

EIGHTEENTH CONGRESS OF THE )  
REPUBLIC OF THE PHILIPPINES )  
*Second Regular Session* )



**SENATE**

**P. S. Res. No. 512**

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Introduced by Senator Ralph G. Recto

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**RESOLUTION**

**URGING THE EXECUTIVE DEPARTMENT TO REFRAIN FROM INCREASING THE COUNTRY'S DEBT EXPOSURE TO CHINA, WITH THE END IN VIEW OF PROMOTING TRANSPARENCY, SAFEGUARDING DEBT SUSTAINABILITY, AND PRESERVING AND PROTECTING NATIONAL INTEREST**

*Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:*

1           WHEREAS, On 12 July 2016 the Permanent Court of Arbitration (PCA) said an  
2 Arbitral Tribunal has ruled in favor of the Philippines in the arbitral proceedings it  
3 instituted against China on 22 January 2013, and has concluded that "as between the  
4 Philippines and China, there was no legal basis for China to claim historic rights to  
5 resources, in excess of the rights provided for by the Convention, within the sea areas  
6 falling within the 'nine-dash line'", further the Tribunal has found that "China had  
7 violated the Philippines' sovereign rights in its exclusive economic zone by (a)  
8 interfering with Philippine fishing and petroleum exploration, (b) constructing artificial  
9 islands and (c) failing to prevent Chinese fishermen from fishing in the zone";

10           WHEREAS, On 13 July 2020, four (4) years after the PCA's decision favoring  
11 the Philippines, the Embassy of China in the Philippines released a statement that "the  
12 South China Sea Arbitration and its so-called award are illegal and invalid", further it  
13 stated that "China-Philippines relations have maintained healthy and steady  
14 momentum, with exchanges and cooperation in various fields making continuous  
15 progress. This serves the fundamental interests of the two peoples and contributes to  
16 peace and stability in the South China Sea; It is hoped that the Philippines could make

1 concerted efforts with China in jointly securing the hard-won sound momentum of  
2 bilateral relations and upholding peace and stability in the South China Sea”;

3 WHEREAS, In spite of the claims for upholding peace and stability in the South  
4 China Sea, China has continued, according to the US Government, “to dredge and  
5 reclaim more than 3,000 acres on disputed features in the South China Sea,  
6 destabilizing the region, trampling on the sovereign rights of its neighbors, and causing  
7 untold environmental devastation”, further the US Government has stated that China  
8 state-owned enterprise China Communications Construction Company and its  
9 subsidiaries “have engaged in corruption, predatory financing, environmental  
10 destruction, and other abuses across the world”;

11 WHEREAS, According to Filipino marine scientists, the Philippines is losing  
12 around 33.1 billion Philippine Pesos (PhP) per year from damages sustained by the  
13 reef ecosystems in the Panatag Shoal and the Spratly Islands from China’s widespread  
14 reclamation and illegal fishing activities; according to a Marine Scientist from the  
15 University of the Philippines Marine Science Institute, the loss of PhP33.1 billion might  
16 seem large, but this is just a “conservative estimate” considering the rich marine  
17 diversity in the Philippines;

18 WHEREAS, The Philippine Statistics Authority estimated that the ocean  
19 economy amounted to PhP622.6 billion in 2018, translating to a 3.6% share to Gross  
20 Domestic Product (GDP); of this amount, ocean-based activities in the fishing industry  
21 accounted for the largest share with PhP181.1 billion or 29.1% of the total ocean-  
22 based activities;

23 WHEREAS, The Center for Strategic and International Studies has estimated  
24 that 3.4 trillion United States Dollars (USD) in trade passed through the contested  
25 South China Sea in 2016—where the US Energy Information Agency estimates there  
26 are also about 190 trillion cubic feet of natural gas and around 11 billion barrels of oil  
27 in proved and probable reserves, and where 12% of the global fish catch was  
28 accounted for in 2015;

29 WHEREAS, A Professor from the National Center for Coral Reef Research at the  
30 University of Miami has documented more than 25,000 acres of damage to shallow  
31 reef surfaces as a result of Chinese clam extraction activities as of 2016—this is

1 compared to around 15,000 acres damaged by China for dredging and landfill activities  
2 for the creation of its artificial islands;

3 WHEREAS, According to the Asia Maritime Transparency Initiative (AMTI),  
4 Chinese clam poachers transport endangered clam shells to Hainan province where  
5 they are sold for thousands of dollars in a market for jewelry and figurines, with the  
6 clam meat discarded into the sea—their poaching activity wiping out reefs and  
7 threatening food security and livelihood of coastal areas in the South China Sea;

8 WHEREAS, On the early morning hours of 09 June 2019, F/B Gem-Ver, a  
9 Philippine fishing boat anchored in the Recto Bank inside the Philippines' Exclusive  
10 Economic Zone (EEZ) sank after being hit by Yuemaobinyu 42212, a Chinese vessel,  
11 immediately abandoning the stricken boat's 22 crew members;

12 WHEREAS, As of 2019, the Department of National Defense has spotted at least  
13 fifteen (15) Chinese research vessels in Philippine waters; in August 2020, two (2)  
14 Chinese research vessels were spotted near the Recto Bank—one of which was inside  
15 the Philippines' EEZ;

16 WHEREAS, Chinese research vessels conducting scientific survey inside the EEZ  
17 must seek permission from the Philippine government in line with the United Nations  
18 Convention on the Law of the Sea (UNCLOS), which according to the Philippine Navy  
19 they did not secure;

20 WHEREAS, According to AMTI's China Island Tracker, China now has seven (7)  
21 outposts in the Spratly Islands which includes the Calderon Reef, Kagitingan Reef,  
22 Burgos Reefs, McKennan Reef, Panganiban Reef, and Zamora Reef, and twenty (20)  
23 outposts in the Paracel Islands; it has also seized the Panatag Shoal in 2012 through  
24 a constant coast guard presence;

25 WHEREAS, In a list of diplomatic protests prepared by the Department of  
26 Foreign Affairs (DFA) that the Philippine Daily Inquirer obtained, as of 06 March 2020,  
27 the Philippine government has sent at least 45 diplomatic protests over Chinese  
28 activities in the West Philippine Sea since 2016—these include the intrusion of  
29 government and civilian militia Chinese vessels which was protested eighteen (18)  
30 times; the harassment of Filipino fisherfolk by the Chinese Navy, Coast Guard, and  
31 Militia protested eight (8) times; China's construction of new structures in its artificial  
32 islands protested five (5) times; radio warnings against Philippine Maritime patrols

1 protested six (6) times; warning shots at Philippine fishing boats, China's destructive  
2 activities in the West Philippine Sea for fishing and harvesting of endangered giant  
3 clams four (4) times; the fishing ban enforced by China in waters part of the  
4 Philippines' EEZ; and the ramming of the Philippine fishing vessel by a Chinese vessel  
5 in the Recto Bank in June 2019;

6 WHEREAS, According to a Kiel Institute for the World Economy Working Paper,  
7 China has turned into the largest official creditor, surpassing the International  
8 Monetary Fund and the World Bank, with the growth of its direct loans and trade  
9 credits from almost zero in 1998 to USD1.6 trillion or close to two percent (2%) of the  
10 world GDP in 2018;

11 WHEREAS, The Philippines has signed two (2) loan agreements with China,  
12 namely: the USD62.1 million for the Chico River Pump Irrigation Project, the first  
13 flagship infrastructure project to be financed by China under the "Build, Build, Build"  
14 Program and the USD211.2 million for the New Centennial Water Source – Kaliwa  
15 Dam;

16 WHEREAS, In a Senate Hearing on the Construction of the Kaliwa Dam  
17 conducted on 27 August 2019, it was revealed that there are irregularities in the  
18 bidding and vetting procedures for the said project tantamount to a negotiated  
19 contract; in a *note verbale* from China, the arrangement between the Philippine and  
20 Chinese governments is that the bidding should be a limited competitive bidding  
21 among three (3) Chinese contractors;

22 WHEREAS, Chinese overseas lending activities particularly to low- and middle-  
23 income countries have been widespread but have largely been obscure, with details  
24 of the extent of sovereign loans, their terms and conditions, remaining to be hidden  
25 from public records;

26 WHEREAS, The characteristics of loans extended by China are typically high  
27 interest rates with short maturities and grace periods, usually backed by collateral  
28 clauses where debt repayments are secured through revenues or national assets; this  
29 is in sharp contrast to other government lenders and multilateral lending institutions  
30 which offer loans at concessional rates with longer maturity and more generous grace  
31 periods;

1           WHEREAS, With debt distress among its Belt and Road Initiative (BRI)  
2 borrowers, China has typically responded to debt relief on a case-by-case basis and  
3 has refrained from participating in multilateral approaches; further, it does not disclose  
4 information on details of bilateral debt agreements compared to other government  
5 lenders and multilateral lending institutions which have shown transparency in debt  
6 relief initiatives;

7           WHEREAS, an official in the research arm of China’s Ministry of Commerce has  
8 expressed in a newspaper controlled by the Communist party that debt relief is “not  
9 simple or effective; what China could do to help is bring projects funded by loans back  
10 to life and realize sustainable profits, instead of measures as simple as offering write-  
11 offs”;

12           WHEREAS, In 2011, China reportedly agreed to write off an unknown amount  
13 of debt owed by Tajikistan in exchange for some 1,158 square kilometers of disputed  
14 territory near its border with China’s Xinjiang province;

15           WHEREAS, In 2017, when Sri Lanka was faced with the difficulty of paying off  
16 loans taken from China for the construction of the Hambantota Port, the Sri Lankan  
17 government gave China controlling equity stake and a 99-year lease to the port;

18           WHEREAS, China, even with its rapidly expanding role in overseas lending  
19 activities, remains an ad hoc member of the Paris Club, which tracks sovereign  
20 borrowing from official bilateral creditors such as sovereigns, thus allowing China to  
21 be un beholden to the standard disclosure requirements and showing its level of  
22 willingness to change its obscure overseas lending practices;

23           WHEREAS, China continued its South China Sea activities in the middle of the  
24 world’s fight against the COVID-19 pandemic, including the establishment of two (2)  
25 new districts in the South China Sea: the Xisha District, which covers the Paracel  
26 Islands and Macclesfield Bank, and the Nansha District, which covers the Spratly  
27 Islands—the latter will operate from the Kagitingan Reef;

28           WHEREAS, the DFA filed a diplomatic protest on the establishment of said  
29 districts, protesting the illegal designation of the Kagitingan Reef, which is part of the  
30 Kalayaan Island Group, as the administrative center of the Nansha District;

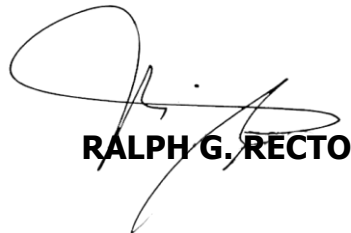
31           WHEREAS, On 26 August 2020, China launched two (2) missiles into the South  
32 China Sea, landing in an area between Hainan Province and the Paracel Islands; the

1 launch came as the US Government announced trade sanctions on Chinese state-  
2 owned enterprises and its subsidiaries, engaged in the BRI projects involving  
3 developing countries, for helping China dredge and construct artificial islands in the  
4 South China Sea;

5 WHEREAS, The 1987 Constitution mandates that in the State's relations with  
6 other States, the paramount consideration shall be national sovereignty, territorial  
7 integrity, national interest, and the right to self-determination; Now, therefore, be it

8 RESOLVED BY THE SENATE, as it is hereby resolved, To urge the Executive  
9 Department to refrain from increasing the country's further debt exposure to China  
10 with the end in view of promoting transparency, safeguarding debt sustainability, and  
11 preserving and protecting national interest.

Adopted,



**RALPH G. RECTO**

/FMPC