



Chinese Investors Interested in Strategic Philippine Islands

OE Watch Commentary: Chinese investors are investing in three Philippine islands. As the accompanying passage from a Philippine news source explains, the moves are concerning due to the strategic implications of the islands.

Fuga Island, north of the main island of Luzon, is part of the Batanes Group, an archipelago that stretches north toward Taiwan. The area is a strategic east-west bottleneck between the South China Sea and Pacific. It also has been a transit point between Taiwan and the Philippines. One leg of the Imperial Japanese Army's invasion of the Philippines during WWII, for example, transited the area as forces were moved from Formosa (Taiwan).

One Philippine military official interviewed for the article suggested “We could become an accessory to China’s attempt to take over Taiwan. The current threat to Taiwan is currently from the west. If China establishes its footprint in Fuga, the threat would also be from the south.”

The other two islands at the center of the investment controversy are Grande Island and its much smaller islet Chiquita, which sit in the Subic Bay Freeport Zone, formerly a major US naval base. The island’s location is also of concern due to its proximity to disputed areas in the West Philippine Sea and Scarborough Shoal claimed by China (see map).

While the companies that have expressed interest in investing in these islands have stated they are for agricultural and tourist purposes, Philippine observers are wary. The article notes that Chinese investment in Cambodia, ostensibly for economic purposes, has increasingly drawn skepticism, particularly given 3,400-meter runway and deep-water port under construction—features not typical to tourist destinations.

Chinese investment has been welcomed by the current Philippine administration, and multi-billion dollar assistance and development packages are key to reaching election pledges related to poverty reduction. However, the article notes that recent surveys have shown that trust for China has decreased in the face of ongoing tensions in the South China Sea—including the sinking of a Philippine fishing boat. The Philippines had also protested Chinese maritime survey activity conducted in the Benham Rise, an area of elevated undersea features to the east of Luzon.

While the power of Chinese investment has given China significant sway in the Philippines, strategic concerns about their long-term implications for national security are rising. **End OE Watch Commentary (Wood)**



“Areas of interest to China within the Philippines” by Peter Wood

“For the Philippine Navy, Fuga and all other features in the Batanes Group of Islands are considered “strategic features” because “they can potentially control access to Luzon Strait.”



Continued: Chinese Investors Interested in Strategic Philippine Islands

Source: “Frances Mangosing, “Chinese investors eye 3 PH isles,” *Inquirer.net [Philippines]*, 5 August 2019. <https://globalnation.inquirer.net/178612/chinese-investors-eye-3-ph-isles>

Chinese investors are targeting three strategic islands in the northern Philippines for transformation into economic and tourism zones.

The islands — Fuga in Cagayan province, and adjacent Grande and Chiquita in Subic Bay, Zambales province — play significant roles in the country’s national security, according to military officials.

Fuga Island, part of the country’s second northernmost island group, provides access to the Pacific Ocean and the South China Sea, while Subic Bay is just 260 kilometers from Panatag Shoal that China seized from the Philippines in 2012.

The Philippines secured \$12.16 billion worth of investments as part of the 19 business deals signed between Filipino and Chinese companies on the sidelines of President Rodrigo Duterte’s visit to Beijing in April for the Belt and Road Initiative forum. ...

One agreement is for a proposed \$2-billion “Smart City” to be built by Xiamen-based Fong Zhi Enterprise Corp. on Fuga Island.

The Chinese company hopes to build an agriculture breeding center and soil improvement project, medical schools and a high-tech industrial park, according to the Cagayan Economic Zone Authority (Ceza), which supervises the development of the island. ...

Aside from the \$2-billion Fuga project, Ceza has obtained \$1.9 billion worth of committed projects in other parts of Cagayan, which is strategically located at the country’s northeastern tip.

The 10,000-hectare Fuga Island is a quiet, coastal town in Babuyan archipelago, the second northernmost island group in the Philippines. Its location provides access to both sides of the Pacific Ocean and the South China Sea. ...

For the Philippine Navy, Fuga and all other features in the Batanes Group of Islands are considered “strategic features” because “it can potentially control access to Luzon Strait.”

“It is one of the rationales for establishing a presence on Mavulis Island at the border with Taiwan,” said the Navy spokesperson, Capt. Jonathan Zata, referring to the naval detachment launched in the northernmost part of the Philippines this year.

Fuga Island is also considered “unique” by the Navy for its private airfield on one of the adjacent islets and lies astride a telecommunications submarine cable connecting the country with mainland Asia.

In the country’s northwestern side, GFTG Property Holdings and Sanya CEDF Sino-Philippine Investment Corp. forged an agreement for a \$298-million project to develop the adjacent Grande and Chiquita islands under the Subic Bay Metropolitan Authority. It was also one of the deals signed in April.

Subic Bay, a former US military base until it closed in 1992, is about 260 kilometers from the Chinese-controlled Panatag Shoal in the West Philippine Sea, waters within the country’s exclusive economic zone in the South China Sea.

Both Grande and Chiquita served as key defenses of Spain and the United States during their colonization of the Philippines.

Grande Island sits at the mouth of Subic Bay and served as an important naval fortification for the United States during World War II.

On the western side of the Philippines, Beijing has been flexing its military muscle to have effective control of the South China Sea, one of the biggest potential flashpoints in the region. ...

A Chinese presence on the island would allow unrestricted access to both the Pacific Ocean and the South China Sea and could drag the Philippines in a possible China-Taiwan conflict, he said. ...

Defense Secretary Delfin Lorenzana said his office had not been consulted by the business sector on the security implications of the Chinese investments. “I’ll have the intel make an assessment,” he said.