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**SHAPING THE FUTURE OF ASIA**

by

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19<sup>th</sup> Nikkei Future of Asia Conference

*“Asia’s Search for Steps toward Stronger Ties and Integration”*

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Nikkei President **Tsuneo Kita**,

His Excellency **Lee Hsien Loong**, Prime Minister, Republic of Singapore

His Excellency **Thongloun Sisoulith**, Deputy Prime Minister and

Minister of Foreign Affairs, Lao People's Democratic Republic

His Excellency **Fumio Kishida**, Minister for Foreign Affairs of Japan

Distinguished Guests, Ladies and Gentlemen,

Good morning.

Allow me to begin by offering my sincere congratulations to Nikkei as it convenes the 19<sup>th</sup> edition of the Future of Asia Conference. It is a privilege to address this forum and to offer a Philippine perspective to the discussion.

Ladies and Gentlemen,

As we stand here in the second decade of the 21<sup>st</sup> Century, the peoples of Asia are once again confronting the monumental task of shaping their nations and our region. Once more, we are being called forth to promote and protect the precious progress we have achieved in East Asia and the Asia-Pacific over many decades.

Our region has had the track record of grit, determination, resilience, industriousness and innovation to grow our economies

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despite every adversity. We have lifted ourselves out of being a colonial backwater and a region divided by rifts. We have forged, in ASEAN, the foundations of a nascent regional community. And ASEAN countries have together, and in partnership with Dialogue Partners, begun the great task of building the regional architecture for the 21<sup>st</sup> Century through such mechanisms as Asia-Pacific Economic Cooperation (APEC), the East Asia Summit (EAS) and the ASEAN Regional Forum (ARF).

How then do we ensure that our region's success will continue? The future will not simply unfold to our benefit. We need to actively shape international affairs to the extent that we are able to minimize conflict and threats and to secure a stable environment where growth can take place. We have to build a solid basis upon which regional stability, political and economic integration, and growth may proceed unimpeded.

To that end, what we seek is progress over poverty. Diplomacy and peace over conflict. Cooperation over unilateralism.

But how, and on what basis do we attempt to shape this future? My answer is unequivocal: it will need to be on the basis of universally-accepted values and principles: the principles of

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democracy, freedom, peace, security, human rights and the rule of law.

These are the very same values that underpin the aspirations of peoples toward self-determination and social progress around the world. These are the very same values that the United Nations and the community of nations have strived to translate and codify into international law.

### *A Principled Foreign Policy*

Ladies and Gentlemen,

For the Philippines, values, particularly those of democracy, freedom, the peaceful settlement of disputes and the rule of law are at the core of our “principled foreign policy”.

We have, as a nation, renounced war as an instrument of national policy. We have adopted generally-accepted principles of international law as part of the law of the land. We adhere to the

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policy of peace, equality, justice, freedom, cooperation, and amity with all nations.<sup>1</sup>

Our response to the evolving situation in the South China Sea, a core national interest of ours, is particularly illustrative of these principles. We seek not just any kind of resolution, but a just and durable one, grounded on international law.

Our arbitration case against China's over-extended claim represents a choice the world needs to ponder as regards the future order it seeks for itself – either an international system that is largely dominated by force, or one that is significantly characterized by the rule of law.

In our arbitration case under Article 287 and Annex VII of the 1982 United Nations Convention on the Law of the Sea (UNCLOS), we question China's interpretation and application of UNCLOS in relation to the nine-dash line claim encompassing almost the entire South China Sea. We submit that the nine-dash line is an excessive claim that is in violation of UNCLOS.

Through this case, we also seek an end to the pattern of unlawful, increasingly aggressive assertion based on the threat of

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<sup>1</sup> Secretary Albert F. Del Rosario, *A Principled Philippine Foreign Policy*, 16 August 2012, <http://www.dfa.gov.ph/index.php/speeches/6148-a-principled-philippine-foreign-policy>.

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use of force, which has prevented us and other littoral States from the lawful exercise of our maritime rights and entitlements within our legitimate maritime zones.

The question has been asked: why resort to arbitration? Why not talk? Ladies and Gentlemen, the Philippines, for a long time, has been diplomatically engaging China bilaterally and within the ASEAN context to peacefully settle these disputes, to no avail.

The adoption of the Declaration of Conduct of Parties on the South China Sea (DOC) in 2002 marked some progress. To build on this, ASEAN seeks the early conclusion of a legally binding “code of conduct” in the area.

However, as recent experience has abundantly shown, the DOC has not resolved the problems on hand. In particular, we have the example of one party assertively and aggressively advancing its claims. By the use of arbitration, we would hope to demonstrate that international law is the great equalizer.

Under these circumstances therefore, we must find a durable solution based on international law, or else the *status quo* will favour military and economic might, and diplomacy will veer towards

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appeasement. And as we all know, appeasement undermines any attempt to build a system based on equity and rules. Rather than being forced to accept that might is right, we want to show that right is might.

With Arbitration, we turn to an internationally accepted form of peacefully settling disputes, to bring the dispute to a durable and just solution, with the parties meeting on equal terms and in a level playing field.

Arbitration will serve to benefit all parties. For China, it will finally clarify for its constituents its maritime entitlements in accordance with international law. For the Philippines, it will define what is ours by clarifying our fishing rights, rights to our resources and rights to enforcing our laws within our Exclusive Economic Zone (EEZ).

For the international community, the clarification of maritime entitlements under UNCLOS would assure peace, security, stability, freedom of navigation and unimpeded legal commerce in the region.

The legal track does not constitute abandonment of diplomatic avenues. We continue to exert efforts to move forward and enhance our relations with China on the basis of mutual respect and

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sovereign equality. Neither does the case diminish our zeal to pursuing a binding Code of Conduct. We all look to Brunei Darussalam, the ASEAN Chair, and to Thailand, the ASEAN-China Country Coordinator, to persuade China to agree to the early convening of a meeting to discuss the Code.

### *The Philippines Makes The Grade*

Similarly, in the economic arena, we have sought to achieve a more level, rules-based playing field by governance that is anchored on reform, transparency and accountability.

These values have certainly underpinned our emergence as Asia's first Republic and our continuing maturation as a democracy.

These values are summed up in the battle cry "good governance is good economics" of the administration of President Benigno S. Aquino III. This is the reason behind the Philippines' recent emergence as one of Asia's newest economic success stories.

As a result, despite the global economic slowdown, the Philippine economy grew 6.6 percent last year, higher than the official target of 5 to 6 percent. We have been commended for our sound macroeconomic management which resulted in low inflation,

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favourable interest rates, a sound banking system, a strong and sustainable fiscal and external position.

Furthermore, last April 22, the Philippine Stock Exchange index (PSEi) broke the 7,000 mark, for the first time in history. That was the Philippine Stock Exchange's 88<sup>th</sup> record high in thirty-four (34) months of the Aquino Administration, and the 27<sup>th</sup> since January 2013.

We are making great strides in boosting our competitiveness. Our World Economic Forum (WEF) Global Competitiveness ranking jumped ten notches in 2011 and another ten notches in 2012.

For the first time in history, the Philippines achieved investment grade status from Fitch Ratings in March and Standard and Poor's early this month. Over a week ago, the Japan Credit Rating Agency also raised the Philippine rating by a notch from the minimum investment grade of BBB- to BBB.

All of these represent a resounding affirmation of global and domestic confidence in the Philippines.



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We have, however, much more to do. The Aquino Administration is committed to promoting equitable and inclusive growth. The focus is on greater job creation, expanded exports of goods and services, increased investment, agricultural modernization and infrastructure upgrading.

We are doubling our efforts to remedy remaining constraints to growth, to boost productivity and competitiveness and to improve our business climate. We will continue to focus on human resource development and appropriate social investments. All these will be pursued on the back of the Aquino administration's proven track record in good governance and weeding out corruption.

### *The Future of Asia*

Ladies and Gentlemen,

As Asia rises to prosperity and boosts its share of global output, our region will drive global growth. WTO Director General Pascal Lamy articulated it succinctly in an address last March, when he said *"the Asian Century is not only about Asia. It is a century of shared prosperity, with Asia having to take its share and responsibilities commensurate with its economic weight in the global economy."*<sup>2</sup>

<sup>2</sup> DG Pascal Lamy, speech before the ADBI/CTEI Conference on "The Future of the World Trading System: Asian perspectives", Geneva, 11 March 2013.

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Side by side with Asia's rise to economic dominance will be its increasingly central position in global politics. Security developments and decisions in Asia will profoundly and increasingly be felt beyond its borders.

But Asia's economic ascendancy will not be handed to us on a silver platter. The ADB itself cautioned in 2011 that *Asia's "rise is by no means preordained...success will require a different pattern of growth and resolution of a broad array of politically difficult issues over a long period."*<sup>3</sup> In short, it requires work to overcome a gauntlet of real and potential challenges.

Outside the realm of economics, Asia's dynamic growth continues to take place amidst the backdrop of rapidly evolving power dynamics and continuing security concerns.

For decades, the U.S.'s presence in the region has had a stabilizing effect, guaranteeing and engendering conditions for economic growth and development. However, the rise of new powers has certainly added a new dimension to the geopolitics of Asia and the Pacific. Increasingly relevant to this complex

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<sup>3</sup>

ADB President Haruhiko Kuroda, *Asia Must Take Bold Action to Realize Full Potential - Asia 2050 Book*, 2 August 2011.

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equation is China's growing economic network in the region, its rapid military build-up and its development of blue ocean capabilities. The region, it seems, is still finding the right equilibrium that would ensure long-term peace and security.

China, as the second biggest economy in the world with a position of primacy in the region, is very important to the security and prosperity equation in Asia. We must all support China's peaceful rise and hope that China will firmly pursue the track of being a responsible power and a positive force. Being a responsible power, however, is not without its challenges.

The competing territorial and maritime disputes are causing considerable tension that could lead to conflict. In addition to the South China Sea, we have in Northeast Asia, home to Asia's biggest economic powerhouses, several disputes that have adversely affected relations between and among Japan, China and the ROK. Cooperation and cordial ties among the "Plus Three" are integral to the Future of Asia. These have far-reaching implications on regional stability and the larger region's growth prospects.

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The situation in the Korean Peninsula continues to be fragile. The Six-Party talks remain stalled. The DPRK continues its path of defiance, seemingly indifferent to sanctions and world opinion. Last December it undertook a veiled ballistic missile test, and only two months ago, conducted yet another nuclear test. Just over the past weekend, the DPRK fired several short-range missiles from its Northern coast into the Sea of Japan. While these tests seemingly mark a scaling back from long-range missile- and WMD tests, they however do not diminish the serious tensions the continue to cast a pall on the Peninsula, which after six decades continues to contend with a persisting state of war.

Outside geopolitical and territorial concerns, the region faces on a daily basis non-traditional security threats like terrorism, transnational crime, infectious diseases and natural disasters. Asia also contends with pockets of political instability and conflict, fragile governance systems and institutions, and rule of law issues.

### *Asian Integration*

In the face of all these, the region continues to resolutely forge ahead with multilateralism and integration. It is a matter of satisfaction that our region, through ASEAN, is proving to be the

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fulcrum of regional economic integration and the chief catalyst for the evolution of a regional political-security architecture.

ASEAN is leading regional economic integration on several levels.

Over the past years, ASEAN has spawned several bilateral and regional FTAs that have increasingly been driving intra-regional trade and growth. With the Doha Round stalled, these regional and bilateral FTAs have taken up the slack in promoting economic integration in the Asia-Pacific. By encouraging focus on regional markets, these arrangements have helped insulate the region from external shocks, especially amidst the prevailing global uncertainty as the EU and the U.S. continue to recover from their economic difficulties.

Now, ASEAN has taken the next step of untangling the so-called Asian “Noodle Bowl” of these multiple, overlapping FTAs. Working together with the “Plus 6” partners, ASEAN is leading the way towards consolidating these discrete arrangements into a unified Regional Comprehensive Economic Partnership agreement (RCEP), which we hope to conclude by 2015.

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Envisioned to be a high-quality economic partnership agreement, the RCEP will span a region accounting for almost half the global market and one-third of global economic output. RCEP will not only serve to highlight ASEAN centrality and leadership but also serve as a vehicle for consensus building in promoting our shared trade and economic interests.

Within ASEAN itself, we are also on track towards intra-regional integration and realizing the ASEAN Economic Community (AEC) by December 31, 2015. With less than three years to go, ASEAN is making notable progress, having so far logged a 77.54% completion rate of the 334 measures identified under the AEC scorecard. Once in place, the AEC promises to make ASEAN even more competitive as a production base, and even more attractive to Foreign Direct Investment. It will spur trade, infrastructure development, and connectivity. In short, it will keep ASEAN at the center of regional economic integration, and make the region more resilient to external shocks.

ASEAN is determined to use the remaining time to bridge the remaining development gaps within the region. Variances remain in national capacities and developmental levels, as well as in meeting the prescribed AEC trade, investments, and agricultural measures.

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ASEAN is just as central to regional integration in the political-security arena.

Come 2015, ASEAN will further enhance its stature and significance in the global political arena with the establishment of the ASEAN Political-Security Community (APSC), which will underpin the sustained growth of the ASEAN Economic Community.

ASEAN is on track towards realizing this new milestone, through the implementation of 110 out of 157 action lines indicated in the APSC Blueprint, including the establishment of the ASEAN Intergovernmental Commission on Human Rights (AICHR), the ASEAN Maritime Forum (AMF) and the entry into force of the ASEAN Convention on Counter-Terrorism (ACCT).

We are confident that, with the realization of the APSC, complemented by regional mechanisms such as the East Asia Summit and the ASEAN Regional Forum, ASEAN will enhance its role in determining the future stability of the Asia-Pacific.

ASEAN is also spearheading the transformation of the region into one that is socially responsible and people-oriented through the ASEAN Socio-Cultural Community. It has made significant strides in

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implementing 270 out of 339 action lines on areas covering human development, social welfare and protection, social justice and rights, environment sustainability and forging of an ASEAN identity.

Backed by a legally-binding Charter that guides its activities and external relations, the establishment of the ASEAN Community in 2015 will be a significant milestone. The ASEAN Community will have far-ranging implications not only for the nearly 600 million peoples of Southeast Asia but also for the Asia-Pacific region as a whole.

But the birth of the ASEAN Community in 2015 is just a new beginning. With ASEAN increasingly assuming relevance in the world stage, the organization is already looking at the next stages of its integration, and has already started work on a post-2015 vision.

Ladies and Gentlemen,

From where we stand, Asia's Future remains a promising one. The foundation for a continued upward economic trajectory is there. With ASEAN, ARF and the EAS marching onwards, the countries of the Asia-Pacific also have sowed the seeds for a broad regional architecture for political cooperation, dialogue, and even perhaps for a more robust response to crisis situations.



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The building blocks are there. ASEAN has adopted a Charter that champions democratic, humanitarian and peace-oriented values. The network of security alliances between the U.S. and its regional allies that underpin regional security are themselves predicated on a common adherence to freedom and democratic values. Certainly the Philippines' outstanding relations with Japan, one of only two Strategic Partnerships we have embraced, are built on these same robust foundations.

The task now is for us to craft and sustain the paradigm and conditions that will buttress the region's continued growth and stability and journey towards integration.

We therefore need to build an environment that will shape a dynamic and thriving Asia-Pacific community, one that is built on mutually-beneficial partnerships under a just international order.

Thank you very much indeed.