

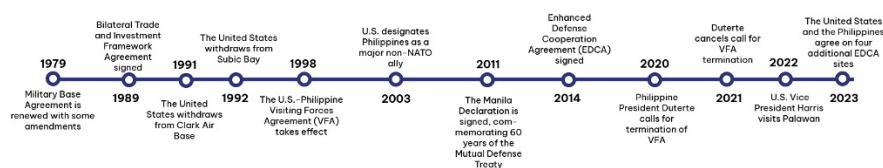


President Marcos' Trip to Washington Opens Investment Opportunities

Philippine President Ferdinand Marcos Jr.'s and his delegation's engagements in Washington last week focused on two priorities: (1) enhancing U.S.-Philippine trade and investment ties and (2) gaining reassurance that the Mutual Defense Treaty (MDT) satisfies the Philippines' evolving security needs. The Biden administration followed through with several initiatives to meet those objectives, many of which will facilitate greater investment in the Philippines, especially in sectors like clean energy, agriculture, digital transformation and technology, supply chains, and infrastructure.

Marcos's May 1 White House visit – the first by a sitting Philippine President in over a decade – yielded several economic announcements, including the first-ever Presidential Trade and Investment Mission to the Philippines. The mission will take place sometime next year and will be led by U.S. Secretary of Commerce Gina Raimondo. Both sides also announced plans to co-host the Indo-Pacific Business Forum in Manila in 2024 and open an open RAN 5G interoperability lab in the Philippines.

Key Bilateral U.S.-Philippine Developments, 1979 - Present



Visit Headlined by New Economic and Investment Deals

The Philippine delegation focused on international investment, particularly related to energy, climate, agriculture, digital transformation and technology, supply chains, and infrastructure. Marcos witnessed the signing of numerous agreements while in Washington, including Moderna's plans to **establish** its third global production facility in the Philippines. On the energy front, U.S. companies signed agreements to **invest** USD 900 million in solar energy, **establish** a USD 65 million electric motorcycle manufacturing facility, and **explore** opportunities for civil nuclear energy in the Philippines. The visit also previewed future U.S. plans, including the U.S. Trade and Development Agency's USD three billion initiative to strengthen Philippine infrastructure, including critical mineral supply chains, advanced smart-grid technologies, and clean energy solutions.

TAG Take: The Biden administration's willingness to focus on economic ties last week demonstrates Washington's recognition that closer ties are dependent on support for Marcos's economic and social welfare priorities. U.S. officials are exploring opportunities to expand investment in renewable energy in the Philippines. The Biden administration will make additional announcements on bilateral clean technology cooperation and private sector upskilling initiatives later this year.

While last week's visit highlighted significant progress, key sticking points remain. Marcos publicly and privately called for Congress to re-authorize the General System of Preferences, which before expiring in December 2020 removed tariffs on Philippine products exported to the United States. But discussions during his May 3 meeting with lawmakers primarily focused on defense ties, and Congress – which has other legislative priorities – is reticent to take a political hit for liberalizing trade. The Biden administration also declined Marcos' request to begin negotiations for a bilateral free trade agreement, focusing instead on the Indo-Pacific Economic Framework (IPEF).

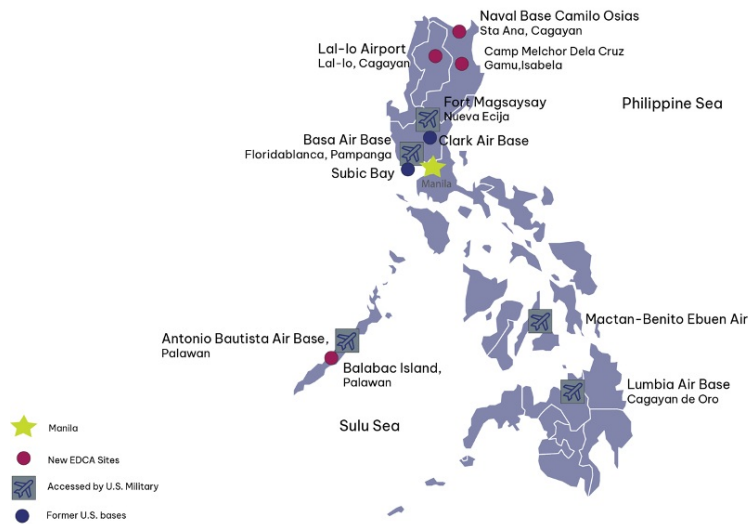
The relationship is further complicated by perennial concerns about human and labor rights, compounded by continuing pressures from a segment of the Filipino diaspora. TAG sources suggest, however, that U.S. officials are cautiously optimistic on both fronts, citing candid and open discussions during meetings this week with President Biden and Vice President Harris. If successfully implemented, Marcos' April 30 Executive Order on protecting workers' rights and ongoing labor-related negotiations under the IPEF could help address the remaining concerns.

Defense Announcements Mostly Reinforce Status Quo

During President Marcos and Officer-in-Charge of the Department of National Defense Carlito Galvez Jr.'s meeting with U.S. Secretary of Defense Lloyd Austin at the Pentagon last Wednesday, they focused

on ways to revitalize the alliance. Following the meeting, the Pentagon **released** the first Bilateral Defense Guidelines, publicly reiterating the parameters of the defense relationship and outlining the next steps to deepen cooperation, including on cybersecurity and the development of a Security Sector Assistance Roadmap. Both sides also discussed recently announced plans to expand the Enhanced Defense Cooperation Agreement (EDCA) to include four new sites in the Philippines, as well as opportunities to expand trilateral defense ties with Australia and Japan. Further announcements on formal trilateral ties are expected later this year.

U.S. MILITARY BASES ACROSS THE PHILIPPINES



TAG Take: These defense engagements represent the culmination of an intensive ten-month re-engagement effort by both sides following Marcos's election. The defense guidelines largely reinforce existing defense ties but convey a powerful message to Beijing regarding U.S. commitment to the Philippines. TAG sources suggest that the ease of negotiations on sensitive topics, including Taiwan and Ukraine, demonstrates a new, shared regional outlook. Nevertheless, Manila remains cautious on long-term U.S. commitments should a new U.S. administration take office after the 2024 election.

Manila's attention now will turn to Beijing, with tensions between China and the Philippines at their highest point in recent years. Senior Chinese officials will likely perceive the combined economic and defense-related announcements in Washington as especially provocative. In the short-term, China's response will likely be limited, with a possible uptick in grey zone operations and maritime intimidation. But as U.S.-Philippine relations deepen, China may opt for more extensive economic measures, as when Beijing reduced imports of Philippine bananas following Manila's 2013 filing of an arbitral tribunal case challenging China's claims in the South China Sea. Nonetheless, the Marcos administration believes that deeper bilateral cooperation with the United States has strengthened its position vis-à-vis China.



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