The struggling enterprise of Manila's self-reliant defense posture

Vincent Kyle Parada

Last October 2024, President Ferdinand Marcos Jr. signed into law Republic Act No. 12024, otherwise known as the "Self-Reliant Defense Posture (SRDP) Revitalization Act." The goal was simple: to lay the groundwork for a national defense industry that could satisfy the materiel demands of the Armed Forces of the Philippines (AFP). Manila wanted to decrease its reliance on foreign arms suppliers and, crucially, the deterrent that was its alliance with Washington.

To achieve that kind of strategic autonomy, it needed to facilitate the production of advanced military equipment within its borders – insulated from geopolitical headwinds. But despite favorable support from the current administration, a national defense industry has yet to materialize. And two years since the law was enacted, and what was once the Department of National Defense's (DND) flagship initiative continues to be subordinated to foreign suppliers. The question we need to ask is "Why?"

The Legal Framework

RA 12024 provided the general idea of what the bureaucracy of a "national defense industry" might look like. It established the Office of the Undersecretary for Defense Technology Research and Industry Development (ODTRID) under the DND, mandated to oversee research and development, cultivate public-private and foreign-domestic partnerships, facilitate technology transfers, and generally promote defense industrial development.

Of course, plans to achieve self-reliance were nothing new. As early as 1936, Commonwealth Act No.138 gives preference to "materials and supplies produced, made, and manufactured in the Philippines" up to fifteen percent in excess of the lowest foreign bid for government contracts. In 1974, Ferdinand Marcos Sr. signed Presidential Decree No. 415, empowering the Secretary of National Defense to enter into agreements with both local and foreign contractors without public bidding. More importantly, it authorized the President to directly contract foreign loans, credits, and supplier's credits in order to finance these projects.

While changing defense and foreign policy priorities in the administrations since have no doubt undermined efforts to establish a national defense industry, earlier attempts to institutionalize self-reliance prior to RA 12024 mean that they alone cannot explain its failures. The Marcos Jr. administration's renewed focus on military modernization, coupled with the increasing operational demands of the South China Sea disputes, *should* have intensified investments into domestic production and R&D. But like his father before him, Marcos Jr. must contend with two critical gaps in the country's capabilities: funding and industry.

Capital Deficiencies

Developing a national defense industry requires massive, sustained capital outlays on the part of the Philippine government. In the nearly thirteen years since the Aquino III

administration began the Revised AFP Modernization Program (RAFPMP), the defense budget continues to be stretched to its breaking point. The lion's share was allocated toward personnel maintenance – salaries, allowances, and the like – which left little in the way of new acquisitions. In order to address this problem, the RAFPMP introduced a separate annual budget for AFP modernization, with the final amount subject to Congress' discretion.

Nevertheless, perennial underbudgeting has led to numerous delays across the RAFPMP's three phases. Of the 53 approved projects under Horizon 1, 17 have yet to be completed. The numbers are even worse for Horizon 2, with only 22 out of the 98 approved projects proceeding as scheduled. Senior leaders have since trimmed down redundancies and obsolete requirements from the two Horizons, while the final – and most expensive – phase of the program was reorganized into "Re-Horizon 3," complete with an updated shopping list and extension of its initial 2027 end date all the way to 2034.

Neither measure addresses the root of the problem, unfortunately, which is that the Philippine government is simply not injecting enough capital to simultaneously: (1) maintain its armed forces; (2) fund their modernization; and (3) develop a national defense industry. At their current levels, existing allocations only cover the DND-AFP's operating expenses and the ongoing payments for previous acquisitions under RAFPMP – with some leeway for additional big-ticket items. That is why the Philippines has yet to finalize a deal for multi-role fighters or diesel submarines despite years of negotiations. To put it bluntly, without any dramatic increase to the DND-AFP's operating budget – or heavy borrowing from willing creditors – there is virtually no risk capital to support the ODTRID's mandate.

A Hybrid Model?

Precisely due to a lack of funding, the Philippine defense establishment is forced to rely on the private sector to spearhead any attempts at developing a national defense industry. While it does operate several state-owned enterprises – including the Government Arsenal (GA) and the now-defunct Philippine Aerospace Development Corporation (PADC) – within the military supply chain, their outputs do not necessarily align with the AFP's modernization requirements. The GA, for example, is mainly limited to the manufacture of small arms and ammunition, while the PADC was shut down in 2025 after failing to jumpstart domestic aerospace production during its initial fifty-year charter. Without an established heavy industrial and high-tech manufacturing ecosystem to support them, state-owned enterprises struggled to move past basic fabrication.

This is not to say that there are *no* success stories. Several *private* defense manufacturers have made gains toward domestic production. Armscor Philippines is one of the largest firearms and ammunition suppliers in Asia. Through a joint venture with Taiwan-based Luh Teng Shipbuilding, the Propmech Corporation has successfully delivered the later batches of multi-purpose attack craft for the Philippine Navy. And there are many countless other local drone manufacturers that have thrown their hats in the ring as the AFP gradually integrates unmanned and autonomous systems into its arsenal. The fact is, however, that the technology and the expertise for advanced weapons manufacturing remains out of reach. An arrangement where domestic vendors continue to import critical components like composite materials and military systems fundamentally negates the core premise of "self-reliance."

Private Sector Woes

Indeed, local defense manufacturers face an uphill battle in the pursuit of a national defense industry. Beyond underdevelopment, they are haunted by the same institutional challenges that have hampered national development – corruption and inefficiency. Policymakers have yet to release the implementing rules and regulations for RA 12024, leaving many would-be proponents scratching their heads. Meanwhile, complex procurement laws and red tape exponentially increase the barrier to entry for local manufacturers, eating away at profits and pitting them against foreign companies with infinitely more resources to compete for government contracts. The result is an ecosystem where innovation is stifled rather than enabled, and where the potential of domestic enterprise is overshadowed by the expediency of buying foreign and off-the-shelf.

To be clear, the lack of requisite technologies, infrastructure, and expertise are *significant* hurdles – but they are not *insurmountable* ones. Foreign partners have expressed no shortage of interest in partnering with the Philippines to enable domestic production. Chief among these are the Ukrainians, who have been eager to offload their drone surplus, diversify their supply chains, and share the knowledge they have accumulated throughout the Russo-Ukrainian War. Kyiv and Manila have actually been exploring a potential co-production agreement since 2025, but there has been little update since. Regardless of whether a deal can reached, foreign partnerships do offer a means for the Philippines to overcome many of the inherent challenges associated with defense manufacturing – a reality that RA 12024 explicitly provides for.

The Sustainment Problem

The biggest challenge for Manila is in actually sustaining the initial momentum. Assuming it *can* successfully develop a national defense industry within the foreseeable future, what happens after modernization ends in 2034? Orders have been fulfilled, legacy systems have been updated, and previous acquisitions are still relatively new. Who do all these local manufacturers cater to next? Unless the AFP undergoes a rapid expansion or the Philippines is forced into open conflict, production will scale down and profits will plummet. It is simply not feasible to organize your entire defense industry around one single customer.

Success stories like Indonesia and South Korea have two things in common: the ability to (1) transition between a domestic to an export-oriented economy; and (2) to cater to both civilian as well as military markets. Hyundai Heavy Industries (HHI) – the Philippines' chief naval supplier – is a prime example of this. South Korean defense companies have expanded their clientele beyond the Republic of Korea Armed Forces and carved out a sizeable portion of the global arms market. At the same time, specialized business units allow them to diversify revenue streams by producing both warships and commercial vessels, offsetting low demand at the end of the procurement cycle.

If Manila is truly serious in its push for a self-reliant defense posture, then it needs to provide a tangible roadmap for defense companies to go by. What exactly should local industry focus on? How do domestic manufacturers remain competitive in an increasingly saturated market? Legal and structural enablers are only part of this equation. The success of a national defense enterprise ultimately rests on targeted investments, predictable funding, steady acquisitions, and the ability to scale cottage-industry prototypes into mass-produced capabilities that can satisfy the operational demands of a modern AFP.

Vincent Kyle Parada is a Philippine-based defense analyst and academic specializing in foreign and defense policy, maritime security, and military innovation. He was previously a defense analyst for the Philippine Navy and a Lecturer at the De La Salle-College of Saint Benilde. You may reach him via his email: vkdparada@gmail.com.