

**Keynote Address**  
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Good morning.

From its humble beginnings with modest aspirations of peace and stability among its members, ASEAN is today recognized for its central role in setting the agenda for the Southeast Asian region and for transforming itself into an economic dynamo.

ASEAN's embrace of globalization, was largely responsible for this transformation. It drove ASEAN's deeper integration among its members and with the global economy. With a combined population of over 600 million and with a combined GDP of \$2.4 trillion, ASEAN is now the world's fifth largest economy. Projections are that with one of the fastest growth rates in the world, ASEAN will be the fourth largest economy by 2050, overtaking the EU and Japan.

This world order of economic liberalism and relative peace and stability responsible for decades of unprecedented global economic growth was led and secured by Pax Americana, by which we mean a coalition of like-minded countries led by the United States.

Well this state of bliss in certainty is no longer with us. We now live in a world ripe with uncertainties. Although years in the making, what happened in quick succession in 2017 was simply breathtaking in speed and unpredictability. At its root is the growing number of people who have come to the conclusion that integration and globalization is not what it was cut out to be – that all boats rise with the rising tide. Exacerbating this was large scale immigration which was seen as taking away jobs meant for citizens. Voters expressed those sentiments in the ballot boxes. They voted against the status quo, against traditional politicians, and against conventional economic policies. In quick succession, they elected politicians who would pursue populist policies of economic and political nationalism including anti-immigration policies.

In short order, Brexit happened putting the brakes on a seemingly unstoppable march towards European enlargement and fuller integration. Elsewhere in Euroland, ultra-rightist political parties in Austria, Netherlands, France, and even in Germany gained ground. It was however the election of President Trump on an “America first .... never mind the rest” platform that has had more impact to creating the current environment of geopolitical and economic uncertainty gripping the world.

The withdrawal from the Trans Pacific Partnership (TPP), the renegotiation of NAFTA, the curbing of MNC flexibility to locate and outsourced wherever most efficient, and the tepid support for multilateral organizations like the UN and the WTO have had

the effect of multilateralism taking a back seat to bilateral deals. What was once a cover for protectionism - “fair trade” - has made its way back to respectability in the WTO and APEC lexicon. As a result, decades-old policies and strategies of economic openness and the free movement of goods, capital and human skills are being reversed or challenged.

At the same time, as one commentator puts it “America’s historical leadership role in the world has been replaced by a narrow and cramped ideology ..... Foreign policy has become a partisan game. With Washington breaking agreements, shifting course and reversing policy almost entirely to score points at home. “ The shift we are witnessing around the world is not so much about the rise of China but rather the decline of America”.

The retreat from the U.S. traditional role as leader of the “free world” has opened the door for other powers to fill the vacuum. It coincides with China’s rise as an economic powerhouse. And this economic clout has translated into the geopolitical sphere. President Xi Jin Ping is now carrying the torch on globalization and climate change – unthinkable just a few years earlier. The world has moved on from a unipolar center of power to one where multipolar centers of geopolitical and economic powers compete for allegiance.

These developments threaten and undermine the very foundation on which ASEAN built its prosperity and enabled it to keep peace and stability in the region. The interplay between geopolitics and economics is a particularly worrisome threat to ASEAN’s unity and centrality as China becomes more adept at employing the “carrot and stick” tactic. You will recall how they banned the importation of bananas from the Philippines and halted tourist traffic to the country in retaliation to our filing an arbitration case on the legitimacy of China’s claim on the entire South China Sea. Now we are seeing the reverse as we downplay our winning the case. You can see how conflicted we are between choosing practical benefits and safeguarding our sovereignty.

So how should ASEAN respond to this new world order – or as some have put it the “new world disorder” - to maintain its economic momentum and stability? Does ASEAN as constructed at present have the wherewithal to respond to these continually evolving challenges effectively? Allow me to share my thoughts.

First, ASEAN must press ahead more aggressively and firmly to achieve deeper economic integration. While intra-ASEAN trade and investments have grown markedly over its fifty years of experience, it seems to have plateaued at around 25 percent for trade and around 20% for FDI according to a recent study. These numbers are however not enough to achieve real integration. These are well below what was achieved by the EU at this comparable stage of its development. ASEAN is on track to eliminate tariffs on almost all goods more work is needed on trade facilitation including on rules of origin requirements, uniform customs procedures and removal of non-tariff measures to truly realize a seamless production base. On investments, national treatment with allowances for certain exceptions, has not yet happened on a broad scale.

On Services, the goal was to provide unimpeded access to services in air transport, healthcare, tourism, and logistics across ASEAN. This would require allowing ASEAN ownership of up to at least 70% by 2010 in these sectors and mutual recognition for professional qualifications and services in architecture, accountancy, surveying, medical and other sectors. Sadly, except for the significant adoption of “Open Skies” in most of the ASEAN economies, there has been very little progress otherwise. Even the goal of expediting the flow of skilled labor to fill the gap in deficit ASEAN economies has seen more restrictions on foreign labor in some member countries in recent times. Some businessmen complained that they have difficulty even making inter-company transfers of personnel.

The Regional Comprehensive Economic Partnership (RCEP) would expand ASEAN’s reach to a market of 3.4 billion population with a combined GDP of over \$23 trillion. That would make it the world’s biggest free trade zone surpassing the EU and NAFTA in size. Senior officials met in South Korea for the 20<sup>th</sup> time last week for the last time before the ASEAN Summit to put the finishing touches to the so-called “RCEP Key Elements for Significant Outcomes By End of 2017”. Negotiations have been opaque – some say more so than TPP – so your guess is as good as mine as to the outcome. Japan has been leading efforts to revive TPP-minus 1 but for the moment, RCEP is the only game in town.

What would it take for ASEAN to overcome these bumps on the road to full regional integration?

It must start from the top. Our political leaders must affirm their commitment to the realization of the ASEAN Community through the decisive implementation of its various work streams. Sadly, there is a leadership vacuum in ASEAN. Leaders are pre-occupied with their own domestic issues. There is no strong, elder statesman among the current crop of Leaders to will the integration process forward. As a result members have placed primacy on bilateral relations – like with China or the USA - over the concept of ASEAN centrality. This of course makes them vulnerable to political pressure – as former Foreign Secretary Albert del Rosario so eloquently pointed out in his opening remarks earlier today.

Political leaders respond to popular will. If there is widespread support from their publics for closer ASEAN integration they will become more decisive and committed in promoting ASEAN centrality. To do that, ASEAN must do a better job in communicating its vision, strategies, action plans, while delivering practical benefits to their respective domestic constituencies – businessmen, students, travelers, skilled workers and professionals and consumers among others. ASEAN is so diverse ethnically, culturally, historically, and politically that the motivation for its people to become a community must start by answering to the question “what’s in it for me”?

The governance structure of ASEAN must also be reviewed particularly its Charter and its consensus driven decision making. The ASEAN Charter lacks teeth on non-compliance. The ASEAN way must give way to a more rules-based framework to give teeth on non-compliance and the application of an “ASEAN minus x” mode particularly on economic issues.

There is another challenge looming in the horizon and I have to mention this as an ICT person and hopefully the panel will take this up also. The advent of the digital/Internet economy also referred to as the fourth industrial revolution will have a transformative impact on production and consumption and as can serve as a tool for promoting inclusion. The challenge is whether countries are equipped to adapt to these profound changes and utilize its benefits. I am referring to the quality of the infrastructure and the human resource to utilize the new technology. Absent this, the digital divide will only be exacerbated, even within ASEAN itself.

What does this all mean for the Philippines? The dismantling of the old world order has placed the onus on country competitiveness as the best antidote to whatever adverse consequences that the new world disorder will bring. Those who are competitive will reap the benefits and will be better able to cope with competition. The fourth industrial revolution and the dominance of disaggregated production or value chains as a business model will put a premium on connectivity – physical and digital – as a key element of competitiveness. China’s Belt and Road Initiative aimed at reviving the ancient trade route between Asia and Europe, will provide a significant boost to the process of economic integration in Asia. The Duterte Administration’s aggressive program to build physical infrastructure – roads, bridges, seaports, airports – is a step in the right direction but the Philippines will have a lot of catching up to do. The digital highway on the other hand poses a significant challenge for the Philippines. In this context, Jack Ma’s comment about the Philippines having the slowest Internet connection in ASEAN, suggests how much further we still have to go to be on par with our neighbors.

My job as keynote speaker is to set the scene for the ensuing discussions by our expert group of panelists. I hope that I have done that in by brief remarks.

Thank you.