



My Retrospective on ASEAN



Gloria Macapagal-Arroyo

The Philippines hosted the ASEAN Summit in Cebu, Philippines, in January 2007, when I was President of the country. At that Summit, we declared our strong commitment to accelerate the establishment of an ASEAN community by 2015. It was a pivotal period in ASEAN's development.

Maphilindo

I would like to think that ASEAN had a forerunner in the brief Maphilindo union founded in a Manila summit in 1963 among Malaysia, the Philippines, and Indonesia, when my father, Diosdado Macapagal, was President of the Philippines. He was then reviving the dream of a united Malay race which went back much earlier, to Filipino heroes like Wenceslao Vinzons in our 1935–1940 Commonwealth period under American tutelage, and the father of Filipino nationalism himself, 'The Great Malay' Jose Rizal.

My father believed that after centuries of colonial rule, the three Malay countries should work together on ‘Asian solutions for Asian problems’, following the *Musyawah* principle of mutual consultation. Indonesian President Sukarno helped flesh out this vision during frequent trips to Manila, and Malaya’s Prime Minister Tunku Abdul Rahman later came on board.

At the Manila summit, the three declared that initial steps should be taken towards the establishment of Maphilindo by holding frequent and regular consultations at all levels, to be known as Musyawarah Maphilindo.

The summit statement also enunciated what might well have been ASEAN’s own tenets:

‘This Conference ... has greatly strengthened the fraternal ties which bind their three countries and extended the scope of their cooperation and understanding, with renewed confidence that their governments and peoples will together make a significant contribution to the attainment of just and enduring peace, stability and prosperity in the region.’

Though Maphilindo was short-lived, the dream lived on. Speaking before a million people in Bandung in February 1964, Presidents Sukarno and Macapagal again dwelt upon the idea of a pan-Malay union. After 3 years, their Asia-centric aspirations found fulfilment in the formation of ASEAN, with Singapore and Thailand in addition to the three Malay states as the founding five members.

Two Significant Agreements

The agreement establishing the ASEAN Free Trade Area (AFTA) was signed in 1992. The Agreement on the Common Effective Preferential Tariff (CEPT) Scheme entered into force in 1993. That was the heyday of globalisation. As manufacturers and labour groups pointed out, the Philippines was ahead of AFTA requirements. Commitment to regional trade liberalisation meant accepting and sometimes moderating some difficulties at the national level, for many people, certain industries, and a number of nations. But in the main, there was no better way.

Fortunately, the CEPT allowed a member state to temporarily delay the transfer of an excluded product to the Inclusion List, or to temporarily suspend its concession on a product already in the list, if to avoid grave problems, a window I later used when I became President of the Philippines.

Staying the course of globalisation like other ASEAN countries, the Philippines became party not only to AFTA but also to the treaty on the World Trade Organization (WTO), whose ratification in 1994 by the Philippine Senate was my task to sponsor as chair of the Senate Committee on Trade and Commerce.

A Reality of My Foreign Policy

A week after I assumed the Presidency of the Philippines in January 2001, at a *vin d'honneur* in Malacañang or the Presidential Palace, I outlined before the diplomatic corps the realities guiding my foreign policy. Among them was that Philippine decisions on foreign policy should have to be made more and more in the context of ASEAN. I reaffirmed our commitment to the CEPT–AFTA regional free trade agreement (FTA) signed in 1992, to the e-ASEAN initiative, and to the ASEAN Regional Forum (ARF) as the only real multilateral security forum for our countries.

We remained committed to opening our markets through gradual tariff liberalisation, with consideration to sensitive agricultural and other products needing time to adjust to a more competitive environment.

That year, the ASEAN Ministers approved the transfer of ASEAN sugar imported into the Philippines from the CEPT Temporary Exclusion List to the Sensitive List. Accordingly, the tariff rate was to be brought down gradually from 50% in 2001 to 5% in 2015.

The Philippines' growth into its ASEAN identity also affected the way we managed other realities of my foreign policy. For instance, our relations with the international Islamic community were importantly expressed through our relations with our Muslim-majority neighbours.

Although I am a professional economist, my view of ASEAN integration is rooted in pragmatism, not just economic theory. Speaking before the Institute of Policy Studies, in Singapore in August 2001, I acknowledged that large integrated markets, not small fragmented ones, are the ones that attract investment and economic activity. Together, ASEAN is a market with half the population of China and (at the time) about the same size of economy.

But I further said that with globalisation, free trade may be here to stay, but it must also be fair. That should be achieved through multilateral negotiations that were often arduous and uncertain. The ASEAN countries must resist attempts to erode our comparative advantage by the imposition of arbitrary labour and environmental standards, protectionist anti-dumping measures, and trade-distorting agricultural export subsidies that poorer countries cannot match. We must also take the positive actions necessary to make our industries globally competitive.

The world changed on 11 September 2001 with the terrorist attacks on the World Trade Center and the Pentagon. I began working with Indonesian President Megawati Sukarnoputri and Malaysian Prime Minister Mahathir Mohamad on a trilateral operational initiative against transnational crimes, including terrorist attacks. Other ASEAN members subsequently joined the initiative. The ASEAN Summit in Brunei Darussalam in November 2001 – my first as head of government – was shadowed by 9/11. Thus, its most important product was the ASEAN Declaration on Joint Action to Counter Terrorism, which the Philippines had the honour to draft.

Separately, I proposed to revitalise the somewhat neglected Brunei Darussalam–Indonesia–Malaysia–The Philippines East ASEAN Growth Area (BIMP-EAGA) subregional grouping. Besides security measures in BIMP-EAGA, we urged resuming air and sea transport services, as well as joint projects in fisheries and power. We called for harmonisation of customs, immigration, and quarantine procedures. The Asian Development Bank accepted the task to become BIMP-EAGA's adviser on regional cooperation.

In 2002, the ASEAN Summit in Phnom Penh prominently came out with a joint ASEAN–China Declaration on the Conduct of Parties in the South China Sea, which eschewed the use of force and sought to build an atmosphere of confidence-building and cooperation. Because of our unique geopolitical situation and frictions at Mischief Reef in 1995, the Philippines

fought particularly hard for this document, which has become a landmark in regional security and the basis of the Code of Conduct in disputed areas now being negotiated. It was also the inspiration for the joint seismic marine undertaking in the disputed areas that the Philippines initiated in 2004 among the Philippine National Oil Company, the China National Petroleum Corporation, and PetroVietnam.

In 2003, CEPT levies decreased again. By then, unbridled liberalisation was no longer in vogue, the 1997 Asian crisis and the 9/11 attack fallout had hit us, and our tax collections fell short. I adopted the policy to slow the programme phase only to the AFTA requirements, and to take full advantage of all exception windows allowed. I admonished our National Economic and Development Authority, Department of Trade and Industry, and Tariff Commission not to be married to the idea that our tariff programme could no longer be revised.

In January 2003, I suspended for 3 years the application of the 5% tariff-reduction scheme on petrochemical resins and several plastic products under AFTA-CEPT. Their tariffs were instead reduced to 10% from 15% for 3 years, after which they were reduced to 5%. In doing so, we took advantage of the Protocol Regarding the Implementation of the CEPT Scheme Temporary Exclusion List, which allowed temporary exceptions.

To explain these moves, let me put our overall trade policy into perspective. There is no more important benchmark of a nation's development than its engagement in the world trading system. And my administration stood four-square for the benefits of open trade and was committed to reducing barriers to entry of any kind to and from the Philippines.

But as developed and developing countries alike know to be true, the benefits of globalisation are not all apparent or positive. That poses a problem in a democracy like the Philippines. As the Philippines came down on the side of trade, we understood that at the same time, we had to manage the transition well with our poor to gain their political support for additional political and economic reforms down the road. Short-term necessities would be offset in the longer term by a strong Philippine economy able to completely dismantle its non-competitive sectors and fully join a fair global trading system. The action taken on tariffs on the petrochemical industry was one such example. The important point to note is that we lowered tariffs. We continued to lower tariffs but in a way that made sense.

We were committed to lifting our people out of poverty. We had to put food on the table then, not promises. Our economic plan would get us there – and our trade policy was an integral part of our growth plan.

The Bali summit of 2003 was noteworthy for the signing of an agreement to form a new ASEAN Economic Community before 2020. Eleven sectors were chosen for integration, with the Philippines assigned to ‘champion’ the electronics sector, which at the time comprised nearly two-thirds of our exports. The deadline for this initiative was moved up 5 years, to 2015, during the Philippines’ Chairmanship in 2007.

At the Vientiane summit in 2004, I was privileged to convey to the Myanmar Prime Minister, on the sidelines of the summit, the view that Aung San Suu Kyi should be represented in the ongoing reform of their political processes.

The Philippines continued to underscore its commitment to liberalised trade as it entered into other major agreements under the auspices of ASEAN, including the ASEAN–China Free Trade Agreement, ratified in July 2005, and the ASEAN–Korea Comprehensive Economic Cooperation Agreement, signed in December 2005.

The Kuala Lumpur summit of 2005 featured an extensive discussion of the proposed ASEAN Charter. That would feature prominently in the 2006 summit that we were scheduled to host in Cebu.

Philippine Chairmanship: 2006–2007

Myanmar opted to forgo its turn to chair ASEAN from August 2006 to August 2007, so the Philippines got to chair a year earlier than scheduled. As Chair, we performed three duties spelled out by the Institute of Southeast Asian Studies in Singapore: speaking for the organisation, chairing and facilitating official meetings and task forces as ‘chief executive’, and tabling new initiatives and programmes for regional cooperation.

Being ASEAN spokesperson in 2007, the 40th year of the grouping, allowed me to announce the ASEAN Leaders’ Declaration on the Acceleration of

the Establishment of an ASEAN Community resolve by 2015, wherein the Leaders decided to move up the original deadline of 2020 by 5 years and thus usher in a pivotal period in ASEAN's development.

The acceleration of the ASEAN Community was auspicious amidst growing concerns over a slowdown in the Doha Round of WTO trade talks. As ASEAN Chair, I led the Leaders' call for the revival of the Doha Round.

At that time when globalisation was under siege, ASEAN became an important driving force for globalisation, especially since developed nations let many of the developing nations down. When trade served their interests, it was a green light; when they might have to give up certain subsidies or markets, the yellow light of caution was up. It has threatened to turn to red before this is over.

So while we wanted a successful WTO, we did not just wait around; instead we went full speed ahead in ASEAN to strengthen our economic ties, regardless of what the WTO did or did not do.

I was also pleased to note the progress in finalising FTAs by ASEAN with China and the Republic of Korea (henceforth Korea), as well as the potential for similar FTAs with the European Union and Japan.

Another important outcome of our Chairmanship was the Blueprint of the ASEAN Charter. The Leaders endorsed the Report of the Eminent Persons Group as a basis for drafting the Charter, and further instructed the High Level Task Force to complete the Charter in time for the next summit in Singapore.

Those pivotal declarations were issued in the January 2007 summit which, as ASEAN chief executive for the year, I had the honour to host in the beautiful and progressive island of Cebu. Chairing the summit provided an opportunity to showcase the natural wonders of our country and the natural warmth of our people as well as the gains of our country under my administration.

The Cebu summit was originally set for 10–14 December 2006. Two days before the scheduled opening, however, we decided to defer the summit due to Typhoon Utor, which swept through Cebu island and other parts of Central Philippines, reaching peak intensity on 13 December.

When the summit finally pushed through on 12–15 January 2007, the Cebu Metropolitan Area – composed of the cities of Cebu, Mandaue, Talisay, and Lapu-Lapu – jointly hosted various ASEAN events. The Leaders’ retreat took place at the Shangri-La Hotel in Mactan Island, with the Shangri-La group owner Robert Kwok flying in the group’s best chef for the luncheon. The bigger meetings were held at the newly built Cebu International Convention Center in Mandaue City.

As Chair of ASEAN for the year, I tabled initiatives on issues important to the Philippines, such as counterterrorism, migrant workers’ rights, and debt-for-equity swaps to fund projects supporting the United Nations Millennium Development Goals (MDGs). We chose the summit theme ‘One Caring and Sharing Community’. It reflected our vision for ASEAN to grow as a community that values the common good of the region, truly cares for the welfare of its people and environment, and selflessly shares its resources for the benefit of all.

The ASEAN Declaration on the Protection and Promotion of the Rights of Migrant Workers was a Philippine initiative, on account of the presence of so many Filipino workers overseas. In the Cebu summit, ASEAN recognised the contributions of our migrant workers to the region’s development and prosperity. We issued the declaration as a concrete measure towards that objective. We directed our officials to implement the declaration and to develop, as provided, effective mechanisms to safeguard our migrant workers, including an ASEAN instrument to protect and promote the rights of migrant workers, towards our vision of a just, humane, and democratic ASEAN Community.

The Cebu summit also adopted the ASEAN Statement calling on the Paris Club of donor nations to seriously consider the proposal raised by the Philippines at the ASEAN Inter-Parliamentary Assembly for debt-to-equity conversion to fund MDG projects. Under this proposal, liabilities to aid donors may be written off in exchange for equivalent or proportional government funds allocated to MDG projects.

On the security side, the initiative we worked hardest to achieve was the ASEAN Convention on Counter-Terrorism to enhance the region’s capacity to confront terrorism in all its manifestations, and to deepen cooperation on counterterrorism among our law enforcement and other relevant authorities.

Signed in Cebu, the initiative continued the Philippine proposal adopted in the 2001 Brunei summit on the ASEAN Declaration on Joint Action to Counter Terrorism.

It was also our initiative in the 2007 summit to recognise the importance of inter-faith dialogue in fostering greater understanding among our peoples, and to increase cooperation in this area.

Like other ASEAN Chairs during their term, I also hosted the East Asia Summit. Among other things, we welcomed Japan's proposal to set up the Economic Research Institute for ASEAN and East Asia, or ERIA – the very publisher of this book.

Among the primary realities of our foreign policy environment was the strategic importance of the relationship between Japan and China for the region. At a time of tensions between the two countries in 2007, the Cebu summit provided an opportunity for Japanese Premier Shinzo Abe and Chinese Premier Wen Jiabao to meet face-to-face on the sidelines. I was pleased to note afterwards from the Chinese newspapers that their meeting contributed to the easing of tensions.

In the interim between the Cebu summit and the upcoming Singapore summit that November, I hosted the ASEAN Ministerial Meeting in July 2007 at the Philippine International Convention Center. That gave me the opportunity to lay down what I felt were important themes for the future development of ASEAN.

First, I emphasised that the very rationale of ASEAN is economic integration, with focus on social justice and uplifting the poor in our region. More than just a regional community, it must be a dynamic force in Asia towards maximising the benefits of globalisation. The ASEAN states must strengthen economic linkages not just among themselves but also with their dialogue partners – importantly, China, Japan, and Korea.

Second, the rise of India and China as major powers, as well as continued stalling of the Doha Round, underscored the need to go beyond just ASEAN and build larger regional alliances that would stabilise the expansion of global trade. Some sort of East Asia community was called for, one that was not geographically based but would embrace all countries with an economic interest in East Asia.

As ASEAN Chair, we hosted the ARF in 2007. We attached value to the ARF, where major powers engaged ASEAN and one another at a high level on political and security issues. With 24 participating countries, the scope of this community was large enough to embrace meaningful arrangements for regional security as well as economic integration. The 2007 ARF took place amidst deep concerns about nuclear proliferation in the region, and ASEAN has always supported the peaceful denuclearisation of the Korean peninsula. Thus, it was our honour to host an informal session of the Six-Party Talks at that time, since the six parties were all members of the ARF. The issue of Korean peninsula denuclearisation has come back to haunt us as I write these words, with growing escalation again between the United States and the Democratic People's Republic of Korea.

The Protocol to Provide Special Consideration for Rice and Sugar was signed in August 2007 in Makati, Philippines, allowing a member state, under exceptional cases, to request a waiver from obligations under CEPT and its related protocols with regard to rice and sugar. In 2008 in Singapore, ASEAN Member States granted the waiver to the Philippines, which committed to bring tariff on ASEAN rice from 40% down to only 35% in 2015.

Continuing Commitment

I entered into a bilateral Japan–Philippines Economic Partnership Agreement, ratified in October 2008. Otherwise, our foreign trade policy was done more and more in the context of ASEAN, as in the case of the ASEAN Trade in Goods Agreement, ratified in August 2009; the ASEAN–India Free Trade Area, signed in August 2009; the ASEAN–Australia and New Zealand Free Trade Agreement, ratified in December 2009; and the ASEAN–Japan Economic Partnership, ratified in May 2010. The bilateral ASEAN agreements demonstrated our collective voice. They reflected our commitment to expanding global trade and investment for the benefit of all.

Like the rest of ASEAN, our country demonstrated its everyday commitment to regional and global engagement. Our policies and trade numbers told the story. The whole economy was free from quota except rice and fish. The share of duty-free imports was 46.2% in 2003. Trade in goods was 90% of gross domestic product in 2009. The Philippines was the world's 37th

largest exporter and the 29th importer of goods in 2010. In services trade, it ranked 27th among exporters and 36th among importers. Most important, as I stated earlier, it was during my Chairmanship that we declared our strong commitment to establish an ASEAN Community by 2015.

What ASEAN Has Given the World

ASEAN has had a vital 50 years of existence. The overarching goals, tenets, and initiatives expounded in the foregoing paragraphs – regional peace and unity, international understanding and mutual respect, open trade and economic dynamism, social welfare and inter-cultural dialogue, and the Asian identity and perspective in dealing with the world – are not only what ASEAN has sought to achieve for the region’s advancement. They are also its singular gifts to the world. We take pride in its contributions to world peace, security, and economic growth, starting in our own region, and, by example and influence, to other areas as well.

We have expanded our economies, and drawn closer together through trade, diplomacy, and cultural exchange. This unity has endured even if we are a very diverse, multi-ethnic, multi-religious region at different levels of social and economic development. It is remarkable that ASEAN unity has grown and deepened despite the temptation to drift apart. Instead, we remain on a steady arc of comity, cooperation, and community.

Our economic dynamism, trade liberalisation, and emergence as the fourth-largest economic entity – after Europe, America, and China – have been a driving force for global growth, trade, investment, and prosperity.

I believe in the value of trade to alleviate poverty and free people to live a better life. ASEAN, among other economic and trade platforms, provides the opportunity for economies to work together to lift up our poor, not just in the Philippines but all over the region.

While creating more cohesion within itself, ASEAN has also been integrating with all the major economic players in the region – China, India, Japan, and Korea – by forging individual economic partnership agreements and negotiating free trade areas with each of them.

ASEAN harmony and solidarity have helped diminish disputes and tensions among members, so that even former conflict adversaries are now united in common cause for regional peace and development. ASEAN has kept the peace among its members. None have been in conflict since they joined ASEAN. When the world's third most populous regional grouping has had nearly 4 decades of largely unbroken peace since Viet Nam's battles with Cambodia and China in 1978–1979, global harmony is greatly advanced.

Harmony and solidarity have also endowed ASEAN with geopolitical heft and stature. As symbolised by the 10 tightly bound rice stalks in its logo, ASEAN confers on member nations far greater international influence and clout than we can wield individually.

As it continues its world-pacing economic growth, now further buttressed by trade integration since 2015, ASEAN has become a major global hub of manufacturing and trade, as well as one of the fastest-growing consumer markets in the world.

Each ASEAN nation works to keep regional cooperation and solidarity advancing despite individual national challenges. ASEAN has proven that it can make a difference for peace and prosperity in Asia.

Today, as ASEAN Chair under President Rodrigo Duterte, the Philippines is advancing the regional agenda in tandem with its national interests. I am confident he will succeed.

ABOUT THE AUTHOR

Gloria Macapagal-Arroyo was President of the Philippines from 2001 to 2010.

She entered politics as a Senator in 1992 and was re-elected in 1995, topping the senatorial elections that year with nearly 16 million votes. In 1998, she was elected Vice President, garnering a record landslide majority of 7 million votes over her closest rival. She assumed the Presidency in 2001 and was elected for a fresh term in 2004.

She was Assistant Secretary of Trade and Industry in 1986 and Undersecretary of the same department in 1989 while also serving as Governor of the Board of Investments.

She authored or sponsored some 50 of the most important economic and social legislation in the country. These include the Long-Term Lease for Foreign Investors, Bank Liberalization, Export Development Act, Further Liberalization of Foreign Investments, the ratification of the General Agreement on Tariff and Trade, Official Development Assistance, An Act Replacing Quantitative Restrictions on Agricultural Products Except Rice with Tariffs, Expanded Build-Operate-Transfer Law, Mining Act, Oil Industry Deregulation, Investment House Act, the Legislative Development Advisory Council Law, Revitalizing the Bureau of Customs, Revising the Excise Tax Base, Extending the Life of the Asset Privatization Trust, Anti-Dumping Law, High Value Crops Law, Excluding the 13th Month Pay from Taxable Income, Anti-Poverty Law, Ancestral Domain Bill which became part of the Indigenous People's Rights, Anti-Sexual Harassment Law, and Assistance to Women in Micro and Cottage Enterprises.

As President, she led the country to 38 quarters of uninterrupted economic growth, even against the headwinds of a major global recession. Under her leadership, in the cities, office towers changed the skyline. In the provinces, she made massive investments on roads, bridges, and roll-on-roll-off ports. By the time her tenure ended, 85% of the people had access to public health insurance. She built over 100,000 new classrooms and created 9 million jobs. Her administration developed the call centre industry almost from scratch. By the end of her tenure, there were 500,000 call centre and business process outsourcing jobs, when only 5,000 existed when she took office.

She graduated from Assumption Convent, Philippines in 1964 as high school valedictorian, and as magna cum laude from Assumption College in 1968 with a bachelor's degree in commerce, with a major in economics. She attended college in the School of Foreign Service of Georgetown University in Washington, DC, majoring in international economic affairs, where she was consistently on the Dean's List of honour students. She obtained a doctorate in economics in 1985 from the University of the Philippines. During that period, she was Assistant Professor in Ateneo de Manila University and Senior Lecturer in the University of the Philippines.

She is currently Congresswoman of the second district of Pampanga. She is the daughter of the late Diosdado Macapagal, who was President of the Philippines in 1961–1965.