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## Meet Ferdinand Marcos Jr., President of the Philippines

Seven short weeks ago, we published a [report on the brewing tensions between China and the Philippines](#) in the South China Sea, focusing on their dispute over the Second Thomas Shoal. Despite the tight time interval since that report, the brisk pace of continuing developments in the area and the ever-present risk of escalation bid us to return to the subject. This time we direct our attention to a key individual who sits at the focal point of the crisis: Ferdinand Marcos Jr., the president of the Philippines.

This report begins with a quick review of the geopolitical context that makes the Philippines-China dispute so important. We then outline the life and career of President Marcos Jr., and we review the relevant elements of the broader Philippine political landscape. Within that context, we will explain the key traits and actions of President Marcos Jr. as they relate to the present geopolitical concern, followed by an assessment of his likely course of action. Finally, we update the investment implications from the previous report.

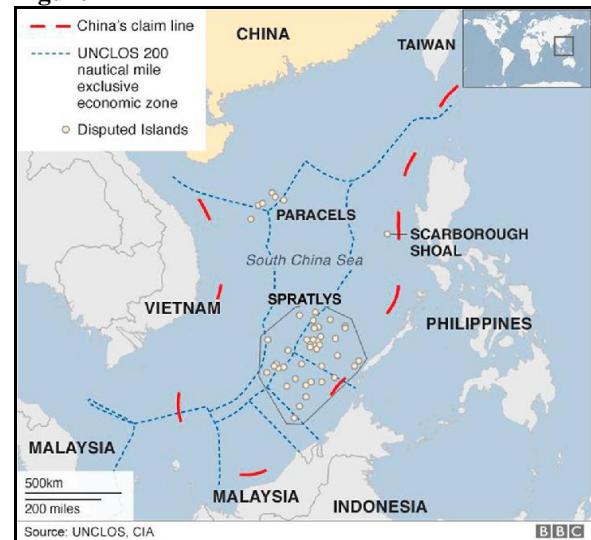
### Geopolitical Context

The geopolitical significance of the Philippines today begins with its long, close association with the United States, which began at the conclusion of the Spanish-American War in 1898. With the exception of the Japanese occupation during World War II, US forces have been present in the Philippines continuously for the last 126

years. The two countries fortified their relationship in 1951 by signing a [mutual defense treaty](#), obligating both parties to militarily aid each other in the event of an attack on their forces or territory.

This treaty obligation has loomed ominously in recent years as China has intensified its claims in the South China Sea to include waters over which the Philippines claim sovereignty.

Figure 1



China's claim to the South China Sea: The "Nine-Dash Line." (Source: BBC)

The Chinese focus on the Philippine portion of the South China Sea began more than 10 years ago, but this decade has witnessed an intensification of the dispute in and around the Second Thomas Shoal, including violent confrontations and the occasional injury. At the same time, China and the Philippines have developed a close economic relationship, complicating matters for all involved parties. While the Philippines are alarmed at the encroachment upon their

sovereignty, they value the economic relationship. How will this dispute affect the Chinese bid for control of the South China Sea? Between China and the US, who will win the contest for influence over the Philippines? Will the Second Thomas Shoal dispute escalate into open conflict? The answers depend on the decisions and actions of the man at the helm in Manila.

### Who Is President Marcos Jr.?

Ferdinand Romualdez Marcos Jr. (nickname “Bongbong”) comes from a family with a long and storied legacy in Philippine politics. His father, Ferdinand Marcos Sr., ruled as Philippine president from 1965 to 1986, in a reign heavily marked by human rights abuses and fraudulent wealth accumulation. His regime also proved to be a staunch ally of the US during the Cold War. To understand Marcos Jr., we begin with a review of his life during the regime of his father.

Figure 2



President Marcos Jr. (Source: Philippine Dept. of Foreign Affairs)

**Marcos Sr. Years.** Born in 1957, Marcos Jr. is the second of two children. At the time of his birth, his father was already an elected official in the Philippines. Marcos Jr. was

educated in select private schools, first in Manila and subsequently in England and the US, which included Oxford and the University of Pennsylvania, although he did not complete those degrees. His father’s highly controversial term as president took a dictatorial turn when he declared martial law in 1972. In 1980, through family connections, Marcos Jr. was appointed vice-governor, then governor, of the far-northern province of Ilocos Norte, the family’s base of power. A popular uprising drove the Marcos family from power in 1986, at which time they fled to Hawaii, followed by lawsuits and claims against the family for restitution. For Marcos Jr., there were two lasting effects of this period of his life: lingering questions about his legal status (since he participated in and benefited from his father’s regime), and considerable political skill and connections in his home country.

**Return to the Philippines.** It did not take long for Marcos Jr. to return to both the Philippines and political office. After his father’s death in 1989, then-President Corazon Aquino permitted Marcos family members to return, ostensibly to face the charges against them. In 1991, Marcos Jr. seized this opportunity to return to the family’s traditional area of influence, Ilocos Norte, where he was elected to the Philippine House of Representatives in 1992. From this point, Marcos Jr. successfully navigated the Philippine political landscape, including a return to the governorship of Ilocos Norte before becoming a senator in 2010. He remained in the Senate until his election to president in 2022. Three key traits characterize Marcos Jr.’s career since his return to the Philippines:

- He made a name for himself authoring and sponsoring populist legislation such as reforms in

- healthcare and agriculture, which won him voter support;
- He skillfully developed alliances among the Philippine political elite;
  - He became implicated in additional fraudulent schemes not associated with his long-deceased father. (But he demonstrated deft skill in evading and delaying legal consequences associated with both chapters of his political life.)

Marcos Jr.'s 2022 ascendancy to the presidency marked the crowning achievement of his political maneuvering. He chose Sara Duterte, daughter of previous (and very popular) President Rodrigo Duterte, as his vice-presidential running mate. With this choice, Marcos Jr. largely inherited his predecessor's popularity and united himself with a family from the southern end of the Philippines, the island of Mindanao. As a testament to his strategic success, Marcos Jr.'s landslide victory gained the first outright majority of votes cast (59%) since the ouster of his father.

### **Political Context**

Domestic politics in the Philippines have long suffered from corruption and the dominance of family clans with entrenched positions in business and politics. Meanwhile, foreign policy, which historically revolved around its close relationship with the US, has now become a contest for influence between the US and China. At the intersection of these spheres, internal conflicts have arisen between those alarmed by the increasing threat of Chinese encroachment against Philippine sovereignty and those who have a great deal at stake in their relations with the Chinese. A review of the arc of recent Philippine political history will help explain the present political situation.

***The Duterte Administration.*** Marcos Jr.'s immediate predecessor, Rodrigo Duterte, served as president from 2016 to 2022. In domestic politics, Duterte was best known for his extremely [heavy-handed approaches to a Muslim insurgency on his home island of Mindanao and to the local drug trade](#). This approach involved tacit authorization of paramilitary forces and many extra-judicial killings. Despite intense domestic and international criticism, his methods were widely approved, and Duterte enjoyed strong popularity. Unfortunately, he also used these campaigns as cover to roll back political reforms of previous administrations and regain power for traditional family interests, including his own. In foreign affairs, Duterte at first shifted his alignment from the US to China. In his view, the Philippines were inadequately benefiting from the US relationship and stood to gain from increased participation in Chinese trade and the Belt and Road Initiative (BRI). On a visit to Beijing shortly after his inauguration, he announced, "[It is time to say goodbye to America.](#)" In the intervening years, [China has become the Philippines' number one trading partner](#).

***Disillusionment with China.*** [This relationship began to turn sour well before Duterte left office in 2022](#). Like many countries participating in the BRI, the Philippines were frustrated with China's over-promising and under-delivering on pledged investments. Meanwhile, China had quickly begun to use its positive relations with Duterte as political cover to increase its incursions into Philippine waters in the South China Sea. Duterte took notice, and as early as 2018, he began to show signs of changing his mind and pivoting back to the US. He re-energized military ties and [authorized the building of US military installations on Philippine soil](#). By the time Marcos Jr. took power in 2022, Duterte had

already laid the foundation for the new administration's return to US alignment and its hawkish orientation toward China. In late 2023, the Marcos Jr. administration announced that the [Philippines would completely withdraw from the BRI](#). As detailed in our previous report, 2024 has seen intensifying efforts to assert Philippine sovereignty in and around the Second Thomas Shoal and increases in the size and frequency of US-Philippine military exercises. Earlier this month, [Japan and the Philippines signed a defense agreement](#) to deepen military cooperation to deter Chinese military aggression.

### **What to Expect from Marcos Jr.**

To get a sense for how events could unfold amidst these crosscurrents, we assess Marcos Jr. along the lines of three key observations.

***Experienced, Competent Leadership.*** If nothing else, Marcos Jr. is extremely experienced. At this point, he can claim nearly four decades of time in political office in a variety of positions. In each of these positions, he has demonstrated considerable skill at building coalitions, gaining popular support, and pressing forward his initiatives. His alliance with the Duterte family provides continuity and a further base of support, enabling him to employ policy without looking over his shoulder. Domestically and in foreign affairs, we expect Marcos Jr. to approach situations as they develop with patience, discretion, and calculation. Although he may take risks, as experienced leaders do, we do not expect any rash behavior.

Of course, political alliances like the one between Marcos Jr. and Duterte can exhibit shifting behaviors on the surface. For instance, [Rodrigo Duterte recently announced that he will run for a seat in the](#)

[Senate in the next election](#). While some interpret this as an attempt to undermine the Marcos Jr. administration, it is more likely that he is jockeying for a position in the 2028 presidential election.

***Escalation Avoidance.*** Marcos Jr. has a solid appreciation of two key limitations that he faces. First, his primary geopolitical adversary, China, dwarfs his nation's political, economic, and military capabilities. Without the support of the US, he has very little room to maneuver, and the US has shown no appetite for escalation in the South China Sea. Second, Marcos is already experiencing pushback against his hawkish stance toward China from within the Philippine political elite. His own sister, [Senator Imee Marcos, has expressed grave concerns that her brother's current policies could motivate a Chinese attack against the Philippines](#). We suspect that the underlying motivation for her criticism, and those of others, might be to protect their vested interests in business with the Chinese. Given his appreciation for these limits, we expect Marcos Jr. to temper his rhetoric and carefully measure his moves.

***Continued Pivot to US.*** Still, the evidence strongly supports a continued strengthening of the alignment with the US and opposition to China. Increased US basing rights on Philippine soil, an accelerated tempo of joint military exercises, and the concerted development of additional military partnerships with key US allies in the region send a clear message of the direction of Marcos Jr.'s policy. While cautiously respecting the limits of US policy, we expect Marcos Jr. to leverage the mutual defense treaty as much as possible, and we would not be surprised by subtle efforts to draw the US further into the dispute. If there is one main risk of escalation that concerns us, it is

that he might play this card in a way that draws unintended consequences.

Figure 3



the region, increased military spending in key regional players and their allies, and further fracturing of the world into relatively separate geopolitical and economic blocs. The result would likely be higher inflation and interest rates, pressure on long-term bonds, rising sales for defense companies, and emerging opportunities for companies that develop new technologies with defense applications. Additionally, the ongoing decoupling of the global economy into blocs should drive up commodity prices, in general, but especially critical inputs to military production such as iron, copper, and uranium. The increasing duration of the South China Sea tensions and the China-Philippines dispute reinforces each of these themes.

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### Investment Implications

Our previous report on the China-Philippines tensions emphasized that they could lead to rising transportation costs in

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