of the Kaliwa Dam, which will allow it to expand its military presence in the Sierra Madre mountain range, where numerous NPA units continue to operate.[67] The appointment of former Philippine Army generals to head the MWSS reveals how the linkages and strategic interests of the country's armed forces have been embedded into the dam project's implementation. This also explains the early establishment of military checkpoints and stations at the access points to the dam site, even before the project's loan agreement was signed in 2018.[68] Supporting the Philippine military's long-standing campaign against the NPA has enabled the Duterte administration to align the military's interest with the dam and solidify military support for his rule.

Many other nationally influential Philippine political elites have benefited too—not least, those who operate in the region surrounding the Kaliwa Dam, such as the Angara family of Aurora Province,[69] whose local power base has been threatened by the NPA. Especially through their command of key positions in local government and both houses of the national legislature, such elites have substantial influence in helping decide how, where, and when to use military forces in a given area. Such influence allows these dominant local elites to suppress rival elites and non-elite challengers to their political primacy. Often, these elites use nongovernmental paramilitary units to patrol the areas they dominate. Expanding the military's jurisdiction, as in the cases of the China-invested dam projects, gives them additional security in the face of local threats to their dominance. This purely local political logic has had little to do with the fact the project's foreign investors are Chinese.

The story of the CRPIP is even more complicated in terms of domestic politics. Kalinga Province is located in the Cordillera Administrative Region (CAR), which encompasses the lands of multiple indigenous groups across the country. The Kalinga group makes up the majority of the population in the province that bears its name.[70] Crucially, the Chico River connects Mountain Province, another provincial district within the CAR, to Cagayan Province. Kalinga and Apayao also stand between Mountain Province and Cagayan, making this area an ideal location to divert water to different provinces for irrigation purposes.[71]

The indigenous people of Kalinga and Apayao have long demanded enhanced irrigation for their rice production.[72] And although they did resist the building of the hydropower dam, the Kalingas nonetheless supported *some* irrigation projects to increase their domestic rice yield. During her presidential term, Arroyo leveraged Chinese loans to expand the irrigation in the area; Aquino chose instead to lean on World Bank loans, but these were later canceled due to the negligence of a local Filipino

contractor.[73] The Kalinga-supported irrigation projects were far smaller in scale and cheaper than the CRPIP.

Manila's choice to pursue the CRPIP at scale boils down to a desire to increase the water supply to key elite landholdings in Cagayan Province. In the words of a political broker who worked with the Duterte government in 2016, the CRPIP was "proposed to the Chinese, but the idea [given to them] was already modified at that time to provide irrigation to local fields where elites grow bananas, coconuts, and other fruits to be exported to China. Water from the Chico Pump would benefit the lowland Filipino landlords and the Filipino farm holders."[74] In other words, the resources of the Kalingas, one of the most oppressed minorities in the Philippines, were being siphoned off to support the interests of the people in power both locally and in Manila instead.

Joanna Cariño—a co-founder of the Cordillera Peoples Alliance, a federation of nongovernmental organizations (NGOs) for indigenous rights in the CAR—has argued that "this is another case of the highland population, the minorities and indigenous groups, suffering because of the [parochial political interests of the] majority, and those in power [in the Philippines]." According to Cariño, "the indigenous peoples are the *least* prioritized when it comes to government funding and [developmental] priorities, yet the project will be built on these indigenous peoples' land in order to benefit not them but the majority."[75]

Local political elites in this district are very powerful nationally: Manuel Mamba, the current governor of Cagayan Province, is a member of PDP-Laban, Duterte's party. The Enrile family, the other major political players in Cagayan, are equally influential. The clan was built by Juan Ponce Enrile, a former Marcos acolyte who broke with him in 1986 and became a national political player. His family still has supporters serving as mayors and local leaders.[76] Katrina Enrile, Juan Ponce's daughter, is the chief executive officer of JAKA Investments Corporation, the parent company of Pacific Royal Basic Foods Inc., a nationally significant coconut producer and exporter.[77] In an interview, a local political broker indicated to the author that "both families had representatives who modified the irrigation pump project from something that had been originally intended for the Kalinga to something bigger and a project that ultimately benefits the landed interests of Cagayan."[78]

Similarly, the Kaliwa Dam direct benefits an array of nationally influential political elites, so embracing the dam—and then enlisting Chinese financing for it—effectively tied the interests of these elites to the Duterte administration. This approach has given the Duterte team additional leverage over these local elites for future elections, including an expected campaign for the country's top office by the current president's daughter, Sara Duterte, in the upcoming 2022 elections.

As for the spring of 2021, the dam is being expedited by the Chinese contractor with the help of Duterte administration officials and the coercive apparatus his government controls. And the dam is

almost certain to proceed more quickly than it would have if Duterte had instead enlisted, say, a Japanese funder. Going with a Japanese partner would have led to greater scrutiny from international NGOs or other organizations, delaying the dam's completion and harming the political interests of Duterte himself, his daughter, the military, and an array of local elites and landed interests. The Asian Development Bank, the Japanese International Development Agency, and the Japan Bank for Infrastructure Cooperation have mechanisms that allow civil society organizations and NGOs to file appeals on projects when social abuses or environmental issues arise.[79]

Similarly, the CRPIP funnels water from the Chico River to Cagayan Province, so the project can be expected to increase provincial elite support for Duterte and the PDP-Laban, especially from the highly influential Enrile family. In this case, too, a Japanese-funded project would have subjected the CRPIP to certain rules, such as the World Bank's directives on indigenous population groups, which Tokyo follows but Beijing does not. Choosing Japan would have limited the enticing opportunity for Duterte to acquire greater local political support by leveraging the CRPIP.

Chinese-Philippine Negotiations

Important trends in how Chinese lenders negotiate deals with host countries are also highly evident in major lending projects in the Philippines. AidData's recently published study, *How China Lends*, analyzed the particulars of over 100 Chinese debt contracts.[80] The authors find that China is a "muscular and commercially-savvy lender to developing countries. Chinese contracts contain more elaborate repayment safeguards than their peers in the official credit market, alongside elements that give Chinese lenders an advantage over other creditors."[81] The authors argue that Chinese contracts focus on how to expand influence over host countries through project nondisclosure agreements, exclusion from Paris Club debt restructuring, expedited project repayment, and immediate termination clauses.

The focus of Chinese financiers on these key clauses has been evident in the Kaliwa Dam project and the CRPIP in several ways.[82] First, nondisclosure clauses prevent the Philippine government from revealing the terms of the projects to other foreign lenders, private actors, or even the Philippine people at least for a period of time.[83] According to the AidData analysis, such clauses effectively prevent civil society actors or foreign lenders from forming strategies to match Chinese lending terms or to help the host country restructure such debt.[84]

Yet such clauses have an additional function: they increase the *exclusivity* of an investment partnership to those who have forged it, excluding competing political elites and civil society leaders from the process. Chinese firms have often worked exclusively with the regime in power at a given time in host countries, concentrating Chinese investments through channels largely overseen by such leaders. This practice harkens back to China's purported pledge of noninterference in the domestic affairs of

host countries, which entails limiting Chinese actors' relationships with opposition political parties and civil society actors.

In the Philippines, for instance, ZTE worked with Abalos at the expense of Jose de Venecia Junior, who served as speaker of the Philippine House of Representatives for two stretches in the 1990s and early 2000s.[85] The North Rail railway project was a partnership between a Chinese firm and Arroyo-linked elites, excluding NGOs and other elites from the land reclamation process and other important procedures. In fairness, this tendency is not limited to the Philippines. For instance, under Indonesian President Joko Widodo's tenure (2014–present), another Chinese firm worked with Indonesian state-owned enterprises to build the Jakarta-Bandung high-speed railway. In that instance, Indonesian conglomerates were excluded from the process.

This insight goes hand-in-hand with a second demand of the Philippines' Chinese financiers: excluding the dam projects from the terms of the Paris Club.[86] This agreement among Japan, the United States, and twenty other major donor countries is designed to help donors coordinate and find solutions to help debtor countries deal with project debt.[87] In addition to its member states, the Paris Club has granted observer status to multiple key international financial organizations and multilateral development banks, such as the Organization for Economic Co-operation and Development, the United Nations Conference on Trade and Development, and the Inter-American Development Bank. Though transparency issues remain, Paris Club meetings are open to representatives of NGOs. Philippine debt owed Paris Club members are covered by these agreements.

In contrast, if and when issues of debt or distress emerge concerning Beijing's loans, the Chinese government's preferred solution has been bilateral debt restructurings with the debtor country in question. Debt restructuring is still possible for both the CRPIP and the Kaliwa Dam project. However, the entire purpose of the Paris Club is to prevent imbalances of power between a lender and a borrower through a set of collectively negotiated rules that enable sustainable debt repayments. The Paris Club also allows civil society actors to participate, ensuring the representation of different stakeholders, at least on paper. These clauses, therefore, exclude several party actors who may otherwise assist the Philippines if debt-related disputes occur or if civil society actors are derailed from mobilizing effectively.

Moreover, what are termed cross-default clauses allow the Chinese government to collect immediate payments on the entire loan balance if payments on other Chinese projects do not materialize or if the Philippines defaults on its other lenders.[88] In the event of a default, Philippine commentators have misinterpreted the potential risk of seizures of Philippine assets by Chinese lenders in an extreme way. Opposition politicians, particular the country's former chief justice, has read this specific type of clause as a potential way for China to lay claim to the reed bank in the West Philippine Sea.[89] Notwithstanding their intentions, these critics' reading of the situation does not have any empirical

basis, and there has not yet been a single case of China making claims in territorial disputes due to debt repayment issues. In the 2021 AidData study, all the examined commercial contracts, about half the bilateral official debt contracts, and a tenth of the multilateral debt contracts in the study's sample have cross-default clauses.[90]

Collectively, these kinds of clauses indicate that the Chinese government has a strong interest in expanding its projects in the Philippines and protecting these projects' commercial viability. This is probably one of the few areas where the Duterte administration was not able to simply bend Chinese players to its political will. Indeed, a Philippine official from the National Economic and Development Authority (NEDA) involved in the negotiations told the author, "the negotiators from the Export-Import Bank of China wanted these clauses more than anything." This turned out to be the case so much so, in fact, that they gave in to the Duterte team's other demands to secure these terms. This official noted, for example, that the Chinese policy lender "even agreed to decrease the interest payments for both projects [Kaliwa and the CRPIP] from 2.5 to 2 percent."[91]

Duterte's side got its own preferred clauses into the agreement in the bargain, including an insistence on building the project quickly and on a rapid operational timeline. This official noted that "though the idea of the project started in 2016, we were only able to start it at the end of 2018 after Xi Jinping's visit. But during the negotiations, we asked if they could finish it early or have major portions constructed since President Duterte's term will end in 2022. They said no problem."[92]

Notably, neither the CRPIP nor the Kaliwa Dam project required Philippine officials to use special escrow bank accounts to ward off repayment risks, a practice that Chinese lenders use more commonly than most of their peers.[93] The Chinese policy banks sometimes use this model of lending with liens or escrow accounts to "maximize their repayment prospects."[94] In the AidData sample, 75 percent of Chinese Development Bank (six out of eight) and 22 percent of Export-Import Bank of China loans contain such clauses.[95] So far, there has not been a single case worldwide in which funds from one of these bank accounts on a Chinese-financed project have been seized.

These negotiations between Chinese and Philippine actors were defined by mutual accommodations and concessions on various points. The nondisclosure agreements reveal the compromise between both governments. Using the findings of the aforementioned AidData study, Philippine journalists Ian Cigaral and Prinz Magtulis published a criticism of the Kaliwa Dam and CRPIP. In response, the Philippine Department of Finance issued a scathing rebuttal, arguing that the journalists "propounded several inaccuracies and falsehoods in connection with Chinese-funded projects in the Philippines."[96] While the nondisclosure agreements were included in both projects, the Department of Finance pointed out that the contracts can be made public if "required by applicable Philippine laws, regulations, and rules, or by order of any courts, tribunals, or agencies of competent jurisdiction, or relevant bodies." Cigaral and Magtulis argue that the department only divulged the contracts after

lawmakers and members of civil society demanded transparency, while department officials claim to have "wasted no time" in making the contracts available to the public.

Certain aspects of this disagreement over the nondisclosure clauses are complicated. Opposition politicians and civil society organizations have been concerned about the "onerous" provisions of the Kaliwa Dam agreement, filing freedom of information requests and taking matters to the Supreme Court.[97] The Department of Finance publicized both contracts on March 18, 2019.[98] On this point, the department cannot deny that the pressure to release both contracts was escalating as early as February, indicating that the Philippine government waited before acting.[99] It also cannot be denied that the Duterte government was able to modify the Chinese nondisclosure agreements, asserting that both contracts could be divulged under certain conditions. This is also an example of Chinese actors adapting to the local political conditions of the host country rather than fully imposing its will.

However, it is also true that the nondisclosure agreements created transparency issues and protected the Chinese projects. The Department of Finance only publicized the contracts in March, but the Philippine government presented both projects to the Chinese lenders in January 2017.[100] Local officials in Cagayan celebrated the CRPIP, and the Philippines' PPP announced a change in the Kaliwa Dam's mode of financing.[101] At the end of 2017, China and the Philippines publicized a joint statement, agreeing to undertake both projects (among other political and commercial ventures). Presumably, this joint statement, which was issued a year before Xi signed the contracts, was the starting point of negotiations for both projects.[102] After Xi signed the deals in November 2018, it took the Department of Finance four more months to release the contracts in March 2019. In other words, the negotiating process and the contracts were not transparent throughout the whole process, and the public was kept in the dark until public pressure made the government act.[103]

To cite another contested point in the negotiations, the Chinese government wanted to increase the share of Chinese laborers on both projects. On the Philippine side, NEDA officials tried to dissuade them from insisting on this condition and sought to limit the number of Chinese workers. Another NEDA official noted in the interview, for instance, that, "we knew this would be an important point since those domestic interests arrayed against the Duterte government would make an issue out of it. And so, we *were* able to increase Philippine labor participation as much as possible."[104]

The Chinese side, meanwhile, got more of its way on wage rates for Chinese workers. "We couldn't make them budge on wages," recalled a Philippine Department of Finance official.[105] An interview with an Export-Import Bank of China representative confirmed that "when we negotiated with the Philippine government, we had some [binding] parameters but were willing to make concessions. But one of the things we couldn't budge on was wages for the Chinese. How could we make them [the Chinese] go to the Philippines if we didn't increase their wages?"[106]

Nor were the Chinese firms made responsible for social amelioration, land reclamation, and environmental impact assessments, tasks that fell to the Philippine government under the agreement. The same Export-Import Bank of China representative argued that this was merely a function of "respecting Philippine and each country's laws. We cannot impose conditions, unlike Western and other government lenders. Besides, the cost would have increased if we had to do this, nor do we know how to do it" in the Philippine context.[107]

In another interview, a Philippine Central Bank official noted that one of the key differences between the Kaliwa Dam and CRPIP contracts involved the parameters for the interest payments. Unlike the CRPIP, the dam can receive profits from its operations in the form of payments to the Chinese government, thanks to a clause that the Philippine government successfully negotiated in exchange for accommodating the secrecy and other clauses demanded by the Chinese policy bank.[108]

Through the MWSS, the Kaliwa Dam has a captive market, which can yield money for both loan principal and interest payments. Philippine cities suffer from yearly water shortages during the summer or when droughts occur.[109] This is why the Philippine government has launched an infrastructure plan to increase the number of dams in the country under a hybrid scheme involving overseas development aid and PPPs.[110] State agencies and private firms handle water distribution in the country, particularly Maynilad and Manila Water—two private firms that dominate metropolitan Manila.[111] The MWSS handles the relevant regulations. The market is a captive one because the MWSS also sets the price of water for metropolitan Manila.[112] In this case, the Kaliwa Dam will be providing water to a domestic market characterized by high demand. Profits are expected to be initially used to pay back the Chinese loan. The Chinese counterparties involved understood this and agreed to give this flexibility to the Philippine government.

Meanwhile, counterintuitively, keeping interest rates low was not important to the Philippine government. Both the Kaliwa Dam project and the CRPIP had interest rates of 2 percent, which are slightly higher than those that must be paid to Japanese lenders but far lower than what commercial bank lenders have demanded from the Philippines.[113] As a Philippine Department of Defense interviewee pointed out, "The payment scheme for both Chinese-financed projects will last for twenty years across multiple Philippine administrations but the construction period would mostly happen now during Duterte's term."[114] The Duterte government cared more about meeting the president's own political needs on the projects' timeline and was willing to accept a higher interest rate as part of the bargain. Duterte and his negotiators made concessions on the financing terms to secure their preferred operational timeline. Reportedly, the timing was a higher political and domestic priority for Duterte himself, "who wanted both projects to be the legacy of his Build! Build! Build! Initiative. And paying the higher interest rates over a long period would not, ultimately, be his administration's problem."[115]

Echoing this same sentiment, the NEDA development assistance analyst who was interviewed noted that acquiring Chinese funding served Duterte's needs even at a higher interest rate since it increased the overall number of infrastructure projects in the Philippines. She pointed out that "Japan is still the largest development financier in the Philippines. And so, paying a percent or two more to China was an acceptable exchange for [the higher priority] of increasing the project stock" in the country during Duterte's term.[116] A related priority for Duterte's negotiators was to keep an eye on interest rates for a larger number of parallel Japanese-financed projects in the Philippines. Instead of working with the Japanese on the Kaliwa Dam project and the CRPIP, Duterte's government was able to offer to work with Japanese lenders on other projects instead.

In fact, a Japanese firm offered alternative proposals to counter the Chinese offers to fund the Kaliwa Dam and the CRPIP. In 2016, the Osaka-based infrastructure developer called the Global Utility Development Corporation submitted an unsolicited proposal to NEDA officials,[117] which was delayed and then ignored. For the CRPIP project, the Asian Development Bank and the Japan International Cooperation Agency, the country's foreign aid agency, were willing to fund a similar project, but Duterte's team passed on the offer.[118] When asked why the government pursued the Chinese option instead of the Japanese offers, the Philippine Department of Defense interviewee said, "This was purely political. The Chinese were willing to build the projects quickly during President Duterte's term. If the Philippines had done this with the Japanese or the [Asian Development Bank], there would have been stricter procedures, which would have delayed it. Bureaucrats wanted the Japanese but Malacañang Palace wanted the Chinese. Even if the Chinese do not finish the projects [before the end of Duterte's term], they would likely be done with major portions. President Duterte can still claim credit."[119]

Hasty Project Implementation

Chinese firms have been in charge of construction on these two projects, but Philippine government officials have taken on the burden of acquiring consent from affected residents, reclaiming the needed land, and conducting environmental impact assessments. The Philippine Department of Environment and Natural Resources, the NIA, and the MWSS expedited all the necessary procedures. These various agencies worked with the Chinese partners to immediately demarcate the land for the projects, build bunk houses for the Chinese workers, and take on other operational tasks.[120] These Philippine agencies, with the blessing of Malacañang Palace, initially bypassed the provincial and regional governments.[121] Affected communities were not consulted either. As Cariño of the Cordillera Peoples Alliance explained, "We did not even see the plans for the Chico River Pump. We just had a workshop and there was a faculty member of University of Cordilerras who became a consultant for [the] NIA and presented the plan."[122]

Philippine government officials claimed they acquired FPIC from the affected residents. After supposedly following the procedure (when it seems as though they bypassed it), the Philippine government needed to acquire the relevant lands by purchasing titled land or appropriating untitled plots. In the case of the CRPIP, a fair amount of land was purchased from inhabitants of Kalinga Province. Farmers and landowners were, however, apparently pressured to sell for cheap, with government officials reportedly threatening those who were unwilling to sell or wanted to negotiate a higher price.[123]

In some cases, the Philippine Department of Environment and Natural Resources, the NIA, and the MWSS also forcibly acquired indigenous lands recognized under customary land use, including tracts that are registered as ancestral lands under the Philippines' National Commission on Indigenous Peoples (NCIP). Crucially, the Philippine government mandates that indigenous people register their lands through the NCIP. However, the organization's limited budget and the process by which nonindigenous groups can contest indigenous land claims have derailed indigenous land registration in practice.[124] As a result, many indigenous groups have resorted to informal alternative arrangements with local government officials instead of formal registration,[125] a practice the NCIP has allowed at times. Since the indigenous claims to these technically still unregistered lands are recognized only informally by local governments and municipalities, these lands can still be contested by the government due to the absence of formal property rights. In the Philippines, indigenous groups regularly face forcible removal from their lands when mining and plantation projects are concerned.[126] Prioritizing a major investment project like the Kaliwa Dam or the CRPIP undermines this NCIP practice by allowing the national government to forcibly take the land without due process.[127]

The Philippine government acting through the NCIP went through the pro forma motions of getting the consent of local inhabitants for the Kaliwa Dam and the CRPIP, but in reality, they seem to have cut corners and possibly withheld information.[128] Many families stood to be affected, and many in the Dumagat-Remontado community opposed the Kawila Dam project.[129] Although MWSS Administrator Reynaldo Velasco claimed that the dam would impact a mere "46 families," protesters counter that the number of affected residents has been downplayed and that it reportedly would actually affect "eleven villages and thirty-nine indigenous communities." [130] The Philippine government claimed that it had secured residents' FPIC anyway, and the project moved forward despite opposition. The government ignored the opposition and simply rubberstamped the decision. The Katribu Coalition, a national alliance of regional and provincial organizations for indigenous people, and community members were confused about the results, filing a complaint in court. One of the figures who helped was then opposition senate candidate Pepe Diokno, who organized a national press conference against the dam and demanded that the project's details be made public. In an interview, he said that he "saw the documents of the NCIP, and it was obviously rushed without any due process."[131]

The acquisition of environmental compliance certificates for the Kaliwa Dam reportedly has also been unusually fast.[132] In an interview, Cariño told the author that "the Philippine government produced everything [without the usual process]. There was an environmental impact certificate even though no one actually conducted a geological assessment or any other test."[133] And Cariño added, "They are building two hydropower dams in other parts of Cordillera. It is not clear what the effect of the river pump will be on all the rivers once these dams are built. It seems like they are taking a piecemeal approach to the dams."[134]

A Katribu activist who organized against the Kaliwa Dam at the early stages of the project said, "We saw them building bunk houses for the construction workers and expanding the access road for the adjacent infrastructure. But in no way did they do any environmental impact assessment. They produced it in a few weeks!"[135] Speaking about the two projects, an ex-official from the Department of Environment and Natural Resources noted in an author interview, "We would normally need six months to finish all the tests, but both of these are priority projects for the government. Malacañang needed them done."[136]

In the process of acquiring consent, reclaiming land, and conducting environmental assessments, the Duterte administration has also enlisted the support of the Philippine armed forces. At the Kaliwa Dam, the expansion of military checkpoints and the arrests of civil society leaders have limited the mobilization of an opposition. The CRPIP is located in the Kalinga area, which was already heavy militarized, so it has experienced even more repression. In 2020, the outbreak of the coronavirus pandemic made it even more difficult for opposition activists to mobilize. Curfews and community lockdowns emboldened the Duterte government to arrest more civil society members.[137]

Opposition politicians and many analysts have argued that Chinese lenders and dam builders have successfully bribed Duterte.[138] However, what these views ignore is that the Chinese projects, though they could advance China's interests, reflected Duterte's willful attempt to maximize his political influence. The Chinese parties involved were indifferent to these project details (which the Philippine actors handled); rather, what was crucial to Beijing was securing a temporary friendship with the Duterte regime.

Conclusion

The principal story of the Kaliwa Dam project and the CRPIP is not that they were financed by Chinese players but that these Chinese actors accommodated Duterte's political goals and deferred to his team on most of his demands. These accommodations allowed the Duterte government to pursue a domestic political agenda and made it much easier for the ruling powers in Manila to accept China's secrecy and protection clauses.

Chinese actors accommodated the needs of the Philippine political elites in power exclusively and did not invest in building relationships with Philippine opposition figures or civil society actors. This was a good short-term arrangement for Duterte but, over the long term, it has meant that these Chinese-funded projects have served the political agendas of select powerful elites while marginalizing local communities. These actions seem certain to generate long-term resentment against Chinese firms that could backfire if and when power in Manila changes hands.

Several lessons from this experience follow. First, although Chinese players extracted contract clauses that increase their commercial leverage, this does not reflect an especially strategic diplomatic approach in relation to a country like the Philippines, whose turbulent politics is marked by frequent power reshuffles among rival elite players. China can be both a more strategic and a more responsible development actor by demanding that host countries adhere to higher standards on land reclamation and environmental impact assessments.

To do this, Chinese actors could, for example, demand that host countries follow the procedures by the World Bank and other international organizations on social and environmental impact assessments. Chinese firms could coordinate with government officials in host countries on how to implement these policies. The Chinese government could even mandate that Chinese firms follow these procedures. Such coordination on the part of the Chinese government has been done on issues related to carbon emissions, where Chinese firms have committed to implementing less environmentally destructive coal-fired power plant technology, while increasing efforts to leverage carbon capture technology.

Second, Chinese players should broaden their outreach in countries like the Philippines—not least by working with civil society organizations and social movements to secure the consent of local inhabitants, land, and environmental impact assessments. By working directly with community organizations, not just national officials and their associated local political allies, the Chinese state and firms can increase their legitimacy as development actors in the Global South.

As for the Philippines, the Duterte administration and those that follow should reject the temptation to expedite foreign-funded projects for political gain. Increasing the budget for the NCIP for protecting indigenous rights, securing the consent of local communities, and conducting thorough environmental impact assessments would do much to increase the legitimacy of major infrastructure projects while broadening trust and support among a wider swath of Philippine political actors and the public. Such policies should be enacted through laws, which would make it more difficult for future Philippine governments to circumvent established procedures on project design and implementation.

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