

Challenges and Prospects for Asia-Pacific Integration *

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Introduction

Our portion of the globe – despite its many scarcities – has no shortage of challenges.

And in the face of these tests, we may gain comfort from Arnold J. Toynbee's thesis that the "creativity of its response to challenge is what determines the character of a civilization."

By now, it is evident that the impact of globalization has become more pronounced and is being felt around the world and more strongly so in the Asia-Pacific region.

Regardless of the opinions of countless experts, it appears that they agree on one thing: that in the context of the realities and relationships of the 21st century, globalization is here to stay. From the beginning, almost everyone accepted the simple definition of globalization as being merely the elimination of barriers to free trade and the removal of restrictions to movement of capital in order to promote the deeper integration of national economies into the global system. By that simple definition, everyone thought that globalization could only pose benefits, not perils, for all. However, as practice and experience taught us, globalization is far from being universally fair and beneficial. Many developing countries face dislocation of local industries, products and services as these are generally

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small or medium-sized and, therefore, cannot compete with larger foreign entities due to economies of scale.

Developed countries and the special interests within them have campaigned for the globalization agenda over the years. The "have" countries have pushed for open markets for their industrial goods in poor countries, while maintaining, just the same, their own protectionist systems, especially on agricultural products. On the other hand, in their desire to accelerate domestic sufficiency and economic growth, many developing countries have embraced liberalization -unsuspecting of its pitfalls and certain rules of the game which are not in their favor. Their insufficient institutional capacities have been compounded by incompetent governance, a sheer lack of resources, or a combination of both. From the point of view of the "have-nots," the current levels of protectionism in developed countries are unwarranted, if not scandalous.

The Challenges to Developing Countries

Foremost among the challenges for the developing countries –China, India, ASEAN and the small Pacific nations included – is to deliver higher economic growth that translates into greater welfare and prosperity for our societies. In our day, however, sustained economic development can only be achieved through the essential and ever-evolving structural reforms and integration that globalization demands.

Why structural reform? Because the ultimate benchmark for an economy is efficiency, and efficiency is generally best achieved by market forces, regulated by the judicious and restrained hand of democratic and accountable government.

Why integration? Because being efficient and competitive feeds on openness and interdependence and, in turn, openness and interdependence fuel the drive for yet further efficiency and competitiveness.

Throughout the world, neighbors and trading partners are gathering into larger regional groupings for fear of becoming isolated and marginalized in global competition.

Even now, Washington is pursuing the idea of expanding the North American Free Trade Area (N.A.F.T.A.), to encompass the whole of the Latin American continent into a grand "Free Trade Area of the Americas."

Meanwhile, the European Union — having issued a common currency — is building up its own armed forces. As much as 80% of Western Europe's total trade is now carried on within the *euro* zone of its original 12 countries — and which will be expanded, over time, to encompass 25 countries.

Poverty: The Widening Gap

Although successive Philippine administrations, including mine, helped reduce poverty incidence from the high mark of 1985 at 41+% to 30% by 1998, the numbers today are still troubling. While the Philippine economy was considered the best performing in Southeast Asia in 2002 — except for Vietnam — and the third best performing in all of Asia, the country still has more than 5 million people out of work. These figures notwithstanding, the Philippines' economic fundamentals remain sound, and the country enjoys predictable stability to ensure steady prices, comparatively low inflation, adequate liquidity, and funding for development initiatives. The Philippines is committed to good governance and to long-term structural reforms leading to continued strength in domestic demand, diversification of trade, and a hospitable environment for investment.

The widening poverty gap is a continuing challenge for our region. In stark terms, the poor have become poorer and the rich have become richer. A famous comparison recently made is that the Western European nations continue to subsidize their cows at US\$2.50 per head daily — which is more than 2.5 times what 1.2 billion people live on at less than US\$ one dollar a day. The UNDP in its Human Development Report (HDR) in 2002 draws a similar picture of increasing poverty for a vast number of people in the face of economic growth for a few. The plain truth is that a great majority of humankind is being deprived of their rights to human security — bereft of the benefits of primary health services, decent housing, basic education, and gainful livelihood. Poverty is inextricably bound together with the other key issues of the environment, population, peace and development, and globalization.

The inequity and the unfairness of it all have led to civil wars, insurgency, ethnic cleansing, violent crimes, strong-man regimes, international terrorism — a virtual explosion of threats to human security — whose dimensions may have been neglected or overlooked in the quest for globalization, and whose inescapable result is increasing poverty.

At the beginning of the 20th century, people seemed to believe that the growth of economic interdependence, technological progress and social connectivity would bring about future decades of peace and security. Tragically, the 20th century turned out to be one of the bloodiest centuries in human experience.

Human Security and International Terrorism

UNDP's Human Development Report for 1993 (HDR-1993) states that "human security reflects a condition that recognizes the centrality of basic human rights; human capabilities, human development and their links to world peace and stability." Human security means protecting people from critical and pervasive threats and situations. It involves creating political, social, environmental, economic, cultural and public safety systems that together give people the building blocks for survival, livelihood and dignity in their hopes for a better quality of life.

The twin goals of "peace and development" probably best describe mankind's immediate as well as long-term aspirations. On the other hand, a new dimension of development — which is human security — has emerged, as advocated by Sadako Ogata, former U.N. High Commissioner for Refugees, and Amartya Sen, Nobel Prize Awardee for development economics. According to them, human security is concerned with safeguarding and expanding people's vital freedoms. It partakes both of protecting people from critical and pervasive threats and of empowering people to take charge of their own lives. Protection refers to the norms, policies and institutions essential to shield people and requires governments to exercise "top-down" vigilance, especially in insuring the rule of law, democratic governance and public safety.

The "democratization of technology" is equipping the terrorist with a frighteningly sophisticated and powerful array of skills and weapons unimaginable a decade ago, and is enabling fanatic individuals and

conspiratorial groups to play powerful roles in world politics — including that of inflicting massive destruction — a capability once reserved to governments and their armed forces. It no longer takes another super-power to pose a grave threat even to the American giant. The specter of asymmetric warfare, of which terrorism is its most visible aspect, will be with us for the next several years.

We Filipinos have long been acquainted with terrorism. Our citizenry, in fact, have been among its first victims in the post-Cold War era. Islamist extremists have struck in many places in Mindanao and other parts of the Philippines. The fundamentalists regard themselves as fighting a *jihad* to establish a global community of believers that — as in the days of Arab glory more than a thousand years ago — would be governed by the *Koran* and ruled by a "successor" to the prophet Mohammed, or "Caliph," who would possess both temporal and spiritual powers. But this myth of a return to Islamic purity is as propagandist and as illusory as Hitler's dream of a thousand-year *Reich* or Stalin's vision of a classless society.

Islamic fundamentalism, however, may finally exhaust itself, since it lacks the intellectual resources capable of giving the Muslim peoples the civilizational vigor they need to compete on equal terms with the modern and secular West.

Globalization and Culture

The globalization of culture is also fanning the flames of discontent and anti-American resentment across the world. Globalization is associated with the spread of the less savory aspects of Western pop culture — commercialism, consumerism, hedonism, etc. — a catalog of *isms* and drug abuse are perceived in many quarters of the developing world as an assault on their traditional customs and values. There are deep cultural reasons for anti-American sentiments that are rising in some parts of the globe. Obviously, for much of the third world, America has come to personify all the Western powers that created empires during the period of colonization — whose influence on their developing societies has been so strong and so disruptive over these last 500 years.

Cultural globalization has hit some poor countries harder than economic globalization has done. In such countries, American customs

and values – which are the dominant strains in the intrusive internationalist culture – are fast spreading, especially among young people, through the mass media and the internet. Traditionalist peoples see these alien values and customs as threatening the conservative culture and lifestyles they want to preserve. Indeed, the unrelenting dominance of the Western media and commercialism has widened, instead of reduced, the gaps between the rich and the poor,

Needed Reforms

Let me now say a few words about some needed reforms in the free market system.

As a founding member of the Policy Advisory Commission of the World Intellectual Property Organization (WIPO-PAC), I have strongly advocated that the rich and developed nations help reduce and eventually neutralize global terrorism by sharing their intellectual property consisting of inventions, innovations, creations, and research and development (R&D) products with the poor countries whose backward conditions provide the breeding grounds for extremism, fanaticism, criminal violence, and suicidal behavior.

At the third meeting of the WIPO-PAC in Geneva last October 11, 2001, I reiterated the importance of caring, sharing and daring among nations in pushing forward the frontiers of universal peace and development. Caring and sharing are probably easy enough to do — but daring to forego profits and royalties, daring to give more to the environment than take from it, and daring to sacrifice for the common good may be more difficult to do.

For instance, those discoveries and technologies which would be beneficial to the improvement of health, prolongation of life, facilitation of education, enhancement of the environment, and reduction of poverty should be transferred expeditiously and affordably to the "have-not" peoples — even as WIPO recognizes the need to protect and reward the innovations and inventions of creative people and institutions.

Bridging the deepening gaps in family income, health, security, environmental conditions, social mobility, job opportunities, and material comforts among people around the world would significantly remove the

root causes of insurgency, separatism, civil war, and armed conflict. The poor may not be the masterminds, but they could very well be the suicide bombers.

Integration Provides Opportunities for All

For East Asia, closer cooperation and deeper integration are first of all, a hedge against the domination of the World Trade Organization by the U.S. and the E.U. Only by combining into one larger East Asian grouping can a future "ASEAN 10-plus-three" (or Southeast Asia plus Northeast Asia) generate enough leverage to compel reciprocity and mutuality on their trading partners in the N.A.F.T.A. and the European Union.

While the ASEAN states are trying to cultivate their respective niches in the global economy, they also need to develop economies of scale. ASEAN leaders are acutely aware that the alternative to regional unity is to become marginalized in global competition. Joining together would make China a partner rather than a competitor,

ASEAN-plus-China could become the world's largest free trade area for it would bring together a potential market of some 1.7 billion people, a combined GNP of roughly USD 2 trillion, and total external trade valued at USD 1.3 trillion.

"ASEAN-plus-one" also offers the possibility of increased investment from China's new multinationals — the outward corporate policy which is being encouraged by the Chinese government. Given ASEAN's ethnic and cultural linkages with overseas Chinese networks spread worldwide, we may expect Southeast Asia to become a prime destination of growing Chinese foreign investment.

The January 2004 Summit of the South Asia Association for Regional Cooperation (SAARC) brings good news, particularly the warming up of India-Pakistan relations, and the steady high growth of the Indian economy.

On the issue of terrorism, our long-term problem is how to reconcile the conflicting forces represented, on the one hand, by fundamentalist

religion and, on the other, by the Westernized, secular states. I do not think religious nationalism will succeed in reversing East Asia's drive toward integration and modernization. Not only are Western values and institutions appealing to so many of Asia's peoples especially the young ones. Science and technology — by their ability to create material wealth and consumer products — are also forcing a long-term convergence of common interests — first in economics, then in politics and security, and, ultimately, in culture.

But the religious rebellion points out our need to focus on the moral dimensions of governance, as now highlighted in the developments in Iraq and Afghanistan.

The Balance of Material Benefit

The Rand *Corporation* sees Washington's priorities in Asia as two. The first is to prevent the growth of rivalries and insecurities that could lead to war. The second is to prevent the rise of a regional superpower that could undermine the U.S. role in the Asia-Pacific and subsequently pose a global challenge to U.S. predominance.

The first thing that must be said is that China's sheer size and potentials entitle it to become East Asia's paramount power. And this was what it had been over much of our region's history. Of course, there was a time the empire had been as expansionist as any other. But, for the most part, dynastic China was content with exercising a nominal suzerainty.

One of China's strategic goals seems to be to project power beyond mainland East Asia — where its strategic authority is already conceded — into East Asia's maritime regions. But, for the moment, continuing rapid growth seems to be Beijing's highest priority — both to finance China's future greatness and to ease its political transition to "softer" authoritarian rule.

In time, only a cooperative Asian security system can replace the present U.S. security umbrella. Already Washington itself emphasizes the political rather than the military aspects of its alliance structure. And, through the Asia-Pacific Economic Cooperation (APEC) forum, the U.S. has enhanced its charter membership in an Asia-Pacific economic community.

Once their present-day concerns with terrorism eases, the two great powers must still find a long-term accommodation. As in the time of its 19th-century geopolitician, Captain Alfred Mahan, America's strategic interest in the Asia-Pacific still lies in preventing a military competitor with a substantial resource base from emerging in the region.

Over the foreseeable future, all our countries must figure on living with a larger Chinese presence. How, then, can long-term stability in the Asia-Pacific be ensured? A shift from "Pax Americana" to "Pax Asia-Pacifica" could well be the answer.

We should exploit the conjunction of interests the United States, Japan, China, India, ASEAN, a unified nuclear-free Korea, Australia, New Zealand, etc. have in a stable Asia-Pacific – just as the Western Europeans exploited the Cold War stalemate between the U.S. and the U.S.S.R to consolidate the European Union.

Under the "balance of terror" of the Cold War, Western Europe organized the economic, political, and cultural community that has now brought its peoples from their once-endless civil wars into a modern era of "perpetual peace." Asians, too, should use the existing "Pax Americana" umbrella to speed up the economic and political integration of the Asia-Pacific community.

Already the instruments have been laid for this effort. We have the ASEAN and its Regional Forum (A.R.F.), the beginnings of a larger East Asian economic grouping with a future "ASEAN plus 3," and we have the APEC forum, linking 21 countries on both shores of the Pacific.

Meanwhile, Asia-Pacific governments must continue cooperating to prevent and pre-empt terrorist outbreaks in the region. And the key is how to devise strategies that would defeat terrorism without alienating the majority of Muslims who are generally peace-loving, law-abiding, and responsible citizens.

Somehow, too, we must restrain the pace of globalization. Just as Southeast Asia's peasant rebellions of the 1930s were a response to an earlier episode of globalization, so is Islamism today a response to

secularist and consumerist societies being created by the current momentum of interdependence.

And interdependence would be unsustainable for as long as it lacks an "overarching system" to make the positive elements of interdependence outweigh its negative effects. Such a system can be provided only by a genuine Asia-Pacific community of shared responsibilities shared benefits, and shared values.

It is true that if the poor countries are to overcome their problems of economic development and political modernization, they must first put their houses in order and integrate themselves into the global environment of trade, investment and knowledge.

On the other hand, it is the rich countries that must shoulder the greater obligation to mitigate the impact of globalization — by ensuring that the development that interdependence brings does not leave behind any of the poorer peoples of the world.