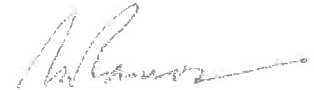


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ASIA 2050 -- REALIZING THE ASIAN CENTURY

**Address of Former President Fidel Valdez Ramos
Chairman, Ramos Peace and Development Foundation
(RPDEV) and Co-Chair, Emerging Markets Forum (EMF)
Cocktail Reception and Welcome Dinner for "The Emerging Markets
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Introductory

Let me add my own welcome to those already expressed by JBIC President and CEO Hiroshi Watanabe.

We are delighted and honored by the participation of so many distinguished individuals from Asian and American business, government, academe and civil society in this Seminar.

The highlight of our proceedings will be tomorrow's launch of the Asian Development Bank's latest magnum opus, Asia 2050: Realizing the Asian Century.

We of EMF, JBIC and ADB are enthused about this book because the economic experts and political scientists who produced it hold out the prospect of our entire continent's modernization within these next four decades.

Let me summarize for you -- as briefly as I can -- its main points.

Both A Vision And A Roadmap

Asia 2050's central thesis is that our home continent -- particularly East Asia -- is in the middle of a historic transformation.

In mid-1960s, Taiwan and South Korea – following on the model of Japan – began to grow rich through labor-intensive, low-value exports. Since then, East Asia has enjoyed a veritable economic miracle punctuated by occasional recessions.

Now this “miracle” of growth has spread so widely that it has begun to affect the distribution of global power.

In Latin America and Africa, new economic powers are also rising. But since the most heavily populated and most economically weighty of new stakeholders are Asian – principally China, Japan, India, South Korea, and ASEAN-10 – the center of global economic gravity has moved away from the Atlantic – where it had been for the last 150 years – toward the Pacific.

By 2025, Asia is projected to be the home of at least three of the world’s largest economies. By then, China, Japan and India will be sharing top honors with the United States and the European Union.

Reflecting the rise of new stakeholders in the global economy, the G-20 grouping has become the premier institution for international economic governance – superseding the International Monetary Fund and the World Bank.

If Asia continues to grow on its trajectory of the past 40 years, our continent could – by 2050 – account for more than half of global GDP, trade, and investment; and its people could enjoy well-being and modernization. Asian individual incomes could rise six-fold to equal the global average.

Some three billion Asians now mired in poverty and deprivation would become affluent by today’s standards.

Asia as a whole would regain the leading global economic position it had held some 300 years ago – before the Industrial Revolution. And the 21st century could, indeed, become the Asian Century.

The book *Asia 2050* is both a vision of what is possible for our respective countries, and a roadmap of how they could get to that desired future.

Hence, it makes a good guide to development against which individual Asian-Pacific governments – and corporations – can measure their progress.

Development Is Never Easy

But *Asia 2050* offers no free lunch.

The book warns that Asia’s ascent is “by no means pre-ordained.”

Indeed, Asia needs not only to sustain the world's highest growth rates. It also must mitigate environmental degradation amid earth's expanding population, and manage the consumption of finite natural resources. And – most important of all – it must narrow the widening gap that persists in most Asian countries -- between rich and poor, between big city and countryside.

Because uneven development creates cleavages between the rulers and the governed, in particular the youth and labor sectors, that, over time, becomes more and more difficult to reconcile. Current events in the Middle East and North Africa, visibly dramatic and violent on international media, do not augur well for our better future. The same is true for unsettled territorial conflicts in the Asia-Pacific.

In my country, the Philippines, uneven development has already caused our people to separate into “two nations” of the rich and the poor – differing not only in material wealth but also in culture, world-view, and even opportunity.

Asia's economic influence lies in the phenomenal growth it has so far achieved; but development always sharpens disparities and inequities, and breeds bloody insurgencies.

Indeed, even now, messy conflicts of this kind simmer in many parts of Asia. Beyond local-scale dissidence, our region has not been immune to even larger – and even more dangerous – political crises.

During this last half-century, it has taken a great deal of statesmanship and much diplomacy, at the very top, to preserve the bubble of peace and stability that has enabled East Asia to grow at the world's fastest rate.

The Middle-Income Trap: Some Made It, Many Haven't

Asia's “miracle” of growth has been so dramatic that people often forget that it has also been selective.

Only a few economies have grown so rapidly that they have crossed over “from Third World to First” in only one generation.

This elite group includes Hongkong SAR, Japan, Singapore, South Korea, Taiwan, and Macao SAR. These economies have realized their dream of the Asian Century.

Another 11 countries have grown consistently fast-forward over these last 20 years. Among them are China, India, Indonesia, Malaysia, Thailand, Cambodia, and Vietnam. These second-tier states are reaching “newly-industrializing country” status, and are on the threshold of realizing the Asian Century.

A third group of 31 Asian economies have achieved only modest or low long-term growth. This laggard group includes my country, the Philippines.

I come from one of these countries caught in what the ADB calls the “middle-income trap.” Although the Philippines was among East Asia’s earliest modernizers, it was unable to make the transition from resource-driven growth (with low-cost labor and capital) to productively-driven, sustained growth.

We could not compete successfully – whether with the low-income, low-wage economies in manufacturing exports or with the advanced economies in high-skilled innovations.

Earlier Reforms In The Philippines

The success of reform – or lack of it -- in my country during my Presidency, between 1992 and 1998, is instructive. Let me survey it quickly.

My Government came into office determined to catch up with our vigorous neighbors – armed with the vision of raising our country to the threshold of NIC status by year 2000.

We quickly managed to restore political stability – and to set the tone of our post-Cold War diplomacy – by making our participation in ASEAN the cornerstone of our foreign relations.

We also enlarged our economic openings to the world – and loosened the grip on key industries of our more blatant monopolies.

And we raised the country’s tax effort to the highest it has ever reached – 17% in 1997 (now the average in ASEAN) – a peak unsurpassed until now.

All of these reforms have had far-reaching beneficial consequences that many Filipinos now take for granted.

De-monopolization of the PLDT not only made our country the world’s ‘texting’ capital with a daily volume of short-electronic messages larger than all of the entire E.U., and enabling our 10 million Filipinos overseas and their families at home to be in constant touch. It has also made the new ‘call centers’ and business process outsourcing (**BPO**) industries the new drivers of our economy today.

Meanwhile, deregulation has depoliticized the oil industry, whose occasional price adjustments set off violent civil disturbances in the 1980s. Without deregulation, the successive increases in oil prices currently raging worldwide would have certainly set off violent street riots and demonstrations.

Privatization of Metro-Manila's water and sewerage system has resulted demonstrably in vastly improved -- and cheaper -- water services for consumers.

But because of the lack of judicial support, we failed to move the reform movement forward once oligarchs and special interests began to dig in their heels.

We failed to do enough in comprehensive tax reform, in banking liberalization, and in easing regulatory capture.

Worst of all, we couldn't get beyond first base in civil service reform. And because we could not do enough to upgrade our politicized bureaucracy and weak party system, we fell short of institutionalizing reform in governance.

Challenges Of The Next 40 Years

Now let us turn briefly to the challenges of these next four decades as *Asia 2050* sees them.

Over these next 40 years, all our countries must make radical shifts in economic strategy.

China, Japan, South Korea, Taiwan, Singapore, and their peers must nurture cutting-edge technologies – likely to center on biotechnology and the life sciences – if they are to retain premier status in the world of 2050.

Even for Asia's NICs, "industrialization by replication" will be less and less efficacious. The more development progresses – in both quality and intensity – the greater a country's need for the individual creativity, entrepreneurship, and competitive spirit that only the market can stimulate.

As we know, the interventionist state as the enabler of development has been a tremendous influence on Asian growth. Now such a command-driven regime must recede, and the market must assume a greater role – if Asia's entrepreneurs are to come into their own.

The state in the poor country typically flits from one preoccupation to another. It never really completes strategic goals; and in the process it wastes a great deal of energy, time, and money.

In reality, government's basic role is simple: to provide the political/security stability, sound macroeconomic policies, and physical infrastructure that private enterprise cannot provide for itself, but which it needs to flourish.

Political reform in Asia must focus governments on these basic functions.

For those countries that have reached First-World status, the challenge is to keep up their growth momentum in balance with expanding populations, limited natural resources, and sustainable development for our entire Asia-Pacific super-region. They will constantly need to adapt to the shifting economic and technological environment, and continually reinvent their comparative advantages.

Priorities For NICs And Laggards

For Asia's NICs, the imperative is to avoid falling into the middle-income trap – to prevent any deterioration in the quality of government – and to respond positively to the consumerist demands of a growing middle-class (as key stakeholders) for greater participation in the making of public policy.

The challenges are greatest for those countries that have been plodding along. Why my country has lagged behind is easy to see.

Historically, unbridled competition for the economic advantages of political power has led to the widespread politicization of Philippine society.

Early on, the Philippine bureaucracy had become a prize of the spoils system as a result of deeply entrenched vested interests dating to colonial times. Even in the face of globalization, the economy stays governed more by politics than by markets.

If we are to modernize the laggard countries, we will need a stronger, more coherent, more efficient state. And if we are to begin redressing the imbalances of our lopsided economies, we must make countryside development a centerpiece of public policy. The bulk of our spending on human-capital, we must shift to our most disadvantaged communities through “affirmative action” by governments.

East Asia's Prospects

To an extent, the East Asian countries share Japanese apprehensions that, as China's power increases, it could come to set the rules for regional transactions – whether in trade, investment, the environment, or even security. But they differ from Japan in that they see in regional institutions and treaties their best hope of channeling the rising influence of the great powers.

It is true that, for East Asia – even more than for Western Europe – deep integration that submerges the nation-state in regional community is no more than a distant dream.

Over the foreseeable future, an East Asian economic community – even if it takes off – is unlikely to develop beyond a free-trade area, to match similar arrangements in Europe and in the two Americas.

As we know, the East Asian states are on the verge of completing an East Asian Economic Community made up of ASEAN-10 plus the 3 Northeast Asian states – China, Japan, and Korea.

If they are to deal equally with China in the already set ASEAN-10+1 configuration, ASEAN as a whole must become more convergent economically and politically.

Right now, ASEAN-10 is still a long way from reducing the trade barriers among themselves and creating a single home-market that can compete with China in its attraction to foreign investors.

For the ASEAN states, the immediate usefulness of ASEAN-10+3 or 10+4 groupings would lie in the framework of rules and procedures they set down – and within which not just China, but also Japan, South Korea and India must work – in all their regional dealings.

In another decade, we may expect regional integration to become the global norm. Given the WTO's failure to open up global trade satisfactorily, regional blocs to create economic scale will likely become the main diplomatic activity these next few years.

From The American To The Asia-Pacific Peace

Now, to conclude, let me speculate briefly on the strategic background against which Asia's ascent to sustained, inclusive prosperity must take place.

Asia 2050 asserts -- repeatedly -- that our continent's rapid rise is not inevitable. And it is true that the bubble of stability within which Asian development is taking place continues to be tentative and fragile -- to big-power rivalries, local flashpoints of conflict, and the machinations of despots and military strongmen.

Over the foreseeable future, we in East Asia must live with a China driving for great-power status -- a Japan nurturing a resurgent nationalism -- and an America asserting its Asia-Pacific role.

Of all of these realities, the future of the U.S.-China relationship is the most crucial. In fact, the contest between them may no longer be military and coercive but economic, intellectual and demographic. And the ultimate winner would be the life-system that ordinary people judge the best for them.

Over these next 10-15 years, the task for our statesmen should be to replace the American peace that has enforced stability in this region through the balance of power, with a *Pax Asia-Pacific* founded on the balance of mutual benefit.

Clearly, an “Asia-Pacific Peace” must be built on binding commitments among the most powerful countries in our part of the world -- the United States, China, and India.

A constructive Chinese role in organizing enduring peace and stability would demonstrate China’s commitment to becoming the “responsible stakeholder” that Washington has challenged Beijing to become.

China seems to see its own safety in promoting regional integration – in developing an “East Asian identity” -- as economic cooperation among the states of our region extend gradually to cultural, political, and security cooperation.

Tokyo, too, must take up a more responsible role in the region. In fact, one of the imperatives in ensuring Asia-Pacific Peace is the relationship between Beijing and Tokyo. In the interest of regional stability, both powers should stop allowing the historical past to get in the way of a better Asia-Pacific future.

Summing Up

In the past, durable peace and stability – even a flowering of civilization – resulted from great-power dominance. But the age of hegemony has passed. Today, no single state – no matter how powerful – can act unilaterally because of the United Nations system. In a world more interconnected than it has ever been, nations large and small are virtually equal in the restraint the world community places on their behavior.

Ultimately, relations among the countries of the Asia-Pacific will always be an interplay of competition and cooperation. The supreme challenge will be for all our countries to ensure that the spirit of cooperation is always stronger than the competitive impulse.

And, in meeting this challenge, we cannot afford to default – for the sake of our peoples and for the young ones who come after us.

Thank you and *Mabuhay* !!!