

ASIA INVESTMENT RESEARCH

AIR

The Philippines

Marcos Jr Two Year Energy Transition/Key Infrastructure Report Card



OVERVIEW

In May 2022, President Ferdinand “Bongbong” Marcos Jr (Marcos Jr) was elected as President receiving circa 60% of the vote. Prior to his election, he was well aware of the significant amount of capital needed to fund key infrastructure projects, to accelerate domestic energy transition and its LNG role within the future BIMP-PIP ASEAN energy grid. He was also aware that despite its unique strategic position as a logistics hub, The Philippines had historically underperformed many of its ASEAN peers in attracting inbound investment due to high energy costs, slow internet connections, cumbersome bureaucracy and roads / ports congestion.

Finally, Marcos Jr was also well aware of China’s role in the prior years of leading inbound investments and plans to fund substantial components of infrastructure needs. This short paper outlines the steps he has taken and the results over the first two years of his presidency, which, as shown in this piece, cannot meet his priority infrastructure funding needs and indeed lead The Philippines to increase USA and Japanese military presence during the remainder of his first term.



2016-2021 CHINA



President Duterte chose China as a leading international investor to substantially uplift inbound investment and as a major partner in his build-build-build infrastructure plan. “What I need from China is to help develop my country”.

As a first step, Duterte became the first President of The Philippines to select Beijing over Washington or Tokyo as his first major foreign trip. China responded by offering \$24 billion investments, credits and loans in BRI projects in October 2016. However, for a number of reasons most of these did not materialize until late in his Presidency (except for a few small ones including the Chinese grant funded Estrella-Pantaleon Bridge, completed in July 2021).⁽¹⁾

Despite the slow progress on major infrastructure projects, between 2016 and 2020, the Philippines’ Central Bank data confirms that companies from China and Hong Kong invested \$1.7 billion in the Philippines, trailing only Japan at \$2.8 billion, but ahead of the USA (\$1.3 billion), South Korea (\$1.1 billion) and Taiwan (\$580 million) in FDI.

In addition, during the period 2016-2018, The Philippines saw 3,634 firms established with Chinese investors, nearly trebling the number of new firms with USA (1,317) and Japanese investors (1,091). Many of these were in the wholesale and retail sector, construction, transportation and services, including hotels and tourism, financial and lending services, and language / translation. Fifty Casinos sprang up offshore and real estate prices around Manila sky-rocketed as wealthy Chinese left the mainland and redeployed their capital in the Philippines.

While infrastructure deals failed to materialise, there were several major Chinese corporate deals which happened in key sectors (fintech, IT/communications, LNG):

- In 2017, Ant Financial Services invested 45% in the fintech arm of Globe Telecom
- In 2018, Tencent and KKR (USA) agreed to jointly invest up to \$175 million in the financial technology unit of Philippine telecom PLDT, a rival to Globe
- In 2018, Philippine fuel retailer Phoenix Petroleum agreed to partner with a subsidiary of CNOOC to explore building a LNG receiving terminal
- ICBC Manila Branch started its operation as a commercial bank in The Philippines in 2018
- By 2018, China ranked first in foreign investments to the Philippines, amounting to \$975 million, up by 2,072% from just \$47 million in 2017⁽²⁾

Less than one decade ago, The Philippines had a large percentage population of active internet users, but with very slow internet speeds. Globe Telecom selected Huawei to launch its 5G service in June 2019, becoming one of the first countries in southeastern Asia to adopt this technology. In September 2022, they deployed their third-generation 5G Massive MIMO (Multiple-Input and Multiple-Output) technology in the Philippines, a first outside of China.

The Philippines has since been building out its 5G networks with a wide bandwidth: 5G networks cover 90% percent of the population in the National Capital Region. Alibaba launched its Philippines cloud business in 2021, and its first data centre later that year.

By the end of 2021 (since 2016) The Philippines statistics show that investment agreements with Chinese companies totalled \$2.9 billion across industries including outsourcing, logistics, agriculture, steel and communications.⁽³⁾

In March 2022, The Philippines Government amended the Foreign Investments Act (FIA) to allow foreign investment in more business sectors. The law allowed for the first time international investors to set up and fully own SMSES, and own 100% equity in firms in sectors where they already operate. (previously foreign investors could only invest in small businesses if they hired at least 50 Filipino workers).

In addition, the law halved to \$100,000 the minimum capital required to set up a business, as long as foreign investors hire at least 15 local workers and introduce advanced technology, although the Govt still maintained controlling stakes in all public utilities.⁽⁴⁾

Footnotes:

1. [https://asiatimes.com/2022/04/how-duterte-fell-for-chinas-bait-and-switch/#:~:text=During%20his%20October%202016%20visit,and%20Road%20Initiative%20\(BRI\)](https://asiatimes.com/2022/04/how-duterte-fell-for-chinas-bait-and-switch/#:~:text=During%20his%20October%202016%20visit,and%20Road%20Initiative%20(BRI))
2. <https://thediplomat.com/2022/04/beyond-infrastructure-chinese-capital-in-the-philippines-under-duterte/>
3. <https://www.datacenterdynamics.com/en/news/huawei-kicks-off-international-deployment-of-third-generation-5g-massive-mimo-networks-china/>
4. <https://investmentpolicy.unctad.org/investment-policy-monitor/measures/3831/philippines-amends-foreign-investments-act-to-woo-foreign-investment>

Marcos Government Moves

In his first State of the Nation Address in July 2022, Marcos stated that his administration planned to bring The Philippines to upper-middle income status by 2024, which the country had targeted prior to the pandemic. While the hurdles outlined above existed, The Philippines' economy was forecast to grow by at least 4% annually: it has a population of 110 million (8 more million living abroad), a workforce has a median age of 26 and well-educated – many positives to build from.

The Philippines is recognised as a leading BPO centre and with an industrial sector with a particular focus on manufacturing of electronics and technology components, supported by significant reserves of chromite, nickel and copper to support electronics manufacturing. These sectors, as well as The Philippines strategic geographic position, are attractive to international investors.

Indonesia



In September 2022, in his inaugural state visits to Indonesia and Singapore, Marcos Jr secured \$14.4 billion in investment pledges. Indonesia pledged \$8.5 billion in investments, which included \$7 billion PPP partnerships in infrastructure such as the C-5 elevated expressway, \$822 million in textiles, garments, renewable energy, tech and agriculture and \$662 million for coal and fertiliser.

Singapore



Singapore pledges totalled \$6.5 billion with the 3 largest deals in electronic cycles (\$5 billion), renewable energy (\$1.2 billion) and data centres (\$200 million). All parties agreed to pursue these jointly for the next five years. ⁽⁵⁾

Energy Transition

In November 2022, the Department of Energy (DOE) revised the foreign negative list to open the renewable energy sector to full foreign ownership (previously subject to a 40% cap), in line with the plan to increase the share of renewable energy in the national mix to 35% by 2030 and to 50% by 2040. Foreign investors could now own 100% of their ventures in certain key industries, including infrastructure such as telecoms, airports, seaports, rail and renewable energy projects (including solar, wind, biomass, ocean or tidal energy). ⁽⁶⁾

Denmark



In November PetroGreen Energy Corp. (PGEC) and its partner Copenhagen Energy (CE) agreed to form three SPVs to oversee the investment and development of offshore wind service contracts awarded by the DOE in 2021. Incorporation documents were signed by PGEC and CE for Buhawind Energy Northern Luzon, Buhawind Energy Northern Mindoro, and Buhawind Energy East Panay with total aggregate capacity of about 4GW.

PGEC is the renewable energy unit of Yuchengco Group (the Philippines) and PetroEnergy Resources Corp. (PERC). PGEC also operates five power stations using geothermal, wind, and solar energy; 32 MW Maibarara Geothermal Power Plant in Batangas, 36 MW Nabas Wind Project in Nabas and Malay, Aklan, and the 70 MW DC Tarlac Solar Project in Tarlac City. Copenhagen Energy is a Danish energy trader and developer of solar, onshore wind and offshore wind projects. ⁽⁷⁾

Even though Philippine's GDP grew by 7.6% in 2022 and some progress made in securing major G2G pledges; FDI inflows fell to \$9.2 billion in 2022, down 23% from \$11.9 billion in 2021. In 2022, only \$270 million came from China. The majority of FDI equity investments in 2022 targeted the manufacturing, information/ICT, financial services and real estate sectors. ⁽⁸⁾

Footnotes:

5. <https://www.philstar.com/headlines/2022/09/09/2208436/marcos-secures-p800-billion-investment-pledges-singapore-indonesia>
6. <https://investmentpolicy.unctad.org/investment-policy-monitor/measure/4130/philippines-allows-100-foreign-ownership-in-the-renewable-energy-sector-#:~:text=On%2015%20November%202022%2C%20the,a%2040%20per%20cent%20cap>
7. <https://www.offshorewind.biz/2022/11/08/petroenergy-and-copenhagen-energy-to-jointly-develop-offshore-wind-farms-in-the-philippines/>
8. <https://www.trade.gov/country-commercial-guides/philippines-investment-climate-statement>

2023

Marcos Jr's efforts in 2023 were again focused on securing large investments/pledges across industries:

Denmark



In April 2023, Copenhagen Infrastructure New Markets Fund (CINMF) signed three offshore wind service contracts with the DOE to develop 2GW of offshore wind assets across Camarines Norte and Camarines Sur, Northern Samar, Pangasinan and La Union.

The deal is expected to generate circa \$5 billion in investments and 4,500 green jobs. Once implemented, the projects are expected to generate enough power to supply about one million households, accounting for 4.7% of the current target capacity for offshore wind projects.

CINMF, an affiliate of Danish fund manager Copenhagen Infrastructure Partners (CIP), is the first fully-foreign-owned company to invest in offshore wind developments in The Philippines.⁽⁹⁾

Saudi Arabia



In October 2023, The Philippines and Saudi Arabia (in Riyadh for the first ASEAN -GCC Summit) signed over \$4.26 billion investment agreements- all focussed on training and employment opportunities across a wide range of professions but focussed on the construction industry and human resource/healthcare services.

- Al-Jeer Human Resources Co.(ARCO) signed with the Association of Philippine Licensed Agencies for the Kingdom of Saudi Arabia a \$3.7 billion agreement for human resource services
- \$120 million agreement signed involving Al Rushaid Petroleum Investment Co (KSA), Samsung Engineering NEC (Japan) and EEI Corp (Philippines) for construction export services. The deal involves the establishment of a “500 percent capacity” training facility for Filipino workers in the fields of masonry, carpentry, electrical, welding, equipment management, warehousing, steel fabrication and other construction-related craft starting 2024. The facility intends to train at least 2,000 Filipinos a year and more than 50,000 in the next five years.
- Maharah Human Resources (KSA) signed an agreement worth \$191 million each with the Philippines’ Staffhouse International Resources Corp. and E-GMP International Corp. for human resource services.

The partnership intends to extend to the renewable energy sector, with the Crown Prince mentioning the prospect of a Saudi company that produces solar panels for the Middle East and Africa investing in The Philippines although nothing specific was agreed at the time.

The Saudi representative added there would be a significant demand for Filipino health care workers in Saudi. During H1 2023, there were already an estimated 130,000 Filipino nurses working in Saudi Arabia – a number which is expected to increase as Saudi Arabia it ramps up investment in healthcare infrastructure.⁽¹⁰⁾

Japan



In early February, Marcos Jr and Prime Minister Kashida of Japan held a summit during which security, ODA infrastructure agreements and private sector agreements were signed. Kishida offered support to The Philippines Upper Middle Income Country (UMIC) status by 2025, through the active contribution of Official Development Assistance (ODA) and private-sector investment of JPY 600 billion (\$3.9 billion) in Japanese Fiscal Years 2022–2023.

While a number of PPP deals were discussed, two landmark transportations deals were signed in February; the \$1.7 billion loan North-South Commuter Railway Extension Project (Malolos to Clark International Airport and from Solis to Calamba) and \$680 million loan the North-South Commuter Railway from Malolos to Tutuban. NIDEC (global automotive/motors) agreed to invest \$500 million. There were also discussions involving, digitisation, semiconductors and healthcare. The two leaders also agreed to enhance defence and security cooperation through

Footnotes:

9. <https://copenhagenpe.dfa.gov.ph/index.php/newsroom/press-releases/317-danish-firm-signs-deal-to-develop-offshore-wind-assets-in-ph>

10. <https://www.philstar.com/headlines/2023/10/21/2305391/philippines-saudi-ink-426-billion-investment-deals>

bilateral consultations at all levels, including the Foreign and Defence Ministerial Meeting, the Vice-Ministerial Strategic Dialogue and the Political-Military (PM) Dialogue.⁽¹¹⁾

In December 2023, following the ASEAN-Japan Commemorative Summit in Tokyo, "fresh pledges" of 9 new MOUs with a total value of just under \$300 million were signed across a number of sectors including consumer, carbon credits, solar panels, internet and real estate – all were relatively small.

As at December 2023, out of the 34 LoIs and agreements signed with Japan in February 2023 amounting to P757.1 billion (or about \$13.7 billion), the actual investment at that date was only P169.7 billion (or \$3.1 billion).

Despite all the efforts and the multi-billion G2G pledges, 2023 inbound Philippines FDI again declined by 6.6%. FDI net inflows totalled \$8.9 billion in 2023, compared to \$9.5 billion in net inflows in 2022 and circa \$12 billion in 2021. Inflows were from Japan, the USA, Singapore, and Germany, mainly in manufacturing, real estate, and financial and insurance sectors.⁽¹²⁾

2024

In January 2024, Copenhagen Infrastructure Partners (CIP-Denmark) announced that plans to invest \$1.92 billion in an offshore wind farm development off the coast of the Philippines. Northern Samar Governor met with CIP's executives to discuss plans for the 650MW North Samar wind project. The turbines of the wind farm would be built off the coast of Bobon, Catarman, Mondragon, San Roque, Pambujan, and Laoang municipalities.

The project is currently in the pre-development phase and site investigations are expected to begin in 2024 and continue through 2025. Discussions are also underway with the National Grid Corp to secure grid connection points.

CIP became the first foreign investor to be granted site exclusivity in The Philippines once foreign ownership of renewables was authorised in November 2022. In March 2023, it became the first 100% foreign-owned company to be awarded renewable energy service contracts in the country

Additionally, CIP has applied to register other offshore wind projects, aiming to install circa 1,000 MW off the coast of Camarines Norte and Camarines Sur and 350 MW of Pangasinan and La Union. The company is determined to finalise all of its offshore wind projects in the country during the term of President Marcos Jr.⁽¹³⁾

Performance to Date (June 2022 – February 2024)

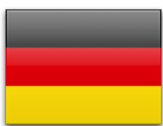
As at February 2024, 46 projects involving \$14.2 billion or 20% of the total pledges from the G2G meetings of President Marcos Jr in various countries over the past 16 months, are already operating, have completed the process of registering the project with DTI's Investment Promotion Agencies, or have commenced implementation. These investments are in the manufacturing, IT-BPM, renewable energy, infrastructure, transport and logistics, agriculture and retail sectors. According to the DTI, a total of \$72.2 billion in investments (148 projects) at different stages were recorded as of December 2023.⁽¹⁴⁾

In March 2024, The Philippines received \$5 billion in investment pledges: \$4 billion from German companies (the majority in wind) and \$1 billion from US companies.⁽¹⁵⁾

Footnotes:

11. <https://japan.kantei.go.jp/content/000122825.pdf>
12. <https://english.news.cn/20240311/df9e28d820504462b5e4f00f00231c76/c.html#:~:text=The%20Bangko%20Sentral%20ng%20Pilipinas,net%20inflows%20recorded%20in%202022>
13. <https://renewablesnow.com/news/cip-to-invest-usd-192bn-in-650-mw-philippine-offshore-wind-project-847027/#:~:text=Danish%20investment%20firm%20Copenhagen%20Infrastructure,government%20of%20Northern%20Samar%20province>
14. <https://www.gmanetwork.com/news/money/economy/897125/dti-14-b-investments-actualized-from-marcos-trips/story/>
15. <https://www.dti.gov.ph/news/philippines-germany-celebrate-record-investments-bilateral-cooperation-2nd-joint-economic-commission-meeting/#:~:text=This%20momentum%20continued%20with%20Germany,billion%2C%E2%80%9D%20Secretary%20Pascual%20highlighted>

Germany



WPD, a leading German developer and operator of wind and solar PV projects across 3 continents, pledged major investments both for offshore wind and onshore for the largest component. DTI said WPD is undertaking pre-development activities for five onshore projects, focussed in the Ilocos Region, Aklan, Iloilo, Antique and Bulacan, with an estimated investment value of P56 billion, combined capacity of 565MW and completion dates between 2027 and 2030. This P56 billion investment is separate from the \$4 billion investments pledged to Marcos during his visit to Germany.

As noted, WPD (which sold its offshore wind business to Global Infrastructure Partners) pledged an investment of PHP392.4 billion establishing offshore wind farms in Cavite, Negros Occidental and Guimaras. This is the single biggest investment from Germany to date, according to the DTI.⁽¹⁶⁾

There were also a number of other investment/projects agreed with much smaller amounts:

- Ayala Corp.'s AC Industrials and Bosch Philippines signed a MOU that seeks to explore mobility solutions. Bosch supports ACMobility's (local JV partner) goal of building The Philippines first and the largest EV platform. Bosch also expressed interest in investing in the Philippines' public utility vehicle (PUV) modernization program.
- Lufthansa Technik Philippines (LTP) plans to construct a second hangar at the Clark International Airport (CIA), valued at \$150 million, to enhance its aircraft maintenance, repair, and overhaul (MRO) operations. This is done in potential partnership with Maharlika Investment Corp. (MIC), complementing LTP's existing technical base and hangar at the Ninoy Aquino International Airport (NAIA) in Manila.
- Siemens, through its local subsidiary Siemens Healthcare Inc. (Siemens Healthineers), plans to establish the Siemens Healthineers Training Center, a facility envisioned to respond to the growing need for advanced healthcare imaging and cancer care solutions within the ASEAN region. In addition, Siemens Healthineers plans an Innovation Think Tank to drive innovation in collaboration with The Philippines government and the local academies.

The broadened investment dialogue with Germany was beginning to produce results. In 2023, FDI from Germany increased substantially to \$150 million, the highest since 2005. German companies have also recognized The Philippines as a production and sales hub for German companies in ASEAN.

USA



A delegation of 22 US companies and organizations pledged circa \$1 billion in investments focussed in IT/communications, renewable (hydrogen and SMRs) and training in cybersecurity.

Specific deals/pledges:

- KKR agreed to invest \$400 million to develop and acquire roughly 2,000 telecoms towers in Pinnacle Towers, which it described as the largest independent tower operator in the Philippines. KKR acquired a stake in Pinnacle Towers in 2020 to strengthen its position in The Philippines and designed to boost digital connectivity across the Philippines. In 2023, KKR acquired 1,012 towers from PLDT through Frontier Tower
- Ally Power, a US hydrogen production company developing stations responsible for recharging hydrogen fuel cell and electric battery vehicles, announced it will work with MPower, the local electricity arm of Manila Electric Co. (Meralco), to build a \$400 million hydrogen and electric refuelling station in the Philippines.

In other non-financial agreements:

- Meralco signed a cooperation agreement with Ultra Safe Nuclear Corporation (USNC) to study the potential deployment of one or more Micro-Modular Reactor (MMR) Energy Systems. The MMR is a 45 MW thermal, 15 MW electrical high-temperature gas-cooled reactor
- Microsoft announced its commitment to accelerate the effective use of AI in The Philippines by advancing skills, connectivity and cyber resilience to equip more than 100,000 Filipino women learners with AI and cybersecurity skills.
- United Airlines announced a new service between Cebu, Philippines, and Tokyo.⁽¹⁷⁾

Footnotes

16. <https://www.magzter.com/es/stories/newspaper/The-Philippine-Star/P56-B-IN-THE-PIPELINE-FOR-PHL-WIND-PROJECTS>

17. <https://www.businesstimes.com.sg/international/asean/philippines-gets-us-5-billion-investment-pledges-german-us-companies>

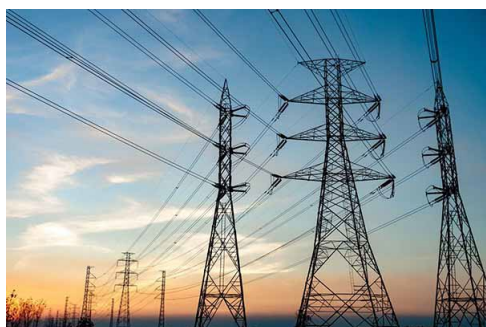
Even before the actual meetings, Marcos implored the USA to dig deep to help support his 198 high-impact priority infrastructure flagship projects totalling \$148 billion.

While US investors made pledges across the requested sectors (led by energy and communications), the \$1 billion total was the lowest of all G2G agreements to date post Marcos election.⁽¹⁸⁾

Separate from G2G efforts, The Philippines have targeted future growth in its casino sector for both defensive and growth reasons. Both foreign and domestic firms are expected to invest much as \$6 billion in the Philippines' casino sector over the next five years. This is an increasingly regional sector which is becoming more competitive- and Philippines needs to protect its current share. Offensively, Philippines plans to open at least one new casino-resort will every other year, in Manila as well as in areas like Clark (a former US military base), and Cebu (central) both to diversify the industry and attract visitors to different parts of The Philippines .

The Philippines is expected to hit its target of \$8-9 billion in total gross gaming revenue (GGR) by 2027, a year earlier than expected, reflecting its high growth and importance to the economy.⁽¹⁹⁾

ASEAN Power Grid – Philippines Important Role



In November 2023, ASEAN industry ministers met calling for greater interconnectivity in the region through the expansion of the ASEAN Power Grid and the Trans-ASEAN pipeline, which includes LNG infrastructure. They welcomed the Brunei Darussalam-Indonesia-Philippines Power Integration Project (BIMP-PIP) as a potential multilateral power trading project.

Interconnecting national power systems to enable power trade is a key strategy of ASEAN to strengthen energy security and shift to renewables through efficient resource sharing. Indonesia's Minister of Energy and

Mineral Resources, who chaired the meeting, said energy demand in Southeast Asia's rapidly growing economies is increasing by 3% annually, and two-thirds of the energy demand could be met by renewables.

The importance of LNG in energy transition was discussed with the focus on expanding the region's gas distribution network through the development of new re-gasification terminals. This also includes LNG bunkering and small-scale LNG distribution networks to connect and supply at least 8 member states by 2025.

The Trans-ASEAN Gas Pipeline is key to the creation of a common gas market, which is expected to "increase the security of natural gas supply, reduce carbon emissions, and inject competition into the regional gas market," according to a policy brief from the ASEAN Center for Energy.⁽²⁰⁾

Philippines will have an important role in the LNG component of the BIMP-PIP, putting more pressure on Marcos to raise capital not only for domestic use, but also for its regional ASEAN role.

The Philippine government gas and power companies intend to make LNG a central energy source and had plans to build at least 12 LNG terminals and 35 gas-fired power plants for the past few years. However as recently as 2021, The Philippines did not have a single operating LNG facility. The first LNG terminal of The Philippines began operating in April 2023 (other LNG projects are now facing major delays)⁽²¹⁾.

In March 2024, three Philippines energy companies launched The Philippines first integrated LNG facility in Batangas. The \$3.3 billion project is a JV between Meralco PowerGen (MGen), Aboitiz Power (AP) and San Miguel Global Power (SMGP). The JV will acquire the LNG import and re-gasification terminal of Linseed Field, a LNG company AG&P (Singapore), which recently bought Nebula Energy (US). The terminal will play a key role in The Philippines energy infrastructure, receiving, storing and processing LNG to fuel power plants.⁽²²⁾

Footnotes

18. <https://tribune.net.ph/2024/03/11/us-pledges-investments-of-1b-in-ph/>

19. <https://www.bangkokpost.com/business/investment/2761178/philippines-sees-up-to-6-billion-of-investments-in-casino-sector-in-next-5-years>

20. <https://seads.adb.org/solutions/energy-ministers-push-expansion-asean-power-grid-and-trans-asean-gas-pipeline>

21. <https://gogel.org/philippines-lng-boom-verde-island->

[passage#:~:text=The%20first%20LNG%20terminal%20of%20the%20Philippines%20began%20operating%20in%20April%202023.&text=Many%20of%20the%20other%20LNG,countr%20are%20facing%20major%20delays.&text=All%20of%20the%20projects%20will%20rely%20on%20imported%20LNG](https://www.offshore-technology.com/news/philippines-companies-lng-facility-iv/)

22. <https://www.offshore-technology.com/news/philippines-companies-lng-facility-iv/>

Closing out Marcos Jr's 2nd Year

Despite all the G2G agreements and project pledges signed, as his 2nd year in office ended, Marcos was still well short of even the pledges –much less the actual funding -required to fund even his high priority projects. With this background, in April 2024, he met with President Biden and Kishida in Washington. Collectively the 3 countries discussed \$100 billion in investments into Philippines; however, over the next 5-10 years. ⁽²³⁾

The summit announced the formation of the first-ever Partnership for Global Infrastructure and Investment corridor in the Asia Pacific, called the Luzon Economic Corridor. It will connect Manila to Luzon, Philippines biggest island, the US's former Subic naval base, the former Clark airbase and Batangas province. Subic, one of the few deep-water ports that can accommodate any size of vessel (and safe from typhoon), and Clark are "very strategic" locations that can host industries from logistics to manufacturing. ⁽²⁴⁾

During the summit, Biden told the other two leaders: "I want to be clear. The United States' defence commitments to Japan and The Philippines are ironclad. Any attack on Philippine aircraft, vessels or armed forces in the South China Sea will invoke our Mutual Defence Treaty." ⁽²⁵⁾

Only afterwards did Biden discuss how the US government would help The Philippines develop key economic areas such as its semiconductor supply chain and telecommunications. However, these are not near term solutions; while the minerals for semiconductors exist, the infrastructure does not and the locals lack training. The USA also offered new energy assistance in small modular reactors (SMRs). However, as with semiconductors, most of these will not become operational until after 2028 –after Marcos first term in office.

One of the key goals of the summit was for the USA was to invite Japan and The Philippines to build a common defence network with an increased focus on small islands near Taiwan. In this regard, the three nations said they intend to identify and implement opportunities for combined military training with Southeast Asian regional partners through combined naval training and exercises between the three countries and additional partners, and by coordinating US and Japanese support for Philippine defence modernization priorities. A maritime training activity around Japan in 2025 is being planned. ⁽²⁶⁾

Replacing Chinese Funding for 3 Projects Over \$1 billion



In 2023, The Philippines said that it would no longer pursue Chinese loans to fund three projects, including the 71km \$868 million Subic-Clark freight railway, which will link the former US military bases turned commercial hubs, and form part of the Luzon Economic Corridor. Thus, Philippines are currently looking towards the US and Japan to complete this project. "If not them, maybe South Korea, or other countries that are friendly to us". The Philippines government is also considering seeking funding from the World Bank and Asian Development Bank (ADB). ⁽²⁷⁾

Footnotes

23. <https://www.aljazeera.com/economy/2024/4/13/marcos-jr-treads-fine-line-with-china-as-philippines-deepens-us-japan-ties>
24. <https://solarquarter.com/2024/04/12/philippines-eyes-100-billion-investment-with-focus-on-energy-following-trilateral-talks-with-us-and-japan/>
25. <https://news.usni.org/2024/04/12/biden-affirms-ironclad-commitment-to-japan-philippines-china-protests-multilateral-naval-drills>
26. <https://www.ispionline.it/en/publication/why-the-us-is-inviting-japan-and-the-philippines-to-build-a-common-defence-network-169674>
27. <https://www.japantimes.co.jp/business/2024/04/20/philippines-rail-project-us-japan-china/>



Other projects which require financing in the Luzon Economic Corridor include the construction of Clark International Airport's second runway (cost circa \$174 million) and a 64 hectare Clark National Food Terminal hub, to become a leading agricultural regional hub (cost circa \$152 million).

Marcos has stated publicly he needs \$148 billion to fund high priority projects (we believe these to be domestic and not regional ASEAN deliverables); our review of efforts to date have produced the following:

- Indonesia (September 2022) – \$8.5 billion – over the next 5 years
- Singapore (September 2022) – \$6.5 billion – over the next 5 years
- Copenhagen Infrastructure New Markets Fund (CINMF) (April 2023) – \$5 billion
- Saudi Arabia (October 2023) – \$4.3 billion – HR training (not infrastructure or energy)
- Japan (February, December 2023) – \$14.3 billion (\$3.1 billion invested by December 2023)
- Copenhagen (January 2024) – \$1.92 billion – site investigations only 2024-2025
- USA (March 2024) – \$1 billion
- Germany (March 2024) – \$4 billion – largest not completed until 2027 -2030
- Japan and USA (April 2024) – \$100 billion- but over the next 5-10 years

As at February 2024, 46 projects involving \$14.2 billion or 20% of the total pledges generated from Marcos trips in various countries since September 2022 are already operating, have completed the process of registering the project with DTI's Investment Promotion Agencies, or have commenced implementation.

Based upon the above analysis, it does not appear that Marcos Jr will be able to raise adequate funding to fund a substantial part of his planned \$148 billion programme over his remaining 4 years in this term. As of March 2024, he was already facing a \$43 billion funding gap. Further, his largest pledges are linked to increased military presence by USA and Japan and are over a 5-10 year period. As a result, we believe that Marcos Jr has a huge job explaining this significant priority infrastructure funding gap and delay in energy transition but increased foreign military presence (USA build 4 new military bases on top of existing 5), to those who voted him into office only two years ago.