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LETTERS OF TRANSMITTAL

JUNE 11, 1981.

To the Members of the Joint Economic Committee:

Transmitted herewith for the use of the Joint Economic Committee, the Congress, and the interested public is a compendium of papers entitled "Pacific Region Interdependencies." This compendium contains thoughtful essays examining the economic and other interrelationships of many of the countries bordering on the Pacific Ocean.

The committee is most grateful to the Congressional Research Service of the Library of Congress for its assistance. Mr. Robert Barnett of the Carnegie Foundation helped assemble the papers and wrote a general introductory chapter. Dr. John P. Hardt, Associate Director of the Congressional Research Service, and Mr. Barnett held workshops and reviewed the papers. Earlier, when the project was being planned, John Stark, then Staff Director of the Joint Economic Committee, and Dr. William W. Whitson, then Chief of the Foreign Affairs and National Defense Division of the Congressional Research Service, played important roles. Mr. James Wootten of the Congressional Research Service also contributed to the early efforts. Richard F. Kaufman, Assistant Director and General Counsel of the Joint Economic Committee, supervised the study for the committee. The final drafts of the papers left the hands of most authors in March 1980.

It should be understood that the views expressed in the essays are not necessarily those of the Joint Economic Committee or the individual members.

Sincerely,

HENRY S. REUSS,
Chairman, Joint Economic Committee.

JUNE 5, 1981.

Hon. HENRY S. REUSS,
Chairman, Joint Economic Committee, Congress of the United States, Washington, D.C.

DEAR MR. CHAIRMAN: Transmitted herewith is a compendium of papers discussing the economic and other interrelationships and interdependencies of many of the nations bordering on the Pacific Ocean. The papers were written by American and Asian scholars and specialists who were invited to contribute because of their knowledge of Pacific affairs.

The views expressed in the papers are those of the individual authors and do not necessarily represent the views of the governmental or private organizations or of the members of the Joint Economic Committee.

Sincerely,

RICHARD F. KAUFMAN,
Assistant Director, Joint Economic Committee.

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INTRODUCTION AND SUMMARY: THE CONCEPT OF COMMUNITY

By Robert W. Barnett*

What is loosely and suggestively called Pacific Community has become a code word used to describe unmistakable and proliferating regional interdependencies, but seldom is the region defined. In this compendium eleven countries of Central America and South America whose shores are washed by the Pacific Ocean are almost entirely ignored. And perhaps significantly, no author defines community.[1]

The term is used anyway in discussing how economic change and growing economic interdependencies have transformed relationships of countries in a region usually thought of as reaching from the West Coast of North America through Northeast Asia and down to Antarctica. What concept underlies the use of "Pacific Community"?

Regional cooperation in the Pacific region, a different concept, has had a longer history. Secretary Dulles sought it at the height of the cold war to highlight and to sharpen the breach between adversaries. President Johnson sought it, in his celebrated 1965 Johns Hopkins University address, as a way to close the breach.

The concept of what is now called the Atlantic Community has achieved matter of fact currency. Can such a concept help also to give shape to interdependencies in the Pacific region? There are, of course, differences between the two regions. The Atlantic Community is contiguous, excepting the United States and Canada, whose populations have come largely from European home countries: vast transoceanic and overland distances separate the ethnically diverse countries of the Pacific region. The Atlantic Community has a cultural inheritance—law, religion, and cognate languages—shared for many centuries: the Pacific region shares no such common inheritance. After World War II the Atlantic Community pursued a common goal of "recovery" for more or less equally developed pre-war European societies, which, in addition, after the war, shared a common sense of threat from "communist" aggression and subversion. For most countries in East Asia their pre-war condition had been intolerable, and, for decades following World War II, their governments contended with threatening, and mutually competitive, former colo-

*Robert W. Barnett was born in China in 1911. He attended the University of North Carolina, Oxford University and Yale University. He was a Fellow at Harvard University. Following military service in the U.S. Army Air Force in China, he joined the Foreign Service, serving in the Department of State and at United States Missions in the Netherlands and in Belgium. He was Deputy Assistant Secretary of State for East Asia and Pacific Affairs from 1962 to 1970. Following retirement from the Foreign Service, he became Vice President of the Asia Society and Director of its Washington Center. He gave administrative support for 10 years to John D. Rockefeller 3d, Saburo Okita, Soedjatmoko, and Phillips Talbot, co-conveners of the "Williamsburg" meetings staged annually by the Asia Society. He is now a Senior Fellow of the Asia Society and a Resident Associate of the Carnegie Endowment for International Peace.

[1] Community: (1) A body of people having common organization or interests or living in the same place under the same laws; hence, an assemblage of animals or plants living in a common home under similar conditions. (2) Society at large; the region itself. (3) Joint ownership or participation; as, a community of goods; community of interests. (4) Common character; likeness. (5) Ecol. An aggregate of organisms with mutual relations; applied to any unit of undetermined rank, or a synonym for a more specific group.
Webster's New Collegiate Dictionary.

nial masters, new "imperialisms", and internal foes, "communist" and otherwise. Much more about all this will be brought out in later chapters of this compendium, in which not enough, however, has been said about scale of territory and population, and about inequalities within the Pacific region.

Peking, for example, beholds a Russia whose territory equals that of the United States, China, and Indonesia combined. Moscow is haunted by the vision of a Chinese population three and a half times Russia's. Indonesia's size is about two times larger than that of all of its other four ASEAN partners and its population is 30% larger. The aggregate population of the "market economies" of the region—sometimes called the "core" group—is about 670 million (almost twice that of the EEC). But the population of nearby "socialist" countries is more than twice larger—one and a quarter billion. And by the year 2000 the population of the former may increase by about 200 million, but that of the latter, by 315 million.

These are indicators of scale, mass, and inequality.

There are also startling inequalities of economic welfare. The per capita income of the United States now exceeds that of the Soviet Union by five times, of China by twenty-two times, and of Vietnam by eighty-one times. It exceeds that of Singapore by three times, but Singapore's per capita income is ten times larger than Indonesia's, and twenty-eight times larger than Vietnam's.

Computers churn out the hard facts of economic achievement by Japan and many of the developing countries of the Pacific region: U.S. trade with the region exceeds our trade with Western Europe. But these data alone do not make possible definition of direction, diversity, coherence and vulnerability of what is coming to be called community. Nor can that be done using the analytic method of just bankers, or just diplomats, or scientists, or representatives of the media. The professionalism of any single discipline obscures or distorts the larger context, which is what the leaders and peoples of the region are actually feeling about the strategic and cultural implications of their present situation and their future prospect. Clues to that state of mind can be picked up from various sources. There is the voluminous information available to governments and to corporations. There is the news and comment contained in the press, in the *Far Eastern Economic Review* and other magazines. There is the output of scholars. One particularly suggestive source—partly because of the candid and richly incisive contributions made by representatives from the developing countries of the region—is the annual off-the-record meetings which have been convened by the late John D. Rockefeller 3d, Saburo Okita, Soedjatmoko, and the Asia Society where, over the past decade, more than 200 participants from throughout the region, coming from business, diplomacy, legislatures, education, the law, the media, and so forth, have tried to foresee their shared future.[2]

The decade of the 1970's, for the Pacific region, began strategically with Dr. Kissinger's historic first visit to Peking, and ended with the shocking assassination of President Park in South Korea while the world beheld a ghastly hemorrhage of blood and treasure in Cambodia. In between, there were other events, viewed as taking place within

[2] Several of the chapters in this compendium were used as background documents for these so-called "Williamsburg" meetings.

a region which had become a critical intersection of "East/West" and "North/South" tensions, confrontations, and conflicts, both actual and potential. Year after year, however, it has almost always turned out that an unarmed Japan's behavior and potentials commanded the attention of other countries in the region more than China, the Soviet Union, or Vietnam, however ominous or dramatic their activity might, at the moment, have been. After the withdrawal of the United States from Vietnam this focus began to change. Their central preoccupation became disparities between what they observed to be the actual condition of the United States, politically and economically, and Washington's proclamations of intention. Aware of their interdependencies and their vulnerabilities, the leaders and peoples of the region showed, nevertheless, striking self-confidence in their capacity to handle their own affairs.

Almost everywhere through the region, economic performance became the crucial test of self-esteem and self-reliance, with expanded foreign trade, increasingly, a goal. There was demonstrable justification for growing self-confidence. For Singapore, foreign trade was amounting to some 280 percent of GNP,[3] for Hongkong 160 percent, for Taiwan 100 percent, for Malaysia 97 percent, and for South Korea 70 percent. Even for China, foreign trade was exceeding 5 percent of its GNP. Productive efficiency was being bought by good administration, fiscal responsibility, and very high levels of national savings. Willingness and capacity to save in order better to produce was reflected in the figures for gross capital formation in 1978 which amounted to 33 percent of GNP for Singapore, 31 percent for Japan and for South Korea, 27 percent for Thailand, 26 percent for Taiwan, 25 percent for China and Malaysia and 23 percent for Australia New Zealand and the Philippines. The figure for the United States was 17 percent and the implications of these figures for our future competitive position are sobering.

It is important to recognize the symbiotic link between growing foreign trade and the electrifying increases in information, through international media activity, and otherwise. Both shape "community". Knowledge about the United States and Japan in Asian countries far exceeds what Americans know about them. Communications technologies make it possible for readers in the region daily to read the English language *Asian Wall Street Journal*, if they wish, and in their own languages the information furnished by UPI, AP, Reuters, AFP, and Kyodo. Weekly, they can read, with relish, airmail editions of the *Far Eastern Economic Review*, *Time*, *Newsweek*, *Manchester Guardian* and the *Nihon Keizai*. They see live television broadcasts by satellite from all over the world. It is difficult any more for Americans to talk like "insiders" in discussing the United States: we have few secrets and our domestic affairs are exposed for Asians to behold.

Tourism is no longer the monopoly of a few rich Americans, Europeans, and Japanese. And, in addition, overseas Chinese, Koreans, Filipinos and others emulate Japanese and American export of management, workers and technology. Proliferation of scholarly

[3] Gross national product is computed by adding (1) private consumption, (2) private investment, (3) government spending and, (4) exports of goods and services, and then subtracting imports of goods and services. In small, resource poor, open economies like Singapore and Hongkong—which engage in substantial entrepot operations—aggregate foreign trade can exceed GNP in the way shown here.

and scientific exchanges takes place not only between so-called advanced and developing countries, but also among developing countries. The World Bank, the International Monetary Fund, the Asian Development Bank, the United Nations agencies have spawned consultative groups, task forces and study projects, both for operational purpose and for their educational value. The U.S.S.R., the People's Republic of China, Laos, and Kampuchea participate in the Economic and Social Commission for Asia and the Pacific. Laos and Kampuchea belong to the ADB, and Peking is eligible to join. Business and universities have fostered useful interrelationships. The Pacific Basin Economic Council (PBEC) and the Pacific Trade and Development Conference are dedicated to study of Pacific region economic potentialities. The East-West Center at the University of Hawaii, with its largely cultural interests, attracts students and Fellows from throughout the region. In addition, countries of the region meet outside the region, at the United Nations and in its specialized agencies. Japan, Australia, and New Zealand, along with the United States and Canada belong to the OECD, and South Korea hopes to join.

Chapters in this compendium mention anxieties, structural vulnerabilities and instabilities of the region, together with giving attention to its vitality and social and economic achievement. It takes some boldness—even taking account of Williamsburg discussions—to generalize, on the basis of these chapters, about the state of mind of Asians and whether or not it is conducive to creation of a sense of community. Still, what seems to come across is a generally optimistic assessment of a future for community. That optimism—some would say wishfulness—seems to be based on five premises, probably, in this order of importance:

The United States will subject its economy to good management, stabilize the international value of the dollar, take account of the needs of the developing world for energy resources and capital, remain committed to a worldwide, nondiscriminatory, competitive commercial and financial system, and preserve the military capability appropriate for a global superpower.

Japan will have continued access to the oil and the raw material imports necessary for its survival, and operate an economic system to which the rest of the world will have increasingly easy access.

The People's Republic of China will preserve its unity and stability while carrying forward its strategy of modernization.

The newly industrializing countries of Northeast and Southeast Asia will maintain political stability necessary for sustained economic growth.

The U.S.S.R. will not cause other countries to take on new and heavy financial burdens for their defense.

At this point, a digression is necessary. General war or a surge of heavy military spending, particularly in the developing countries, would alter prospects, catastrophically. The security equation between the United States and the Soviet Union interests all other countries in the region, many of them being both appalled and relieved that United States defense spending in 1979 ran to about $123 billion—a 6 percent bite on our GNP. The fact that Russian spending is $150

billion, and a 12 percent bite on the GNP of the Soviet Union, seems to be more troubling to Americans than to Asians. Apart from superpower spending, spending on defense throughout the region is relatively low, and this helps to explain economic achievement. Hanoi's invasion of Cambodia brought some increase of military spending in ASEAN (Indonesia, Malaysia, the Philippines, Singapore, and Thailand) countries—but not, significantly, as a percentage of GNP. Only Vietnam, Taiwan, South Korea, North Korea, Thailand and Indonesia spent more for defense than for education in the years 1974–78. With change in Washington's strategic environment late in 1979, countries in the region, with mixed feeling, watched Washington respond by substantial increases in military spending for 1980. Despite this development, there still seems to be an almost universal consensus that goals for the region should continue to be:

The superpowers should maintain an equilibrium of weapons capability, and try to forestall proliferation of nuclear weapons;

Costs of all military establishments should be kept as low as possible;

Economic and social development should be pursued as effectively as possible by all countries;

Barriers to foreign trade, investment, and technology transfers should be lowered or removed;

There should be easier movement of ideas and persons within the region; and,

Within the region, countries which are adversaries on one issue should, nevertheless, be ready to consult and to cooperate with each other on others.

The last of these goals could become the area within which Washington and leaders in Asian capitals discover that they have their most serious differences. All would welcome limited ad hoc consultative agencies and procedures designed to facilitate exchanges of information, to ease frictions arising from growing economic interdependencies, to narrow the gap between more affluent and less affluent countries, or to build bridges between adversaries. But when there is intention to make ad hoc arrangements more or less comprehensive, many Asian countries will be inclined to want all countries—even adversaries—to be eligible to participate. Organized and comprehensive confrontation between adversaries even as tailored and discriminating as that between NATO and the Warsaw Pact countries is not congenial to Japan nor to most of the countries in Southeast Asia. "East-West" conflict has a different connotation for Europe and for countries in the Pacific region where some see China as more threatening than either the U.S.S.R. or Vietnam, and others, the other way around. None craves proclaimed and presumably irreversible subordination of its own, perhaps fluctuating, conception of threat to anyone else's comprehensive definition of strategic necessity.

The chapters in this compendium bring out—as a more narrowly systematic scholarly undertaking might fail to do—the amorphous dynamism of Pacific Community, and the still very loose military, political, economic and cultural vocabularies used in describing it.

Our authors come from diverse backgrounds. All have been involved for many years with one or another aspect of the life of the region. None has been asked to advocate specific courses of action for govern-

ments. But each has been concerned, in one way or another, with the characteristics and potential of Pacific Community.

The Vitality, Potentials, and Pitfalls of Economic Links

Lawrence B. Krause, a Senior Fellow at the Brookings Institution, has drawn upon his own extensive and careful scholarship on the economic dynamics, internally and collectively, of Pacific region countries to present a strong case that the Pacific Basin, with all its economic interdependencies, has a coherence that would be enhanced and would be made even more productive through the creation of new consultative procedures and institutions. He takes note of the region's divisive traditions and political institutions. These should not, however, seriously impair common involvement in the rational shaping of a shared economic environment. Krause believes that a sense of regionalism has not developed, commensurate with the realities of actual regional interdependencies.

In May 1980, a private consultative council set up to advise Prime Minister Ohira on how to advance regional cooperation and harmonious relations within the Pacific Basin region brought out its final report. We find in it a survey, from a Japanese viewpoint, of Pacific Basin interdependencies and a listing of opportunities for cooperation. The report advances no precise recommendation for new institutional arrangements.

Toru Yano, at one time a participant in that council, withdrew because of his disagreement with what appeared to him to be some of the assumptions underlying that undertaking. Yano doubts that economics can be separated from politics. He also doubts that circumstances will permit the creation of community, either economic or political, except in ways that would be elitist and divisive.

Takeshi Watanabe, now the Japanese chairman of the Trilateral Commission, applauds growth of interest in establishing stronger ties among the nations of the Pacific. However, he urges that those who advance proposals for new institutions exercise some caution and be aware that problems of membership, problems related to inequalities of strength, and problems arising from historic memories may not be easy to overcome. There might be some merit in making a start towards useful cooperation by creating some kind of "Pacific commission" made up of private persons, coming from throughout the region, who would, in that capacity, exchange ideas freely.

Ghazali Shafie, formerly Undersecretary of Foreign Affairs and now Minister of Home Affairs in Malaysia, forecasts radical changes in the broader international environment of the future. In it there will be many interdependencies, economic and otherwise, and their quality will be affected by new concepts of power and by new perceptions of how problems within states will be affected, often involuntarily, and unforeseeably, by external events and influences. It is natural, Ghazali believes, that present economic interrelationships should stimulate interest in giving them some kind of structure within which they can better flourish. But such structures could have unattractive strategic implications. What is characteristic in ASEAN's successful partnership suggests that more important than defining any grand design, contract, or declared intent is a general concept of *process* that

would not impair ASEAN's links within itself nor impair all of its other and wider Southeast Asian, Pacific and global links. A Pacific Community that promised little beyond freezing the present status quo would be distasteful to ASEAN.

Jusuf Wanandi might well be sympathetic to much of Ghazali Shafie's skepticism, and he would certainly oppose arrangements that weakened ASEAN. Still, he applauds a consolidation of United States involvement in the Asia/Pacific region, and sees constructive value in making possible enlarged interrelationships, economic and otherwise, among the peoples of the region.

Pang Eng Fong asserts that Singapore would likely profit most from any advance towards creation of consultative procedures intended to promote cooperation within the Pacific region. However, a higher priority for Singapore is to maintain the intimacy of its links with its ASEAN partners. For them the time may not have come for the concept of a wider Pacific Community, in part because of the difficulties of determining membership, and in part because of ASEAN's fear of losing its own identity.

Sung Joo Han observes that misuse of the term "community" can create misunderstanding: in the Pacific region it may be an aspiration, but it does not exist in reality. He suggests that it might be better to stress cooperation in limited fields, than to strive for more comprehensive goals, and thus avoid confronting divisions that could be seriously disturbing while allowing time for a sense of community to mature before addressing the task of creating institutions designed to foster and shape that concept.

Authors of these chapters all take more or less for granted significant involvement by the People's Republic of China in the life of the Pacific region. This would not have been the case ten years ago. Nicholas H. Ludlow, Editor of the *U.S.-China Business Review*, has written about the People's Republic of China's comprehensive program to modernize its agriculture, industry, science and technology, and defense. Ludlow points to anomalies in the Chinese situation. The Chinese economy ranks sixth in the world, but per capita national product is very low. For many years minimally involved in the world economy and doctrinally committed to self-reliance, China now, recognizing the necessity to satisfy rising demands for consumer goods by an inexorably increasing population, has accepted the necessity to generate exports in order to pay for vitally needed imports of capital, and technology. China knows about the remarkable economic achievements of noncommunist Japan, South Korea, Taiwan, Hongkong, and other economic systems in the region, and has begun to set ideology aside in exploring the benefits of economic ties through trade and investment with foreign countries. Ludlow observes that China, as a practical matter, is involved in the economic life of the Pacific region. There may well be a need to create Pacific Community economic institutions. China could play an important role in making them a force for stability and growth in the region.

Richard J. Barnet, Senior Fellow of the Institute for Policy Studies, agrees with Werner and Terrill that there has been great change in the military situation of the region. There seems to be recognition that there is diminished capacity for effective superpower military intervention. Both Vietnam and China have discovered

that costs of combat are high—almost prohibitively so. Merely to maintain at all high-technology military establishments brings burdensome debt servicing and great economic strains, themselves destabilizing. Another change, largely unnoticed because outside of the direct management of governments, is the economically substantial operations of multinational corporations as they involve transfers of capital, and encouragement of increasing volumes of world trade. Often those operations are on terms, however, which are socially destabilizing for both the agricultural and the industrial sectors of developing countries. No concept of Pacific Community can afford to neglect the political dynamics of the trade-promoting but often socially distorting activities of American, Japanese, Korean or Philippine multinational corporations.

The Strategic Context

Ross Terrill, of Harvard University and the Asia Society, contrasts the cultural and economic homogeneity of Europe with the extreme diversities and inequalities to be found within the Asia/Pacific region. Nevertheless, Terrill believes that the great economic successes of the market economies of the region, the confrontation between China and the U.S.S.R., and the lessened propensity for military intervention by the United States following its failure in Vietnam, bring in sight new stabilizing interrelationships for the 1980's. The societies of the region will not basically depend on bilateral relationships between individual large countries and individual smaller countries but, rather, will depend on the mutual relationships of the four overarching powers. Within this context stability will be less influenced by ideology or drawing-board military balances than by economic performance, cultural self-confidence and social justice.

Roy A. Werner, Deputy Assistant Secretary of the Army, addresses the problem of political authority within individual countries of the Pacific Community and sees the resolution of its legitimacy as a prior condition for the evolution of responsible management of interests common to the community. The evolution of separate social and political systems in the region—all concerned with the problem of security from external threats and effective government at home—has brought widespread recognition that there must be economic and welfare achievement in order to gain acquiescence in allocation of national resources for military readiness. Common appreciation of this priority may be laying the groundwork for emergence of a genuine security community for the Pacific region. Werner also observes that Japan's restrained investment in weapons development programs has had a profound and far-reaching effect on others—in effect, being a major contribution to implicit regionwide arms control.

Francis T. Underhill, Jr., formerly United States Ambassador to Malaysia, deals with the factor of self-image of major powers trying to shape the structure of a Pacific Community which, in fact, already exists, and may not, any longer, be subject to systematic management by any of them. Taking the example of the United States, he contrasts an earlier era when the United States' role was overwhelmingly dominant, and the current situation in which most decisions in most countries are made locally without much reliance upon American

guidance. Paradoxically, as government influence has declined the cultural impact of the United States may actually be increasing. Similar anomalies can be seen in the roles played by Japan, China, and the Soviet Union. Economic, social, and cultural forces, operating naturally, may be bringing the societies of the region more closely together than might be the case if attempts are made to give this process some formally defined general framework.

Soedjatmoko, formerly Indonesia's Ambassador to the United States, writes more philosophically than any other Asian, perhaps, about the preoccupations of the Asian "South". "Tension Management in the Asia Pacific Region" sets forth anxieties about peace and stability in the Pacific region. Japan has a unique opportunity to play a constructive role.

Donald S. Zagoria, a professor at Hunter College and author of many books and articles on Sino-Soviet relations, takes note of attitudes towards the concept of Pacific Community among the ASEAN countries, and reflects on the possible roles to be played within such a community by the People's Republic of China and by the U.S.S.R. ASEAN countries do not yet trust the motivations of Japanese and Americans who advocate new institutions. To exclude communist countries from the community would be divisive, but to include them would present other problems, competition from the Chinese and incompatibilities with apparent present-day Soviet strategic intention.

Cultural Factors

Hongkoo Lee, on the faculty of Seoul National University, believes that neither the ideology of Marxism, nor its refutation in the ideological contentions of western liberalism, continue to have much effective relevance for most Asian societies. This has created an ideological vacuum. However, without ideology, political systems in developing countries will lack the vitality needed for sustained solution of linked problems of modernization, "westernization", and preserving the essential integrity of individual cultural inheritances. Historically, the ideology of nationalism has been distinguished from the ideology of internationalism. For the Pacific region this contradiction is specious: the needed ideology for Pacific Community must synthesize and reconcile national and regional goals and requirements. There can be no effective regional community, involving balance in relationships among external powers, without a concomitant balance and compatibility of purpose among the internal powers. This will be achieved only through general acceptance of an ideology of reform. A paradox of the 1980's may be that pragmatists in authoritarian communist states will gain ground over ideologues, while in the noncommunist states of Asia mass mobilization will begin to give political cohesion and purpose to the achievement of economic pragmatists serving more or less authoritarian noncommunist leaders.

Alan K. Henrikson, an intellectual historian interested in the way geography shapes the imaginations of men, makes observations about how societies progressed in differing ways towards viewing the Atlantic Ocean as "an inland sea" around which a sense of community eventually evolved. Popular and intriguing as the notion

of Pacific Community may be these days, it is still unclear how the great continental societies would actually be accommodated in it, or whether one of the region's island societies might, most logically, for reasons of persuasive self-interest, take leadership in giving community practical organization of some kind.

Charles E. Morrison believes that other countries in the Pacific region should understand that in the United States there is a growing interest in the concept of Pacific Community, but the issues involved in assessing its prospects command the interest of a relatively small number of individuals in the private sector, in the Congress, and in the Executive Branch. Consideration of new cooperative arrangements remains at an early stage. However, it appears to be clear that there is no serious advocacy of military alliances, there is no intention to weaken existing organizations like ASEAN, and progression towards new arrangements depends upon a still unforeseeable congruence of the national self-interest of the United States, Japan, the members of ASEAN and other countries.

Authors in this compendium have not sought agreed conclusions nor have they engaged in advocacy. Nevertheless, here and there through the chapters are suggestions of new and desirable policies, institutions, and procedures for the region. Krause sees possibility of certain new and desirable economic institutions. Werner sees possibility of region-wide security community. Ludlow sees China in an eventual Pacific economic community. Soedjatmoko sees need for a North Pacific forum to consider security problems. Zagoria and Underhill believe that effective new institutions in the Pacific region must spring from a sense of need and purpose from Asians themselves if they are to have relevance and vitality.

If this compendium can be construed to have arrived at any conclusions, they probably are that a Pacific Community "process" already operates, but whether or not it would benefit from creation of an overarching system of some kind is still undetermined.

I. ECONOMIC INTERDEPENDENCIES

THE PACIFIC BASIN AND ECONOMIC REGIONALISM

By Lawrence B. Krause*

The nations of the Pacific Basin have many economic interests in common, yet up to very recently their mutual interests have not resulted in the development of regionalism. The reasons are clear, and widely known. Most basic is the region's ethnic, linguistic, and religious diversity, which is matched by equally striking differences in matters of political history and current civil institutions. In many instances, the nation states of the area are themselves only tenuously able to span the differing interests of their various peoples.

With the passing of the colonial era—during which the concerns of the Pacific States were turned towards Europe and not at each other—it was natural that political antagonisms would emerge out of such diversity, and indeed, antagonisms have persisted into the present and have hindered the emergence of a robust regional perspective. Notable in this regard is the present uncertainty over the future of Thailand, given Vietnam's actions in Cambodia; the territorial uncertainties between Malaysia and the Philippines over Sabah, and the continuing tension over the control of the islands of the South China Sea are other cases. Another salient problem impeding regionalism is the fact that the region encompasses disparities in levels of income and economic development that are truly awesome, and includes both lightly industrialized nations and some of the world's largest exporters of primary materials. These differentials stand as barriers to regionalism when they are interpreted as implying conflicting economic interests; this effect is heightened to the extent to which nations identify with the bloc positions of the North-South debate—a debate which cuts directly through the heart of the Pacific region.

However, when one considers the Pacific Basin from a global perspective, it is possible to be distinctly sanguine about its prospects. In the first place, it evidences a significant and growing degree of economic impetus. The ASEAN members, the five developed nations —Japan, Australia, New Zealand, Canada, and the United States— and three countries of East Asia—Hong Kong, Taiwan, and the

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Stephen L. Smith assisted in preparing this paper. The views are those of the author and should not be attributed to other staff members, officers or trustees of the Brookings Institution.

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Republic of Korea—(which together comprise the Pacific Basin) have been among the fastest growing countries anywhere.

GROWTH OF REAL GNP

[Compound annual rate]

	1967–73	1973–76	1973–77	1973–78
East Asia:				
Hong Kong	8.1	7.2	8.3	(1)
Republic of Korea	13.0	9.8	9.8	10.2
Taiwan [3]	10.6	4.7	5.7	7.1
ASEAN:				
Thailand	7.2	7.1	7.0	7.4
Philippines [2]	5.9	6.4	6.4	6.3
Malaysia [3]	4.3	6.6	6.9	7.0
Indonesia	8.7	6.5	6.8	(1)
Singapore	13.0	6.0	6.5	6.9
Developed:				
Japan [2]	10.7	2.4	3.2	3.6
New Zealand [4]	3.9	1.9	.7	.6
Australia	5.7	2.9	2.6	2.6
Canada [2]	5.7	3.4	3.1	3.2
United States	3.4	1.0	2.1	2.5

[1] Not available.
[2] GNP data.
[3] 1970–73, instead of 1967–73.
[4] 1968–73, instead of 1967–73.

Source: International Monetary Fund, "International Financial Statistics," May 1978 and October 1979.

Before the oil crisis of 1973–74, Singapore, Korea, and Taiwan grew in excess of 10 percent a year. Others, such as Thailand, Indonesia, Malaysia, and the Philippines, grew consistently between 6 and 8 percent a year. Needless to say, these are very high rates by world standards. What is most remarkable is how little these countries deviated from their rapid growth paths after the oil crisis; most grew almost as fast as before, and Malaysia and the Philippines even faster. Even the developed countries of the region have done better than the industrial countries of Europe in sustaining real growth.

Another characteristic of the economic growth of the Pacific Basin is how closely it has been associated with rapid expansion of international trade. The growth of exports (measured in current value) has been above 20 percent a year for most of these countries and in excess of 30 percent for a star performer such as Korea.

GROWTH OF THE VALUE OF EXPORTS

[National currencies, compound annual rate]

	1967–73	1973–76	1973–77	1973–78
East Asia:				
Hong Kong [1]	19.2	17.5	(2)	(2)
Republic of Korea	48.9	40.3	39.5	36.9
Taiwan	35.0	21.3	20.6	22.3
ASEAN:				
Thailand	12.2	18.7	17.9	15.1
Philippines	21.7	13.4	16.4	14.0
Malaysia	11.0	23.3	20.2	18.3
Indonesia	62.3	26.2	24.9	(2)
Singapore	21.7	22.0	20.8	19.3
Developed:				
Japan	18.1	25.2	20.5	14.7
New Zealand	17.3	14.1	13.2	(2)
Australia	15.7	18.0	16.5	14.1
Canada	13.0	14.2	14.6	15.3
United States	14.3	17.4	14.5	15.0

[1] Merchandise exports only.
[2] Not available.

Source: IMF, IFS, May 1978 and October 1979.

Exports have expanded faster than many GNP's indicating that the countries are benefitting from export-led growth. Paralleling their growth of exports has been an equal growth of imports. Thus, their rapid income growth—in conjunction with increasingly open foreign trade policies—has provided markets and trading opportunities for neighboring countries.

The pattern of trade relations that has developed within the Pacific Basin is of great significance. The developing countries are becoming increasingly important as trading partners of the developed, to the point where—for instance—the trade of the United States is now more directed toward the Pacific than the Atlantic region. In fact, after making adjustments for oil price increases, all of the Pacific countries conduct more trade within the region than outside of it. About half of United States trade is within the Pacific; of Japan's, between 50 and 60 percent; for Australia and Thailand, between 60 and 70 percent; and for the Philippines and Korea, between 70 and 80 percent.

Trade, however, is only one facet of the growing economic interactions between Pacific nations. American, Canadian, Japanese, and Australian mult -national firms engaged in complex banking, mining, manufacturing, and commercial activities generate large foreign financial flows and high levels of direct investment. (Major United States banks have more than $17 billion in outstanding loans to developing Asian economies.) Financial markets within the region have progressed rapidly. Thus, on three counts—international trade, direct investment, and international lending—the Pacific Basin constitutes a region of strong, continuously emerging economic integration and interdependence.

A global perspective also reveals the solid pressures powering the region's interdependence and which will increasingly foster a focused regional posture. The stagnation of growth in Europe and the increase in protectionism is making this traditional market for low-cost manufacturers difficult to enter; looking for alternate markets, Pacific countries have begun cultivating each other—at the same time as the rest of the world, looking elsewhere than Europe for economic stimulation, is finding it in the Pacific Basin. Concurrently, Japan and Korea have emerged as models for developing nations; this is due to their successful planning for industrial development. This, combined with their roles in world export and import markets and—in the case of Japan—its new position as a major provider of international capital, has the effect of focusing the attention of the developing world on Asia. This attraction to Japan and Korea is greatest within the Pacific Basin. Furthermore, the Pacific region is not self-sufficient in oil and is uncertain about its continued access to mid-Eastern supplies. These concerns could motivate the resolution of the political obstacles to effective organization of the area's oil potential—a problem no single country can envisage solving alone. Finally, it must be noted that the failure to have achieved significant global agreements toward economic and political development of the region through the global institutions which already exist (whose weight lies preponderantly toward Europe and the developed West) will by default encourage regional approaches to the Pacific. In its most general terms, then, it can be said that the Pacific region's ties to the world and the international economy are such that they increase both the degree and image of regional interdependencies and integration.

How well has interdependence been managed in the past? In a word, badly. To look simply at the economic sphere, there are examples from the experience of every country in the region of unilateral policies which have disrupted and distorted ongoing commercial relations and have proven to be costly for all countries involved. These include the United States' embargo of soybean exports to Japan in 1973; Japanese restrictions on imports of silk textiles from South Korea and China in 1974–75; Australian limitations on a broad range of labor-intensive manufactures from neighboring ASEAN countries in 1975–76; Thailand's embargo of rice exports to the Philippines and Indonesia in 1973–74; and Korea's massive devaluation of the won in late 1974 without consultation with either Taiwan, Hong Kong, or Singapore. All of these policies—taken to solve short-run domestic problems—had significant long-run costs to the country instituting them, and were unnecessary in that alternative and more effective policy options were available. The United States lost export markets for soybeans as buyers diversified their supply sources; Japan fomented trade protectionism; Korea suffered increased domestic inflation, and an imbalance in currency relations—not to mention calling down on itself the severe condemnation of its neighbors for increasing its exports at their expense; and Australia deepened its economic stagnation.

Why were better alternatives not chosen? The answer is severalfold. Unilateral action is a politically easy way to solve a policy problem, at least in the short run; in all of the instances cited, the benefits of the step were obtained immediately while the costs not only appeared in the long run and seemed to be indeterminate, but gave every impression of falling only on foreign countries. Unfortunately, the historical lack of a regional perspective and the marginal recognition of interdependence complement all too well this small country approach.

At the sub-regional level, ASEAN has been successful in providing an effective means for dealing with some of the difficulties of interdependence. As such, it is the most important regional development in recent years. Yet there exists no institution charged with the responsibility of monitoring economic developments in the entire region, which could make known the degree of interdependence and raise the salience of these relationships for policymakers.

In looking towards the future, there is every reason to believe that the policy mistakes of the past will continue to bedevil the life of the region: greater wisdom and increased goodwill cannot be depended upon to improve policy-making when short run domestic considerations will always seem more germane to any decision than the possibility of long run negative feedback. Another thing seems certain, also: that the interdependence inside the Pacific Basin will increase, and thus—as a natural consequence—feedback effects will more certainly offset the domestic economic and political gains of unilaterally conceived actions. At the same time, the pressures influencing the Pacific toward articulating a coherent regional perspective can be clearly pointed—as mentioned earlier—and can be expected to continue. In this overall context, increased regionalism is indeed attractive; also, the question of the usefulness of establishing a new economic institution for the Pacific Basin assumes greater importance.

The two Pacific-wide institutions which already exist do not lend themselves to the development of regionalism. The United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) is by its very comprehensiveness too unwieldly for policy influence. The Asian Development Bank has the specifically limited mandate of development financing for the developing countries of the region. Several of the Pacific nations have considered various plans for the development of an alternative and complementary institution. Most recently, the Japanese government's Pacific Basin study group—under the chairmanship of Foreign Minister Saburo Okita—has produced a report that both describes the Japanese government's view of the matter and typifies the possibilities inherent in the growth of Pacific Basin regionalism. The report notes the tremendous potential of the region, and proposes a Pacific Basin "cooperative organization" be established to promote the development of regional resources, to enhance economic cooperation and overseas investment, to provide a means of reviewing monetary and financial market conditions, and to encourage mutual understanding through vigorously pursued research programs and personnel and educational exchanges. The study group envisages this formation of a regional community being premised upon and fostering free and independent relations, open to a membership that cuts across political and ideological lines.

Whatever the particular fate of the current discussions of a new Pacific institution, it is clear that the maturation of the concept of Pacific Basin cooperation is quite timely. As consultations continue and a vision of Pacific development begins to emerge, several facts must be kept in mind. In the first place, the emergence of Pacific Basin regionalism need not be at the expense of the global community, the region's global ties, nor be to the disadvantage of what has already been accomplished towards regional development through ASEAN. This is because, at the most basic level, the benefits of a self-conscious and therefore, more prosperous Pacific Basin would redound to the world as a whole. Were a new institution to be formed, it would merely imply the belated recognition of the Pacific's great significance for the world, and place Pacific Basin interrelationships on a par with the level of institutional development that obtains in other regions. ASEAN could participate in an institution as a single entity, strengthening its identity and giving it further incentive to focus its own activities and emphasize its role in the Pacific Basin.

Second, there is the specific prospect that North-South tensions can be substantially ameliorated if the Pacific Basin, conceived of as different from other regions of the world, allows the intention to consult to be separated from an intention to negotiate, and thus opens the way for consultation to demonstrate that gaining advantage need not be at someone else's expense.

Third, both the history of ASEAN and the development of the Pacific Basin concept itself illustrate the fact that processes can begin without defining things too clearly. Any new institution could follow the example of ASEAN and take form pragmatically; it need not be immediately burdened with the broadest charges and expectations.

Indeed, the political and cultural reality of the Pacific Basin demands a pragmatic approach to regionalism. Perhaps a strict

pragmatism—realizing that the region's extreme heterogeneity is the very reason why regional attitudes and institutions are undeveloped—would shy away from forming any expectations around it. Yet given the advantages to be had from the development of Pacific Basin regionalism, the area's economic dynamism, and the global factors which are pushing the Pacific nations towards one another, it is hard to see the Pacific's present lack of a coherent common tradition as anything but an irresistible invitation to form a new tradition.

REPORT ON THE PACIFIC BASIN COOPERATION CONCEPT

By the Pacific Basin Cooperation Study Group

To Prime Minister Masayoshi Ohira:

Since its establishment on March 6, 1979, the Pacific Basin Cooperation Study Group has conducted intensive study on Pacific basin cooperation. In the course of our study, we submitted an Interim Report to you on November 14, 1979, and we now take pleasure in submitting this Report to you.

The Pacific Basin Cooperation Study Group

The members of the Pacific Basin Cooperation Study Group are as follows:

Chairman (Acting) and Executive Members:

Tsuneo Iida (Professor, Nagoya University) (replaced Saburo Okita as Chairman when the latter was appointed Minister for Foreign Affairs on November 9, 1979).

Executive Members:

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Masahiko Honjo (Director, United Nations Centre for Regional Development).
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Summary

I. The Pacific Basin Cooperation Concept

1. Remarkable progress in communications and transport technologies has turned the vast Pacific Ocean into an inland sea and ordered conditions so that the Pacific countries can create a regional community. Indeed, the Pacific countries have already developed a variety of bilateral and multilateral cooperative relations, and there are moves afoot to put forth ideas of building a regional community among them.

2. The Pacific Basin Cooperation Concept, which we espouse, premised as it is upon these developments, is oriented toward the twenty-first century and intended to maximize the vast potential of this region not simply for the benefit of the Pacific countries but to enhance the well-being and prosperity of human society as a whole.

3. The Pacific region exhibits two striking characteristics:

(i) Many of the countries in this region, whether industrialized countries or developing countries, are flush with vigor and dynamism and hold great potential.

(ii) The countries of this region are extremely diverse in stage of economic development and also in ethnic, cultural, religious, and other backgrounds.

4. Upon this recognition, our Concept has the following three features:

(i) It is by no means an exclusive and closed regionalism vis-a-vis countries outside of the region. Seriously concerned over what appears to be a decline in the free and open international economic system grounded in the GATT and IMF arrangements, we sincerely hope that the Pacific countries can capitalize upon their characteristic vigor and dynamism to become globalism's new supporters.

(ii) Within the region as well, the concept aims at the creation of free and open interdependence. In the cultural sphere, exchanges are to be promoted with maximum respect for diversity;

and in the economic sphere the free transaction of goods and capital is to be vigorously encouraged with utmost respect for the developing countries' situations and interests. With the industrialized countries taking the initiative in opening their markets further and extending their economic and technical cooperation and the developing countries making steady self-help efforts, this region has great potential for opening a new horizon for tackling the North-South problem.

(iii) Our Concept in no way conflicts with the cooperative bilateral and multilateral relations already existing in the region. Rather, the Concept stands on the valuable achievement of these existing cooperative relations, having mutually complementary relations with them.

II. Tasks for Pacific Basin Cooperation

1. A variety of measures are possible and necessary in order to promote the Pacific Basin Cooperation Concept. Some are issues which should be taken up promptly, and others are long-term objectives; some should be dealt with jointly by the countries concerned and on others Japan should take the intiative.

2. Our Report proposes a number of projects which should be advanced. In this summary, we will simply outline our conceptual framework and cite just a few projects by way of illustration.

3. Respect for diversity is central to our Concept. Therefore, to nurture profound mutual understanding of this diversity among the peoples of the region is the first step in promoting this concept. This mutual understanding must be nurtured by various people at all levels.

For example, contacts among people should be encouraged through overseas study programs for youths, a "University of the Seas" (programs for study on board), and home-stay programs, and also mutual understanding among people should be enhanced through a "Pacific Basin Expo" and other festivals held to introduce each other's cultural traditions, artistic products, and ways of life among the countries of the region.

Tourism's potential for enhancing mutual understanding should also be reconsidered and the arrangement of "working holidays" and the like promoted.

4. Japanese universities must substantially be internationalized in order to promote educational and academic exchange in the region. In this connection, it is, for example, extremely important that discrimination against foreign teaching staff at national universities be eliminated, that internationally open graduate schools be established, and that regional studies be promoted.

5. The arrangements for the industrialized countries' extending cooperation for human resource development and technical cooperation must be strengthened in order to counter the lack of trained personnel, which is a major impediment to the developing countries' development.

One way in which Japan could contribute further in this area would be to establish a "Technical Cooperation Center" and thus to sharply improve the present system under which specialists are dispatched on an ad-hoc basis as part of their domestic duties.

6. In order to promote expanded and coordinated trade in the Pacific region and to seek positive adjustment of industrial structures in the

region, the countries concerned should draw up a "Pacific Basin Declaration on Trade and International Investment" to make clear their guiding principles. In this Declaration, the industrialized countries would pledge to open their markets further as by liberalizing trade or reducing tariff and non-tariff barriers. The developing countries on the other hand are expected to pledge, among others, to improve the climate for international investment.

At the same time, we propose the establishment of a "Pacific Basin Industrial Policy Consultative Forum" to deliberate actual implementation of those guiding principles.

Japan especially, recognizing that contributing to the development of this entire region is very much to Japan's own medium and long-term interest, should work to expand imports of tropical agricultural commodities and other products of interest to the exporting countries and to promote technology transfer to the newly industrializing countries.

7. There are many areas in which the countries concerned should cooperate for the development of the Pacific basin's abundant resources.

For example, one very challenging task would be to implement a "Joint Pacific Ocean Scientific Survey" for the purpose of utilizing the nearly infinite resources contained within this vast ocean.

Other attractive project areas include the joint use of satellites for resource exploration and such joint energy development as for nuclear power, liquefied or gasified coal, solar energy, and biomass.

Agricultural cooperation such as for joint projects to enhance rice production, forestry cooperation to develop and utilize unused species of trees, and fishery cooperation such as to promote more effective use of marine resources are other important areas.

8. The smooth flow of capital in the region is an indispensable prerequisite to carrying out a variety of projects.

The development of international finance and capital markets in the region is thus important, and Japan must take the initiative in promoting the opening or liberalization of its finance and capital markets as by easing direct and indirect governmental restrictions, reducing closed-market bilateral transactions by the Central Bank and liberalizing interest rates.

While the U.S. dollar will continue to be an important international currency, measures should also be taken in expectation of a greater international role for the yen.

Moreover, it is also important that the investment climate be improved through the expansion of financial institutions in the region and the conclusion of investment protection agreements.

9. The remarkable technical innovations made recently in the transport and communications sectors have yet to be fully utilized in the Pacific region.

On air transportation, it is imperative that regional and island-feeder routes as well as north-south and east-west trunk routes be fully organized and that fare schedules be adjusted to suit the region's diverse passenger and cargo transport needs.

On communication, we should work for the revision of fare schedules and the enhancement of the Pacific communication network, expecting

such new technological developments as the glass fiber communications cable. Consideration should also be given to the dream of launching a direct-broadcast relay satellite to serve the entire region.

Moreover, we must also actively promote the internationalization of mass media systems, and immigration and foreign resident control systems.

III. Toward Realizing Pacific Basin Cooperation

1. This Concept of forming a community in a region so replete with potential and diversity is without historical precedent, a fact which bears witness both to the task's great attraction and to its difficulty. Pacific basin cooperation should not be promoted hastily, but carefully and steadily through the gradual consolidation of broad international consensus.

2. It is expected that the seminar to be held this September at Australian National University will become an important one in a continuing series of international conferences. For the time being, we hope that a non-governmental committee of 15–20 experts from the countries concerned will be established as a steering body to manage such conferences.

After a number of such conferences have been held, this committee might take on the characteristics of a permanent organization for Pacific basin cooperation, and the committee might be able to express joint opinions or make recommendations to the governments concerned on matters where a consensus has been reached among its members.

3. Apart from this committee, it is also extremely useful for realizing Pacific basin cooperation that working groups of specialists be formed at the governmental or private-sector level to promote projects in specific areas, as have already been seen in the region.

4. The next step might be to examine the possibility of establishing an international organization for Pacific basin cooperation among the governments of the countries concerned.

I. The Pacific Basin Cooperation Concept

The ties among the Pacific basin countries have become strikingly closer with the remarkable progress in communications and transport technologies, as epitomized by jumbo passenger jet planes and communications satellites. The vast Pacific Ocean, long a barrier separating the countries of the region, has now become more of an inland sea crossed by safe, free, and efficient transport lanes. For the first time in history, the conditions are ripe for the creation of a regional community in the Pacific basin region.

A salient feature of the Pacific region is that the region is full of vitality and potential. Not only does the region include the two greatest economic powers in the world today; it also has other economies in the process of very dynamic growth. Buried under the broad expanses of land and water in the area are rich deposits of natural resources. The great vitality and potential of this region, relative to that of other regions, must be apparent to anyone.

Another feature of the region is its pronounced diversity. It has a wide variety of countries differing in terms of stage of economic growth, ethnic composition, culture, and religion. The Pacific basin is a meeting place of diverse civilizations; it can be said that the major civilizations of the world are represented here in many variations, each with deep roots in the region.

Possessing as a whole great vitality and potential together with rich diversity, the Pacific region is now on the way to becoming a regional community. This may be termed a new experiment directed toward the twenty-first century.

Various efforts have already been made by the Pacific countries to promote cooperative relations among them and to develop the Pacific region as a regional community. A number of proposals have already been put forward for the formation of a so-called Pacific economic community. Such forums as the Pacific Basin Economic Council (PBEC), composed primarily of business leaders from the area's five advanced countries, and the Pacific Trade and Development Symposium (PTDS), linking the area's scholars, have been active since their establishment in the late 1960's. In addition, parliamentary initiatives have been made to promote intraregional cooperation through the activities of the Asian Parliamentary Union (APU) and other exchanges. As a result, there has been a growing realization among the peoples of the Pacific region about its bountiful potential. Furthermore, as will be noted later, bilateral and multilateral cooperative relations among the countries of the region are being formulated in a closer and more diversified manner.

The Pacific Basin Cooperation Concept proposed here is intended to build upon this foundation; it aims to further promote cooperative relations within the region and also to take maximum advantage of the area's potential not just for the benefit of the Pacific basin countries but also for the well-being and prosperity of all peoples in the world.

What appears to be a decline in the free and open international economic system grounded in the GATT and IMF arrangements, the cornerstone of world economic development for more than 30 years since the end of World War II, has seriously concerned us in recent years. Under these circumstances it is our hope that Japan and other Pacific countries will work together to invigorate and preserve the free and open international economic system by strengthening relations of cooperation and interdependence, thereby becoming new standard-bearers of globalism for the sake of the world's economic development and prosperity. Along with the preservation of world peace, the maintenance of the free and open international economic system is of critical importance for the countries of the region as well as for the world economy. We wish to stress the important role that enhanced Pacific basin cooperation may play in attaining these goals.

Accordingly, a regionalism that is open to the world, not one that is exclusive and closed, is the first characteristic of our concept. We are fully aware that a regional community without a perspective for a global community, a regionalism that excludes globalism, has no possibility of development and prosperity. Nonetheless, not a few problems that confront us today could be most suitably handled by first attempting regional cooperation and then developing this into global cooperation. Globalism without an anchor in regionalism is likely in

many cases to make the resolution of problems more complex and difficult.

But it may be asked, are the Pacific countries qualified to be new standard-bearers of globalism? On the one hand, it is easier for countries with more vigor and dynamism to take a free and open stance. The vigor and dynamism characteristic of the Pacific region constitute an advantage in this regard. On the other hand, one need not mention the example of the European Community to know that cooperative relations as a general rule tend to be smoother among countries at the same stage of economic growth and with a common ethnic and cultural background. From this viewpoint, the extreme diversity of the Pacific region may be a discouraging factor. Where there are few common traditions and memories and where social homogeneity is lacking, one may question the feasibility of constructing a regional community bonded by close solidarity.

In today's world, however, where a network of close interdependence covers the entire globe and events in one region draw sensitive responses from many other regions, it is impossible to attain peace and prosperity except through cooperative relations premised on diversity. The so-called North-South problem bears witness to this point. Thus, just as the diversity of the Pacific region portends the difficulty of realizing the Pacific Basin Cooperation Concept, so does this same diversity testify to the historical importance of the Concept's realization looking toward the twenty-first century. Progress in cooperative relations within the region can be a model for international cooperation on a global scale; in this sense diversity is precisely what makes the Pacific Basin Cooperation Concept attractive.

From this follows the second characteristic of our Concept. Not only does it have to endorse a globalist stance externally; it must aim as well for the formation internally of thoroughly free and open relations of interdependence. Be it in cultural or economic exchange the Pacific countries should adopt fundamentally open policies.

We always adhere to respect for the cultural diversity that distinguishes the Pacific region. As technological and economic interdependence becomes deeper, cultural diversity might bring into relief the difference of values between peoples, thus giving rise to various areas of friction. But we hope that this friction would rather provide an occasion for the peoples of the region to come to grips with their cultural differences and thereby to deepen their mutual understanding. In view of the tendency for technological civilization to develop in a direction of uniformity, cultural diversity may be perceived as a constructive asset that will enrich the future of humankind. The various cultures of the Pacific region represent not merely a heritage to be preserved but a valuable medium for creating new technologies and systems.

To be sure, the danger is inherent that rapid and unsettling social changes will undermine the creativity of cultures and societies and generate exclusionist and narrow-minded nationalism. But it cannot be denied that all cooperative relations must rest on increased international exchange and interdependence. The most basic principle of the Pacific Basin Cooperation Concept is thus free and open relations that understand and respect cultural and linguistic autonomy and diverse social institutions and customs.

Free and open interdependence in the economic sphere implies promotion of trade and capital transfer. Since countries at different stages of development exist side by side around the Pacific region, adjustment of conflicting interests between advanced and developing countries in particular is very important task.

In carrying out this task, it is especially incumbent on the advanced countries to take the lead in opening their own markets and promoting the adjustment of their own industrial structures, while paying full respect to developing countries' positions and interests, making effective use of market-economy mechanisms, and also keeping in mind the maintenance and reinforcement of the free international economic system. This process will be a painful one, but fortunately the advanced countries of the region are endowed with vigor and dynamism, which can help the process proceed comparatively smoothly. In short, the chances are great that the Pacific region can be a pivotal presence in defending free-trade principles.

To be more specific, the advanced countries of the region should make it clear that they will not increase tariff and non-tariff barriers beyond current levels, and that they instead will gradually open their domestic markets to developing countries. It will also be important for advanced and developing countries to agree on principles that facilitate international investment.

Pacific basin cooperation can achieve more than a new globalism for the coming age through the efforts of the advanced countries in opening their markets; by means of the fruits of economic and technological assistance and international investment, Pacific basin cooperation can also be expected to help usher in new relations between advanced and developing countries. That the conflict-ridden North-South problem is nearing a turning point today is a realization that is now spreading widely.

Nonetheless, productive progress in North-South problems cannot be left to the efforts of advanced countries alone. The initiative for development must be taken by developing countries themselves; self-help efforts must be at the core of their development strategies. Even though planned-economy elements are necessary in the process of modernization and industrialization, maximum utilization of market mechanisms and private-sector dynamism ought not be neglected. One of the major obstacles to the development of many developing countries in the past seems to have been the undervaluation of this self-evident truth.

Be that as it may, the Pacific region already contains several countries that are called newly industrializing countries. Furthermore, quite a few other countries, such as the member states of the Association of Southeast Asian Nations (ASEAN), are enjoying political stability and smooth economic growth. It is also noteworthy that the developing countries of the region are maintaining a moderate and realistic stance in the North-South dialogue. The chance is great that the region as a whole will be a model for developing a new pattern in North-South relations.

As noted earlier, various attempts are already being made to enhance intraregional cooperation and create a regional community in the Pacific region. Thus, the third characteristic of our Pacific Basin Cooperation Concept is that it does not conflict with existing bilateral

and multilateral cooperative relations among the countries of the region. It is to be built on the fruits of these cooperative relations and to stand in a mutually complementary relationship with them.

In addition to various bilateral cooperative relations in the Pacific, a number of organizations also exist. Some are wide-ranging regional cooperative organizations covering political, economic, social, and cultural matters, such as ASEAN; others have specialized functions in the region, such as the South Pacific Bureau for Economic Cooperation (SPEC), the Asian Development Bank (ADB), and the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP). These cooperative relations all have significant raison d'etre of their own in a region featuring such diversity as the Pacific region does, and as long as the dynamism of the region is sustained, there is no doubt that the multidimensional network of such bilateral and multilateral cooperation will further develop in the future. The Pacific Basin Cooperation Concept, while premised on this existing network of cooperation, seeks to transcend it to better solve the various issues facing all the countries of the Pacific region.

II. Tasks For Pacific Basin Cooperation

The first step in promoting Pacific basin cooperation is the mutual appreciation by the peoples concerned of the diversity in the region.

Efforts at mutual understanding must be made by people in all walks of life. In establishments run as joint ventures, for example, differences in thinking and in ways of working are bound to arise when workers from advanced countries work side by side with those from developing countries. Mutual understanding is enhanced when such differences are recognized and overcome; this is cultural exchange in a broad sense. It is, of course, also important to promote area studies in universities and research institutes, academic exchange, and exchange of leaders in various fields. Student exchanges and tourism can also play a great part in the promotion of mutual understanding.

Human resources play a critical role in the economic growth of developing countries. In general, human resources must be fostered in the context of native traditions and social practices, but the role that advanced countries are capable of playing is by no means small.

It is hoped that the countries in the Pacific region will further strengthen their cooperation in economic and trade areas. For the cooperation and expansion in trade and investment and for positive adjustment of the industrial structure in the region, it is required to further increase interdependence and establish a higher degree of international division of labor. Opening of advanced countries' markets to all kinds of goods is a necessary first step. Industrial adjustment among countries must be made while keeping the international division of labor foremost in mind.

Steady economic development in the Pacific region will depend in large measure on establishing effective cooperation among the countries concerned for resource development. Numerous areas exist in which cooperation will be beneficial, such as joint development of marine and mineral resources and joint projects in increasing food output. Easy availability of funds in the region will naturally be required to expand trade and carry out joint projects.

Expansion of transport and communications networks and improvement of related systems are also necessary to prepare a foundation facilitating exchange of personnel, materials, ways of thinking, and information throughout the Pacific region. It is our earnest wish that the Pacific countries will renew their policy-making efforts so as to draw fully on the fruits of recent remarkable technological innovations in transport and communications.

What measures should the Pacific countries take independently and collectively, and what means should they employ, in order that they may realize the brimming potential of Pacific basin cooperation? This question must be answered through the process of joint discussions among all the concerned peoples of the region. The following indicates our thinking at the present stage on what should be our attitudes in such discussions. The proposals we offer here are not exhaustive of all possibilities. Our hope is that in the process of international discussions, the proposals will gain additional richness of content and practical feasibility.

1. Promoting International Exchange and Mutual Understanding

All international cooperation begins from the fostering of responsiveness among nations toward their respective problems. The development of such responsiveness depends in turn on the accumulation of numerous international exchanges.

Endowed with different histories and traditions and having a variety of economic development levels, political systems and social customs, the peoples of the Pacific region are especially in need of efforts to promote mutual understanding at all levels if they are to carry out regional cooperation.

International exchange for this purpose is discussed here in accordance with the following three categories: broad cultural exchange among peoples, educational exchange primarily involving students, and academic exchange involving universities and research institutions. Although tourism is slightly different from these exchanges, it is included in our discussion here due to the large contribution it can make as one form of international exchange. Among the items that fall in the category of academic exchange, area studies are treated under a separate heading because of their special importance.

(1) CULTURAL EXCHANGE

When interdependence reaches the level attained today, a great variety of people come into contact with each other across international borders on an extensive scale and more or less permanent basis. One cannot conclude that deeper mutual understanding will necessarily result from such contact. To the contrary, the meeting of different cultures may even generate friction in various forms. Nonetheless, friction may serve as a stimulus inducing a desire to better know the culture of others and to reflect anew on one's own culture. From the long-term perspective, cultural exchange works in this way to bring about deeper mutual understanding.

Countless efforts have been made in the past in the field of cultural exchange, including bilateral cultural agreements, multilateral ex-

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change programs undertaken by UNESCO and other organizations, and regional cultural exchanges carried out under the auspices of ASEAN. It is to be hoped that the countries concerned will take measures designed to further strengthen cultural exchange in all these forms. International cooperation in this sphere has many areas still to be explored, and creative contributions by all the peoples involved are needed. Our proposals here may appear extremely modest in view of this rich potential of cultural exchange. In passing, it is to be remembered that cultural exchange by nature depends on the spontaneous participation of peoples of all social strata; government policies can play at most a supplementary role.

Looking into Japan's current cultural exchange and cooperation in the Pacific region, we can fully appreciate that Japan has begun in recent years to lay appropriate emphasis on cultural factors in its international cooperation. Still, the following improvements can be recommended.

(*i*) *Improving the work of the Japan Foundation, the Japan Society for Promotion of Science, and other institutions*

Several private Japanese organizations are actively engaged in cultural exchange, such as the International House of Japan and the Japan Center for International Exchange, but it is necessary to expand the government-level activities of such organizations as the Japan Foundation and the Japan Society for Promotion of Science. For instance, there has been an excessive emphasis on Japanese studies and introduction of Japanese culture abroad. This should be corrected by expanding cultural exchange and cooperation from a much broader perspective. Improved training and better treatment for the specialists engaged in such exchange also deserve special consideration.

(*ii*) *Establishing a "Pacific Basin Cultural Fund"*

The government of Japan has in recent years made special efforts to assist exchange projects between third countries or on a multilateral basis, such as by establishing the ASEAN Cultural Fund and the Japan Scholarship for ASEAN Youth, and making contributions to the South East Asian Ministers of Education Organization (SEAMEO), the Asian Institute of Technology, and the University of South Pacific. As a further step in the future, we propose the establishment of a "Pacific Basin Cultural Fund" which will function as an umbrella organization to promote multilateral exchanges among the Pacific countries. To help set up the fund, Japan should extend an appropriate contribution.

The fund would be useful to countries that may lack adequate organizations, talents and funds for their cultural exchange work. By preventing regional exchange from becoming in fact exchange benefitting particular countries, and by giving all countries maximum opportunities to participate in exchange, the fund will help generate a sense of solidarity among all the peoples of the Pacific region.

(iii) Strengthening ties with international organizations like UNESCO and foreign institutions

In order to efficiently promote cultural exchange in the Pacific region, Japan must step up its efforts to coordinate its work with existing international organizations so as to avoid duplication of activities. In particular, UNESCO, SEAMEO, the Association for Science Cooperation in Asia (ASCA), ASEAN's standing committees concerning science and technology, social and cultural activities and tourism, and the South Pacific Commission (SPC) are all doing useful work. It will be desirable to work in closer cooperation with these organizations. Japan must also pay close attention to the coordination of its own cultural exchange work with that of the Japan-U.S. Educational Exchange Program (Fulbright Program), the Japan-United States Friendship Commission, the Australia-Japan Foundation, and other bilateral cultural cooperation programs.

Practical programs for implementation through these organizations must ultimately be decided on by consultation among the countries involved, but the following projects are suggested for consideration.

(a) Joint production and exchange of films and television programs, such as documentaries, that will facilitate mutual understanding; exchange of folk tales, and folk art.

(b) Staging of festivals, sports competitions, and expositions with participation by many countries in the Pacific region. For example, a "Pacific Basin Expo" will enhance mutual understanding by exhibitions of cultural assets, art works, and life styles of the nations in the region.

(c) Creation of a multilateral network of sister cities for the Pacific basin region. Many sister cities are linked on a bilateral basis at present. If these existing links can be developed into a multilateral network it will provide a useful channel for various cultural exchanges. This network will serve not only to connect capital cities in the region but also to promote community-level international exchange.

(d) Promotion of student exchange at middle and high school levels. Paralleling the expansion of sister-city relations, the initiatives of local communities are also desirable in expanding programs for youth exchange. Suitable programs include foreign study for middle and high school students, the arrangement of "working-holidays," and home-stay programs. Greater international exchange of young people, with their heightened responsiveness, will be effective in enhancing mutual understanding among the countries of the Pacific region.

(e) Establishment of a "University of the Seas" for working youths and students. This school would address itself to specific themes and hold classes on board and at ports of call for extended periods. With the students living together, studying together, and joining in excursions, the "University of the Seas" would make possible more lasting and deeper mutual understanding than is possible through ordinary tourism. Especially desirable would be for all the nations in the region to run this project cooperatively.

(f) International cooperation in preserving traditional culture and establishing cultural facilities. Restoration and preservation of its cultural heritage contributes to the affirmation of a nation's identity. Ethnologic museums, for instance, are not only of aid in academic research but also a means of raising a nation's awareness of its own

cultural traditions, and of stimulating increased cultural activities. It should also be possible to enlist financial and technical cooperation from public and private sectors in building and managing such cultural facilities as libraries, theaters, and sports arenas.

(2) EDUCATIONAL EXCHANGE

Educational exchange has a limited short-term impact as a means of promoting mutual understanding among the peoples of the countries concerned, but it yields a lasting and reliable effect in the long run. To an extent it overlaps with human resource development and technological cooperation, which will be dealt with in section 3. "Cooperating in Human Resource and Technology Development." Here we would like to emphasize the importance of educational exchange in a broad sense as a means to elicit common intellectual awareness beyond the national framework, especially among youths. The focus of our discussion is on how Japan has dealt with international exchange in the field of education, defined broadly to include grade schools, colleges and graduate schools, and how Japan can improve its performance.

(*i*) *Promotion of exchange-student systems*

Of the 6,000 foreign students enrolled in Japanese schools, some 1,200 are "Japanese government scholarship students," and their number has been steadily increasing. There are two ways government scholarship students are recruited, either through the Japanese embassies abroad or through Japanese universities. When the university level exchange becomes consolidated on a more permanent basis in the future, it will be desirable that universities play a larger role in choosing scholarship students.

In terms of scholarship money, Japanese government scholarships are not inferior to their counterparts in other countries. Several private scholarship funds add to the government's programs. Prominent among them are the Rotary Club scholarships, which reach a large number of students, and the Tokyu Foundation for Inbound Students, which focuses on students from the Asia-Pacific area. Private scholarship programs need to be improved as to both quantity and quality.

With regard to institutional arrangements for foreign students other than financial assistance, the Association of International Education-Japan, the International Student Institute, and the Kansai International Student Institute have been established as caretaking organizations. But much improvement in facilities (foreign student accommodations) and services (especially information services for prospective foreign students) needs to be made. Equally important is improvement of accommodations at each host university. Particularly urgent needs are provision of Japanese language instruction and foreign student advisers. As for campus dormitories, studies on exchange-student systems overseas show that it is desirable to avoid the establishment of dorms reserved exclusively for foreigners, instead integrating them with Japanese students. Provision of adequate dormitory facilities is urgent in particular because Japanese housing conditions are not well suited for lodging students with families.

Recruitment methods, degree-granting procedures, discrepancies in academic calendars, and instruction in foreign languages are other matters requiring improved systems and procedures to make it easier to accept foreign students in Japan. The relative weight to be attached to proficiency in non-Japanese languages in entrance examinations, especially those to graduate schools, for example, needs further thought. On the granting of degrees (especially doctorates), the practice in Japanese universities, unlike those in Britain, the United States and West Germany, is that they seldom grant degrees except in such fields as medicine and natural science. This has been a major obstacle for foreign students to study in Japan. The current systems make it possible to grant degrees on receipt of a qualified dissertation instead of only on completion of a prescribed course of study, and the dissertation need not necessarily be written in Japanese. We hope these arrangements will be more put into practice.

There is an idea that the academic calendar in all countries should be synchronized, such as by beginning the school year in the fall and ending it in spring, to make transfer of students easier. This would be extremely difficult because of its involvement with wide-ranging social customs beyond school systems. Still, it is possible for Japanese schools to permit foreign students to begin studies from the second semester in the fall, a practice that some universities have already adopted.

Exchange of students ought to be reciprocal. But both public and private Japanese financial assistance to Japanese nationals going abroad is overwhelmingly directed at those going to advanced countries. Judged in the light of the need to give Japanese youths an opportunity to live abroad so as to increase their concern for and understanding of diverse foreign cultures, the current distribution of destinations is seriously skewed. Privately financed studies aside, public scholarship disbursement should take this uneven distribution into account. Naturally this problem is not caused solely by uneven scholarship distribution; it arises also from the existing flows of personnel between universities, which are very scarce except between certain advanced countries. Such flow also needs to be rectified. In connection with our discussion in section 2. "Promoting Area Studies," we recommend that scholarship funds for Japanese graduate students and young researchers desiring to study issues related to the Pacific region should be greatly expanded.

(ii) Internationalization of educational and research institutions

Ranking alongside the important issue of student exchange is that of accepting foreign teachers and research personnel; Japanese educational and research institutions should recruit their staff members from abroad freely and in larger numbers. In this regard the present practices in Japan are undeniably behind the times.

National and public universities and research institutions in Japan have difficulty in rectifying the situation because of a rigid interpretation of the public service laws, and the need to adopt new legislation has been widely debated. We believe that foreign teachers and researchers should be entitled to the same status and treatment as Japanese staff members. At the same time, the current practices in

Japan's national and public universities with respect to teaching and research by foreign personnel should be improved, such as by opening the door to foreign staff in fields other than foreign language instruction.

While private universities are not under legal restrictions, they should be encouraged to be more open to foreign teachers and students by appropriate application of government subsidies and other policy means.

It is also necessary to make arrangements that will increase the chances for Japanese scholars to work in foreign universities and research institutions. The current Government Program of Sending Research Fellows Abroad should be used more effectively for this purpose. Another formula for university exchange is the so-called core-university system, which has been implemented between some Japanese universities and those of Southeast Asian countries with the assistance of the Japan Society for Promotion of Science. By making the most of this system, university exchange can be promoted comprehensively and continuously, involving not only personnel exchange but also cooperation in equipment and facilities.

Another proposal that deserves to be tried in Japan is the establishment of institutions of education and research with at least half the faculty recruited from foreign countries. We urge the establishment of a new national graduate school with an international faculty to test this proposal. The United Nations University located in Japan should be called on to participate actively in this type of endeavor. These measures will be very helpful in internationalizing and improving Japanese education and research, and they would also contribute to enhancing international exchange of personnel and mutual understanding.

Last, no less important than international exchange in university education is the employment of foreign instructors at the middle and high school levels. At present some Japanese schools employ British nationals as English instructors and American nationals as assistants to English teaching-consultants. Such internationalization of schools ought to be expanded, especially in local communities.

In passing, it should be noted that there is a need to expand the joint programs for educational materials development and information exchange which are being carried out by advanced Pacific countries to enhance intraregional understanding.

(3) ACADEMIC EXCHANGE

International academic exchange is closely related to the aforementioned educational exchange in terms of content as well as the personnel and institutions involved. Accordingly, we limit our discussion here to subjects suitable for joint research and some supplementary arrangements desirable to promote such joint research.

(i) Promotion of joint research

A common concern of scholars in the Pacific region is to analyze various problems in the humanities, social sciences, and natural sciences that pertain to the region. Such studies should not be con-

ducted separately by the scholars of each country in the manner of blind men examining an elephant. If research undertakings come under comprehensive and organic international direction, they will yield effective returns which can be put to use as a common asset of the Pacific region.

In the humanities and social sciences, cultural/anthropological studies of ethnic culture, native customs, and cultural transmission will be particularly desirable to enhance mutual understanding. Other significant fields for joint research include area studies, international relations, economic interdependence, transportation, communication, urbanization, international communication, and cultural receptivity of local communities. In the natural sciences, such joint research projects should be further promoted as the studies on meteorology and earthquake observation and prediction that are being conducted under the auspices of the International Council of Scientific Unions (ICSU), the World Meteorological Organization (WMO), and UNESCO. We wish to put special emphasis on vigorous implementation of a "Joint Pacific Ocean Scientific Survey," including participation in the activities proposed by UNESCO's Inter-Governmental Oceanographic Commission, in order to effectively utilize the natural resources of the Pacific Ocean for the welfare of the peoples of the region. The details of this project are discussed in section 5.(2) "Marine Development."

(ii) Mutual utilization of academic information

For promoting academic exchange and conducting joint international research, efficient utilization of the academic knowledge in the possession of each nation is very important. It would be desirable to establish a comprehensive data and document center capable of monitoring the scholarly knowledge accumulated in universities and research institutions. If these centers are established in every country of the Pacific region, reciprocal use would be facilitated. For this purpose, unification and standardization of the library cataloguing methods of each nation according to an international standard, such as Machine Readable Cataloguing (MARC), a system used by the U.S. Library of Congress, will be worthwhile.

In order to disseminate the results of academic research in the Pacific region throughout the world, the publication of authoritative scholarly journals should be considered. Academic conferences can also play an important part in promoting academic exchange in the Pacific region. By such means an international intellectual community in the Pacific region may be fostered. We hope that Japan will take the lead in financing and managing such endeavors to enhance academic exchange.

(4) TOURISM

The significance of tourism must be stressed as a popular means of promoting international exchange and mutual understanding among the Pacific nations. If expanded tourism can bring about an increase in wide-ranging personal contacts, an important contribution to international exchange will be realized. The package tours now under way on a commercial basis cannot be said to adequately serve that

end. We believe that new ways must be found to make tourism more helpful in increasing mutual understanding. One intriguing system now being studied by Japan and Australia is that of "working holidays" for youths. We hope this system can be expanded to include the United States, Canada, and other Pacific countries.

It must be remembered that appropriate development of tourism resources is an attractive industrialization policy for developing countries. Development of tourism resources requires improvement of infrastructure, such as airports and roads, and promotion of native industries, which will absorb surplus labor and increase income in the developing countries. As always, however, it will be prudent to avoid hasty and shortsighted tourism development that leads to the destruction of the natural and social environment. Especially when tourism is being developed by large capital investments from advanced nations, utmost care must be taken to avoid such a negative consequence.

In the total flow of international tourism in today's world, the Pacific region occupies a very small share. The many causes for this state of affairs include some that are economic, but inadequate development of tourism resources and advertisement are also involved. In view of the natural beauty, cultural assets, and other tourism resources with which the Pacific region is richly endowed, the region clearly has great potential for international exchange based on tourism.

The Pacific Area Travel Association (PATA), a joint public-private organ of the Pacific countries, has been in existence for promoting tourism in the region. Its primary function has been to draw tourist traffic from Europe and the United States into the Pacific region, but since last year it has also begun to emphasize intraregional tour promotion and to build up its research and development functions. It is desirable that this organization play a central role in improving arrangements for tourism cooperation in the Pacific region.

2. Promoting Area Studies

Mutual understanding among nations must be predicated on manifold modes of human contact at varied levels. At the same time, area studies focusing on specific regions must be promoted as an academic undertaking. Among the socially and culturally diverse nations in the Pacific region, an extremely important role in deepening mutual understanding can be played by such area studies. Together with the development of area studies, studies on international relations and comparative politics are also necessary, focusing on issues of the Pacific region.

(1) FACILITATION OF AREA STUDIES IN JAPAN

The sphere of area studies is relatively new in academic history. Although a large body of studies has already accumulated in Pacific countries including Japan, while joint international studies have also been conducted to some extent, generally speaking, much is still to be done.

At Japanese universities and research institutions, the importance of area studies has been increasingly recognized in recent years. The number of universities with courses and lectures in area studies has

been on the rise, and a number of graduate courses and research bodies are devoted to area studies. It will be possible for the present to further expand existing educational and research programs, but numerous problems that need a more fundamental approach also exist. For instance, regarding Japanese studies of the United States, the country with which Japan has been in the closest relations after World War II, steady progress has been recorded in recent years and appreciable improvement has been seen in related educational programs. Nonetheless, the number of experts in this area is still limited, and data and document centers leave much to be desired in both quality and quantity. Moreover, China studies in Japan following the area-studies approach are still far from adequate.

Japan's studies on the Pacific countries are still markedly retarded. For example, research institutions and courses devoted to the Republic of Korea and the countries of Oceania are almost nonexistent. In order to improve area studies in Japan under these circumstances, the nation's universities and research institutions must internationalize so that they may more adequately cope with the current international environment and the needs of society. They must also redouble their efforts for the establishment of a coordinated system for promoting area studies. In this endeavor, it is desirable in view of the diversity of the Pacific region that universities divide the subjects of study among themselves to enhance the efficiency of study on a priority basis, with certain universities focusing their studies on certain areas. In view of the need for both specialization and integration of studies, one useful method will be for universities and research institutions placing emphasis on the same sphere of study to set up associated graduate schools with doctorate courses, thereby facilitating research and fostering research personnel.

We propose, as a bold move worthy of consideration, the establishment of a research institution based on an entirely new concept. It is difficult to fit area studies into the existing research setup because of their interdisciplinary nature and the need for learning the languages of the areas covered and conducting fieldwork. As a pilot plan to remedy this situation, the proposed institution might be a graduate school for area studies with prime emphasis on the Pacific region. As already discussed in section 1.(2) "Educational Exchange," this school should open its doors to professors and students from all over the world as a truly international organization.

(2) REGIONAL COOPERATION IN AREA STUDIES

It goes without saying that the development of area studies for the Pacific countries can be facilitated through intraregional cooperation. The United States and other countries in the region have built up reservoirs of knowledge through past area studies, and now it is essential to consider an institutional framework enabling such knowledge to be mutually exchanged so as to stimulate further knowledge. In particular, developing countries are called upon to promote area studies of their own.

At present, Japan has such bilateral arrangements as the Japan-U.S. Educational Commission, which promotes scientific and educational exchanges between the two nations, and a cultural agreement

with Australia covering academic exchange. Such cooperative systems should be expanded to include many more nations. Furthermore, it is essential to consider what contributions and cooperation Japan can extend to existing bodies for area studies in the Pacific region. It will also be useful to establish regional language study centers designed to fit the conditions o each respective area. I possible mutual cooperation is desirable among these centers on management and teaching methods.

The topic of area studies for the promotion of mutual understanding includes more than studies of foreign countries. Also to be considered are efforts to deepen foreigners' understanding of Japan's society and culture, and cooperation and assistance for foreigners specializing in Japanese studies. Such organizations as the Japan Foundation and the Japan Society for Promotion of Science have been successfully exerting sustained efforts for the promotion of Japanese studies abroad, but is necessary to further improve Japanese studies programs for overseas researchers.

3. Cooperating in Human Resource and Technology Development

The economic growth of developing nations should be based fundamentally on their own self-help efforts. The core of this development initiative must be a group of leaders and specialists capable of mapping out an effective development strategy based on a correct analysis of development objectives and needs. This group must also be able to rally their nation's energies for the attainment of the development targets. In most developing nations, however, such capable personnel tend to be in short supply.

The fostering of such personnel should be undertaken within each country's cultural and social institutions, but advanced nations including Japan can also lend a helping hand. Cooperation in the development of human resources and technology should constitute a principal pillar of economic cooperation with developing nations in the years ahead. Many developing countries in the Pacific region in particular have recently entered the stage of takeoff. These countries will henceforth have a greater need than ever for able personnel, such as technicians, intermediate managers, skilled workers, entrepreneurs, and researchers, who can lead the nation in economic, administrative, scientific and other fields. It should also be noted that cooperation in human resource development will deepen mutual understanding and strengthen friendship between advanced and developing countries.

Cooperation in human resource and technology development is extended not only as official development assistance (ODA) but also at the private level in such forms as technical training of local employees in joint ventures overseas. Moreover, when people of developing countries work side by side with those of advanced countries, informal transfer of technology also occurs through workplace experiences.

Here, however, our discussion is primarily devoted first to issues involved in government-level cooperation in human resource and technology development, and then to desirable patterns of Japanese cooperation as an example of one advanced country's potential contributions.

(1) PROBLEMS IN HUMAN RESOURCE AND TECHNOLOGY DEVELOPMENT

It is essential for human resource development that the situation in the recipient nation be correctly recognized, because cooperation in this field is intimately involved with various sectors of the nation's economy and society, including employment opportunities for trained personnel. In addition, such cooperation takes a long time to bear fruit. Sustained and stable relations of mutual trust between advanced and developing nations are a prerequisite for this cooperation. We believe that relations of mutual trust in the Pacific region are now being steadily promoted, strengthening the foundation for expansion of cooperation in human resource development.

To step up cooperation in this field, it is also indispensable to coordinate efforts among advanced countries and to promote collaboration on a regional scale. Given the growing recognition of the need for such cooperation, Japan should appeal to the United States, other advanced countries, and international organizations to promote mutual exchange of experience and information and to intensify cooperation in those fields which are their fortes. The governments of Japan and the United States set up one such forum for exchange of information last year. Even in cases where Japan undertakes aid's projects on its own, the aid efficiency can be enhanced by making active use of experts from the recipient nation and other countries without regard to nationality.

Needless to say, it is imperative to develop or transfer technologies befitting the conditions in the recipient nations when extending cooperation in human resource and technology development. Since advanced countries differ from developing countries in the stage of economic development, natural and social conditions and availability of natural resources, simple transfer of the techniques available in advanced countries to developing countries often will serve no useful purpose. For this reason it will be beneficial for developing countries to mutually cooperate by exchanging technologies in which they respectively excel. One proposal that merits consideration is a multilateral cooperative program to promote such exchange in the Pacific region, to be set up with the financial collaboration of advanced nations.

(2) IMPROVEMENT OF JAPAN'S COOPERATION SETUP

Within the category of cooperation in human resource development, we have already discussed exchange in education, academic, and research fields. Here we deal mainly with Japan's technical cooperation in the economic and social development of developing nations. Japan's cooperation in this field has been extended primarily through the Japan International Cooperation Agency (JICA) in such forms as the acceptance of foreign trainees, the dispatch of Japanese experts, and the provision of equipment and materials related to these two forms of cooperation. Nevertheless, Japan's technical cooperation in the past has been limited in scale and has a number of problems.

First, technical cooperation has been provided on the basis of individual requests from developing nations and has tended toward an uncoordinated, something-for-everybody pattern. Extension of tech-

nical cooperation in line with recipients' requests is not at fault, but such cooperation will not make a full contribution to development unless it is based on an adequate understanding of development needs and coordinated with supplemental projects. Japan should more actively integrate technical cooperation into all its large-scale economic cooperation projects, for overall aid efficiency is greatly enhanced when financial cooperation is organically linked with technical cooperation.

Second, insufficient attention has been paid to the fostering and employment of personnel qualified for technical cooperation. Japan's government-level technical cooperation has been reliant on the supply of personnel from existing domestic organizations in both cases of dispatch of experts and acceptance of foreign trainees. To these domestic organizations, such cooperation has been only a side business. From now on Japan must secure accurate information on the types of personnel and technologies that are deficient in developing nations, striving to foster experts who can be fully conducive to their nation-building efforts.

Third, it is true that experts engaged in technical cooperation must make their best efforts in completing individual development projects, but in the process, they must also transfer their skills to local people as far as is possible. Technical cooperation in such forms as feasibility study and project implementation can help further develop human resources as well if such technological transfer is also under way.

Fourth, both government and private organizations accepting foreign trainees must be further expanded in order to strengthen cooperation in human resource development. To this end, these systems should be better consolidated by alleviating the personnel, material, and financial burden on organizations willing to train foreigners. An urgent need in this regard is improvement of Japanese language instruction for foreign trainees who reside in Japan for an extended length of time.

Fifth, experts devoted to cooperation in human resource and technology development deserve better treatment in terms of economic guarantees. Inadequate efforts have been made in the past to foster technical cooperation experts. So, specialists who have excellent records in related domestic fields should be encouraged to take up jobs involving technical cooperation abroad. For this purpose, constructive efforts are needed to improve status guarantees and treatment for the specialists themselves and to provide their children with adequate educational facilities while they are abroad and after their return to Japan. In addition, a higher social status should be given to technical cooperation experts in Japanese society.

In order to help solve these problems, we propose the establishment of a "Technical Cooperation Center." Since technical cooperation experts often have a difficult time finding jobs upon return to Japan, a system is needed for making full use of their time in Japan as well. A desirable means to this end is to organize these specialists into a pool so that they can capitalize on their experiences by giving guidance to trainees from developing nations, engaging in research and development of science and technology, and fostering young technical cooperation experts. The proposed "Technical Cooperation Center" would thus serve as an integrated facility for fostering talent, implementing training programs, and conducting research.

(3) SELECTED FIELDS FOR COOPERATION

There is a wide range of fields in which cooperation should be extended in human resource and technology development. How to conduct this cooperation in each respective field is dealt with at various places in this Report; here we limit our discussion to the problems involved in some selected fields.

(i) Cooperation in employment and vocational training

It is necessary to promote labor-intensive industries and expand agricultural employment in the Pacific developing countries in order to cope with the expected rapid growth of the labor force and create new employment opportunities in the region. Multilateral cooperation through such means as exchange of information and experience and joint research will be of great importance for this purpose. Japan should make active contributions in terms of knowledge, experience, personnel, and funds to multilateral cooperation projects like the Asian Regional Team for Employment Promotion (ARTEP) and the Asian Regional Project in Labor/Manpower Administration (ARPLA).

For cooperation in human resource development through vocational training, it is especially important to foster skilled workers and instructors for training them. In the past, this type of cooperation has been conducted chiefly on a bilateral basis, but in view of the geographical, social, and economic diversity of the Pacific region, a formula of mutual cooperation among developing nations needs strengthening, as exemplified by the Asian Regional Skill Development Program (ARSDEP). Furthermore, to step up Japan's cooperation in vocational training, the proposed "Technical Cooperation Center" could undertake the training of vocational education specialists and accept vocational trainees.

Another field where Japan's active contribution is needed is safety and sanitation, an important field for the progress of industrialization in developing countries.

(ii) Cooperation in public health and medical care

As the Organization for Economic Cooperation and Development (OECD) has pointed out, the issue of public health and medical care constitutes a top-ranking subject of concern to all developed or developing nations in the world. At a time when developed nations are plagued by snowballing national medical expenses and developing nations are striving to secure adequate medical resources such as personnel, equipment and facilities, Japan has successfully lowered infant mortality and extended life expectancy to the highest level in the world, using limited medical resources and at a relatively low per capita medical expense. Japan's success is attributable in large part to the systematic utilization of medical resources and the expansion of a health care system for mothers and children. Such experience and achievements, we believe, can be of great benefit to developing nations as well.

Japan's public health and medical care cooperation formerly centered on research into tropical diseases, but recently it has branched

out to include area-wide public health concerns, such as clinical medicine, family planning, drug management, and even the supply of drinking water. Greater importance must be attached to such regional health and medical care services henceforth, making health and medical cooperation an integral part of comprehensive regional development planning.

The importance of this endeavor is to cooperate in training doctors, nurses, and health education specialists. Medical service is a field marked by different ways of thinking depending on the people, different medical problems depending on the living environment, and different legislation depending on the country. Nonetheless, a considerable measure of universality has already been achieved in the science of medicine and nursing, which provides a common foundation for problem-solving approaches, medical education, and public health education. Therefore, if Japan actively introduces advanced technologies in these areas and extends cooperation in public health and medical care education, a major contribution can be made in elevating the health standards of the countries concerned.

(iii) Cooperation in improvement of product quality and design

One need that will confront the developing nations in the years ahead is to promote the development of sound domestic industries that can contribute to a higher productivity of their economies and a higher quality of their national life. It will be necessary to unify product standards, consolidate inspection systems, and strengthen design-developing capacities in such fields as small-and medium-sized machinery including farm machines, daily life commodities, and durable consumer goods. Since Japan has a wealth of experience and achievements in these fields, it should cooperate in the industrial development of developing nations from this perspective as well. While extending practical assistance for the improvement of systems and for the training of personnel in developing nations, it might be also worth considering the possibility of undertaking special activities, such as holding a "Pacific Basin Design Competition."

4. Promoting Trade Expansion and Adjustment of Industrial Structure

One of the basic objectives of our Pacific Basin Cooperation Concept, as stated in Part I "The Pacific Basin Cooperation Concept," is to check the deterioration of free-market mechanisms and the advance of protectionism, which seem to be in progress worldwide, thereby maintaining and expanding the free and dynamic world economy with the Pacific basin countries as standard-bearers.

To this end, transformation of industrial structure in necessary and appropriate directions and at a speed suited to each economy and society is essential so as to promote an efficient division of labor among nations. The issue of industrial adjustment is often discussed without due emphasis on the functions of the free-market system; we believe it essential for the Pacific nations to guide industrial adjustment by making the most of the advantages of the market economy within the framework of the free and open regional system. If the economies of the Pacific region adhere to free-market mecha-

nisms as a common principle, the welfare of the region as a whole will be enhanced and a contribution will be made to the smooth development of the world economy.

To promote trade and industrial cooperation in the Pacific region, certain fundamental guiding principles must first be laid down. Such principles and the concept of international cooperation they lead to must take into full account the diverse stages of development of the countries in the Pacific region. It is also hoped that the concept of international cooperation will be so shaped as to reach beyond the confines of academic debate and to contribute to actual trade and industrial activities.

Based on the foregoing, we suggest the following elements for an international cooperation concept to develop industry and trade in the Pacific region. First, the Pacific countries should cooperatively draw up a "Pacific Basin Declaration on Trade and International Investment" to define the region's guiding principles. Next, a consultative forum should be created to deliberate actual application of the principles contained in the Declaration. An information center should also be set up within the forum's secretariat or as its auxiliary organ to facilitate interchange of economic, industrial, and trade information around the region.

Needless to say, this cooperation concept should be formulated to enhance a global perspective. Accordingly, the Pacific basin countries should also draft a new vision and strategy for multilateral industrial and trade cooperation to promote free trade throughout the world. This, we believe, is the natural mission of the Pacific basin as one of the world's most dynamic regions and as an area containing many countries dedicated to free trade.

(*i*) *Drawing up "Pacific Basin Declaration on Trade and International Investment"*

The Pacific Declaration should have the dual objective of opening advanced countries' markets and creating a proper environment for international investment in both advanced and developing countries. Among the conditions for industrial adjustment in the Pacific region in a form that does not run counter to the principle of free trade, advanced countries must open their markets wider to the products of newly industrializing and developing countries without taking recourse to protectionist policies, and they must make positive efforts to upgrade and adjust their industrial structures. As an existing arrangement for preparing an environment conducive to international investment, mention should be made of the "PBEC Charter on International Investments." Building on such achievements, we must now work together with the region's developing nations toward the conclusion of bilateral and multilateral investment protection agreements.

The drafting of the Declaration, insofar as initiated by the governments concerned, will probably require a long time and a great deal of effort. Nonetheless, apart from the utility of the Declaration itself, the multilateral dialogue in the process of its drafting will have immense significance. In adopting this Declaration, advanced countries should be expected to make pledges on trade liberalization and

reduction of tariff and non-tariff barriers. From the standpoint of the developing countries, the relationship between the Declaration and existing guiding principles. such as the Lima declaration, will come into question but efforts should be made to harmoniously adjust the Declaration with such principles and to make it as practical as possible.

(ii) Establishing a "Pacific Basin Industrial Policy Consultative Forum"

With regard to industrial restructuring among advanced countries, debate on "positive adjustment policies" (PAP) is in progress in the OECD, while various frameworks for cooperation already cover specific industrial sectors. However, as the impact of industrial growth of the Pacific region's newly industrializing and developing countries gains in intensity, a forum will be needed for more effective debate and cooperation on North-South industrial adjustment. Believing that one of the major objectives of the Pacific Basin Cooperation Concept should be to explore a new form of North-South cooperation, we propose the establishment of a "Pacific Basin Industrial Policy Consultative Forum" as an important vehicle for shaping new North-South relations.

The proposed Forum would be neither an UNCTAD-type body mainly devoted to adoption of resolutions nor a GATT-type body dedicated to concluding arrangements. Its principal tasks would be to increase the transparency of mutual industrial activities and policies and foster common understanding of them through exchange of information, and also to forumlate a structure of dynamic international division of labor around the region. In the light of experience at the OECD and elsewhere, the participation of employers, workers, and others will be indispensable for industrial-restructuring deliberations at the proposed Forum.

The Forum's activities should initially center on information exchange, surveys, and research. Eventually, however, it should be developed into a policy-oriented body. International cooperation in wide-ranging fields of trade and industry is now making headway among advanced countries under the leadership of the OECD. With regard to the possibility of introducing a similar cooperative organization to the Pacific region, one proposal has been advanced for the establishment of an Organization for Pacific Trade and Development (OPTAD). This possibility should be studied as one agenda item in the process of managing the proposed Forum. Newly industrializing countries' attitudes toward international cooperation will hold an important key to the establishment of such an organization.

(iii) Establishing a "Pacific Basin Economic Information Center"

The Declaration and the Forum proposed above aim at working toward concrete activities and objectives, but it can be foreseen that nations that are economically strong and have a fully developed free-market economy will tend to have a controlling role in the effectiveness of cooperation. Hence we also propose the establishment of a "Pacific Basin Economic Information Center" as a body extensively and equally benefiting all the countries concerned. The Center should be a repository for all relevant information on the economies, industries,

and trade in the region; it should promote the exchange of this information to contribute to the drafting of economic development plans of the countries concerned and the promotion of private business activities; and it should support research activities in these fields.

Finally, we wish to stress that Japan has a major role to play in bringing into being the cooperation concept proposed here. For this purpose, it will be important for Japan to improve its internal setup first of all. Adjustment of industrial structure in such a region as the Pacific region where a large variety of nations exist will entail great political difficulties. However, it is essential to formulate a full consensus among the Japanese people that Japan's medium- and long-term benefits will only be realized by overcoming such political difficulties and making contributions to the entire Pacific region. Since Japan is in a position to live by the principle of free trade, it must make its guiding principles for industry and trade over the medium and long term as clear and as specific as possible. Japan must also work out projections and policies of its own on the basis of the long-range prospects of the world economy as a whole.

Moreover, Japan, must overcome domestic political difficulties to create a freer trade environment for such commodities as farm products and it must also accelerate the transfer of technology abroad without fearing the so-called boomerang effect provided by newly industrializing countries. For example, imports or tropical farm products that are of interest to the nations of ASEAN and the South Pacific need to be expanded. Efforts are also needed to shape a stance satisfying all the Pacific countries in terms of increased understanding of Japan's domestic industrial policies and administrative guidance procedures.

5. Cooperating in Resource Exploitation

In this so-called age of finite resources, energy, food, marine, and other resources are of immense importance for the Pacific region. Signs of instability in relations between resource-supplying and resource-consuming countries on the global level have recently come to the force, occasioned by the strengthening of international cartels like OPEC. One major responsibility of the Pacific countries in this context is to perseverantly promote cooperative relations of mutual benefit among resource suppliers and consumers of the region. An initiative designed first to realize such cooperative relations within the region and then to expand them on a global scale will not run counter to efforts for global cooperation orchestrated by the OECD and other organizations. In maintaining and developing such a cooperative system, resource suppliers and consumers should limit cartel activities and protectionist policies as much as possible, adhering to market mechanisms and the principle of free trade.

Vast quantities of resources are found in the Pacific region, and intraregional self-sufficiency is very high for all resources but petroleum. Moreover, the region has a great supply capacity of agricultural products and is a net exporter in overall terms. Since Japan is a major consumer of both energy and food, its cooperation with the Pacific suppliers of energy and food in the exploitation and joint stockpiling of resources will not only serve Japan's interests but also contribute

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in no small measure to the stability and growth of the economies of the Pacific region and also of the world economy as a whole.

As the Pacific basin countries tackle the problems of resources like energy and food in a cooperative manner and in joint programs, they will be forced to deal with North-South issues within the region. In this regard, such factors as long lead time, colossal fund needs, and the high degree of accompanying risks must be borne in mind in such cases as resource exploitation and large-scale agricultural projects. If advanced and developing nations in the region overcome these obstacles through mutual cooperation, and if they organize effective cooperative setups among many nations for mammoth development projects, this will greatly contribute to the development of the region as whole and will futher strengthen intraregional interdependence. The promotion of such joint projects will provide the region with a framework for an effective vertical and horizontal division of labor, and be conducive to the independent development of developing nations.

From this point of veiw, we wish to explore the possibilities for joint projects to develop energy resources, marine resources, and agricultural, forestry, and fishery resources in this section, suggesting directions in which cooperation among the Pacific countries should proceed toward the twenty-first century.

(1) ENERGY DEVELOPMENT

(*i*) *Exploitation of existing resources*

The Pacific region is blessed with tremendous quantities of oil and natural gas resources yet to be tapped. Moreover, the steep climb of oil prices has all but obviated the need to consider tanker freightage differences due to transport distance, heretofore a major factor in petroleum economics, and has also made profitable the development of even small-scale oil and gas deposits. Leeway for active exploration and exploitation of oil and natural gas resources has hence increased in the Pacific region. There has also been an increase in the number of development projects where more than one oil firm takes part, spreading the growing risk through cooperation. In these circumstances, a mounting need is present for the joint development of oil and natural gas resources.

Latin America has vast development potential, as evidenced by the discovery of large oilfields in Mexico, stepped-up oil prospecting in Brazil and Argentina, and confirmation of new natural gas reserves in Mexico, Argentina, and Bolivia. Other promising areas for oil exploitation include the continental shelf between Japan and the Republic of Korea, areas off Vietnam, areas in and around Indonesia, and both Australia and China; other promising natural gas sites include the East China Sea, the South China Sea, and Australia's northwestern continental shelf.

If development projects make smooth progress in these areas, the intraregional energy supply-and-demand situation should improve to a great extent. However, we must stress that cooperation with the Middle East will continue to be important. Not only will there be no change in the Middle East's pivotal role in world oil supplies for the time being, but also the possibility is strong that so-called oil money

of the Middle East will be recycled into development projects in the Pacific region through the international monetary market.

To stabilize supply and demand for oil in the Pacific region, it is desirable that oil stockpiling be stepped up. In addition to each individual nation's stockpiling policies, a program for joint stockpiling bases is necessary. From this point of view, close attention should be paid to such plans as a Lombok central terminal station (CTS) and a pipeline across southern Thailand, both of which are mammoth projects oriented toward the twenty-first century.

(ii) Development of alternative energy and advanced energy technologies

To cope with increasing constraints on oil supply, efforts are under way world-wide to develop alternative or new energy sources, such as nuclear power, liquefied and gasified coal, solar energy, marine energy, geothermal energy, wind force, and biomass. Cooperation in those fields should also be intensified among the Pacific countries from now on.

Cooperation in nuclear power research should be positively pursued, through, for example, the expansion of the Regional Cooperative Agreement for Research, Development, and Training Related to Nuclear Science and Technology. Currently limited to nonenergy fields, this arrangement could be extended to cover energy for active promotion of research cooperation. In order to take advantage of the abundant solar energy in the Pacific region, many technological developments have been seen in various parts of the region for such projects as solar heat power generation, solar light power generation, and hot water supply. International cooperation in this field is also being promoted, in particular between Japan and both the United States and Australia as well as through the International Energy Agency (IEA). Research and development on coal energy is under way mainly in the United States, Australia, and Japan, while studies on the harnessing of geothermal energy are well advanced in the United States, New Zealand, the Philippines, and Japan. Further intensification of joint technological development and information exchange in these fields is desired.

One proposal to facilitate international cooperation in the development of alternative energy sources would be to set up a "Pacific Basin Resources and Energy Research Institute", an organization devoted to research in those fields of resources and energy of particular interest to the Pacific countries. The funds required to run the Institute should be shared by all participating nations, which would also supply the institute's researchers. It would also be desirable for the institute to have the task of fostering researchers from developing nations.

In the development of such advanced technologies as resource exploration using satellites and nuclear fusion, the United States and Japan are forging far ahead of other Pacific countries, and it will still be some time before international cooperation is this field can be enlarged widely throughout the region. Nonetheless, remote-sensing technology utilizing satellites can make contributions to a wide range of activities such as agricultural, forestry, and fishery resource surveys, mineral deposit surveys, oceanographic observation, environmental protection, and disaster prevention. One project worthy of study is

therefore joint development of a network of ground stations in the region so that developing countries can also benefit from resource exploration by satellite.

(2) MARINE DEVELOPMENT

The ocean has been utilized from ancient times for transportation of humans and goods and acquisition of marine products. In recent years, rapid progress in social and economic activities has increased the need for developing and using the resources, energy, and space of the ocean. Scientific and technological advances are now making it possible to tap this potential of the ocean, and the dream of fully utilizing marine development for humankind is rapidly coming true. Nonetheless, it is also true that stepped-up utilization of the ocean, such as for fishery purposes and to exploit manganese nodules and other seabed resources, has tended to generate serious conflicts of interest among nations.

In these circumstances, smooth development of the Pacific Ocean in the years ahead is dependent on adjustment of conflicts of interest among the nations concerned—especially between technologically advanced nations and coastal states. Also necessary is to establish a system of international cooperation for this great undertaking of developing the Pacific Ocean, as by promoting joint development projects.

The research and development projects to be put in motion need to be determined by discussion among the nations concerned. The following proposals are submitted for consideration.

(i) Promotion of a "Joint Pacific Ocean Scientific Survey"

To make effective use of the almost infinite value of the seas, the first need is to gain ample knowledge of the marine environment and the fundamental phenomena of the ocean. Existing knowledge of the seas is not adequate in all respects due to their vastness and the insufficiency of the means of observation. Through various interactions such as exchange of heat and material with the atmosphere, the ocean also has important influences on the weather, climate, and other natural conditions of land areas. Moreover, a long stretch of seabed running along the rim of the Pacific has the highest frequency of earthquakes on earth. Clarification of such features of the Pacific is a matter of common interest for the Pacific countries.

To investigate the Pacific we propose that a "Joint Pacific Ocean Scientific Survey" be conducted. For the survey, such facilities as satellites, ocean-going observation ships, bathy-scaphe, and moored and drifting buoys would be jointly used to research a wide range of subjects, including oceanic circulation of the Pacific, ocean-atmosphere interaction, long-term changes in climatic and oceanic phoenmena, marine and seabed resources, formation and distribution of fishery resources, and protection of the oceanic environment. This survey should be carried out in a comprehensive manner, including active participation and cooperation in the joint study on the Western Pacific (WESTPAC) to be conducted under the auspices of UNESCO.

Furthermore, it is necessary to actively promote a "Joint Study of

Crustal Movements of the Pacific Ocean," a project covering studies on plate movement, preparation of magnetic charts, and research on a precise geodesic network, as instanced by the international deep-sea drilling project led by the United States.

To carry out surveys and studies efficiently and make the most of their results, it will be essential to establish a system for accumulation and systematic use of data and to train the researchers and technicians who will undertake the surveys and studies. To this end, such organizations as the Responsible National Oceanography Data Center (RNODC) under UNESCO's Inter-Governmental Oceanographic Commission should be expanded. We believe it will also be worthwhile to consider establishing an "Integrated Marine Science Research and Training Center".

(ii) Joint exploitation of giant kelp

Gaint kelp, a kind of seaweed that has been growing mainly in the southeastern Pacific, is counted on as a resource usable for such varied purposes as food and, after processing, fuel. We propose that the nations concerned establish a joint experimental plant for conducting feasibility studies on possible uses of giant kelp, including its effect on the ocean ecosystem, and for carrying out research on its culture in appropriate parts of the Pacific.

(iii) Joint study and development of ocean thermal energy conversion and wave-power generation

Ocean thermal energy conversion and wave-power generation are considered highly promising ways of harnessing ocean energy. Sea areas near the equator are deemed most fitting for construction of ocean thermal energy conversion plants, and pilot plants are now being developed. Wave-power generation may be most effective for island countries in the Pacific that can make effective use of their shoreline areas. We consider it desirable that Pacific countries jointly step up studies on the construction, operation, and management of these power plants so as to ensure power supplies to Southeast Asian and South Pacific nations.

(3) AGRICULTURE, FORESTRY, AND FISHERY COOPERATION

The ASEAN member states and other developing countries in the Pacific region are seeking to establish a solid foundation for their national economies by resolving food shortages, promoting agriculture, forestry, and fisheries, and developing rural communities. The advanced nations in the region should extend active cooperation to the endeavors in these spheres while keeping the need for harmonious development of the international economic community in mind.

Various long-term projections of world food supply and demand, such as the 1985 outlook of the Food and Agriculture Organization (FAO) and the forecasts for 2000 by the OECD and U.S. Department of Agriculture (USDA), indicate that even though a balance may be attained for the world as a whole, the pattern of surplus in developed nations and shortage in developing nations including those in South-

east Asia will become more and more pronounced. A major task confronting trade and aid involving food is to determine how the expected interregional supply-and-demand gaps can be filled.

When the food problem of developing nations in the Pacific region is viewed from this angle, it becomes apparent that the basic need is to develop their agriculture further, although food aid by advanced nations will also be an effective policy means. It will be particularly meaningful for advanced nations to cooperate more actively in the developing countries' plans for increased food production, placing priority on rice, the staple food in many of the developing nations in the Pacific. For example, it will be useful to set up a consultative forum of experts from Pacific countries and relevant international bodies, taking into account the Program of Doubling Rice Production in Asia proposed by the Trilateral Commission, so that active studies may be undertaken to increase food production in those nations. In this context, it must be noted that little room is left for increasing rice-planted acreage, especially in Asia, and therefore that increased rice production basically must rely on increasing the yield per unit area. Among the means of boosting the yield per unit area, attention should be paid to improving irrigation and drainage, introducing high-yielding rice strains, increasing the use of fertilizers and farm chemicals, and establishing and disseminating new rice-growing techniques.

As for forestry, various international organizations are now conducting studies on the extent of forest resources, establishment of lumbering industry and afforestation in the ASEAN states, Pacific island countries and elsewhere. Bilateral cooperation is also being extended by the United States, Canada, New Zealand, Japan, and other countries. These forms of cooperation should henceforth be intensified further. It is to be noted that the tropical broadleaf trees grown in the ASEAN area require a lengthy maturation period, making afforestation difficult. It is essential, therefore, to devote major efforts to the development of natural renewal techniques for the purpose of maintaining and cultivating such important forestry resources.

Many developing countries of the Pacific region are striving to establish lumbering industries of their own as part of their self-help programs for economic development, and it is necessary to extend a helping hand in this sector as well. In view of the limits now being reached in the volume of lauan and other tropical broadleaf trees felled for use as a raw material, the time is appropriate for active cooperation in the utilization and development of tree species yet to be exploited.

The fishery sector has seen a rising overall fish catch in the Pacific region from year to year with the exception of the anchovy catch. Still, wide gaps remain in fishery resource exploitation and the level of consumption between developed and developing nations and among different parts of the region. In these circumstances, fishery cooperation for developing countries needs to be extended so as to more effectively utilize marine resources in nearby waters, increasing the catch and augmenting the volume of fish consumption.

Desirable new trends in fishery cooperation include assistance based on the concept of shifting from fish catching to fish farming and also assistance that extends beyond fishing to cover local processing of marine products. Moreover, bilateral and multilateral cooperative

systems require reinforcement to facilitate fishery cooperation in the region. Through such reinforced cooperative systems, specialists serving as fishery consultants, upon request from interested countries, could draft development plans for fisheries and related industries, carry out the necessary studies, and act as advisers and intermediaries for securing financial cooperation.

6. Enhancing Smooth Flow of Funds

In view of the brimming vitality of the Pacific countries, strong demand for funds can be expected moving toward the twenty-first century to finance projects for domestic development, resource exploitation, and marine development. It is necessary to assure smooth and broad supply channels of funds in response to this demand.

Economic transactions and trade relations are expected to continue growing not only among the Pacific countries but also between these countries and the countries of other regions, creating economic relations of ever greater interdependence. In responding to these developments, it will be important to establish updated financial facilities and settlement machinery within the Pacific region.

The topic of fund flows within the Pacific region will be addressed here by examining the tasks that confront those offering funds and those receiving funds in the region. First, however, it must be clarified that we by no means favor an exclusionist approach of financing all the needs of the Pacific region with funds raised only within the region.

The financial facilities that we propose be provided for the Pacific region should be sufficiently capable of meeting fund needs outside the region as well. As long as the Pacific countries remain politically stable and are managed with economic vitality, moreover, the region will continue to be an attractive area of investment for the advanced countries of Europe and the oil-producing countries of the Middle East. Some of the funds needed for the region hence may be reasonably expected to flow in from outside the region. By the very nature of financial affairs, the financial facilities to be formed around the Pacific region will develop close and mutually complementary relations with the existing international and global finance and capital markets.

Taking this basic position, we discuss here the flow of funds from a global perspective that presumes that all systems remain open to interests outside the Pacific region. The topics that we consider in turn are (1) requirements for the region's advanced countries as the expected principal fund providers; (2) requirements for the region's developing countries as the expected principal fund recipients; (3) evaluation and prospect of the region's finance and capital markets as the expected principal financial facilities; (4) the expected role of the international financial institutions primarily serving the region; and (5) the means of external settlement and the settlement systems primarily serving the region.

(1) REQUIREMENTS FOR FUND PROVIDERS

Taking Japan as an example, let us examine what the advanced Pacific countries should do to enhance fund flows as fund providers

with large economies and great financial strength relative to other countries in the region.

For the supply of funds at the government level administered through such working facilities as the Export-Import Bank of Japan and the Overseas Economic Cooperation Fund, the main task is that of strengthening the financial cooperation system for developing countries. In question here are quantitative facets of financial cooperation and assistance, such as an increase of the funds involved; qualitative facets, such as easing the terms of financial cooperation and assistance and stepping up feasibility studies; and also institutional facets, such as improving the efficiency of governmental organs and offices that handle such finances. Improved performance is required in all these fields.

The foremost need for fund supply at the private level is accelerated internationalization of Japan's finance and capital markets. Further liberalization is required to expand the scope of non-residents who are eligible for market participation, and to enable their free procurement and management of funds in Japan's finance and capital markets. To this end, what is basically required is a reduction to the maximum possible extent of direct and indirect restrictions and controls applied by administrative organizations including the central bank in such forms as the authority to grant licenses. It is also important to minimize government involvement in interest rates except in certain limited monetary policy sectors and to develop policies utilizing the relationship of interest rate with international finance and capital markets, thus permitting natural fixing of interest rates through free-market mechanisms.

As a peculiarity in Japan, barriers have come into existence due to a sectoral approach to all financial ogranizations including securities companies, with separate administration for each sector. These barriers must be eliminated as much as possible, providing foreign individuals and organizations with smooth access to finance and capital markets for procurement and management of financial resources. The means of offering and procuring funds in finance and capital markets must be diversified to give the market participants a wide variety of choices from which they can freely choose on their own judgment. It is desirable that monetary policies be administered in keeping with such markets, using open market operations instead of closed-market bilateral transactions by the Central Bank.

In enhancing a smooth flow of funds in line with the Pacific Basin Cooperation Concept, one cannot overexaggerate the critical importance of implementing these measures in order to make Japan's finance and capital markets both free and resilient.

A second need for fund supply at the private level concerns providers of funds and institutions that act as financial intermediaries. We have already discussed the problems relating to finance and capital markets; here it might be noted that in financing various projects in the Pacific region, problems are involved in increased portfolio and direct investments by private individuals and corporations and in increased investments and loans by private financial institutions. These investments and loans are all made by private individuals, corporations, and financial institutions on the basis of their own evaluation of risk and potential profit depending on the project and the country concerned.

As mentioned below, countries on the receiving end of these investments and loans need to take steps to enhance the flow of such private funds.

It is not the purpose of this report to give an itemized rundown of all measures that may be taken to meet the vigorous demand for funds in the Pacific region. We would like to stress, however, that the important point is for Japan, in developing financial measures for the short, medium, and long-term, to recognize the enormous economic power it possesses and to contribute energetically to the active flow of funds around the Pacific region. In developing financial measures, needless to say, the current foreign exchange rates, the balance of payment trends, and the domestic situation are important factors to be kept in mind, but evaluation of their significance should always be made from medium-and long-range viewpoints. In line with the present policy of liberalizing foreign exchange controls, Japan should avoid depending heavily on direct regulatory means, shifting gradually to adjustment through the finance and capital markets in all cases except when emergency controls are required.

The foregoing comments, it should be noted, apply not just to Japan but also to other countries with well-developed financial markets in the Pacific region, such as the United States, Canada, Australia, Hong Kong, and Singapore. It is necessary for both financial authorities and private businesses in these countries to endeavor for a smooth supply of funds at both government and private levels as the situation may demand.

(2) REQUIREMENTS FOR FUND RECIPIENTS

At both government and private levels, the volume of external funds that flows into a specific country or project is not determined solely by the amount of funds available to fund suppliers. Also involved are the efficacy and purpose of fund utilization, the quality of fund management, the certainty of repayment, and other factors determined at the receiving end. One condition of decisive importance in the facilitation of investments and loans is that complete economic statistics be available and that financial management and accounting systems be well developed among fund recipients, enabling fund providers to objectively assess the economic and financial situation on the recipients' side. Most Pacific countries including developing nations are relatively advanced by world standards in these respects. Still, there is room for improvement in view of the prospective increase in direct and portfolio investments.

As relations of interdependence grow stronger, direct investments will further increase on the private level. Accordingly, it will facilitate financial flows if the concerned countries can agree to ground rules governing the conduct of investors and recipients. An attempt to formulate such rules has been made by the Pacific Basin Economic Council, leading to the "PBEC Charter on International Investments." The Nature of the Council prevented sufficient consultations with developing countries, however, and the Charter has not been endorsed by the governments concerned. These bring into question the effectiveness of the Council's Charter.

Advanced countries of the Pacific region have been cooperating to provide know-how on public finances, banking, securities, accounting,

and other matters that developing countries need to master to consolidate systems for receiving foreign funds. Its is necessary to continue providing technical cooperation of this type at both government and private levels.

(3) IMPORTANCE OF INTRAREGIONAL FINANCE AND CAPITAL MARKETS

As mentioned earlier, in procuring funds for the Pacific region, finance and capital markets not only within the region but also in such advanced areas as Europe should be considered as possible supply sources. Likewise, the recipients of the region's funds should be selected on a global basis. In this connection, it is hoped that the finance and capital markets fronting in the Pacific basin, such as Tokyo, Hong Kong, Singapore, and California (with New York in the background), will be more sensitive and receptive than other markets to fund demands from the Pacific region and especially from the developing countries within it. In the same sense, we earnestly hope for the growth of new international finance and capital markets within the region.

All finance and capital markets of the region must develop in a close relationship with the international finance and capital markets of other regions. Conspicuous among the new intraregional markets of the Pacific region are those that developed from the latter half of the 1960s in and around Singapore and Hong Kong to handle "Asian dollars." In the sense that they deal mainly in U.S. Dollars that are outside the United States, these Asian dollar markets function similarly to the Eurodollar markets that cluster around London. There are differences, however. For one thing, the Asian dollar markets are open during a different span of hours from the Eurodollar markets and the New York market due to the different time zones they are located in. Furthermore, Asian dollar markets serve supply and demand largely based on the Pacific region to facilitate the management and procurement of funds there, and thus are capable of serving the region's indigenous needs. These markets hence have their own characteristics and play a role supplementing the functions of the advanced finance and capital markets of other regions.

As these Asian dollar markets developed, financial instututions of various countries began one after another to set up Asian bases in Hong Kong and Singapore. This prompted the development of communications and transport facilities and encouraged demand for housing, office space, and other items of real estate. Besides financial activities, legal practices, accounting offices, and other commercial activities also proliferated. Such developments triggered further growth of the national finance and capital markets, and as a result financial transactions have become a leading industry in Hong Kong and Singapore.

It is hoped that such new finance and capital markets around the Pacific region will work to serve the region's large fund demand as they link together with and supplement the finance and capital markets of the United States, Japan, and other countries, contributing to the recycling of oil money. In other countries as well, development and gradual internationalization of their own finance and capital markets are desirable in line with their stage of economic development.

Such progress will greatly facilitate servicing of the region's fund demand and will assure smooth financial transactions.

It is also indispensable for developing countries to develop financial institutions and foster finance and capital markets that can handle developmental and commercial financing, for this will prompt the inflow of development funds and enable these funds to be appropriately managed. It is hoped that advanced countries will actively offer technical cooperation in this field.

To provide additional momentum to such developments and to enhance financial cooperation on a reciprocal basis, one pertinent proposal would be to hold "Pacific Basin Finance Conferences" attended by private financiers from the region. Frequent gatherings of the heads of the region's central banks and active exchange of information among the central banks will also help build a firm foundation for smooth fund flows in the region.

(4) STRENGTHENING OF INTRAREGIONAL FINANCIAL INSTITUTIONS

In facilitating the interflow of funds in the Pacific region, it will not be appropriate for the flow of investment to be based mainly on economic interests of advanced countries. An increased flow of investment through international institutions is desirable to neutralize the influence of any particular country.

Fifteen years after its foundation, the Asian Development Bank (ADB) has developed into a major international financial institution whose main theater of operation is the Pacific region, and its investments have become of large scale. Still, the expectations among the developing countries for "soft loans" with long terms and low interest rates are great. The ADB has been acting as an intermediary for project finances to meet many of the developing countries' needs and it is hoped that the bank will further expand this intermediary role and take the initiative in the region's joint development projects.

Needless to say, the work of promoting joint development projects cannot be left only to the regions' financial institutions. These projects require positive cooperation and support from both public and private sectors of the countries concerned. As the principal institution to the financing of these projects, however, the ADB has an important role to play.

Besides the ADB, which is a public institution, other international financial institutions have been established by concerned countries through joint investment at the private level to serve the region's financial needs, and still more are being proposed. One institution already in operation is the Private Investment Company of Asia (PICA); two proposed institutions are the Pacific Fund and the Japan-ASEAN Investment Fund. Such privately initiated institutions to finance regional joint development projects face the difficult operational problem of how much responsibility and authority the investors of disparate interests will relegate to the management of the jointly founded institution.

While continuing to promote the region's joint development projects on the official level, the concerned governments must also do whatever is within their power to assist the establishment of regional develop-

ment institutions at the private level and to perform whatever adjustment is necessary.

(5) INSTRUMENTS AND SYSTEMS FOR FINANCIAL SETTLEMENT

Insofar as the Pacific Basin Cooperation Concept envisages an open style of cooperation and aims to contribute to the development of the global community, the proposed instruments and systems for financial settlement should not be of a closed nature but must fit the context of the international monetary system. This system by nature has a global character. The instruments of settlement in the period following the end of World War II were characterized by the consistent use of the U.S. dollar as the world's key currency, backed by America's outstandingly large gold reserves and economic might. Fixed rates of foreign exchange were maintained under a gold-dollar standard.

After the 1973 collapse of the Bretton Woods regime, the international monetary system moved to a managed float of foreign exchange rates. But this hardly changed the role of the dollar as the world's key currency, in which regard the Pacific region is not an exception. As the world moved through the 1970s, the economic growth of West Germany, Japan, and other advanced countries caused a sharp relative decline of America's position in the world economy. This caused unrest in the international monetary system, which depended on the dollar as virtually the sole key currency. Even though new developments may occur in the international monetary system, however, it cannot be imagined that they can damage the relative position of the United States in the world economy to the extent that the U.S. dollar ceases to function as the world's most important key currency.

The Pacific region is a vast region of great diversity and vitality, and its trade and economic activities can be expected to continue expanding. Securing proper settlement means and smooth functioning of the settlement machinery is hence a matter of great significance to the entire world economy. As a country of the Pacific region with an economy second in size only to the U.S. economy, Japan is one of the region's largest exporters and importers. It is also one of the central countries for capital transactions, and it accounts for a major share of the region's economic transactions.

Given this status of Japan, it may be expected that the yen will be used increasingly as an instrument of settlement in the region's economic transactions and also as a reserve currency, supplementing the role of the U.S. dollar.

Instead of trying to inhibit this trend, Japan should take a comprehensive policy initiative in support of increased international use of the yen. This implies the building of a foundation for smooth and steady use of the yen by both residents and non-residents. In this regard, the Japanese government has already switched its foreign exchange management from the long-standing exclusionist and highly regulated system to one that is free in principle and allows controls only in exceptional cases. Japan is also making efforts to free interest rates and to open its finance and capital markets. Policies such as these must be accorded praise.

In the European-Altantic Economic region, West German marks, Swiss francs, and other currencies are used to supplement the

U.S. dollar. In addition, the European Currency Unit (ECU) can be expected to play an increasingly important role as an instrument of settlement among public institutions and as a reserve currency within the European Community. In the Pacific region as well, there have been moves to create intraregional settlement systems designed specifically for the use of the yen or some other currency. Our Pacific Basin Cooperation Concept respects the individuality and diversity of the region's countries, however, and calls for free and open cooperation. The international monetary system, moreover, is an open system by its very nature. In the light of the political and economic circumstances in the Pacific region in the context of its historical and cultural diversity, it is unrealistic to try to set up a special settlement system for all or for part of the region. Such a system might even tend to restrict the expansion of the region's markets.

As we move toward the early twenty-first century, the possibility exists that a multicurrency system built around the U.S. dollar will emerge in the Pacific and Atlantic regions. As mentioned, the West German mark and the Swiss franc have to some extent already joined the key-currency basket. It can be reasonably expected that the Japanese yen as well will become an auxiliary currency to the dollar, with its use relatively concentrated in the Pacific region. In a multicurrency system, the problem will be how to maintain stable rates of exchange among several currencies with the U.S. dollar at the center.

Whatever the case may be, a smooth flow of funds within the Pacific region requires efforts by advanced countries to overcome short-term fluctuations and achieve monetary stability through a system of active cooperation. It behooves developing countries to realize that these efforts by advanced countries will also work to their own benefit and to cooperate in support of these efforts.

7. Expanding and Consolidating Transport and Communications Systems

For the Pacific countries to deepen their mutual understanding, they must facilitate exchange in various fields. For them to promote economic development, they must strengthen relations of economic cooperation. For this purpose of smoothly developing intensified relations among the Pacific countries, the infrastructural basis of such relations, including air, sea and other transport systems and also communications systems, must be upgraded. Improvement is also required in administrative procedures governing such matters as entry of foreigners into each country.

(1) CONSOLIDATION OF TRANSPORT SYSTEMS

(i) Air transport

There has been remarkable development of air transport around the Pacific region in recent years. Still, further improvement and expansion of air traffic networks and augmentation of air transport capacity must be realized to encourage the interflow of people among the Pacific countries and to facilitate intraregional economic development.

The major cities of the region need to be directly linked in a well-serviced air traffic network. The basic framework of such a network should include east-west trunk routes (for example, ASEAN—Japan and the Republic of Korea—the United States; ASEAN—Australia and New Zealand—the United States and Latin America) and north-south trunk routes (for example, the Republic of Korea and Japan—Australia and New Zealand). This framework should be enclosed by a loop route circling the basin with stops at major cities facing the Pacific. At present, as a consequence of the region's differing degrees of interdependence, the development of north-south services lags behind that of east-west services.

Island countries geographically located at points of intersections of this east-west and north-south air transport grid should be better linked with major coastal cities around the Pacific. Among these islands, those that are centrally located (such as Guam, Fiji, Tahiti, and Asia) should be better linked with nearby islands in a finely designed web of air transport networks. By this means, an air transport system can be realized to enhance personal exchange, economic development and friendship throughout the Pacific region. Use of dirigible airships might be considered for island-feeder services.

The purpose of such an air transport system for the Pacific region is to enable prompt and smooth transportation around the region. Keeping in mind the establishment of what could be called a Pacific basin international air transport system, the concerned countries should make steady efforts to resolve the various issues concerning civil aircraft agreements and the problems surrounding airports, expand services by opening new routes and increasing flights, and introduce larger aircraft. Since the international air transport business also represents national interests, improvement of air traffic is often attended by conflicts of interest among the countries concerned. This makes it all the more necessary that they act in the spirit of cooperation and reciprocity for the development of a friendly air transport setup.

Improvement of air transport networks is not work that is reserved exclusively for countries with advanced air transportation industries. It is hoped that the Pacific island countries as well will play an increasing role by developing their own air transport services individually or in joint projects. Countries with well-developed air transport industries should cooperate in this endeavor, such as by offering their technical knowledge. For example, advanced countries might train the personnel of developing countries in freight and passenger service and cooperate in airport maintenance. Training centers need to be expanded for this purpose.

As air service networks become more complete and transport capacity is augmented, it will become increasingly important for the Pacific countries to plan for more efficient mutual use of fuel and other resources.

In promoting personal exchange and economic development of the Pacific region through the growth of air transport, introduction of passenger fares and freight charge that serve the diverse needs on both trunk and local routes will be indispensable. Service charges have been climbing due to the recent drastic increase of oil prices, but the recent commissioning of larger aircraft has created surplus capacity, and

carriers are resorting to various forms of fare discounts to generate demand and utilize this surplus. In view of the disparate passenger and cargo needs depending on the route and the destination, low and diversified service charges need to be made available while maintaining overall balance in the fare schedule.

(ii) Maritime transport

For the Pacific countries to promote economic development through mutual cooperation, stable development of maritime transport within the region is indispensable. The region's maritime transport has traditionally been managed mainly by the enterprises of Japan and other countries with well-developed shipping industries, and they have created an established economic order. Against this background, the countries that have only recently entered the merchant marine field have been endeavoring to promote international shipping business, building up their own merchant fleets as a major policy goal.

From the viewpoint of promoting friendship and cooperation among the countries of the region and facilitating the growth of marine traffic, the Pacific countries with well-developed maritime transport industries must strive to serve the needs of other countries to develop their own shipping industries, extending economic and technical cooperation and also planning phased adjustments of their policies. As an example of such cooperative activities, we believe that Japan and other advanced maritime countries should consider the establishment of a new government-level cooperative scheme to more effectively promote economic and technical assistance. The objectives of this scheme would include studies to facilitate the conclusion of private shipping agreements and operational tie-up agreements, training of shipping specialists, and research and funding for projects to build and procure ships.

The following long-term projects are offered to improve the efficiency of maritime transport in the Pacific. For the immediate future, it will be sufficient for the countries concerned to jointly undertake feasibility studies.

(a) Consolidating cargo distribution centers to improve the efficiency of cargo movements around the Pacific basin through Asia, North America, Latin America, and Oceania, with the encouragement of the use of large ships in intraregional transport and improvement in secondary distribution. (The "Asian port scheme," for example.)

(b) Expanding narrow straits and canals and constructing new ones to accommodate a greater volume of cargo traffic and the use of larger ships. (The Second Panama Canal Project, for example.)

(2) EXPANSION OF COMMUNICATIONS SYSTEMS

International communication plays a major role in the promotion of mutual understanding and economic activities in the Pacific region. With the phenomenal development of communications and computer technologies, made possible by such breakthroughs as semiconductors and large-scale integrated circuits (LSI), many new communication means are being developed today including video transmission, data transmission, and facsimiles. These technological advances will bring

further expansion in international communication within the Pacific region.

Today's international communications are carried mostly via submarine cables and satellites, and these two means will continue to be used in tandem to secure stability and reliability in communications. In satellite communications, new digital technologies are bringing high-quality and economical types of multilateral communications to international communication in the Pacific region. In submarine cable technology, the newly invented "optical fiber" cables are expected to replace conventional coaxial cables in the near future. Optical fiber communication is a technique enabling the transmission of digital and other information using glass fibers; compared with conventional coaxial cables, the new cables carry a larger volume of data more efficiently.

With these technological prospects in international communication in mind, we offer the following ideas as ways to realize dramatic communications development in the Pacific region.

(*i*) *Improvement of communications network in the Pacific region*

Today all the countries in the Pacific region except a few island countries in the South Pacific are linked to each other by submarine cables or communications satellites. In view of the expected increase and diversification in demand for international communication, expansion and improvement of the present communication networks is required. At present many projects are already being planned, such as the Trans-Pacific Cable III Program, the ASEAN Cable System Program, a Japan-ROK cable system, a plan for launching a new Pacific satellite by INTELSAT (International Telecommunications Satellite Organization), and a plan for launching a maritime satellite by INMARSAT (International Maritime Satellite Organization). We hope for steady progress of these projects.

To promote interregional communications, efforts need to be made by the individual countries concerned. Beyond that Japan should work actively through such international organizations as the Asia-Pacific Telecommunity (APT) to establish and efficiently operate Pacific basin communication networks through cooperation by the countries concerned. Also worth consideration in achieving these ends is the establishment of a new regional communication organization for research, development, and training purposes.

(*ii*) *Improvement of rates and fees*

The foremost necessity in international communication is high-quality, low-breakdown, and prompt communications provided at low cost. On the one hand, international communication calls for heavy investment in facilities to secure stable communication channels and to develop new technologies so as to meet the growth of communication demand. On the other, technological development is working to bring down costs for international communication services. Here we would like to emphasize the need to make further efforts, in recognition of the importance of the Pacific region, for lower rates and fees for international communication in the region.

In planning for the future, introduction of a system of uniform rates should be studied for the Pacific region. Rate policies today in the concerned countries emphasize reduction of rate differentials based on distance, with an eventual target of a uniform rate system of the type that exists in mail service. As the sense of solidarity deepens throughout the Pacific region, this approach to rates will naturally gain momentum on a regional scale.

(iii) Reinforcement of cooperation with developing countries

Some developing countries in the Pacific region lack the kind of domestic communication networks that are a prerequisite for providing high-quality international communication systems. They are lagging behind in the construction and operation of satellite earth stations and the building of submarine cable facilities. In these countries, therefore, it is necessary first to upgrade domestic communication networks, then to expand them into international communication systems. For this purpose, advanced countries must actively provide technical and financial cooperation to developing countries, espcially to island countries, drawing on their accumulated experience and expertise to assist the consolidation and improvement of telephone and microwave communications in developing countries.

(iv) Study of a direct-broadcast relay satellite system for the Pacific region

The United States, Canada, the Soviet Union, and Japan have been conducting experiments since 1974 on satellite broadcasting, leading to the conviction that direct broadcast relay satellites will be technically feasible in the near future. As a consequence, the concerned countries are conducting studies for application of a satellite broadcasting system.

Direct-broadcast relay satellites send programs directly to TV receivers in homes and elsewhere. If such a satellite is orbited for common use by the countries of the Pacific, it will prove extremely useful in strengthening their sense of solidarity and deepening their mutual understanding. It will also contribute to TV dissemination in developing countries lacking adequate domestic broadcast systems. For such a satellite broadcasting system to be operated cooperatively by the countries concerned, a "Pacific Basin Satellite Broadcasting Organization" will become necessary. It is our hope that Japan will make a large contribution toward the realization of this idea.

(v) Promotion of information exchange by mass media

The flow of information across national boundaries is indispensable for deepening mutual understanding on the international level and in this regard the mass media have a major role to play. And yet mass communication among the countries of the Pacific region is far from an adequate level. To improve the present situation, study is required to establish international news agencies based in this region, to increase funds for journalist exchange, and to setu

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a fellowship program for journalists, especially of developing countries. These possibilities must be investigated to supplement the aforementioned plans for improving the region's international communication networks. In this connection, Japan should cooperate in the news-gathering activities of visiting journalists and foreign journalists stationed in Japan by expanding the functions of the Foreign Press Center and by allowing these journalists to join governmental and other domestic press clubs.

(3) IMPROVEMENT OF IMMIGRATION SYSTEMS

The promotion of international cooperation and exchange in the Pacific region must be endorsed by improved institutional frameworks governing the movement of people across national borders.

In the region's countries today, conditions for foreigners' entry, exit, and residence are specified by various procedures, regulations, and restrictions. To encourage the flow of people across borders, each country should strive to simplify and rationalize these controls in the direction of liberalizing foreigners' entry for purposes other than work and permanent residence.

From this viewpoint, more agreements for mutually waiving visa requirements are needed and more multiple entry visa systems must be put into force. Japan, for example, now has agreements with 45 countries to mutually waive visa requirements for short-term visitors. But among these 45 countries, only a handful, including Canada, New Zealand, Singapore, Mexico, and Peru, are Pacific countries. Multiple entry visa systems in the region are virtually nonexistent except among advanced countries. The present situation is of course due to the differing circumstances of the countries concerned; still, they should take mutually cooperative steps to improve the situation as rapidly as possible.

Many improvements apart from waiving visa requirements and utilizing multiple entry visa systems are needed in immigration systems. For instance, Japan's Immigration Control Order was drawn up and put into force in 1951 when Japan was still under Allied occupation and had only a limited degree of personal exchange with other countries. This order not only involves complex procedures but also tends to be used for restrictive purposes. A review of the order is required from the viewpoint of promoting an international flow of people.

More specifically, for the short-term visitors to Japan, who account for the majority of all foreigners visiting Japan, study is needed to liberalize the purposes of stay, now limited to tourist purposes, and to extend the length of stay from the present 60-day period to at least 90 days. As for temporary landings requiring no visa (landing at port of call, landing in transit), the present regulations require that entry and departure be on the same ship or at the same airport. For the benefit of these short-term visitors, it is hoped that the conditions for entries and departures without a visa will be made less stringent, applying them to travelers who change ship on departure and permitting stays on land of a week or two.

As a more fundamental solution of the many immigration troubles of foreigners, Japan should study the introduction of an arrangement for overseas stationing of immigration inspectors, as practiced among

the United States and some West European countries. (Under this arrangement, immigration inspectors of country A are permanently stationed at airports and other points in country B to process entries into country A prior to their departure from country B.)

As to resident qualifications, applications other than for work and permanent residence should be accepted unless they involve particular problems, and the procedures should be simplified.

From the long-term perspective, foreigners' applications for work and permanent residence also need to be studied with a more positive stance. Although consideration must be given to the labor situation and the economic and social circumstances at home and abroad, active efforts are needed in the spirit of promoting international exchange and cooperation and in view of the direct and long-term benefits that foreigners bring to other countries. It is hoped that qualifications for work and permanent residence will be improved, such as by establishing immigration quotas per field of work, and that better conditions for foreign labor will be systematically organized. The control of foreigners' entry to a country and the control of their stay in the country are complementary administrative matters; hence an open system of control over resident foreigners is also needed to contribute to international exchange.

III. Toward Realizing Pacific Basin Cooperation

Realization of Pacific basin cooperation and construction of a prosperous and stable Pacific regional community are long-range tasks with a purview stretching well into the twenty-first century. From this recognition, the specific proposals offered in Part II "Tasks for Pacific Basin Cooperation" included those that require immediate attention as well as those that will have to be tackled over the long run. Our proposals for Pacific basin cooperation also cover both tasks that the countries concerned should handle jointly and tasks that Japan can promote on its own initiative. We hope that the Japanese government will constructively and steadily deal with the latter tasks. For the former tasks, we hope that broadly based studies will be undertaken among the concerned countries and that concrete projects for cooperation will be engendered.

Pacific basin cooperation should be promoted deliberately and steadily. While the vitality and dynamism of the Pacific region are receiving increasing attention, it is also true that some people take a skeptical view on the particular emphasis on Pacific basin cooperation. Because the Pacific Basin Cooperation Concept involves long-range tasks that require much patience, haste is to be avoided at all costs in its realization.

Be that as it may, it is gratifying to see the great mutual interest that is now evolving among the peoples of the region. Various ideas have been put forward to promote Pacific basin cooperation in many countries of the region, and specialists and others from public and private sectors have held frequent international conferences and symposium throughout the region. Recent examples include the international symposium "Asia-Pacific in the 1980's: Toward Greater Symmetry in Economic Interdependence," held in Bali, Indonesia, in January 1980 and the "Pacific Islands Conference: Development of the Pacific Way," held in Hawaii in March.

Today, as the concerned countries undertake vigorous initiatives and make diversified approaches to tackle this issue, it is becoming clearer that broadly based cooperative relations within the Pacific region are essential and feasible. Gradually but surely the specific direction of cooperation is emerging into open view. In the midst of such international endeavors, it is our hope that Japan will draw on its valuable past experiences and achievements, enter into thorough-going consultations with other countries, and participate in the joint task of realizing a Pacific basin community.

On the occasion of his visit to Australia in January 1980, Prime Minister Masayoshi Ohira exchanged views with Australian Prime Minister Malcolm Fraser on holding an international seminar on Pacific basin cooperation around September 1980, to be hosted by Australian National University in Canberra. The seminar is expected to make a major contribution to further advance the international discussions on Pacific basin cooperation at many international gatherings in the past. Japan will be well advised to host further seminars of this sort in the near future.

We have several expectations for such international conferences to be held regularly and attended by leading figures from countries interested in promoting Pacific basin cooperation. First, past studies and proposals on Pacific basin cooperation should be reviewed for articulation of specific fields of possible cooperation. Second, a consensus should be formed among the concerned countries on measures of cooperation that are acceptable to all parties concerned. Third, studies should be made of the possibilities of establishing an organization for long-range promotion of Pacific basin cooperation. Through continued international studies and discussions, a broad regional consensus will be gradually formed among the concerned governments as well.

The need for such a Pacific basin cooperation organization is apparent from the fact that the cooperation envisaged is a long-range concept oriented toward the twenty-first century. Various proposals have been presented concerning this organization. Some are for the creation of a government-level consultative organization by the countries concerned; others favor a private organization with leading figures from each country participating. Yet another proposal is to form what can be called a wisemen's group consisting of men of broad experiences who are respectively appointed by, or have certain links with the government concerned. Upon considering these propositions, we offer the following proposal based on our assumption of a gradual approach.

First, a committee could be set up to manage a series of international conferences. This represents the first step in building machinery for Pacific basin cooperation. The committee would review the results of past conferences and prepare for future ones. After a number of such conferences have been held, the committee should come to assume the characteristics of a private consultative forum for promoting Pacific basin cooperation, and in time it should emerge as an authoritative standing organization bringing to attention items of common interest among the concerned countries and working out better solutions to them. When the committee attains this status, it might be able to express joint opinions or make recommendations to the

government concerned on matters where a consensus has been reached among its members.

Certain conditions must be met for the committee to play such a role. First, it must include persons of authority who have influence with their respective governments. Therefore, it is strongly desired that the committee members either be drawn in their respective countries from a large body of intellectuals who are interested in Pacific basin cooperation, or be given the endorsement of their respective governments in one form or another. Second, the committee must be of a workable size, enabling it to engage in full discussion and reach consensus. A membership of about 15 to 20 persons should be appropriate.

It will be important for Pacific basin cooperation to start from matters of common concern which the concerned countries find it comparatively easy to take up with little involvement of conflicts of interest. Accordingly, it will be also profitable to set up working groups separately from the aforementioned private committee, each group to be established on the government or private level and to be entrusted with execution of a particular project. For realizing basin cooperation, it may be most realistic to promote such individualized approaches as have already been undertaken in a variety of forms. Among the various ideas and projects cited in Part II "Tasks for Pacific Basin Cooperation", a considerable number have already drawn the interest of the concerned countries and are unlikely to cause much clash of interest among them. We hope that they will be taken up as subjects of such individualized approaches.

If the foregoing developments proceed smoothly, it may not be unrealistic as a long-range goal to look forward to an international organization formed by the governments concerned. This international organization would function as a consultative body to promote mutual understanding on and pave the way for cooperative resolution of matters of common interest in all fields of economy, society, culture, transport, communications, and science and technology. A permanent secretariat of the organization would also become necessary. In the meantime, it should open its membership to all the Pacific countries interested in promoting cooperative relations in the region.

THE PACIFIC BASIN COOPERATION CONCEPT: A CRITICAL JAPANESE VIEWPOINT

By Toru Yano*

There are frustrating aspects in the way the Pacific Basin Concept is discussed in Tokyo.

First of all, the general style of discussions is characterized by the kind of unbounded optimism which even reaches the level of naivete.

Second, there is a simplistic, unscientific way of discussing the subject matter. Japanese experts tend to suggest that Japan should stick to purely economic functions separated from politics. Isn't it an elementary lesson of political science that politics cannot be separated from economics?

Third, there is a lack of explanation, "Why the Pacific Basin?", on the part of the proponents of the concept.

After all, certain characteristics of the Pacific region convince me that it is very difficult to be optimistic about the Pacific Basin Concept. The Pacific Basin contains a basic dichotomy between the political and economic systems within it. And, on the periphery are socialist countries whose relationship to the area is as yet unknown.

Recent events demonstrate instabilities: the unrest in Iran, the economic friction among the advanced industrial nations of the West, the conflict between China and the Soviet Union as manifested in Indochina, and the covert and overt operations of the Soviet Union in the Middle East and in Africa. As long as such conditions persist, it will be difficult to say that international relations as a whole are becoming more stable.

At the same time interdependencies grow in economic relations, and in terms of energy and resources. Even in the wake of Afghanistan the United States and the Soviet Union, while gripped in military and ideological confrontation, seem to be groping toward greater economic and technological cooperation.

The irony of the Pacific region is that, while economic interdependence is now an established fact, political discord is simultaneously emerging, as illustrated by the Indochina and Korean situations. Using the popular phraseology of "hegemony", we can describe the situation in Indochina as an "endless chain of hegemonic relations", or an international system devoid of economic rationality.

In considering any plans for the Pacific Basin, therefore, it does not work to treat the region simply as an economic system, especially when the region is filled with problems both in international relations and in the domestic situation of individual Asian nations.

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There is a fatal element of ignorance in the Japanese belief that their proposal of the Pacific Basin Cooperation Concept will not politicize the international relations in Asia. The fact that the Soviet Union has defined itself as a Pacific country is overlooked at a time when the Soviet Union is obsessed with the idea of identifying itself as a Pacific nation with due stakes in a Pacific Basin Concept. This ignorance will certainly nurture a danger, for Japan, and for the Basin.

For the Japanese, there are questions to which they can hardly provide clear-cut answers. The Japanese feel nervous about the possible resurrection of the war-time image and of the "Greater East Asia Co-prosperity Sphere" complication.

Asian voices are not at all equivocal as to the validity or acceptability of the concept. It is especially noteworthy that the ASEAN nations, with the exception of Indonesia, tend to oppose the idea. It seems as if they suspected a *"pensee-arriere"*—or hidden motive—hidden at the bottom of such an intellectual exercise on the part of a big power country like Japan.

It is true, in fact, that the Pacific Basin Concept was given birth by what were, for Japan, realpolitik considerations. Realpolitik considerations are also at work when other major powers give approval to the concept of Pacific community. In short, the Pacific Basin Cooperation Concept is the product of a mixture of two political tendencies—namely, post-World War II political romanticism in Japan, and realpolitik consideration of Japan's national interests.

What, then, are those elements of Japan's realpolitik which constitute the *"pensee-arriere"* of the concept? The following five could be a correct answer.

Installation of a mechanism which would long guarantee major power economic interests.

Search for means to assure continued U.S. involvement in Asia.

To direct the Soviet concern with Asia into economic or non-military fields.

To deter undesirable behavior by smaller nations in Asia in the context of the North-South issue or with respect to the natural resources problem.

Preemptive insurance against a situation arising where the world would be dichotomized into different blocs of economic Lebensraum.

The elitist nature of the Pacific Basin Concept is undeniable, verified by the fact that many people specify a core membership of the Pacific Basin, separated from other associate members.

The Pacific Basin region has been characterized by political conflict and social injustice in its past history. With plenty of isolated spots and barriers which require internationalization, the Pacific Basin Concept rightly suggests possibilities for further interdependencies. The timing seems ripe. However, the reality of the Pacific Basin zone as we see it may not automatically justify the grandiose kind of "program" which the promoters of the Pacific Basin Concept are currently advocating in Tokyo and elsewhere. In reality there may be greater call for investment in basic research of the problems related to welfare of the peoples of the area, and for intensified exchanges of human resources.

As long as people keep dwelling on the Pacific Basin Cooperation Concept, there may arise a chronic problem, that is, the credibility of the foreign policies of those countries which form the core of that cooperative relationship, in terms of orientation, self-restraint, or international responsibility. Let us take up Japan for a test.

As Sino-Japanese relations have grown closer, the predominantly economic orientation of Japan's foreign policy is becoming clearer. Unlike the United States and the Soviet Union, Japan does not engage in a diplomacy of ideology, nor can it get its way by virtue of military might. Likewise, it has no intention or talent for world management. Unable to take a comprehensive approach to the duality of the present international system, Japan has chosen to concentrate just on the system of economic interdependence.

For Japan the Pacific Basin is the central stage for its economic diplomacy, which revolves around relations with China and with Southeast Asia. According to its tenets, it is only natural for Japan to deepen its economic ties with Peking, while at the same time strengthening its economic relations with anti-Peking countries such as Vietnam and Taiwan. In the August 1977 Manila Declaration, Japan declined to join the major military powers and stated its intention to remain a purely economic superpower. It was an official admission that the economic system is the only international system Japanese diplomacy is capable of handling. It is in that particular sense that the Manila Declaration held greater significance than implied by its surface statement on policy toward Southeast Asia.

Nevertheless, this kind of economy-oriented foreign policy has its intrinsic problems. For example, it provokes the distrust of other great powers such as the United States and the Soviet Union which do not believe in the separation of approaches to the political and to the economic systems. Japan thus is accused by America of getting a "free ride" on security and by the USSR and other countries of practicing pernicious opportunism. In addition, Japan's economic diplomacy cannot obtain the support of people both inside and outside the country who want to see Japan play a major role in noneconomic spheres as well. After all, not everyone in Asia is convinced that all matters are economically oriented: those who assess Japanese diplomacy in terms of "Japan's political mission" are rapidly growing in number.

If it orients its foreign policy towards the economy alone Japan should take care to keep its economic power peaceful and creative. In this respect, Japanese diplomacy still cannot pass muster. Moreover, to give the Japanese people something to dream about and to satisfy their romanticism, it is going to take much more than the simple materialism of economic diplomacy.

From the point of view of security, however, it may well be that Japan's "economics first" approach is, for the present, the most prudent. If Japan can persuade China and the USSR that it is more to their advantage to stay on friendly terms for economic reasons than to militarily invade it, such a course is laudable in terms of national security. It is indeed ironic that Japan's economic diplomacy is taking a firm root just at a time when debate on strengthening Japan's self-defense capability is growing more intense.

Still, Japan's choice of systems is not yet entirely clear. What kind of "great power" will Japan choose to become? The next 4 or 5 years will be the hardest in making such a new national choice. In the Pacific Basin Concept is one manifestation of Japan's groping for change in its approach to foreign policy.

An even more crucial point is Japan's contribution to the building of a New International Economic Order. Japan could be asking other countries what they have done towards creating a better, more stable world order. But we were called to the witness stand first. Here again, Japan finds itself at a disadvantage, hobbled by the weakness of its diplomatic persuasion. If we do not quickly acquire the skills of international negotiation with which to explain ourselves, we will eventually find that, as a nonmilitary economic power, we have walked out on a perilous and fatal limb in terms of national security.

PAN-PACIFIC SOLIDARITY WITHOUT DOMINATION

By Takeshi Watanabe* **

The Pacific region has recently become the focus of numerous schemes and plans to establish stronger ties among nations. This is itself laudable, and yet I am somewhat troubled by the potential tension and misunderstanding that may be generated by the diversity of objectives being sought. Japan must weigh cautiously the position of each country in the region in implementing any proposal for Pan-Pacific unity, and should not make too much of the concept in its foreign relations.

The United States is both a Pacific as well as an Atlantic power. The volume of trade in the Pacific today far surpasses that in the Atlantic, so it is not surprising that the United States is particularly desirous of establishing close ties with steadily developing regions like East and Southeast Asia. The free market nations of Southeast Asia, moreover, are not only of great economic importance to the United States, but are treasured political allies as well. This is reason enough for the many voices in the United States proposing the formation of a new Pacific Basin organization.

Developing nations in Asia, for their part, however, express the fear that the United States may use a Pacific Basin organization to dominate the region in cooperation with other advanced nations. Even though this response represents a fundamental misunderstanding of the intention of the proposed plans, such skepticism is real and cannot be ignored.

Australia and New Zealand lend enthusiatic support to the concept of a Pacific community. No longer active members of the British Commonwealth, these nations have yet to establish any particularly close ties with other advanced nations. They are also troubled by the disinclination of their Southeast Asian neighbors to regard them as part of their regional community. In this context, no doubt, the concept of a Pacific community would provide Australia and New Zealand a fortuitous way of pulling themselves out of their isolation. In addition, it would assist them in forming ties with the newly independent nations close by in the South Pacific.

The Lesson of the Asian Development Bank

The free market economies of East and Southeast Asia include Japan, South Korea, Taiwan, Hong Kong and the five nations of

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ASEAN. These nations seek, above all, to be able to engage in trade freely with all other market economies. But perhaps the greatest factor behind the current efforts of developing countries in Asia to solidify their relations arises from political, rather than economic, conditions. The close proximity of socialist and communist powers makes it all the more necessary to strengthen their economic power in order to preserve their own political integrity. The economies of these countries are not mutually reinforcing, however, making the prospect of stronger ties with advanced nations particularly attractive.

One is tempted to think that developing countries would thus welcome whatever proposals might be forthcoming from the advanced industrial nations for closer ties. Yet, while anxious to benefit from the assistance and cooperation of advanced nations, developing countries are also extremely wary of anything that might undermine their autonomy. A Southeast Asian friend once commented to me that this guarded response may not be comprehensible to those who have not shared the experience of being dominated by a colonial power. What might seem like unnecessary skepticism to Japanese is, for these nations, a matter of serious concern.

Any Pacific Basin organization initiated by the United States or Japan, no matter how good its intentions, is bound to arouse the suspicions of developing countries as a potential tool of domination by the big powers. When the Asian Development Bank was founded, Japan did not become involved in the project until well after the initiative was first made by ECAFE in Bangkok. The United States showed little interest in participating at the outset, and was only brought around after considerable persuasion. Yet this offers a valuable example, for perhaps the fact that the advanced countries joined the project after it was initiated by a U.N. body made it easier to accept for the developing nations.

Flexibility of Organization

Another issue vis-a-vis the Pan-Pacific concept is the complaint which has already been voiced among European nations over their exclusion from such an organization. It can also be expected that the nations of South Asia will be unhappy at the prospect of being left out. While there is sufficient rationale to argue against the inclusion of both these groups of nations, it is necessary to formulate articulate responses to such arguments.

The nations of the Pacific will want to strengthen their solidarity and promote exchange in almost every field. A formal organization established on the government level, however, will face the inevitable problem of which countries are included and which excluded, a further source of distrust and unwillingness to cooperate. If advanced countries take the initiative and try to lead the way, their intentions are almost certain to be misinterpreted. Rather than trying to establish a formal organization at this stage, we should perhaps seek greater solidarity among the Pacific nations through ad hoc meetings of countries concerned with specific issues. In order that the gatherings will be truly viable and productive, the initiatives of developing countries should be respected and the composition of such meetings should be flexible and vary depending on topics for discussion.

Perhaps I might go one step further by suggesting that a body be formed after the fashion of the Trilateral Commission, a private level group of concerned individuals organized as kind of "Pacific Commission." Such a suggestion has already been made by persons in Southeast Asia, and if Japan is invited to participate on this basis, I feel we should lend our full support to such a project. Care should be taken in the composition of such a commission, however, so that participants from the advanced countries do not exceed the number from the developing countries. We should guard against the rigidities of similar international organizations and try to create a flexible, creative forum where ideas can be freely exchanged.

TOWARD A PACIFIC BASIN COMMUNITY: A MALAYSIAN PERCEPTION

By M. Ghazali Shafie*

In recent months there has been a perceptible quickening of interest in American, Japanese and Australian circles in a Pacific Basin Community concept. Although ideas of Pacific Basin Cooperation have been mooted around for well over a decade, renewed interest may well be symptomatic of these uncertain times. The ASEAN countries have not been spared solicitations of their views, of a concept propounded in the main by their most important external economic and trading partners, who also happen to constitute some of the more important variables in their political-security considerations. ASEAN has neither collectively, nor its member countries individually, responded to these solicitations, but it is obvious that economic and strategic stakes require that due consideration be extended to the Pacific Basin Community concept and of ASEAN's approaches to it.

There is advanced here a Malaysian perspective on the Pacific Basin Community concept, inasmuch as the concept touches on Malaysia's future as a developing nation attempting to attain national resilience through economic growth and social justice, as a member of the ASEAN regional community aspiring to regional resilience through political, social and economic cooperation and the creation of a regional neutrality system (ZOPFAN), and as a responsible member of the global community anxious to contribute to a secure and peaceful world order through constructive non-alignment and neutralism politically, and to a New International Economic Order (NIEO) economically.

Since Malaysia's basic perspective to the challenges of these uncertain times is a globalist one, it is useful to summarise briefly the likely characteristics of the international system in the decades ahead. In the final two decades of the twentieth century, the countries of the Pacific Basin in common with the rest of the world will have to cope with an international environment that is profoundly revolutionary in nature. The revolutionary character of our age may be summed up by the following general propositions:

First, the changing essence of power, the nontranslatability of military power into automatic political influence resulting from the nuclear-strategic stand-off has resulted in the emergence of new forms of power notably economic and financial power and even the negative power of denial of natural resources;

Second, the fragmentation of global political power from a bipolar to a multipolar matrix, spawning new patterns of shifting

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political alliances with different coalitions forming around different issues;

Third, the primacy of economic issues on the agenda of international politics, following upon the fact of global economic inter-dependence, especially in energy matters, leading to the politicization of international economics, legitimising the structural assymmetries in international power;

Fourth, the interdependence of politics and economics in international affairs adding an economic dimension to the concept of national and international security;

Fifth, the permeability of states to general global developments in terms of politics, economics and ideas, consequent upon the ever quicker pace of technological revolutions and the onset of the communication revolution; and

Sixth, the erosion of the capability of states to contain political loyalties strictly within political boundaries; under the pressure of trans-national ideologies conflict among states merge with divisions within nations resulting in the erosion of the traditional division between domestic policy and foreign policy.

These features of our revolutionary age exert a fundamental influence on the conduct of foreign policy of all states. States big and small, strong and weak, can no longer conduct their foreign policies as exercises unrelated to their domestic policies and vice versa. Where hitherto dominant powers can afford the irresponsibility of determining their foreign policies according to domestic political dictates and subordinate powers equally afford the irresponsibility of making foreign policies the plaything for domestic political manoeuvering, both now have to face the hard and ironic truth that they each equally are saddled with the difficult and unwanted responsibility for keeping the current divisive and imperfect international system afloat, if they wanted to ensure their survival as distinct political entities within it. All countries of the world will sooner or later accept as axiomatic that their foreign and domestic policies are inextricably interrelated and that efficient and effective management of these, require their correlation in the context of an overall National Policy. In an interdependent world foreign policy must increasingly provide the strategic thrust of National Policy. A foreign policy that is not fully interrelated with domestic policy is self-defeating; conversely a domestic policy that takes no account of international realities is similarly doomed to failure.

The difficult task of evolving integrated national policies to meet the challenge of a revolutionary age is one that is, without exception, faced by all states.

More developed and older states start however from the advantage of an inherently stable and secure political policy, whether it is based on the concept of a homogeneous nation-state or whether it is based on political institutions and rules hallowed by history and legitimised by long national popular acceptance. Their problem is one of educating their population to accepting constraints on selfish and hitherto relatively unfettered domestic demands in the interest of maintaining a modicum of stability in the larger international system.

Developing emergent states have a far more difficult time. Their problem is the fundamental one of organizing a stable national

consensus, often without the benefit of national homogeneity or truly legitimate political institutions, in order to realize the socio-economic benefits that statehood was thought to promise. In the international system of the past, wherein they, to all intents and purposes, played no relevant or meaningful role, their national disorganization never particularly mattered, such disorganization often providing the excuse for external interference and intervention in their internal political processes. But in a revolutionary age, when domestic expectations have to be speedily secured and when they have become drawn into the vortex of international instability arising out of states' unwillingness and/or inability to adjust to the fact of international interdependence, national disorganization becomes a prescription for disaster, not only for themselves but also for the developed countries that are dependent upon them for the supply of natural resources.

The revolutionary situation posed by the rapidly changing relationship between man—or rather his infinite demands—and the finite natural system has profound economic, social and political consequences affecting the organization of global society. These consequences seem certain to affect every nation. It is upon a nation's ability to adjust to rapidly changing situations adequately therefore, that the welfare of its population and its long-term survival as a stable political entity must ultimately depend. And it is upon the survival of separate nations in some measure of stability, that global society in turn must depend, if it is to keep alive the hopes and aspirations of man.

Under the impact of these developments, both developed and developing countries have tended to organize themselves into larger political-economic agglomerations, so as to better manage such variables as market considerations, technological developments and geopolitical factors. These agglomerations become new centres of bargaining power both economically and politically and to the extent that they prove successful, themselves stimulate geopolitical changes. They have the potential to exert, either a benign influence on the structure of global society should they stimulate growth and efficiency, thereby increasing opportunity by ripple effect, or an unfavourable one should their inefficiency generate political pressures towards economic exclusiveness inhibitive of global growth.

The Pacific Basin Community concept if it is to be relevant in the decades ahead, must in my view adequately address itself to the emerging dynamics of the international system, as well as the impact of those dynamics on the separate sub-regional and national systems of Basin countries. Further the Pacific Basin, being but a microcosm of the larger world, any notion of a Basin Community must ensure its compatibility and complementarity with the notion of a universal global community. It is from these standpoints that we must approach the concept, since to do otherwise could cause it to embark on a course that could well prove to be tangential to its present direction, one incidentally that has guided it with no or little success through the turmoil of the past decade and a half.

It is pertinent to observe that the Pacific Basin concept in its various permutations, has hitherto been the exclusive domain of developed country proponents with their developing or threshold-country supporters generally reacting to, or amplifying on, their perceptions. While

it is not being suggested that this impairs the concept necessarily, it does raise the point of motive. Altruism or enlightened self-interest, while in decidedly short supply at the best of times, may be mooted, but are hardly credible in themselves as motivating forces for grand designs. The explanation could perhaps be sought in the real-politic considerations of the advocates, here outlined briefly.

For the United States, the Pacific Basin concept has inherent geopolitical and geostrategic attractions. Just as it dominated the North Atlantic in partnership with the United Kingdom and/or Germany in the recent past, so will it have the potential for dominating the Pacific Basin in partnership with Japan and/or China in the future. At a time when its strategic power is in "rough equivalence" with the Soviet Union, a Pacific Basin arrangement would reinforce its position, especially if the manpower of China could be brought into the equation. At a time of relative economic decline, economic partnership with Japan and the achiever states of Northeast and Southeast Asia and Australasia, would similarly reinforce its economic security and provide it with a strong base for building political-economic-security relations with China, while further inhibiting Soviet economic growth potential.

For Japan, a Pacific Basin arrangement provides the framework within which political influence built on economic foundations can be effectively exercised, whilst securing its natural and energy resources, markets and strategic waterways of developing Asia and Australasia and keeping the American security umbrella intact into the bargain.

For Australia, a Pacific Basin arrangement ties it more securely with the American-Japanese security nexus against threats real or perceived from the Soviet Union, establishes its economic connection with the industrial Pacific north thus allowing it to manage its political and economic relations with developing Asia with greater confidence. Additionally its partial identification with the natural resources-based economies of Southeast Asia affords it the perceived role of intermediary on their behalf in the councils of the developed, thus enhancing its perceived importance, while making it feel less the junior partner in an arrangement dominated by economic giants.

The common strand that runs through the considerations of the three main proponents of the Pacific Basin concept is an overriding strategic preoccupation, notwithstanding the fact that the concept is presented primarily in economic terms. The economic objectives that American-Australian-Japanese proponents have advanced for the Pacific Basin concept include:

One, fostering the continuing economic dynamism of the Pacific Basin by promoting closer links in trade, investment and other areas stimulating new commercial and other opportunities;

Two, facilitating greater management of increasing economic interdependence and the changing qualitative relationships between Basin countries, especially between developed and developing countries enabling friction between them to be articulated and perhaps ameliorated in an organized and constructive manner;

Three, encouraging greater rationalisation of Pacific Basin economies in the longer term based on the principle of comparative advantage, facilitating the process of structural adjustment within a wider regional perspective;

Four, establishing closer links with and contribute to removing constraints to growth in Basin developing countries through organized stimulation of trade, investment and aid flows;

Five, providing a forum to encourage the governments of Basin countries to focus and develop their overall relations in the context of a larger milieu on a regular periodic basis;

Six, enhancing the sense of well-being and security of Basin countries through economic cooperation and growth and the advancement of cooperative politics; and

Seven, providing for exchange of views on modalities and content acceptable to Basin countries for economic relations with Communist states and the region.

These are valid economic aims and in themselves unexceptionable. But it is noteworthy that the objectives as framed could be just as easily pursued, without the necessity of a Basin arrangement. Furthermore they quite clearly limit participation to market-economy Basin countries, a composition that will necessarily determine its nature and scope. The potential for a politically divided and economically estranged Basin based on a Communist/Non-Communist differentiation would appear to be a natural concomitant.

It is this very potential for a "bloc mentality" inherent in the Pacific Basin concept as propounded by American-Japanese-Australian exponents that constitutes the crux of my trepidation in approaching the concept. As has been observed at the very outset there are qualitatively different dynamics at work shaping the international system. These essentially economics-based dynamics offer the prospects of new approaches to international relations based less on the confrontative political-security matrix of the past and more on the cooperative political-economic matrix inexorably taking hold, given the unavoidable interdependence of the global economy. The fact that the free enterprise market-economy countries have clearly demonstrated superior productive and growth capacity relative to centrally-planned economies, should provide encouragement to the adoption of economics-based strategies in dealing with internal and external communist challenges. Conversely the relative absence of public constraints to their accruing military strength through massive arms spending, would appear to put market-economy countries at a disadvantage in the pursuit of confrontative strategies. I do not believe that Malaysia would be willing to subscribe to a Pacific Basin concept that in effect is a recycling of a Pacific "containment" scenario, with different combinations of antagonists, even if it were in the name of economic enlightenment and with the promise of tangible economic rewards.

But the Pacific Basin concept need not be the defensive reflex of insecure prosperous nations attempting to preserve an advantageous status quo against a seemingly irresistible communist military tide driven by economic deprivation. It could instead be a creative force that builds upon the self-evident strengths of open societies, to irresistibly draw stagnant closed societies into cooperative socio-economic endeavours contributive to a sense of their belonging together rather than their separateness. It is upon the notion of a creative force, bringing together ideologically, societally and economically disparate parties, that I perfer to approach the Pacific Basin concept.

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To serve as a creative force that brings disparate nations together, the Pacific Basin concept has to aim and be seen to aim at an open, as opposed to a closed arrangement. The definition of the Pacific Basin in this regard can be neither political, nor economic, nor any eclectic combination thereof, but essentially geographic. In this light the Pacific Basin would encompass all the littoral states of the Western and Eastern Pacific seaboard as well as the island states in between, plus even such hinterland states as may experience a dominant Pacific pull.

To conceive that such a wide geographical region with extremes of economic, cultural and ethnic diversity can be brought together in the spirit of community, would require an extraordinary faith in the wisdom of man, but it is nevertheless not such an impossible concept. A great deal would depend on the notion and demands of community itself. A Pacific community founded upon common traditions and shared experience, or premised upon social and economic homogenity, is clearly unattainable. But a Pacific community in a generic sense, slowly building up habits of cooperation premised upon diversity, but aware nonetheless of ultimate interdependence, has every prospect of success.

The new dynamics in international relations will force greater interdependence upon the world, placing a premium on cooperative strategies, if peace and prosperity is to be attained. The Pacific Basin by virtue of it encompassing the greatest share of the world's population, the greatest concentration of economic and military power, the fastest growing sub-regions of the world and by virtue of it having the greatest potential of all the regions of the world, will by the turn of the century be the political and economic centre of gravity of the globe. Increasing regional interaction taking place in the Basin has hitherto been sustained by sheer objective economic dynamics, in the absence of any common subjective past. The potential for community based on nurtured cooperative relations for common goals while maintaining the region's diversity, if not sidetracked by artificial and divisive stereotyped impulses, is accordingly very real.

The model for an open cooperative Pacific Basin community can perhaps be found in the ASEAN experience. ASEAN is debatably the most successful of the Pacific Basin's several sub-regional groupings. In the space of a decade, the ASEAN arrangement had turned a motley collection of bickering and even warring rivals, with no particular sense of commonality except varying hurts of the colonial experience, into political and economic partners bound by a strong sense of community. It is natural today for nationals of the ASEAN member countries, whilst still being, supremely, citizens of their respective countries, to feel themselves belonging to, and identifying themselves with, the larger ASEAN community. ASEAN governments whilst still pursuing their individual national priorities first and foremost, habitually take account of the common interest, seeing it not in the light of any contractual obligation but in the spirit of community. In times of difficulty ASEAN partners do not invoke agreements—they extend help where it is needed, again in the spirit of almost telepathic community. There is no grand design for ASEAN, no elaborate structures, no military pact, no economic blue print;

all there ever has been, is a Declaration, with the simple objective "to establish a firm foundation for common action to promote regional cooperation." In its essence, ASEAN is merely a "state of mind". Encapsulated therein is the promise of all that is possible.

If ASEAN were to provide the premise for a Pacific Basin Community what would the founding principles of such a community be?

First, it should be relevant, in the sense that it serves a need. No arrangement that does not serve a valid and genuine need will long outlive its creation. Pacific Basin countries must first recognize collectively that they need to work and to cooperate together if they are to avoid conflict with one another.

Second, it cannot demand from Basin countries what they cannot give. No community arrangement that is premised upon and perpetuates inequality is conceiveable. A community of equal sovereign states, enabling each to better maintain independence and sovereignty within the context of overall interdependence, is a fundamental necessity.

Third, community cooperation must be freely extended based on the notion that the serving of community interest also advances separate individual interests.

Fourth, it should be a loose informal arrangement without rigid rules of procedure and without elaborate structural machinery. It should be able accordingly to absorb national differences as well as insulate itself from national pressures.

Fifth, it should be an arrangement that fosters cooperation and eschews conflict. It should be a wholly neutral arrangement that attempts to harmonize the interests of all, operating on the basis of the "lowest common denominator" approach.

Finally, it should be a regional arrangement with a global perspective and committed to globalism as a fundamental principle. Issues solved at regional level should be extended to the global level, befitting the contemporary setting of global interdependence.

A Pacific Basin Community concept framed on the above principles would have a far higher acceptability quotient than the patently non-universal political and/or economic Basin concepts currently being floated by various American–Japanese and Australian proponents. For ASEAN at least a Pacific Basin concept that exacts a political price for the economic benefits promised will constitute a problem. An essential precondition for ASEAN acceptance of the concept, is the guarantee that it does not impair ASEAN's links within itself and its wider Southeast Asian, Pacific and global links, in the interest of peace. Essentially any Pacific Basin concept, to be acceptable to ASEAN, must represent a natural extension of ASEAN's activities in the wider regional and global circles.

It should be observed perhaps that for a sense of community to begin to take hold in any region there must first emerge the idea of community. Economic dynamics have fostered increasing interaction in the Pacific Basin, but this interaction is fairly sterile in the sense that it is not accompanied by any consideration of genuine concern. ASEAN for example has entered into dialogues with Australia, Japan, the United States and New Zealand on common economic concerns, but none of these have been placed in the setting, or occurred in the spirit, of an extended community. They remain limited business

arrangements that have little sense of common futures or even overall interdependence. It is unlikely that the situation will magically change if suddenly these dialogues are subsumed under the aegis of Pacific community arrangements.

There would appear to be a need for a feeling of real concern and warmth in present dealings between developed and developing Basin countries, if the idea of community were to emerge. To put it quite bluntly, the feeling of community in the Pacific Basin is perhaps more evident in its developing component, than it is among the developed component, or between developed and developing components. ASEAN dealings with Burma and communist Indochina for example has more the touch of community concern than ASEAN's dealings with its developed partners.

A good beginning would be the genuine support of developed Basin countries for the common community-type endeavors of developing Basin countries. This can find expression in support and financing for regional transport and communications projects, regional research and training programs in various fields such as regional search and rescue operations facilities, a regional meteorological watch including early warning systems on natural and other disasters, a regional machinery for blotting oil slicks and neutralizing other dangerous pollutants in the Pacific Ocean to preserve marine life, regional relief facilities and such other non-controversial activities. Such programs of action envisioning the ready involvement and active participation of littoral non-communist and communist states alike are designed to meet universal needs devoid of ideological or political contents. Unless such tangible signs are forthcoming of the real concern of developed countries for the future of the developing countries, the latter's reaction to their espousal of community cannot but be tinged with skepticism or even cynicism. A Pacific community concept that promises little beyond the freezing of the present international division of labor and the entrenchment of the current political and military divisions of the developed North will be quite distasteful to ASEAN.

On the other hand a Pacific community that is relevant to the aspirations of the developing South for growth, for stability, for peace, for the orderly evolution of the regional and global systems towards a more equitable future will be welcomed with unfeigned enthusiasm. ASEAN has always been outward looking, both by virtue of the economic and social structures of its member countries and by its geographical setting. If a Pacific community could be conceived that will truly maximize the political and economic relations between all of the Pacific Basin countries without exception, the present leaders of ASEAN, I am certain, would surely be more than willing to give their highest consideration for active participation in such an endeavor.

THE CONCEPT OF PAN-PACIFIC COMMUNITY AND ASEAN

By Pang Eng Fong* **

Proponents of a Pan-Pacific Community in both the United States and Japan consider ASEAN participation to be critical to the establishment of the Community. In a recent interview, Japan's Foreign Minister Saburo Okita has said that "if the Asean countries are not very much in favor of the idea, it (the Community) will not materialise." [1] So far ASEAN countries have not taken a common stand on the Pan-Pacific Community concept. Their views will be formally sought by Japan after it has obtained the official reactions of other industrialized countries in the Pacific region

There are indications, however, that ASEAN countries do not yet share Japan's enthusiasm for a Pacific Community. ASEAN countries are generally skeptical about the usefulness of a Pacific Community. It is felt that ASEAN should devote its energy to developing its cooperation programs and consolidating its bilateral relationships with Japan, the United States and the European Economic Community. There are also fears that ASEAN would lose its identity in a Pacific grouping.

Some ASEAN leaders have reservations about U.S. participation in a Pacific Community. It is not because they do not want to see the United States play a more positive role in Southeast Asia. They fear that a Pacific grouping dominated by Japan and the United States may not be in the long-term interest of ASEAN which is trying to remain neutral in the conflicts now raging in Asia.

In Japan's view, U.S. participation is vital to the establishment of a Pacific Community. If ASEAN is not keen on U.S. participation, then a Pacific Community along the lines envisaged by Japan will not be formed quickly.

ASEAN's stated long-term aim is to develop close ties with Vietnam. In 1979, ASEAN's diplomatic strategy ran counter to its long-term aim because of Vietnam's invasion of Kampuchea. Lately, ASEAN has stressed again its willingness to enter into a constructive dialogue with Vietnam. If ASEAN joins a Pacific grouping led by the United States and Japan, its long-term aim of developing closer ties with Vietnam may be adversely affected as Vietnam will be hostile to a Pacific Community initiated by the United States and Japan.

Of all ASEAN countries, Singapore is probably most likely to react positively to Japanese initiative in forming a Pacific Community.

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[1] *Far Eastern Economic Review*, December 21, 1979, p. 48.

As a globally-oriented city-state now attempting to restructure her economy to produce high-value products and services, Singapore will benefit from a consultative forum to promote cooperation among Pacific nations. But if Singapore's ASEAN partners are not enthusiastic about a Pacific Community, it is doubtful that Singapore will emphasize the value of Pacific Basin cooperation in its new development strategy. The political benefits of ASEAN membership to Singapore are large. It would be unwise of her to take a position on the issue of a Pacific Community not endorsed by other ASEAN countries. As in most ASEAN matters, Singapore, being the odd man out, will have to follow the initiative of its larger ASEAN neighbors.

The idea of a Pacific Community to expand cooperation and boost Pacific consciousness is an attractive one. The Pacific Basin, with its vast natural, energy and human resources, will continue to be the most dynamic region in the world economy. However, establishing an organization or forum linking the disparate nations in the Pacific region will not be easy. Whether it is Japan or the United States which initiates the formation of a Pacific Basin organization, there will be problems in defining criteria for membership in the organization. If membership is restricted to countries with market economies, then China would be excluded. Given its present development strategy and growing common interests with Japan, the United States and ASEAN, China has much to contribute to the increasing interdependence of Pacific Basin countries.

For the ASEAN countries, the Pacific Community concept appears to be an idea whose time has yet to come. For the present, all indications suggest that ASEAN would prefer to concentrate its attention on consolidating its progress in cooperation and strengthening its bilateral ties with developed countries. ASEAN would like Japan and the United States to play a more positive role in its development. But it remains to be convinced that a new Pacific grouping will contribute to its goal of a secure, prosperous Southeast Asia where independent states with different political and economic systems co-exist peacefully, free from external interference.

INDONESIA AND THE PACIFIC COMMUNITY

By Jusuf Wanandi*

The idea of an Asia-Pacific Economic Community recently has attracted considerable attention in the various countries of this region. Indonesia was not interested in joining the so-called Pacific Basin Community which was launched a few years ago by the private sector of the industrial countries in the region—resulting in "a rich-men club"—because it did not take into account the interests of the developing countries in the region.

Policymakers in Indonesia did not see the urgency of actively pursuing the Pacific Community idea, let alone have a clear view on its realization in institutional terms. At this stage, therefore, the idea of a Pacific Community will have to be approached and initiated at an informal level. Non-official meetings, with the involvement of officials in their private capacity, can pave the way towards developing and shaping this idea more concretely. This can be supported by working groups to collect and further develop the results of research and studies on the subject. Such activities are necessary to support a formal structure of cooperation.

It seems to be widely understood that the Pacific Community would be largely structured around and for the sake of economic cooperation. And, indeed, there seems to exist a strong rationale for this line of thought. Trade among countries in the Asia-Pacific region has outgrown trade among the countries across the Atlantic. This reflects the accelerated economic growth of the Asia-Pacific region, in which the developing countries experienced GNP growth rates between 5 to 10 percent annually over the last 10 years. The availability of energy, food, and natural resources in this region would support further growth in the future.

Nevertheless, cooperation within the framework of the Pacific Community need not be confined to the economic field, but could be expanded to include cooperation in the social and cultural fields, education, science and technology. And ultimately, political questions cannot be left out, largely as a concomitant of intensive interactions in the above fields. It is likely, however, that political activities will be maintained at the informal level.

Overall, the benefits to be gained from the kinds of cooperation envisaged above can be substantial. Bilateral difficulties affecting the region as a whole can be resolved multilaterally, especially with regard to those problems involving psychological obstacles. Such is the case with trade relations between the United States and Japan or with the overall economic relations between Japan and South Korea. Similarly, problems encountered in the North-South Dialogue which are hardly

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possible to be resolved in concrete terms globally through UNCTAD, due to immense heterogeneity amongst participants, could easier be settled in a regional framework such as in the Asia-Pacific region.

There need not be a contradiction between cooperation of the Pacific Community and ASEAN as a sub-regional structure of cooperation. Both are complementary for the ASEAN members. Because their economies combined are not very big, relatively speaking, interactions within a larger economic grouping may be necessary to maintain their growth momentum. And after all, the countries in the Asia-Pacific region are today the most important trade partners of and the most important sources of capital and technology for the ASEAN countries. A more structured relationship within a larger economic community may also create pressures for the ASEAN countries to accelerate their efforts toward economic integration.

To Indonesia and the other ASEAN countries, cooperation within the ASEAN set-up will remain their focus of attention. Thus, the Pacific Community would not substitute for ASEAN. ASEAN countries in the Pacific Community would participate through the ASEAN vehicle. For its members, ASEAN is more than merely a structure of economic cooperation. ASEAN has a political and strategic value as well as its psychological importance.

Another important factor in the Pacific Community idea can be found in relation to the position of the United States. The United States still is oriented primarily towards the Altantic, and understandably so out of historical, ideological and cultural reasons. But one should not discount the fact that bureaucratic reasons have a strong influence in the stubborn and unbalanced orientation in favor of the Atlantic. A multilateral structure in the Pacific could weaken the present bias, largely by lessening the burden for the United States administration and the Congress in dealing with individual countries in this region. To maintain relations and to keep track of a huge number of countries bilaterally is often beyond the comprehension and capability of even the largest bureaucracy in the world. One should also take note of the fact that the implementation of foreign policies has been drawn back to the capitols of the respective countries to become centralized in the sense that embassies have become mailmen.

A formal structure encompassing the region would therefore bring the region closer to Washington's attention. This may be the most appropriate way to deal with a country like the United States which has to deal with a large number of countries evenhandedly. For otherwise, the United States could only afford to give proper attention to crisis spots, and as has often proven to be true, in a crisis situation things tend to get handled in a wrong way.

In the presence of formal structure things might be better organized or developed in a more systematic fashion. The Pacific Community could evolve into a structure similar to that of OECD in the Atlantic, which is equipped with a centralized clearing house for hard data and national policies. Such a clearing house would help create a symmetrical relationship between the developing countries and the industrial countries Such a sophisticated structure will not come up overnight, but would evolve over a certain time span. The process, if handled with flexibility, would guarantee an outcome which is

tailored according to the needs of the countries in the region. It should not be overlooked that OECD comprises industrial nations, whereas in the Asia-Pacific region systems are more diverse.

Given the above considerations, the membership of the Pacific Community cannot be determined *a priori*. This question also is irrelevant so long as interactions at the initial stage—where we now are—are kept at the informal level. Nevertheless, for the sake of efficency, the list of participants could be extended gradually. At the first stage, the Pacific Community could comprise open and free-market economies only. The many island countries in the South Pacific could be represented by an economic cooperation body amongst them. The PRC could be included after it had proven successful in rearranging its economic structure to fit better in the general pattern of economic organization adopted by the majority of other countries in the world.

The role to be taken by Indonesia in the Pacific Community will be manifested primarily through activities of ASEAN. Therefore, ASEAN's development remains important to the Asia-Pacific region as a whole. ASEAN is also an important factor in maintaining stability in Southeast Asia. ASEAN's role in the politico-diplomatic field has proven to be effective in facing the conflict in Indochina and in dealing with its effects upon Southeast Asia.

ASEAN's role in the field of security will increase, but ASEAN is not going to evolve into a military pact. ASEAN's philosophy in dealing with security issues is based on the concept of national resilience in each member country resulting in greater regional resilience. Such a formula has proven to be most relevant to facing the main threat, namely that which originates internally. External threat in the form of open invasion is most unlikely, and that which materializes in the forms of subversion and infiltration is of a secondary nature. It can be dealt with through bilateral cooperation amongst ASEAN countries, such as in the form of joint border patrol and in exchanges of intelligence information.

In the economic field, ASEAN still needs to strengthen its cooperation. It is in this field where today the ASEAN countries put high priority. Within the ASEAN framework much progress has been achieved, for example, in industrial complementation and preferential trading agreements. However, economic integration is a long-term objective. A formal structure of cooperation within a broader regional set-up such as the Pacific Community could accelerate the process toward economic integration of ASEAN.

A foundation for cooperation in the Asia-Pacific region can be established for now through intensive relations in the cultural field and through people-to-people relations.

THOUGHTS ON THE PACIFIC COMMUNITY: A KOREAN VIEW

By Sung Joo Han*

The term "community" often causes much misunderstanding and controversy. Except as a slogan or a catch-phrase, "community" normally assumes the existence among the membership of the sentiments of common belonging, bond and destiny. Thus, strictly speaking, a community cannot be legislated although the existence of an institution may be the result of a community already in existence or institutional arrangements may contribute to the evolution of a community. In the Pacific region, a "community" may be an aspiration, but it does not yet exist in reality.

Assuming that the evolvement of the Pacific region into a "community" is a desirable thing, the integrative process should take place in a number of areas including economics. It may take place simultaneously as well as in sequence. But it would be desirable to minimize the risk and cost of failure by limiting each endeavor to one specialized area at a time. In other words, it would be necessary to recognize that, no matter by what name we call it, we are in the short run trying to build a cooperative body rather than a community and that each endeavor should be left alone to its specialized goal rather than being coupled with other objectives. For example, attempting to mix security needs with economic interests in connection with the proposed organization is a sure way to scare away many potential members, particularly the ASEAN countries. It may be a prudent strategy to cut each of the mosaic pieces first before trying to put them together.

As for the membership question, the main issues seem to be: (1) Whether the communist countries should be included in case any of them wish(es) to join; (2) Whether the participation of South American countries should be actively sought; (3) Whether the cooperative structure is worth pursuing in case either or both the United States and the ASEAN countries decline membership.

Since one of the benefits Korea hopes to obtain through the regional structure is increased opportunity for economic exchange with the communist countries, particularly the PRC, it would have no objection in principle to their inclusion in the organization. One main problem in that regard will be the status of Taiwan. Through the organization, Korea also hopes to articulate the interests of the so-called newly industrializing countries vis-a-vis the advanced and developing countries. Although Singapore, Hong Kong (and Mexico in case it joins), are also members of the "NIC" club, Taiwan has economic and industrial structures which most closely resemble South

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Korea's and thus together they can represent their views and interests more effectively. This clearly represents a dilemma for South Korea, to whom a reasonable solution appears to be the inclusion of both the PRC and Taiwan if possible and necessary.

South Korea would favor the inclusion of the South American countries inasmuch as it hopes the new organization will be an inclusive one aimed at promoting cooperation rather than an exclusive one aimed at maximizing the benefit of the insiders at the expense of the outsiders. Mexico would be a welcome addition because of its resource potential and status as a newly industrializing country. Moreover, many in Korea feel that the inclusion of South America may serve as a good inducement for (if not a precondition of) active U.S. participation in the organization.

There are some in Korea who feel that, although it is highly desirable to have both the United States and ASEAN in the envisaged organization, Korea should be willing to participate in a regional organizational effort even if one or the other, or both, decide not to join it. A second group feels that Korea should not actively promote such an organization unless it is to be joined by both the United States and ASEAN but that Korea may have to join it if it is established without them anyway. A third group feels that, without the United States and/or ASEAN, a regional structure is worth neither promoting nor joining. This is clearly an issue on which it would be most difficult to find a consensus in Korea and which would require a heated and prolonged debate for resolution.

While Korea does not wish to be left out of what appears to be a promising movement, it is at the same time reluctant to jump on the bandwagon without a full understanding of what its promoters' motives and intentions are and where the movement is heading. Neither does Korea wish to join, much less promote, an organization that others have conceived and are shaping without at least trying to make an input of its own.

Three countries that have been in the forefront of the Pacific Community movement are the United States, Japan and Australia. Although each of these countries can find good justifications in terms of its self-interest for supporting and promoting the idea, a close examination of the history of the "movement" and the key individuals involved in it indicates that it is not so much the product of the "conspiracy" of one or more of the advanced countries to maximize their advantage at the expense of the less developed countries as the result of the constructive agitation and propagandizing of economic liberals, internationalists, multilateralists and open-door advocates cutting across national boundaries. Nevertheless, people continue to ask: "What are the Americans and the Japanese up to, separately or together? Is there a joint scheme whose ulterior motive we do not know about? What can we do to protect ourselves from possible damage to our interests once the organization is established?"

In order to allay apprehensions of this kind, it is advisable that the rest of the countries of the region not be pushed to make a decision on the matter earlier than they would like to. It is important for the movement not to lose whatever momentum that might have been created in its favor already. But it is more important to realize that

a hard-sell method, which demands a hasty decision by the countries whose participation in the new organization is sought, will only increase their apprehensions. Therefore, it is imperative that much effort be first made to identify individuals in different countries who can support the idea and to find and foster consensus among them concerning the integrative plan.

In this regard, the United States and Japan, which have given more thought and time to examining the idea and which have far better research facilities and organizations, will have to take the lead in initiating research projects, organizing international seminars and conferences, and disseminating relevant information and data. Politically, there are serious doubts about the wisdom of the advanced countries appearing to rush the matter to the extent that the other countries feel that they are forced to make a hurried decision before due consideration and deliberation are made.

Those who hold an exaggerated view of the current effort at regional grouping tend to look at it as a genuine community-building scheme. At the other extreme, some people regard it as politicians' passing fancy at worst and the institutionalization of the existing situation at best. The actual situation seems to fall somewhere between these two polar positions. The Pacific region is not yet ripe to be a "community" in its real sense. On the other hand, one can detect a budding sense of common interests and even common fate among the countries and peoples within the region which is loosely defined as the Pacific Basin. The effort to give meaning to such a phenomenon and to further accelerate the process through structural means should be recognized as something more than simple "institutionalization" of existing relationships. But attempting to accomplish too much too soon would be an unproductive way of pursuing the Pacific Community concept. Instead of rushing to an unsatisfactory resolution (or non-resolution) of the matter, it is advisable that the organizing effort be made in one functional area at a time, in sequence or simultaneously but not in the same package, and in a step-by-step fashion.

CHINA'S MODERNIZATION AND THE PACIFIC COMMUNITY

By Nicholas H. Ludlow*

The People's Republic of China (PRC) has embarked on a program to modernize comprehensively its economy by the year 2000. This plan, including the modernization of agriculture, industry, science and technology, and defense, has recently been the subject of reassessment and readjustment. But the general objectives of the program remain unchanged: to substantially raise the living standard of the Chinese people—now approaching one billion—and to place the PRC among the top ranks of the world economies in 20 years' time.

The long-term implications of China's modernization program for the Pacific community are far-reaching. Indeed, the extent to which Beijing's development plans succeed will have a significant impact on the future prosperity and stability of the Pacific region.

China's Present Economic Status

China's present economic status is, in one sense, enigmatic. The PRC's per capita gross national product, estimated at $443 in 1978 places China firmly in the developing country category, a status Beijing itself endorses.[1] But, taken in sum, China's economy already ranks sixth in the world today, after those of the United States, the Soviet Union, Japan, West Germany, and France.[2]

By some individual indicators, China's performance is also impressive. While still far behind the Soviet Union, the United States, and Japan in steel production, China has long since overtaken French and British output and is approaching that of West Germany.[3]

In energy, the PRC has the world's largest hydroelectric potential, is the world's second largest producer of coal, and is already the seventh or ninth largest oil producer, depending on whose figures one takes.

China's economy is so inefficient, however, as to present serious obstacles to both light and heavy industrial long-term growth. The PRC's infrastructure, including communications, transportation, and energy networks, has been given such a low priority during the past 20 years that, without major expansion of these sectors, China's industry will be unable to modernize effectively.

With about three telephones per thousand population, China ranks among the lowest in telephones per capita in comparison with other

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[1] National Foreign Assessment Center (NFAC), *China: Major Economic Indicators* (Washington: Central Intelligence Agency, Sept. 21, 1979); Xinhua, Mar. 15, 1979, as cited in *China Business Review* (*CBR*), July-August 1979, p. 31.

[2] NFAC, *Economic Indicators*, Sept. 21, 1979; International Monetary Fund (IMF), *International Financial Statistics* (IFS), December 1979; United Nations (UN), *Monthly Bulletin of Statistics*, June 1979 and October 1979.

[3] State Statistical Bureau, People's Republic of China *Communique of the State Statistical Bureau of the People's Republic of China in Fulfillment of China's 1978 National Plan* (Xinhua, June 27, 1979, as cited in *CBR*, July-August 1979, p. 42); U.N., *Monthly Bulletin*, June 1979.

countries.[4] The extraordinary problems this situation creates, plus the accompanying serious communications and coordination problems that exist between China's ministries and between provinces, will have to be resolved before dramatic industrial takeoff is possible in the PRC.

The lack of a national electricity grid and the lack of national oil and gas pipeline networks in China is also a serious hindrance to future economic development. And China's overloaded, inadequate road and rail systems, and limited air network, must be upgraded to provide solid underpinning for long-term industrial growth.

China's agriculture, supporting a fourth of the world's people and constrained by the fact that only 11 percent of the nation's land is cultivable, has an increasingly difficult task to improve yields. Present Chinese grain output, calculated on a per capita basis, is still about the same as it was in the late 1950's.[5]

China and the Pacific Economic Community (PEC)

Thus, China's economy has its strengths and weaknesses. The effect of these characteristics has been to draw China markedly closer to the Asian Pacific community now than it was 20 years ago. As the PRC's modernization program proceeds, in whichever direction is finally chosen, China's ties with its Pacific neighbors will certainly become closer still. Indeed, in the 1980's we face the prospect of a Pacific whose Asian economic focus will no longer be totally dominated by Japan.

While the European Economic Community (EEC) is a group of adjoining countries—committed to rationalize and facilitate efficient functioning as a economic unit—the waters of the Pacific Ocean unify the diverse nations on its rim under the umbrella of *interdependence.* In recent years, China has considerably strengthened its own Pacific economic network, based on its needs for raw material supplies and agricultural products. This network will continue to grow, as has Japan's in the past 20 years.

Since 1960, when less than 20 percent of China's trade was with Pacific-rim countries, China's economic ties with Pacific nations have increased much faster than its foreign trade as a whole. Following the opening up of Sino-U.S. trade in 1971, signing of long-term agreements with Canada and Australia, conclusion of a peace treaty and a 10-year trade agreement with Japan (now a 20-year agreement), and negotiations for a 3-year trade accord with the United States, China's commerce with Pacific-rim nations has almost quintupled since 1970.

In 1970, 48 percent of China's trade was with Pacific-rim nations; by 1978 it was almost 60 percent. Seven out of the PRC's top ten trading partners in 1978 bordered the Pacific.

Of China's world trade this year (1979), nearly half will be accounted for by Japan, Hong Kong, the United States, and Canada. Japan has always had the lion's share of China's plant import market—in

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[4] Zhou Huasheng, official of China's Ministry of Posts and Telecommunications, quoted in *CBR*, May-June 1979, p. 8.

[5] A. Doak Barnett, *China and the World Food System* (Washington: Overseas Development Council, April 1979); NFAC, *Economic Indicators*, Sept. 21, 1979; NFAC, *China: Agriculture in 1978* (Washington: CIA, April 1979), p. 1.

1979 some $2.6 billion worth of steel and petrochemical plant sales to China were concluded by Japanese firms, tying Japanese manufacturers closely to China's economic development for a number of years hence, and transferring technology to China in much the same way the United States transferred it to Japan 20 to 30 years ago.[6]

China's Long-Term Economic Links With Pacific Nations

Among the significant long-term or ongoing economic links China has with its neighbors are the following:

Energy

Oil.—Term agreements with Japan, the Philippines, and Thailand provide for China supplying those countries with specified amounts of oil through 1983. Hong Kong depends on China for certain types of oil products. The Philippines and North Korea receive China's oil on a continuing basis, and New Zealand and Australia will probably import it over the long term. Significantly, the largest single U.S. import from China in 1979, and probably in 1980 onwards, will be oil products. Discussions are underway with American firms for long-term contracts for Chinese oil imports through 1983. And of the major oil companies involved in China's offshore surveys, those from the United States, Japan, Canada, and Australia form the majority.[7]

Coal.—China has long-term supply arrangements with both Japan and Hong Kong, the latter involving a buyback thermal electricity scheme.[8]

Agriculture and Raw Materials

Wheat.—The PRC has had a number of 3-year wheat purchase agreements with Australia and Canada, the latest signed in early 1979, and has discussed them with the United States. With the PRC's wheat purchases rivaling those of India, long-term grain supply arrangements are likely for the indefinite future—all of them with Pacific-rim nations.[9]

Fertilizer.—China is Japan's largest customer for fertilizer, always has been, and probably will be for the foreseeable future. In 1978, China bought 60 percent of Japan's fertilizer exports.[10]

Cotton.—China is a prime customer for U.S. cotton: it will take at least a third of America's entire cotton exports in 1980.

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[6] Central Intelligence Agency, *People's Republic of China: International Trade Handbook* (Washington: CIA, October 1973); NFAC, *China: International Trade Quarterly Review, First Quarter, 1979* (Washington: CIA, September 1979).

[7] *CBR*, March-April 1978, pp. 46-47; *CBR*, July-August 1979, pp. 24-26 and 62; Xinhua, Beijing, Jan. 14, 1979, as reported in Foreign Broadcast Information Service (FBIS), People's Republic of China (PRC): *Daily Report*, Jan. 15, 1979, p. A3—. Jim Browning, "Philippine-Chinese Trade Pact Covers Oil, Air Service," *Asian Wall Street Journal*, July 10, 1979. "China-Japan Oil Pact Signed," *New York Times*, Dec. 7, 1979. Office of East-West Policy and Planning, U.S. Department of Commerce, *Monthly Trade Statistics Report*, January-September 1979.

[8] "Hong Kong: Sir Laurence Kadoorie Interviews Himself," *Asian Wall Street Journal*, July 11, 1979.

[9] "China and Australia Sign Wheat Pact," *New York Times*, Jan. 22, 1979; "China, Canada in Wheat Deal," *New York Times*, Feb. 27, 1979.

[10] Japan External Trade Organization (JETRO), *Jetro China Newsletter*, March 1979, p. 13; JETRO officials in New York, Dec. 11, 1979.

Iron Ore, Steel.—China has discussed long-term, 1980-85 iron ore contracts with Australia, and looks to Japan for almost 70 percent of its steel import supplies.[11]

China in Regional Organizations

Since the People's Republic of China rejoined the United Nations in 1971, its active participation in Asian regional organizations and conferences has noticeably increased. Among the Pacific-Asian organizations China has joined or participated in since 1971 are the Western Pacific Regional Committee of the World Health Organization (1973), the U.N. Economic and Social Commission for Asia and the Pacific (ESCAP) (1973), the Asian-Oceanic Postal Union (AOPU) (1975), the Asian-Pacific Telecommunity (1976), and the Asian Reinsurance Corporation (1979). In 1978, China invited the Association of Southeast Asian Nations (ASEAN) to hold a trade fair in Beijing.[12]

China has attended numerous international or regional conferences in Pacific-rim nations including medical symposia, physics and oceanography conferences in Tokyo since 1975, coal dressing in Australia (1976), strata control in Canada (1977), mining and petroleum engineering in Mexico (1978 and 1979), and rice research in the Philippines (1979).[13] In addition, the PRC's participation in regional sporting events has risen steadily in the last 5 years.

China's Pacific connections have become increasingly complex. For example, the PRC now registers its offshore shipping in Hong Kong and Panama;[14] Chinese provinces have relationships with American and Australian states, municipalities with cities, universities with their "sisters" across the ocean;[15] China and Chile have been discussing joint scientific research in Antarctica;[16] Canada, Japan, New Zealand, and Australia have extended developing country (GSP) tariff status to China;[17] China has science and technology cooperation agreements with many Pacific nations, including the Philippines and Mexico, and air and maritime agreements with many of its neighbors.

In April 1979, it was reported that China appeared to have started preparations for joining the Asian Development Bank (ADB). Significantly, Vice Premier Deng Xiaoping was quoted as saying, in February 1979, that China was considering participation in the ADB and that China would not be able to avoid more participation in international organizations such as the ADB in order to promote its four-part modernizations.[18]

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[11] *Ibid.*, pp. 13-14.
[12] Natalie G. Lichtenstein, "China's Participation in International Organizations," *CBR*, May-June 1979, pp. 28-36; Xinhua, Bangkok, Feb. 23, 1979, as reported in FBIS, *PRC: Daily Report*, March 1979, p. A13; Xinhua, Manila, May 9, 1978, FBIS, *PRC: Daily Report*, May 18, 1978, p. A14.
[13] Lichtenstein, *op. cit.*, pp. 28-36; Xinhua, Mexico City, Dec. 6, 1978, and Mar. 23, 1979, as reported in FBIS, *PRC: Daily Report*, Dec. 11, 1978, and Apr. 3, 1979; Xinhua, Manila, Apr. 22, 1979, FBIS, Apr. 26, 1979.
[14] Irwin Millard Heine, *China's Maritime Agreements* (Washington: National Council for U.S.-China Trade, August 1977), p. 6.
[15] *CBR*, September-October 1979, p. 23; Xinhua, Nanjing, Nov. 19, 1979 (Jiangsu Province and Victoria State) and Sydney, Dec. 5, 1979 (Guangdong Province and New South Wales State), as reported in FBIS *PRC: Daily eRport*, Nov. 21, 1979, p. E4, and Dec. 13, 1979, p. E7.
[16] "China and Chile: Strange Allies in Antarctica," *Business Week*, May 7, 1979, p. 63.
[17] Laurie Oakes, "Australia to Alter Status," *Financial Times*, Oct. 12, 1978; *CBR*, November-December 1979, p. 13.
[18] Kyodo, Beijing, Apr. 30, 1979, as reported in FBIS, *PRC: Daily Report*, May 1, 1979, p. A1.

The stumbling block was that Taiwan was—and still is—a member of the ADB. To some extent China's interest in ousting Taiwan from membership has motivated the PRC's efforts to join a number of Pacific organizations.

Efforts to offset or deter the Soviet presence in the Pacific have also been made by the Chinese once they have joined regional agencies. Typically, Chen Xinren, head of the Chinese delegation to ESCAP's 35th session in Manila, said on March 6, 1979:

"We are also glad to note that some developed countries in our region are adopting a positive and realistic attitude in fostering cooperation with developing countries on the basis of equality. The Asian and Pacific countries are increasingly expanding economic and technical cooperation among themselves, getting united to attain strength and promoting economic growth and the building up of defense capabilities. They are becoming an important force in resisting hegemonist expansion and infiltration," he declared.[19]

The emphasis in China's participation in Pacific organizations, however, has become much more pragmatic in the past 2 years, a trend that will continue in the 1980's. For example, in September 1979, China attended, for the first time, the 16th session of the ESCAP committee in Bandung, Indonesia for coordination of joint prospecting for offshore mineral resources. The Chinese delegation leader stated that the PRC will take an active part in the twelve-member committee's work.[20] In October 1979, China hosted a foreign trade meeting of ESCAP members in Shanghai, one of the steps taken to implement official ESCAP resolutions in trade cooperation in Asia and the Pacific.[21]

The PRC has come together, too, even with Taiwan in the name of pragmatism and mutual benefit at a number of scientific meetings in Tokyo, Honolulu, and other Asian venues during 1979.[22]

In these many ways, economically and politically, China's involvement in the Pacific has risen substantially in recent years. Where is that involvement now headed? What will be the impact of China's modernization on the Pacific Community?

The Future of China's Pacific Relations

First, from now to the end of the century, China's development will be primarily as a regional power. The next century will see China's real emergence as a world power, based on the modernization program for which Beijing is now preparing.

Second, as China's development as a regional power increases, we can expect the PRC's high growth potential—possibly the highest economic growth *potential* of any Pacific country—to act as an important, if not key, catalyst to the formation of a Pacific Economic Community based on the growing complementarity of economic links among Pacific-basin countries.

This interdependence has been rising among all Pacific nations in the past decade. Besides that of China, the trade of the United States, Japan, and Australia with Pacific-rim countries has been expanding

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[19] Xinhua, Manila, Mar. 6, 1979, as reported in FBIS, *PRC: Daily Report*, Mar. 8, 1979, p. A1.
[20] Xinhua, Bangkok, Sept. 10, 1979, as reported in FBIS, *PRC: Daily Report*, Sept. 12, 1979, p. A4.
[21] Xinhua, Shanghai, Oct. 18, 1979, as reported in FBIS, *PRC: Daily Report*, Oct. 23, 1979, p. A2.
[22] "Taiwan-China Cooperation Seen in Attending Science Gatherings," *Asian Wall Street Journal*, Oct. 25, 1979, an AP dispatch from the *Washington Star*.

more rapidly than their trade as a whole. More than half of U.S. imports were supplied by Pacific nations last year, for example.[23]

The complementarity is multifaceted—the majority of U.S. imports of machinery and transport equipment come from Japan and Canada, but about a third of Japan's imports of foodstuffs, coal, wood, lumber, and manufactured goods are from the United States. Most of the trade of the ASEAN nations is with Japan and the United States.[24]

Australia is a major source of raw materials for Japan and the United States. Canada, the U.S., and Australia supply China with grain and other agricultural products.

As the Pacific economy expands, and as China's own economic growth continues, we can expect several trends to occur.

China's trade with its offshore province, Taiwan, will expand. There is nothing more natural and rational to anticipate than PRC-Taiwan trade of considerable proportions; Taiwan is more than 95 percent dependent on foreign oil, for instance, a need that China can certainly help fulfill. The technology, manufacturing, and management expertise that Taiwan can provide China can be compensated for by the raw materials that China has to offer. This trade is already well underway. In 1978, China's exports to Taiwan via Hong Kong were $219 million; 'n 1980, Taiwan's exports to China, vis Hong Kong, reached $250 million and imports reached $70 million. This trade foreshadows growth potential for both sides of the Taiwan Strait that is unavailable anywhere else.[25]

The growth of the China-Taiwan economic relationship will be a key factor in the changing economic relationships of Pacific-rim countries in the 1980's and 1990's.

At present, using 1978 figures, China's estimated gross national product per capita is well below that of most of its Pacific neighbors. The United States, Japan, Canada, and Australia contrast with China's GNP per head by a ratio of more than fifteen to one. (The U.S. figure was $9,736 in 1978 against China's $443.) Closer by, Hong Kong and Singapore contrast with the PRC's per capita GNP by six or seven to one; Taiwan and South Korea have a ratio of from two-to-four to one with China.[26]

The effect of this is to place the People's Republic of China at the beginning of a growth cycle that has characterized the interrelated development of most Asian countries. The furthest along this growth cycle is Japan, with Singapore and Hong Kong quite far along and the Philippines, Malaysia, and other so-called newly industrialized countries (NIC's) still at an early stage.

China, comparable to where Japan was 25 to 30 years ago, has some of the advantages Japan had back in the 1950's, in particular a strong commitment to industrialization combined with a desire to eliminate non-essential imports.

The inevitable effect of China's modernizing will be twofold. First, China will provide Asian economies with a growing market

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[23] Congressional Research Service (CRS), U.S. Library of Congress, *An Asian Pacific Regional Economic Organization: An Exploratory Concept Paper*, prepared for the Committee on Foreign Relations, U.S. Senate, July 1979, pp. 8–10, and 47 (this figure includes imports from Canada and Mexico); Bureau of the Census, U.S. Department of Commerce, *Highlights of U.S. Export and Import Trade*, December 1978, pp. 88–90.

[24] CRS, *Exploratory Concept Paper*, pp. 29–33.

[25] Unofficial figures.

[26] U.N., *Monthly Bulletin*, November 1979; IMF, *IFS*, December 1979; NFAC, *Economic Indicators*, Sept. 21, 1979.

for technology, plant, and equipment. The potential here should not be underestimated. Singapore, for example, is already supplying China with offshore drilling rigs.[27]

Second, China will expand its exports of low-cost manufactured goods, agricultural products, and raw materials to Pacific countries to pay for its technology imports. In doing so, China will be providing for the real and growing needs of those Pacific-rim countries well ahead of it in development cycles, including every nation from Singapore to the United States. Over one-half of China's hard-currency exports are currently to developing countries.[28]

Later, as China moves further along the path previously taken by Japan, it will export higher-value items, but still will be a source for lower-cost goods, and for minerals such as oil. By the 1990's, following 10 years of offshore and onshore development, the China seas may be the same to the Pacific community as the North sea is today to the EEC.

The consequences of China's economic development should not be seen as a threat by Pacific-rim countries in Asia, but as a spur to stimulate their own economic development and an opportunity to realize comparative advantages. The present steps China is taking to institutionalize its business practices, related to investment, industrial property, taxes, and so on, by legislation and regulations, should assure other Asian nations that the PRC is as concerned as they have been to put its international economic relations on a sound footing. The foundations now being laid should, with later modifications, last till the end of the century.

China, the Pacific, and the 21st Century

Although the standard of living in China is unlikely to catch up with that in the United States or Japan, the scale of its overall economy will make it a world power of major importance by the year 2000. China will have a better organized, highly developed industrial and scientific system that, 20 years hence, may be providing real competition for Japan and the United States, depending on how well the PRC's economic planning is carried out.

Politically, it is difficult to predict where China will be two decades from now, but it is unlikely that it will ever return to Maoist stagnation. Pure democracy, in the American sense, may never prevail in the PRC either. Still, straws in the wind hint that individual enterprise may take a larger role in China's future. The extraordinary number and variety of business arrangements that Hong Kong businessmen have been making with Chinese counterparts suggest that Hong Kong may be, in a sense, the tail wagging the dog. There is no doubt that the spirit of laissez-faire is reawakening in the PRC.

Recent media articles from as far apart as Hainan Island in the south and Shenyang in the north of China have proposed that to be "wealthy is honorable" as, for example, in this statement: ". . . the slogan for becoming rich is much welcomed by the people," according to Shenyang Radio. "The 'rich' we are talking about are to become rich by following the socialist road by strengthening the economic

[27] *CBR*, May-June, 1978, pp. 42-43.
[28] NFAC, *China: International Trade Quarterly, First Quarter, 1979*, pp. 3-6.

foundation of socialist collectives and by hard work and thrift." (November 20, 1979).[29]

The prospect of a China bent on prosperity may be reason enough for the eventual establishment of a Pacific Economic Community (PEC). A responsible forum may be needed at which all Pacific-rim nations have a voice concerning matters resulting from coprosperity and increasing interdependence.

The PEC could help alleviate disparities between north and south, and between east and west. As the economic development of the Pacific proceeds, stimulated by China's modernization, the PEC could provide an important focus for Pacific economic development studies, for exchanges of views concerning economic planning and development, possibly for transpacific financing arrangements, and for a host of other matters. It could serve to standardize statistics and national accounts figures. It would not be a free-trade area like the EEC, but it could streamline and facilitate a number of trade-related practices, including commodities and shipping, for example, that would serve to improve the efficiency and security of the Pacific as a cohesive economic region.[30] The more the Pacific community develops, the greater will be the need for informed and responsible interactions by all nations concerned.

Politically, the PEC would bring the realities of regional relationships and the Pacific's growing economic power into much closer focus than at present. The present ASEAN nations, with over a quarter of a billion people, but long dominated economically by Japan, would have a major forum to which to turn.

The Need for a Pacific Economic Community

There is certainly no point in creating a Pacific Economic Community just for the sake of it, if there is no real need for such an organization. As pointed out in the *Exploratory Paper* of the Congressional Research Service, the idea of such a community has been around since at least 1968 and numerous papers have been written almost yearly on different aspects of the subject by experts in many Pacific nations.[31] Almost none of these papers has, however, included China in its assessment. Even the *Exploratory Paper* sets China apart, as a Communist country, and excludes it from general discussion.

That the idea of community has not borne fruit after so many years should not, however, be counted against it. Nor should the present array of regional organizations in the Pacific (a basinful of acronyms, as someone has described it—NAFTA, PAFTA, ASEAN ADB, PBEC, ESCAP, etc.) distract us from the possible value of a larger organization.[32]

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[29] Shenyang Liaoning Provincial Service, Nov. 20, 1979, reported in FBIS, *PRC: Daily Report*, Nov. 23, 1979, pp. S2-3; Changsha Hunan Provincial Service, Nov. 12, 1979, FBIS, Nov. 21, 1979, p. P6; Haikou Hainan Regional Service, quoting *Hainan Ribao* commentator, Sept. 20, 1979, FBIS, Sept. 27, 1979, p. P5.

[30] CRS, *Exploratory Concept Paper*, pp. 26-27.

[31] Ibid., p. 27.

[32] The problems of definition for such a study are many. Is U.S.-Canada or U.S.-Mexico trade "transpacific" as the *Exploratory Paper* proposes? Kampuchea, the Soviet Union, Vietnam, and North Korea border the Pacific—but where do they fit? How could expenses be arranged in such a way that the smaller nations do not suffer?

The problem of potential use of the PEC as a political podium would have to be muted in some way if maximum *economic* benefit of the organization is to be gained.

If there is a wide enough interest in the idea of a PEC among Pacific nations, it seems to this writer that the most productive action to be taken would be the convening of a forum of all nations concerned to discuss

The facts are that:

The Pacific economy continues to expand along with economic interdependences among Pacific nations.

Free trade within the region is expanding rapidly, along with mutually advantageous economic arrangements between Pacific basin countries. And,

China's economic development and trade will play an increasingly important role in the growth of the Pacific economy, and possibly its stability.

The drawing closer together, economically, of Pacific nations appears to be inevitable. But by what criteria should we judge the practical need for a PEC?

The first is the need for each of the countries bordering the Pacific to identify the nature of its own long-term political and economic involvement in the Pacific and to determine the extent to which its interests could be served by a PEC.

The second is the need for a serious judgment to be made that the purpose and functions of a PEC would be of common, medium and long-term practical benefit to participating countries. Obviously centrally planned economies with an important present and future share in Pacific economic life, such as China, would have a place in such an organization. There is little doubt that, even if the need for a PEC is not immediate, the need for a PEC will grow with the expanding Pacific economy and interdependence. We should be thinking of 1990 and the year 2000, and anticipating the issues of energy, food, raw materials, and so on, that will arise among Pacific nations 10 and 20 years hence.

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the matter. At this forum there should be no preconceived notions as to the outcome; a frank exchange of views is necessary on both the positive and negative aspects of a PEC.

From the consensus, if one is apparent, steps could then be taken either to establish a PEC, or to postpone review of the idea for another few years, or to establish working groups to explore practical aspects of a PEC.

Without a realistic assessment of the national interests involved, or an in-depth study of the present and projected economic realities of the Pacific, no firm proposals should be made.

PACIFIC COMMUNITY AND THE MULTINATIONAL CORPORATION

By Richard J. Barnet*

In examining the concept of a Pacific Community it is essential to consider the impact of multinational corporations. Increasingly, world production has been shifting to the industrial enclaves of the underdeveloped countries, many of them in Asia, and the competition among the United States, Japanese, and of a few Asian-based multinationals for resources and markets in the region has been intensifying. These developments have significance for changing power relationships in Asia.

This is not the place to question the use of the term "community," which I believe should be reserved for political-economic structures which show far more cohesion and intentionality than the collection of states in Asia. Yet, even if one accepts the reality of a "regional system of interests, values, and crisis management," the increasing dependence of the Pacific nations upon the world economy is a source of tension and conflict.

It is certainly true that local sovereignty over Asian territory has grown enormously in the post-war era and that the capacity of the superpowers to provide day to day political direction for the region has been sharply cut. The military situation has changed completely.

What has changed more, however, is the whole role of military power and the character of economic dependence. The most important development of the postwar era, in my view, is that interstate war has become prohibitively expensive in money and resources. Within the last 5 years the United States, China, and Vietnam have been taught that lesson in various ways. All three formidable military powers have miscalculated the political and economic costs of military operations and encountered substantial setbacks.

The considerable accumulation of military power in Asia ought to be seen in new terms. The old assumptions about what constitutes a "military balance" or "stability" need to be reassessed since it is becoming much less clear what can be done with military power. At the same time any escalation of costs in maintaining modern high technology military establishments increase debt levels and greatly add to economic strain.

The irony is that acquiring the traditional trappings of sovereignty has the effect for newly independent countries in the region of increasing dependence on foreign debt, on foreign investment, and of integrating local economies into the world economy. The most serious

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sources of tension and instability are the terms of integration. In this process the multinational corporation is the most dynamic actor.

For example, increasingly, the worldwide food production and distribution system is coming under the control of a relatively small number of multinational corporations. Five grain companies effectively control the world traffic in wheat, corn, barley, and soy. A few giant corporations control the world distribution of farm machinery, seeds, and pesticides. These companies do not control the agricultural development of Asia but they are the most dynamic force in creating new relationships among local landowners, local moneylenders, local governments, peasants, and local consumers. The new relationship is compounding the hunger problem in Asia, particularly, and contributing directly to the most significant source of instability in the region.

Hunger is the overwhelming social and political problem of the region. While there is no shortage of arable land on a world basis, there are severe shortages of growing space in Asia. Ironically, the solutions to the problems of underproduction have made this continuing catastrophe worse. Most of the Asian poor do not eat because they have been cut off from subsistence agriculture and do not have enough money.

The industrialization of agriculture is a process under which more and more of the world's food is passing into international commerce and fewer and fewer farmers are producing for ever larger numbers of eaters. Around the world food self-sufficiency is declining. People who used to grow food for themselves and their families no longer can. Their land suddenly acquires great value for the growing of profitable export crops. Fifteen of the poorest countries now devote more acreage to export crops than to crops for feeding their own populations. When land becomes incorporated into the world industrial agricultural system peasants who used to make their living on the land are either forced off the land, because they cannot afford to farm it with expensive seeds, machines, and fertilizers, or they stay on as contract workers at very low wages. Whether they are forced into the mass of unemployed of the city or are reduced to forms of peonage in the countryside the consequence is much the same. Food prices rise, and having been sucked into the international money economy they do not have wherewithal to buy enough calories for themselves and their families.

It has been a common expectation that the dramatic rise in industrial production in Asia would absorb most of the displaced agricultural workers. The rise of the so-called "export platform" economy has transformed the area. Industrial enclaves are established by foreign-based firms in Korea, Singapore, Taiwan, the Philippines, and many other places for the production of components and finished goods for the markets of the industrial world. Increasingly, a local market has been developed, and multinational firms with a mixture of local public and private capital are beginning to be an important force in the region. The competition among U.S., Japanese, European and the new Korean, Philippine, Taiwanese and other Third World multinational companies is becoming more intense.

From the point of view of the long term stability of the region, these developments are not particularly encouraging. There is mount-

ing evidence that "export platform" production cannot solve the worsening employment problem and that indeed, it exacerbates the problem over the long term. These conclusions which run counter to conventional expectations flow from certain characteristics of this production.

Much of the new Asian production takes place in "free trade zones" which are enclaves designed to attract foreign capital by offering a range of commercial and financial incentives—exemption from duties and taxes on machinery and raw materials, a five-to-ten-year income tax "holiday," freedom from foreign exchange controls, preferential financing, preferential tariffs, and a variety of supporting services. While it is true that certain governments in the region have become much more sophisticated about negotiating such arrangements, the effect of these concessions is to reduce sharply the revenue and foreign exchange advantages of the new production. Wages are of course much lower than in the industrial countries and, a number of studies show, productivity per worker is often as high or higher.

The development model under which an Asian country integrates itself into the world economy by selling labor to make calculators, radios, and automobile components is politically unstable for several reasons. The "export platform" production offers employment to a small, and progressively smaller, proportion of the population. Workers most sought after are young women and the employment is heavily concentrated in this group. Because the pressures on the firms are to develop capital-intensive rather than labor-intensive systems, employment opportunities cannot begin to keep pace with the mass exodus from the countryside and the huge population growth. The development model is usually associated with a high level of foreign debt which in turn means that the economy is subject to the disciplines of IMF austerity measures. These have the effect of restricting full employment and social services for the poor. Further, the employment is extraordinarily subject to the vicissitudes of the world economy. In the recessions of the 1970's there were significant layoffs in the export platforms. There are also signs that much of this production may be short term, an interlude in the product cycle for cutting costs while fully automated processes are being perfected. In the electronics industry particularly the introduction of new technology has resulted in a shift of production back to automated plants in the United States and a closing down of some export platform facilities in Asia.

All of these problems are exacerbated by the slowdown in world economic growth. As the Asian economies come to depend more and more on selling the same products that are made in the developed societies, the competition will grow much fiercer. The Asian countries are pressing the New International Economic Order demands for greater access to the markets of the United States and Europe. But the chronic slowdown of the world economy is creating unemployment in the developed countries and making them much less hospitable to a flood of cheap goods from Asia. Finding a market for the goods on which their economies now increasingly depend will prove to be a much greater problem than in the past. One reason is that the dramatic increase in middle class consumers that accompanied the "miracles" of growth in Korea, Taiwan, etc. is not likely to be repeated. Indeed, the

slowdown in world trade and the austerity measures introduced into developing countries have the effect of restricting the consuming classes and hence the market.

These trends seem to lead to two alternative policy choices. One is concerted political action together with developing countries in other parts of the world to change the terms under which the Asian economies are being integrated into the world economy. That would seem to require quite radical rethinking about agricultural development, the introduction of technology, and the role of multinational corporations. Since the developed countries themselves will need a new economic order to replace the one that is breaking down, the possibility of introducing new ground rules that would provide greater stability for the region exists, at least theoretically. The other choice which is more likely is that the nations of Asia will seek to control the forces of social and economic instability with state repression. Unwilling to address the social and economic causes, they will be forced to treat the increasing unemployability of huge segments of their population as a permanent internal security problem.

It is quite unclear at this point whether multinational corporations will serve as a force for regional integration or as a force for undermining it. There are important incentives for corporations based in different countries to help the region develop into an ever stronger market by lowering barriers to trade, investment, and technology transfers. However, the rise of the multinational corporation also undermines the capacity of governments to make concerted reforms of the international system because corporations, having a unique ability to plan globally, can frustrate national policies. There is an institutional lag that results from a revolution in private economic institutions that has yet to be matched by public institutions. Because of this lag, governments are significantly handicapped in their efforts to create the framework for a Pacific Community.

II. THE STRATEGIC CONTEXT

STABILITY AND SECURITY IN THE PACIFIC REGION

By Ross Terrill*

The Asia-Pacific region has been so dynamic in recent years, and has seen so much realignment, that it is natural to turn our minds to new patterns, perhaps new organizations, that can properly reflect new reality.

Three great developments have shaped the scene as it faces us in 1980: the economic success of the non-Marxist countries; the Russia-China cold war; and the gradual, groping American switch from military intervention to indirect, and shared, leadership as a result of its failure in Vietnam.

Between them, these developments have resulted in an Asia-Pacific region with these traits among others.

The ideological rigidities of the post World War II era have disappeared; "Karl Marx versus Adam Smith" explains nothing in the region; conflicts tend to stem from ethnic sentiments, feuds left over from history, or the bad luck of geopolitical circumstance.

For the United States and most of its friends, war recedes as reality and as threat. The Marxist states confront or fight each other but with little danger to the rest; civil war in the non-Marxist countries is at its lowest-ever level since 1945; military budgets of these countries (except for South Korea) are low by world standards and economic, rather than strategic issues dominate the politics of most of them.

Power has diffused. At the great power level, superpower dominance has slowly weakened since the 1950's, and China and Japan, the second level great powers, have by the start of the 1980's come to the center of the regional stage; among the smaller countries economic buoyancy and great power realignments have produced further decentralization, expressed especially in ASEAN's role; no longer does any one power seem capable of holding the entire region to ransom.

China is now an integral part of a series of ententes which serve the interests of the United States and its friends. Formerly the *target* of our security arrangements, including SEATO, China now has cordial bonds with the U.S., Japan, and most of ASEAN (and all three tend toward the Chinese side in the intra-Marxist feud between Vietnam and China); the enemy has become almost a friend.

All these features define our context, and yet they touch essentially on "Who" questions, and it is also important to ponder some changes in the "How" questions.

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Concepts change their meaning as reality changes, and yet in clinging to established words we inevitably hold ourselves back to obsolete meanings. "Security" and "stability"—perhaps the two key concepts in international relations—are cases in point. How to be secure; how to ensure stability?

Security has for a long time involved two ideas: protection against a threat from outside the nation; protection obtained through commitments from a powerful friendly nation. Along with such a concept go certain arrangements and expectations: an alliance relationship between the nation concerned and its powerful protector; foreign bases as a badge of the commitment; military force as the sufficient and appropriate counter to the threat.

In the 1950's and 1960's security in this sense was a fundamental pursuit of most governments involved in the Asia-Pacific region. Thus SEATO; thus U.S. protection of Thailand, Korea, Philippines, Australia, New Zealand, Japan, Taiwan; thus Russian, British, French, and Australasian protection of a number of Asian countries at various times.

The pattern has by no means disappeared, but it has greatly weakened, in the wake of the three developments I mentioned earlier, and there are now widespread doubts about the validity of the arrangements and expectations involved in security relationships. Alliance commitments are now questioned to a greater or lesser degree in Japan, Taiwan, Philippines, Australia, and New Zealand. Within the United States, post-Vietnam polls have raised doubts as to whether U.S. treaty commitments would automatically be honored—even that with South Korea—and the disappearance of a number of treaties or treaty organizations including the U.S.-Taiwan agreement, occurred without precipitating any crisis. Foreign bases are fewer in numbers, smaller in strength, and less valued today than during the 1960's.

Indeed a change has occurred in the fundamental definition of security in the Asia-Pacific region. It is not military threats from across international frontiers that primarily make Asian governments feel insecure (Korea, a situation that is a hangover from an earlier era, is the exception), but internal upheaval—for which great power intervention is by no means a certain or worthwhile cure.

And where external military threat *is* stark, great power reluctance to treat a small nation's interests as tantamount to its own has undermined confidence in commitments. Some medium-sized countries have proved ready to move into even smaller ones, as Vietnam into Cambodia, but can we envisage great power intervention in Asia on the scale of the U.S. effort in Vietnam, or the Soviet invasion of Czechoslovakia in 1968?

Security threats are seldom clearcut enough to make great power protection likely (consider Burma's BCP problem, the insurgency in the south of the Philippines, a possible conflict between Papua, New Guinea and Indonesian Irian, the ebb and flow of power in Laos).

The basic point is that a 4-power balance in the region has eclipsed most traditional alliance ties as the key to security.

The balance consists of the acknowledged region-wide roles of the United States, Russia, China and Japan. It exists so long as the relationship between no two of the the four powers deteriorates to the

point of war, and so long as the Russia-China relationship does not improve in such a way as to undermine the China-Japan and China-U.S. ententes.

What is Taiwan's guarantee of security? The U.S.-Taipei agreement which went out of existence last January? No, the cordial ties between China and Japan, and between China and the United States. Likewise for Australia and New Zealand, the key to a secure environment is less the ANZUS treaty, than it is the continuance of the U.S.-Japan, U.S.-China and Japan-China cooperative relationships.

For Thailand, what prevents a precarious environment from becoming an engulfing one? Surely it is above all the continuance of Russia-China hostility and the existence of Sino-American entente. One could make parallel analyses in the case of Philippines, Malaysia, and other countries.

The concept of stability, too, has traditionally involved two ideas: continuance of a given economic system; avoidance (for a capitalist society) of communism, or (for a Marxist society) of capitalist restoration or imperialist subversion. Thus in the West we have over the years spoken of stability for Laos and Thailand in terms of their economies remaining non-Marxist.

The two concepts of security and stability have reinforced each other, since an external military threat (as that of United States toward China in the 1950's and 1960's, or that of Vietnam to Thailand recently) has also generally carried the label "imperialist" or "Communist."

What is new, and disconcerting, today is that great instability can occur *without* a change of economic system, and grave threats to stability can come from forces that are not ideologically clearcut.

Iran is a classic case, yet the zig zags in China are a hardly less consequential instance. Within a continuity of a Marxist economic system, drastic political instability occurred in China during the 1960's and 1970's, and the debilitating fights all took place among Marxist leading groups.

International alignments—here we see the concepts of security and stability in interrelation—do not correlate any more with the ideologies involved in internal crises. What impact does the Sino-American entente have on the prospects of the various ideologies of social change? Or Indonesia's special view of and relationship with Vietnam? Or the sThailand—Pol Pot link. Or the China-Pakistan axis? In no case doe the partnership carry any social message, or social threat.

The magnitude of the change is clear in comparing John Foster Dulles' usage of stability with the usage on the tongues of Chinese leaders today. For Dulles, stability and resistance to communism were one and the same thing—an ideological definition of the concept. For Peking, stability and resistance to its fellow Marxist capital Moscow are identical—a power definition of the concept. (Not only for Peking; in Hanoi's view a "stable Cambodia" means the maintenance of a certain military—not ideological—regimen.)

An outmoded sense of the concept of stability can obscure the really threatening de-stabilising factors in the Asia-Pacific region.

Prices and markets.—Probably no factor weighs more heavily in the assessment of future stability in the Asia-Pacific region than trade movements. The damage done by inflation, the size of the pie to be

cut up among citizens with increasingly high expectations, the fate of governments, the prospects for small Communist parties to grow larger—all hinge greatly on the prices the Asian farmer gets for his products, and the access to crowded export markets that the Asian manufacturer gets.

Race feeling.—Peculiarly vulnerable to sectional tensions within the nation, the Asia-Pacific region is finding that modernity does not sweep away racial distrust, and that the march of generations does so only with painful slowness. Japan, Australia, New Zealand, and a few other largely homogeneous societies are exceptions (for the present); but in the majority of countries race is either a direct source of instability (as in Malaysia) or an exacerbating factor in any situation of conflict (as in Indonesia).

Religion and customs.—The region is the world's cauldron of religions, and at the same time a patchwork of Western cultural influences as a result of colonialism. As economic development proceeds, tensions are arising between two forces: a religion-based, traditionalistic backlash against modernity's bland ways; a permissive way of life introduced into Asian societies as a result of Western movies, music, clothes and tourism.

Movement of peoples.—Rural underemployment and refugees are two problems in much of the region. They may be the mere tip of a vast iceberg: the tendency of people, whether out of desperation or (more frequently) out of a glimpse of a better way of life offered by an increasingly pervasive media and advertising, to seek greener pastures. Overpopulation and rapid mechanisation in some places give chronic dimensions to the problem; yet all governments will have to grapple with a perpetual human mobility on an enormous scale.

These four factors, and their inter-relations, rather than any confrontation between Communist and capitalist systems, seem likely to determine the stability or instability of most Asia-Pacific countries for the rest of the century.

Behind all of them is an underlying issue of equality. Most informed people would probably judge Europe in general to be more stable than Asia in general. Why? The explanation lies in two factors; inequality and cultural fragmentation. The nations of the Asia-Pacific region vary far more among themselves in average standard of living than do those of Europe—one sizeable group has about 6 times the GNP per capita of another sizeable group—and also have a dramatically wider range of income within each society, for the most part, than obtains in Europe.

Compared with Asia, Europe is very nearly a single cultural entity. It has essentially only one religion, for instance, while Asia is a bastion of 3 of the world's great religions. Colonialism, which Europe never experienced, left Asia a patchwork of ethnic leftovers, in which nation and race are co-terminous only in a minority of the 16 countries of the region.

These two factors of inequality and cultural fragmentation, rather than military force and ideology (both of which Europe has in greater abundance than Asia), lie behind the higher incidence of instability in Asia as compared with Europe.

So, in our analysis, security and stability do not have the same meaning in the Asia-Pacific region as in the past, nor the same meaning as in Europe and other regions today. Security does not basically

hinge upon bilateral relationships between small country A and big country B, but on the state of the mutual relationships of the four over-arching powers. And stability is not the badge of a certain ideology's entrenchment, but a function of economic performance, cultural confidence, and social justice.

THE PACIFIC REGION: SECURITY, ARMS CONTROL, JAPAN

By Roy A. Werner*

The dominant area of economic growth in the next decade will continue to be the Pacific Basin. The "young tiger," free enterprise systems of Hong Kong, Japan, Singapore, South Korea, and Taiwan, share with their neighbors a work-ethic that produces a societal mix ideally adapted to economic growth. Added to these nations over time may be potential giants such as Brazil and Indonesia, if other problems are resolved. The Asia/Pacific region is the world's fastest expanding trade and tourist area, connected by the 12 million miles of the Pacific Ocean, whose vastness is being conquered by sophisticated information systems and advanced technology. By the year 2000, the region may have experienced the greatest economic surge of history in less than 40 years. As Queen Victoria remarked a century ago, the Pacific Ocean is the "Sea of the Future."

There is, however, an integral domestic relationship between rapid economic growth and political instability. This becomes acute when economic prosperity is limited by excessive population growth or corruption. These domestic dangers are intensified by the prospects of a divided Southeast Asia—some nations emphasizing capitalist economic theories and limited democracy; the others a communist dominated economy whose greatest strength is the accumulation of raw military power.

Empirically, of course, the only major military conflicts involving the superpowers since 1945 have occurred in Asia. Now great power relationships are fluctuating more significantly than at any time since World War II. No state will be able to exert regional hegemony and this shifting balance of weakness is potentially unstable. The 1980's may well witness the region repolarizing over global issues and the Sino-Soviet split. It is therefore important to recognize that small nations can have enormous impact on great power relations.[1] The United States has mutual security treaties with Australia, Japan, New Zealand, the Philippines, and South Korea. The U.S.S.R. is similarly bound to Mongolia, North Korea, and the Socialist Republic of Vietnam.[2] It is thus essential to recognize that any autonomous regional security system would be dependent upon the degree of regional insulation from global political and military controversies. Because all the major powers are involved in the region, the rules of their competi-

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[1] The most detailed case studies are of the Korean War: see Robert R. Simmons, *The Strained Alliance: Peking, P'yongyang, Moscow and the Politics of the Korean Civil War* (NY: The Free Press, 1975); and John Gaddis, "Korea in American Politics, Strategy, and Diplomacy, 1945–1950," in Yonosuke Nagai and Akira Iriye, editors, *The Origins of the Cold War in Asia* (NY: Columbia University Press, 1977), pp. 277–298.

[2] Although the U.S.S.R.-PRC Treaty remains on the books, the Chinese have publically denounced it.

tion are fluid. In such circumstances, it is prudent to assume that the major powers, though seeking to avoid direct confrontation, may fail. Further, on a national level, political instability could tempt external powers to intervene again in regional affairs. Bilaterally, although there are mutually beneficial reasons for the most industrialized nation in Asia and the most populous and resource rich country to trade, the emergence of closer cooperation between Japan and China in the 1990's could usher in a form of regional condominium which would diminish the U.S. economic and political roles in the region.

As recent history shows the withdrawal of great powers from a region does not automatically create peace. Indeed, in Indochina and Iran, conflict has increased given local antagonisms and new forms of state competition. All wars gravitate towards either isolation (Burma), or internationalization (Vietnam). Thus, regional machinery as a means of limiting conflict has some merit. Regional nonalignment—if it is to work—must perpetuate a balance making possible a peaceful status quo. Given the inter-Asian war spawned by Vietnam such a regional order is unlikely even if external powers were absent. The alternatives are the arrival of a new hegemony or warring local states. Disengaged great powers however limit the scale, tension, and consequences of local wars. Only great powers wage great wars since other states lack the strategic mobility necessary to conduct sustained warfare. But, it is inverse logic to believe that great powers can maintain or create peace. Kant's perpetual peace cannot be won.

The Concept of Security

These regional divisions and the ancient antagonisms, communal tensions, and potential economic conflicts—all affect security. Central government itself is often an alien concept. Insurgency, the symptom of political instability, is inevitable if such divisions can be exploited by an alternative elite. Insurgency can grow among a population that is either passive or hostile to the government and is potentially more troublesome than the meddling of the Soviet Union, which has difficulty translating military power into political influence. Within the region there is a deep distrust of the Soviets, and a growing concern regarding Soviet military capabilities. This buildup of Soviet military power, if unmatched by the United States, could become politically constraining and psychologically damaging to regional nations.

Future dangers in the Pacific Basin include the potential Sino-Japanese-American entente directed against the Soviet Union and her Vietnamese allies, sectorial competition among national producers of steel, electronic components, textiles, and footwear given marketing prospects, disputed frontiers and offshore rights, an aggressive Vietnam in the mid-1980's following consolidation of Indochina,[3] and Moslem versus Chinese ethnic divisions in some states. The greatest threat posed by China to other Asian states will be in light manufactured goods—if modernization is successful. If modernization fails and more radical leadership emerges, then a renewed emphasis upon Chinese support of national insurgencies should be anticipated. The most

[3] "Indochina" Hearings, Subcommittee on East Asia and Pacific Affairs, U.S. Senate, 95th Congress, 2d Session, Aug. 21, 1978 (Washington: Government Printing Office, 1978). See especially, Douglas Pike, "Vietnamese Future Foreign Policy," pp. 101-249.

probable near-term economic threat in the Pacific Basin arises from industrial world protectionist trade policies which could curtail economic growth and create socio-economic tensions within individual states. This prospect is particularly acute for the commodity exporting states of Southeast Asia and the semi-industralized states like Korea, Taiwan, and Singapore which depend on export-led growth. Finally, many citizens of the Pacific Basin believe that American decadence represents an extreme cultural threat that will disrupt their national heritage. Implicit in this overview is the broader security concept common to Asian and Pacific nations, but often unappreciated by Americans.

Security is always costly. Defense budgets must be weighed against competing priorities: security, economic well-being, and political order. In a real sense economic growth and productivity are the keys to satisfying competing domestic needs since it is easier to allocate what grows.

But what is security? Security is more than military hardware. It is multidimensional and has economic, political, cultural and military components. A society divided against itself, economically weak, with festering sores of social injustice, cannot exercise an international will and may be in danger at home. The psychological concomitants of security—peace, order, stability—are ultimately political conditions. Neither military personnel or loyalties can provide lasting order unless legitimacy already exists. The greater the perceived participation and justice in a society, the less internal force is required to sustain a government.

Legitimacy, the currency of politics, is manifested in political deference. If organized coercion must be employed by a government, it will provoke counter organization and the forfeiture of support for government. The last stage of an insurgency is then underway. If an insurgent can, like martial arts, use the government's strength to destroy popular confidence in the government—victory is near. Escalation from low level banditry and police actions to military coercion against specific sectors of society is a confession of political failure.

The real security question is what defense is sufficient to deter and, if necessary, defend? The costs of weapons, the diversion of human resources and capital, in sum, the domestic benefits foregone to provide a defense capability are always high. Japan's low percentage of GNP devoted to defense (below 1 percent) reminds one of the United States in 1913 (1.1 percent) and does provide economic gains. Moreover, since wars are often the result of bitter rivalries and mutual suspicions, passions and prejudices, colliding ambitions, and miscalculations, the western concept of rational deterrence is not valid for insurgencies, the most common threat faced by these nations. A more apt analogy is the game of croquet in *Alice in Wonderland* where there are no rules, change comes with bewildering speed, and complexity abounds.

The hope for peace (defined here as non-war) rests in the realization that the utility of military coercion is limited. Imagine the insurgent's pleasure and the villager's impression at the destruction of a helicopter by a shoulder rocket. Today there is an unprecedented gap between military power and political influence. There is no direct relationship between the military capacity to act and the probability of ultimate success. The utility of coercion must be analyzed in terms of its costs

and benefits. It has been diluted by finance, food, fuel, as new power factors. Economics is increasingly a dominant factor in international affairs and is a political weapon as the competition for scarce resources and markets intensifies.

With the exceptions of South Korea, Malaysia, and Thailand (the last two are debatable) there is no immediate external threat to Asian nations. Korea, the vortex of superpower competition in northeast Asia remains a potential flashpoint. Although Asian domestic problems are more acute than external affairs, no nation believes its territorial integrity and identity is secure. Thus, military forces are maintained. Yet, the clear and present danger is internal upheaval. My judgment is that except for the Philippines, in case the forces in opposition to the government combine, there is probably no immediate internal threat.

History shows that the main source of instability arises from those with access to the means of violence (often armed by outsiders) and little stake in the status quo. In the current Asian environment where the rate and scope of changes are vast—given decolonization, development, ethnic and religious minorities, and the newness of political and social institutions—domestic ferment is inevitable. Although the uncertainty of a new regional order promotes external security concerns, the ability to resist a charge to war and crises rests more in skillful diplomacy than on the mere acquisition of new and larger arsenals. This is especially true among the relatively unarmed Pacific Island states who face difficulties in protecting their "economic zone" marine and mineral resources.[4] A "South Pacific Forum" Coast Guard would be cheaper and more politically effective than national forces. Nevertheless, because new and different distributions of power are inherently unstable, a continued American military presence offshore is necessary. Further the Asian perceptions of declining American involvement can only be reversed by the promulgation of a widely understood and credible U.S. commitment to the region. Yet, as the Soviet Union increases its military presence, China seeks a more active political role, and constrained American resources combined with global commitments handicap U.S. efforts, some form of intensified financial burden sharing in defense and economic assistance is desirable.

Regional burden sharing however relates only to jointly agreed upon responsibilities. Domestic instability remains a national problem. Successful insurgencies share a pattern: an alternative government composed of a dissident elite since intellectuals, not peasants, make revolutions; an exploitative economic system that is so pervasive that citizens lose hope of any positive change; some degree of external support; and, obviously, internal political dissatisfaction mirrored especially in the urban-rural split and pockets of opposition intellectuals. Against such developments military might is not a "winning" strategy. Outside intervention only handicaps a government by emphasizing its dependent status and disrupting the culture. Rather, domestic intelligence that enables government forces to curtail

[4] "Emerging Pacific Island Community," Hearings Subcommittee on East Asia and Pacific Affairs, 95th Congress, 2d Session, July 31, 1978 (Washington: Government Printing Office, 1978); and "South Pacific Regional Overview and Solomon Islands Independence Ceremonies," Report to the Committee on Foreign Relations, 95th Cong., 2d sess., December 1978 (Washington: Government Printing Office, 1978).

supplies to insurgents, correction of socio-political ills, and, the "turning of insurgent cadre" are the essentials of victory. One wonders if President Marcos couldn't isolate the real rebels in the south by granting regional autonomy and a fair share of the mineral wealth? A decade from now there is no chance.

For the political scientist, it is easier to trace the disintegration of the old order than to form a new one. Yet in the last decade the old post-colonial leadership has shifted from the often charismatic men who won independence (Mao, Sukarno, Magsaysay, the Tunku). The requirements of a struggle for independence generally favor a mass movement with strong ideological leadership that emerges as a dominant party. Further, in the Asian cultural context, the characteristic features of western democracy are not relevant.[5] The absence of individualist oriented concepts of civil liberties and equality means that ancient virtues of duties and place in society are more prized. The strength of old institutions help resist political convulsions. Buddhism and the monarchy in Thailand provide a strength that the fragmented and differing insurgencies (the rural poor and Meo in the north and the Thai Muslims in the south) cannot overcome. Yet, traditional values are at odds with both democracy and socialism. Political competition as a means of choice is therefore unnatural. The more accurate standard for democratic progress in Asia is how much intra-party democracy exists, to what degree freedom of speech and association exist, and, most significantly, what are the trends. We in the West see votes as the currency of consumer politics. In the East, however, government is still a capital investment needing control and allocation.

Economics, Legitimacy and the Military

The oft-repeated contention that there is a direct correlation between peace and economic progress is simplistic.[6] Likewise, an earlier U.S. perception that little progress could be made on socio-economic problems until the "security shield" was in place is wrong. A successful government must tackle both issues—economics and security—simultaneously. There does appear to be a poverty-tension-politics equation which may be exploited by an alternative elite. But, economic development is not necessarily the antidote to instability. Indeed, economic change can create new societal cleavages. Extensive aid without political transfers of allegiance may only expand the resources (food, weapons, people) available to insurgents. The immediate task is to gain the support of the population. Governments must acquire political support and legitimacy or they will face a continuing spate of insurgencies until toppled from power. Although public support is less tangible than other resources, it is the key to securing additional resources.

Uninformed western analysts frequently make reference to Asian states following the Japanese economic example. However, the road to

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[5] As early as 1940 President Manuel Quezon of the Philippines argued that "party politics causes inefficiency in government," and urged rejection of the notion that "democracy cannot exist without political parties." *Address of His Excellency Manuel L. Quezon*, Manila, Bureau of Printing, 1940. The speech was delivered at the University of the Philippines on July 16, 1940.

[6] Robert McNamara, *The Essence of Security* (NY: Harper & Row Pub. 1968), p. 149 and K. P. Misra, "Framework of Security for Asia," *Pacific Community*, v.7,n.4 (July 1976), pp. 506-518.

prosperity requires both capital and human skills. Meiji Japan built its "Rich Country, Strong Army" (Fukoku Kyohei) on much stronger foundations than many Pacific states yet possess.

The central issue in the Asia drama, building nations out of diverse elements, revolves around agriculture.[7] The building of national spirit is likely to be successful only if the citizens have food and jobs. Agriculture remains the primary source of Asian wealth. However, population growth, food shortages and under-employment require urgent attention. The solution must be an additive, labor intensive process that adds value and offers direct distributional impact on the rural poor. Such productive and profitable work, like the Thai women cultivation of silk worms, will be locally specific. Because cottage industries are not competitive, excessive government personnel (military or civilian) are redundant, and agriculture cannot remain a residual employer unless demand grows fast enough to absorb surplus labor *and* generate extra income per worker, another economic sector is the ultimate answer. Indeed, to modernize the agricultural sector, labor must be displaced to small scale industry and low wage, labor intensive public works programs. Local power generation of an appropriate scale could provide the energy for small industrial projects. For example, coconut shell charcoal has 50 percent more Btu's per pound than coal. Such programs would have minimal impact on the efficient sectors of an economy or on exports to international markets. Induced investment and consumption would aid in capital formation while generating income for the rural poor with no major increases in net imports or debt-service ratios.

The military does have a role to play in this type of national development. However, that role is not to be found in imitation of the armies of industrial powers.[8] The political implications of fighting a mechanized counter insurgency campaign as the Philippines is attempting or the "staff heavy" Indonesian Army reveals American influences. Success however is more likely to be found in emulation of the earlier Filipino campaigns against the Huks or in freeing up staff manpower as Indonesia is now doing. Civil action, use of indigenous military forces on projects to aid the local populace, is a means by which military services may acquire greater legitimacy. After all, political staying power is ultimately more important than firepower.

Despite the logistical and managerial similarities, however, the professional soldier is a military commander, not a political executive. To blur this distinction by long term civic action including combat troops is to threaten the special code of honor and status that the military cherish, and to risk creating further hostility. Hence, the task is to recognize these differences and integrate, where appropriate, civil assistance in a logical training sequence. Such projects would include medical assistance, basic sanitation, and transportation actions that contribute to economic and social development.

Military rulers and emergency regimes are halfway homes between civilian rule and totally authoritarian regimes. Proclamations of emergency authority like those of the Republic of Korea (1971) and

[7] Michael Leifer, *Dilemmas of Statehood in Southeast Asia* (Singapore: Asia Pacific Press, 1972).
[8] For a discussion of the earlier Japanese model, see, Joyce C. Lebra, *Japanese-Trained Armies in Southeast Asia* (NY: Columbia University Press, 1977).

the Republic of the Philippines (1972) probably have relatively short periods of effectiveness before disillusionment mounts. If the military take the reins of government, even if retired, it is essential to allow "technocrats" to make economic decisions and to encourage more widespread political participation (as Kriangsak has done) if legitimacy is to emerge. Indeed, excessive utilization of military managers invites internal fractionalism as in Korea, which can be more of a threat to nationhood than the more powerless civilian opposition. Further, a continuing military intervention into politics only invites more coups and erodes the legitimacy of successors. Clearly, economic success and a spreading of the wealth are essential to creating public support. Gross inequality, especially when it results from obvious corruption, only breeds instability. Too few military rulers appreciate the distinction between power and authority.

Structurally excessive military size or use presents several problems—a drain of resources and degrading social status. Military coercion, when employed internally leads to a loss of legitimacy and decreased public support. The "rational" goal of a threat is to bring about an accommodation of interests. These results merged with the problems of rural migration to urban slums and rootless unemployment, and the lag of political adaptation behind social change, create troublesome political issues. But critics who assert all military spending is wasteful are wrong. There is some economic profit and the real issues are the allocative costs in a national budget. Thus, the Thais and Indonesians are to be commended for their emphasis on avoiding sizeable diversions from economic development.[9] One can however question the wisdom of sophisticated armament purchases ill-suited to the principal military tasks regardless of the prestige value.

Weapons and men cannot defeat the subversive lure of an idea which may provide the organizing vision necessary for revolution. Ultimately the guns that will prevail are those mustered by the stronger popular will. Armaments may enable the seizure power, but a regime based increasingly on coercive force will one day lose power. Democracy may not be the winner as Mao attested and Castro still can attest, but the opportunity to turn discontent to political upheaval gave them their chance. In any struggle for political loyalties, military operations must play second fiddle. Military force only reflects political tensions. Men can be captured. But the conditions that lead to embryonic insurgencies must be changed if a government is to prevail. Converting coercion into consent is the key to retaining authority, preserving security and achieving economic growth.

At the regional level the next logical step is the development of a Pacific Basin Community.[10] Within the last decade Asian/Pacific leaders have displayed a growing sense of confidence resulting from economic growth. Such a development would possibly create a by-product, the emergence of a genuine Pacific "security community,"[11] an aggregate grouping of states among whom stable expectations of peace prevail. Such a regional forum offers an opportunity to reduce

[9] Since fiscal year 1977, the Thai defense budget has averaged 3.9 percent of GNP and the Indonesia defense budget has been 3.1 percent of GNP.

[10] I use the term generically to refer to the process of mutual consultation with no specific organizational format.

[11] Karl W. Deutsch, "Security Communities," in *International Politics and Foreign Policy*, James N. Rosenaw, ed., 1st ed. (Cambridge: Harvard University Press, 1960), pp. 98–105.

strain and hostility on both economic and security issues. Greater foresight and advance consultation could ideally ameliorate problems before they reach crises. The ongoing bilateral security cooperation between the Association of Southeast Asian Nations (ASEAN), the recent visit by senior Japanese defense officials to the Republic of Korea, and the Chinese practice of encouraging retired military officers to visit and engage in frank dialogues, suggest the embryonic beginnings. A reliable regional process for conflict avoidance and resolution could help make the next century, a "Pacific Century." Otherwise the converging impacts of larger populations, diminishing natural resources and increasing weaponry will exacerbate tensions and invite war. The choice is between some effort at regional management or chaos.

Japan: The Critical Variable

From the American perspective, Japan is the most important nation in East Asia. The skill and industry of the Japanese people have created a technological and economic giant whose alliance with the United States is the key element in East Asian stability. An unaligned or hostile Japan would invite rapid changes in East Asian security, impacting on all states. Defense policies can be characterized as either one of equilibrium and stability or disequilibrium. Presently Japanese policy is undergoing an active reevaluation in Tokyo. This change is precipitated by the oil crisis, their processing economy so dependent upon foreign trade, and changing international circumstances. How to adjust to changing external factors while maintaining internal cohesion is the principal question. No longer can Japan conveniently divide economic and political issues into separate policy camps.

Fundamental changes are underway that may trigger changes in Japanese defense policy. However, the spectrum of possibilities discussed—neutrality, self-reliance, massive rearmament, alliance with China, and Finlandization—are broader than the probable outcome. The current reevaluation is likely to result in a more realistic policy stressing qualitative improvements with no force structure growth. The twin perceptions that are the keys to Japanese security policy are Soviet strategy in the Pacific and the reliability of the United States as an ally. In short, Japan's security policy is deterrence through the maintenance of the alliance with the United States and the "defensive threat" of an armed Japanese Self Defense Force (JSDF) sufficient to discourage any "easy" invasion of Japan. As this policy emerges in the 1980's, it is likely to include greater cooperation with the United States, but on more equal terms.

The "Peace Constitution" and nonmilitarism of Japan are an aberration in Japanese and world history. In the nineteenth century Japan turned from an insular isolationism to armed imperialism. Later, at its military zenith in World War II, Japan had 5.3 million troops deployed throughout the region. Today its military force is 239,982 men, not one deployed outside the home islands.

Japan's postwar security policies reflect its defeat, its utter vulnerability to nuclear attack, the pacifist sentiments of its people, constitutional prohibitions, and its massive dependence upon foreign markets and resources. Nevertheless, the Self-Defense Forces (SDF)

represent more than what Ambassador Edwin O. Reischauer called its "psychological security blanket." The fact is that Japan possesses the most modern and balanced military machine in Asia. Its defense budget of $10.08 billion (1979) is second only to China's in the region and is eighth globally.

The points of regional tension, actual and potential, are apparent:
the Sino-Soviet dispute and military build-up;
the Indochina situation;
instability on the Korean peninsula;
competing economic sectors (especially in the next decade);
the growth of Soviet naval power.

The obvious difficulty in attempting to clarify the security environment in the Asia-Pacific region is that one cannot assign countries to fixed alliances, since all alliances fluctuate with changing circumstances. There are, in effect, several military balances in the region: the Sino-Soviet balance; the Chinese (PRC-Taiwan) balance; the Korean (ROK-DPRK) balance; and the U.S.-USSR-Japan balance. There is admittedly a rough strategic equilibrium in the region, but there are no assurances that this equilibrium will be stable. Japanese-Soviet relations have deteriorated over the MIG–25 incident, fishing-zone negotiations, Japan's treaty with China, and the ever-present northern territories dispute. Yet, as a former director-general of Japan's Defense Agency said, fighting the Soviet Union "would be like fighting a machine gun with a bamboo spear," and the security treaty with the United States is "absolutely indispensable" for Japan.

Numerous newspaper polls show that only a small minority believes America would defend Japan, despite the Mutual Security Treaty. The erosion of Japanese confidence in the American defense commitment, however, would have potentially catastrophic consequences for regional and international balances. The Japanese political parties are factional coalitions, the people are "narcissistic," focusing primarily on internal matters, and this emphasis is reinforced by cultural and linguistic insularity. The doubting of the American commitment during a time when the Japanese question their relationships with the outside world could revive strong nationalism. This prospect is heightened by economic pressures facing Japan. Given its economic power and the Sino-Soviet rift, it is doubtful that a nonaligned Japan could remain truly neutral. However, the Japanese do not necessarily regard the perceived erosion of the U.S. defense credibility as a justification for expanded armaments. But if full rearmament took place, even with the nuclear option excluded, the residual fear of Japanese militarism in the region would be triggered. Both China and the Soviet Union would view a fully rearmed Japan as a challenge to their objectives. Equally important, full rearmament might polarize Japanese domestic policies and create a repetition of the "Ampo" riots of 1960.

Significant advantages thus accrue to Japan because of the United States alliance: Domestic tranquility is maintained by lessening confrontations over a fully armed Japan; the defense budget is reduced, thereby adding economic wealth; and the Japanese Self-Defense Forces do not themselves alarm neighboring Asian states.

A recent analysis of Japan's Defense Agency concludes that Japan cannot entirely rely on the United States Navy's Seventh Fleet to defend Japan because of recent shifts in U.S. strategy. The basic

fear is that United States naval capabilities might be shifted to NATO in an emergency, thereby leaving the Pacific less well protected. This concern has been heighted by the temporary deployment of aircraft carriers from the Pacific to the Indian Ocean during the recent developments in the Middle East.

Analysts in Tokyo are especially, concerned over a growing Soviet naval capability. In early 1979, the Soviet Union's Pacific Fleet included 755 vessels, a total of 1.3 million tons. Comparable U.S. figures are 55 vessels and 600,000 tons. However, American naval forces are qualitatively superior. Soviet ships undergo frequent repairs and the total number includes about 500 coastal vessels and support ships. Even so, since 1975 the U.S.S.R. has expanded operations from the Sea of Japan to Africa, the Gulf of Aden, Okinawa, and Hawaii. Japan is concerned because it imports massive amounts of raw materials that are vital to its processing economy and the Soviets could, in the event of war, interdict Japan's shipping. However, the Soviet fleet is, to some extent, a hostage to air power. Soviet air assets currently lack sufficient range and numbers to alter this equation. It is difficult to conceive of a credible scenario for a land invasion. Analytically, however, the Japanese SDF is not designed to maximize defense against other threats. Likewise, the United States could do more to reassure the Japanese, and perhaps the most cost effective measure is to "home port" an aircraft carrier in Guam. This option would enhance military effectiveness and, more important, affirm psychologically American sensitivity to Japanese concerns.

The emergence of greater realism and candor in Japanese discussions of defense issues raises for some people the specter of resurgent Japanese militarism. However, the revived Japanese military interest reflects a concern over U.S. policies in Asia, the oil shock that emphasized economic vulnerability, and a desire to expand prosperity by utilizing more fully Japan's crippled industries (shipbuilding and steel). The opening of this debate has been slow and cautious, and the buildup of SDF gradual and unspectacular. The Japanese SDF has grown incrementally without apparent relationship to regional tensions. The major uncertainty is whether the persistent pacifism of postwar years will continue with a new generation, since more than half of Japan's current population was born after 1945. Tentative research suggests the answer is affirmative.

Former Prime Minister Fukuda in his 1978 New Year policy speech called for the creation of a national consensus—on defense—the first time since World War II a prime minister has mentioned the subject in this important forum. General Hiroomi Kurisu, when head of the Joint Staff Council, argued that "it is not possible to cope effectively against attacks with only defensive means." Then he was dismissed over the principle of civilian control of the military. Defense Agency polls reveal growing support for the existence of SDF, and newspaper polls show one in three Japanese favors spending more money on defense. The Komeito and the Democratic Socialist parties have accepted the need for defense, and the opposition in general has agreed to the establishment of Diet committees on defense matters. In all, it is an extraordinary reversal from earlier public attitudes about the "tax thieves."

Of course this attitudinal shift may reflect more toleration than affirmation of the SDF, since Japan is perceived as unlikely to be

drawn into an Asian war. Such a sentiment is conceivable, given American and Japanese detente with China (Peking supports a limited Japanese defense program) and the conspicuous ebbing of American military power on the mainland of Asia. Indeed, a domestic consensus is more likely to be achieved by emphasizing the traditional restraints.

However, some observers express alarm at the popularity of military themes in traditional theatre and visual media, fearing these views may supercede anti-war literature like the *Black Rain* (Kuroi Ame) or *Fires on the Plain* (Nobi). Ultimately, the interactions between civilian and military sectors will determine how "militaristic" a society becomes; the disdain for an expansion of the SDF suggests little momentum toward militarism. The military genie will be kept in the bottle by the strength of Japanese institutions, the futile sacrifices of World War II, and the continuing constitutional issue.

Perceptive analysts will note that, despite the rhetoric, the continued growth in the current Japanese defense budget is the lowest percentage of the general budget since 1952. Indeed, budget outlays to spur economic growth could force military spending further down as a share of Japan's total budget.

This apparent contradiction is explained by the government's desire to enlarge public discussion of defense issues and by the desire of business interests for greater military expenditures and relaxed arms exports policies. The deepening economic slump, the desire to expand "knowledge-intensive" industries, and the readily available worldwide market for arms are the reasons behind this advocacy. Indeed, similar arguments were cited in 1975. The difference is that the prospect of economic blight has muffled public opposition. Nevertheless, the Japanese technological superiority and weapons—ship hulls, short-range missiles (Kam series), small arms ("62" and "64" automatic weapons), the type "75" rocket launcher, and the model "74" tank—are marketable. Hosai Jyuga, chairman of Sumitomo Metals, argues that "Japan should have modern defense power of equal sophistication to the weapons of its potential enemies" and urges that 1.5 percent of GNP be devoted to defenses. An influential Keidanren (Federation of Economic Organizations) member and chairman of the Defense Production Committee, Tetsuya Senga, is more moderate and urges a rise to the psychological limit of 1 per cent of GNP to help the defense industry sustain itself. To an outside observer this is puzzling, since weapons production is only a small component of total industrial production.

Were the basically self-sufficient Japanese defense industries to expand further, there are significant implications for the United States. Some suggest Japan's recent aircraft (F–15, P–3C, E2–C) purchases may be the last major overseas arms purchases it will make. Japan already builds an advanced fighter (F–1), transport aircraft (C–1), ship hulls, and missiles and has the capability to lead in electronics. Such expansion would further limit U.S. exports, adversely affect the trade balance, and could, depending on system design, pose problems in effective coordination in the event of emergencies. These prospects are unlikely, however, unless the Japanese substantially increase their defense research and development (R & D) funding. However, if R & D funds are increased significantly, pressures to export arms will intensify and a signal of future difficulties

will have been given. A fully rearmed Japan will heighten the awareness of other nations that Japan opened both the Russo-Japanese and Pacific wars with surprise attacks.

Given the absence of any imminent threat, the constraints of domestic politics, and the likelihood of an eventual defense spending level of roughly 1–1.5 percent of GNP, the policy question is what Japan can do to enhance legitimate defense capabilities without alarming other nations. The defense buildup plan adopted in 1976 envisions a "baseline force" to deal with quite limited contingencies. The need for qualitative improvements in maritime surveillance, air defense, and logistical infrastructure is well recognized. Moreover, Japan spends more than half its defense budget on manpower, thereby squeezing procurement of equipment (17 percent of defense budget in 1976).

Yet, changes in the force structure would free funds and allow the Japanese to develop a stronger *defensive* capability. As is obvious, the Japanese generally think there is little they can do in the face of a serious external threat. The SDF is a tripwire, pending intervention by the United States. A phased reduction of the thirteen ground combat divisions (91,000–117,000 personnel) would still provide sufficient army forces to protect the northern boundaries (where four divisions are deployed) and assist with the internal disorder if a Korean conflict exploded. After all, the national police are the principal force to cope with internal disorder.

This argument assumes that prosperity, a more pragmatic China, and a lower American profile continue to enhance the legitimacy of Japan's postwar government policy and to defuse the threat of violent internal disorder. Moreover, there are grounds for arguing that military forces should not be committed to civil disorders unless the police have totally failed. If policymakers are uneasy over such a reduction, the reserve force structure could be expanded by special incentives using those who leave active duty as the cadre for such expansion. Nevertheless, a reduction of ground forces would reduce some hardware needs and curtail recruiting shortfalls. The fiscal savings could then be applied to the qualitative improvements cited.

Raw materials vital to Japan's processing economy can be interdicted near their source or at sea. The introduction of antisubmarine vessels with helicopters would vastly improve Japanese effectiveness against the principal threat. Air power is crucial to resist any conventional invasion and to provide air defense and reconnaisance. Moreover, since Japan has only twenty-two major military airfields and severe space restrictions, the deployment of V/STOL aircraft may be desirable. Further, such aircraft, with their more limited range and payload features, are less threatening to distant Asian states and could also be used by the Maritime Self-Defense Forces (MSDF). Such assets combined with modernized surface-to-air missiles and radar facilities would substantially improve Japan's air defense.

Obviously, the volume of Japan's imports poses a convoy escort problem in the event of war. The curtailment of export-oriented production would greatly lessen imports and defense requirements but would require economic assistance to displaced workers. Japan's $29 billion in foreign exchange reserves might be drawn upon for a short war. Of course some imports would still be necessary to maintain domestic consumption, but these might be grouped and escorted.

The principal problem would be petroleum, and a stockpile is necessary beyond current increased stocks. This area of economic security is where Japan's most serious problems now exist, as in the 1930's, and has received insufficient attention by outside observers.

Another effective, but less provocative, measure would be to enhance Japan's mine-laying and sonobuoy capabilities. The closing of the three straits from the Sea of Japan should be an objective of the MSDF.

The Maritime Self-Defense Forces especially need modernization in antisubmarine warfare to help protect shipping, the essential arteries of the Japanese economy. Further, it would be desirable to improve underway (at sea) replenishment ships, acoustic detection, and the use of hydrofoils in the Sea of Japan. These surveillance and denial capabilities in Japan's immediate locale are not threatening and would allow the United States to focus more on the sea lines of communication where Japan cannot make a direct contribution.

It is important to recognize that mere self-defense is not "remilitarization." This admittedly subjective distinction has become blurred, but it remains the analytical key to understanding the SDF.

Reliance on the United States has been the conceptual basis of Japanese defense policy since 1952. But the incubator of patron-client relations has ended. In 1976 the Japan-U.S. Security Consultative Committee was expanded to include more frequent contact through the Subcommittee on Defense Cooperation. There is no need for elaborate bureaucratic structures like NATO, but more frequent and frank discussions are desirable, given cultural differences in communications, bureaucratic structures, and views of security issues. In particular, upgrading of command, control, and analytical functions would be useful. Only if both countries frequently and systematically meet on security issues will the alliance mechanism correct possible misperceptions.

I have advocated that Japan revise its force structure to make better provisions for defense without embarking on a military build-up that would arouse apprehensions. General MacArthur called Japan the "Switzerland of the Far East." Such a role is consistent with Japanese, American, and Chinese policies. Likewise, Americans must recognize Japan as less of a protégé and more of an important independent element in regional security. If the Japanese SDF is to remain nonthreatening, the United States must demonstrate the capability to support its defense commitments to Japan.

Modest armaments for legitimate defense needs are not threatening. Except in "hot war," access to sea lanes is an economic and political condition requiring "diversified diplomacy." Japan thus continues to demonstrate a form of unilateral arms control unprecedented in world history. Since 1945 constitutional prohibitions and psychic necessity have combined to contribute a relatively unappreciated form of arms control. Deviation from this policy of restraint would be destabilizing and would jeopardize both Japanese and American interests. The absence of a major offensive force by Japan is a restraint upon the military programs of other states. In my opinion the lines of a famous poem by Robert Frost sum up the value of the Japanese example:

> Two roads diverged in a wood, and I—
> I took the one less traveled by,
> And that has made all the difference.

MAJOR POWER INFLUENCES IN THE PACIFIC COMMUNITY: SELF-IMAGE AND REALITY

By F. T. Underhill, Jr.*

Each of the major powers plays a different role in the Pacific community. The influence they exercise therefore affects different aspects of the life of the community, and in many areas the influence is not competitive.

A distinction should be made between the influence exercised by the governments of the major powers, and that which comes from their societies as a whole. In general terms, the influence of governments is declining, and the influence of the broader cultures is rising.

The nations of Asia, as their economies develop and their political systems become more stable, are progressively more resistant to any direct great power intervention. Intra-regional grouping is one aspect of a common effort to isolate their area from great power rivalry.

At the same time there is general agreement in the region that great power interest, cooperation, and involvement is essential for economic development, and that in the current international situation, the major powers have a continuing security role.

What are the roles of the major powers, the United States, Japan, China, and the Soviet Union, in the Pacific community, and what is the influence which comes from these roles?

The United States

At the end of World War II the United States was forced into the role of patron and protector by the conditions we found in Asia; economic backwardness, poverty, disease, politically unstable governments challenged by insurgencies and run by small elites of inexperienced, untrained men. After the Communist take-over in China we were determined to stem the spread of Communism into Southeast Asia, and we were worried that the disparate peoples of the area would find in Marxism a seductively attractive shortcut to economic development and national identity. We counselled, exhorted, planned, funded, and trained. We sought to bind the new nations to us in security arrangements with promises of protection and offers of military hardware. We preached to them about the immorality of neutralism. In Korea and Indochina we made major national sacrifices in their behalf. During these early years our influence was considerable. In many countries our ambassadors were virtual pro-consuls consulted

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in all major policy decisions and participating actively in the political life of the country. The directors of our economic assistance missions exercised comparable influence over economic policy, and the chiefs of our military assistance missions were equally influential in the armed forces.

We face a drastically changed situation today. Most of the nations of Asia are governed by tough, pragmatic, authoritarian regimes served by cadres of well trained, highly competent officials. American economic and military assistance programs, where they still exist, provide no significant leverage, and a military presence, while it may be justified on other grounds, is a net consumer, not a producer, of influence. The wishes of the United States are of course taken into account, but in both domestic and foreign policy the nations of Southeast Asia follow an independent course. Economic policy is now formed by their own professional personnel with academic credentials and technical skills equal to anyone we could provide. Asia has become an area of phenomenal economic growth, and many of the countries formerly dependent on us now have trade surpluses with the United States.

Direct American influence has unquestionably declined, but this has been the result of the successes of our policy, not its failures. We played an important role in the development of their economies. Their technicians and professional men and women have been trained to a major degree in our schools. Their independence and self-reliance was what we sought to achieve.

At the same time, the influence of the United States in a broader cultural sense is steadily increasing and is so pervasive that we take it for granted. We are the primary source of the economic, technological, scientific, and cultural forces in the modernization process that is transforming Asian societies. The non-Communist countries of Asia have adopted to a substantial degree our mixed public-private approach to national development. Asian business and industry are directed more and more by people trained in American management methods. The universal use of English as the language of science, business, diplomacy, and the arts links Asia to our communications system. Perhaps most important of all, as their economies develop and prosper they become ever more closely tied to the advanced Western economic system dominated primarily by the United States. To sustain their economic growth, to provide work for the flood of young people coming on the job market each year, they must have access to our markets, our capital, and our technology. The influence created by these ties, however, cannot be manipulated. Our government cannot translate it into votes in the United Nations nor into endorsement for any specific foreign policy decision. At the same time it creates a broad foundation of common interests and shared values on which the structure of cooperation can be based.

JAPAN

For 8 years, from 1937 to 1945, Japan was the dominant influence in the Pacific community, and the memories of this period persist. The Koreans remember four decades of Japanese colonial domination when they were forbidden to use the Korean language and forced to take Japanese names. The generation now ruling the nations of South-

east Asia recall the harshness of the Japanese conquest and occupation. When Americans urge the Japanese to assume a more active political and security role in the Pacific, they tend to forget how sharp these memories still are in the minds of other Asians.

Japan was obliged to move slowly and discreetly in the postwar period. It took a decade and a half before reparations agreements were all worked out and full diplomatic relations established with the nations of Southeast Asia. But during the tremendous expansion of the Japanese economy in the 1960's, the nations of Asia were drawn inexorably into the orbit of this economic miracle. Japan today is the principal trading partner of virtually all the nations of Asia. It is the main market for their raw materials, and the main source of finished manufactured goods. Platoons of diligent, clannish Japanese business men run the factories and trading companies that make up the steadily rising levels of Japanese investment. These businessmen seek to impose no standard of business ethics, but instead adapt completely to the prevailing local customs. The riots and demonstrations which accompanied the visit of the Japanese Prime Minister to Southeast Asia in 1974 reflect in part the resentment of the local people over the effectiveness of Japanese exploitation of the prevailing levels of public morality in their countries. At bilateral and multilateral international meetings, the leaders of Southeast Asian countries are harshly outspoken in their criticisms of the Japanese. That they should feel free to speak in these terms, and that the Japanese should accept meekly their castigations show that the debts of the war years are still being paid off. Nonetheless, the steadily growing economic ties are strengthening the links between Japan and the nations of Asia. The political and military dimension of this influence will continue to be minimal, but the economic weight is already profound.

China

If the influence of Japan is primarily economic, the influence of China is predominantly cultural. China is regarded with suspicion in much of non-Communist Southeast Asia. Indonesia and Singapore still have not established diplomatic relations with the People's Republic. The Chinese doctrine that state-to-state and party-to-party relations can be kept separate, and that Chinese Communist Party support of terrorist Communist movements in Southeast Asia should not affect friendly relations is strongly rejected by China's neighbors. Trade is still negligible, and gives China no leverage in this field. At the same time centuries of contact with the cultural richness of China, and the linguistic and ethnic ties of the large groups of overseas Chinese in all of the countries of Southeast Asia, have created a profound cultural influence. It is reflected in the bloodlines of the intellectual, commercial and professional elites, and in the entrepreneurial energy and bustling atmosphere of the cities. It is an influence which China cannot manipulate, but it has a persistent gravitational attraction.

Soviet Union

Of all the major power Soviet. influence is the smallest and most narrowly based. In the post-war years the U.S.S.R. sought to establish itself as the patron of national liberation movements. It tried to

take advantage of the Marxist orientation of many of the leaders of the anti-colonial movements. During the Sukarno period it made a major investment of economic and military assistance in Indonesia. Hundreds of Indonesian young people were given scholarships for study in Soviet universities. These efforts have generally ended in failure, and the students returned home firmly opposed to the Soviet system, not only because of its drab oppressiveness, but also above all because of its backwardness and inefficiency. Russian communism is no longer considered an acceptable alternative way to economic development. Marxism has lost its intellectual respectability, and the fellow traveler is virtually extinct. There are of course still revolutionaries, but they no longer look to Moscow for inspiration and leadership. Soviet economic leverage is minimal. The ASEAN states (Indonesia, Malaysia, Thailand, Singapore, and the Philippines) get less than 1 percent of their imports from the Soviet Union, and send the U.S.S.R. about 2 percent of their exports.

The Soviet Union, nonetheless, continues to follow the traditional pattern of great power behavior in Southeast Asia. It still offers on a modest scale development projects and scholarships. It sends cultural and sports delegations and offers naval visits. It keeps a wary eye on the Chinese and warns of Chinese intentions in much the same terms as we used in the 1950's. The Southeast Asians, for their part, continue to hold the Soviets at arms length. They observe the movement of Soviet naval units through their waters. They have a healthy respect for Soviet nuclear and conventional military power. They are worried that the bitter rivalry between the Communist super-powers will bring armed conflict to their borders. Soviet military power, the only significant element of Soviet influence, has, however, little relevance and application to the broad, day-to-day decisions facing the governments of the area.

We are left with the broader question of whether the nations of Asia see themselves in a Pacific community which includes the major powers, and whether the ties of such a community are more important than the dividing lines and issues which cut across this concept.

We have noted how wartime memories affect the relations of Asia with Japan. There are also memories of white, western colonial domination which have left a residue of mistrust. Japan and China are regarded as unquestionably Asian, but we and the Soviets confront a racial barrier. The ASEAN states subscribe to a "zone of peace, freedom and neutrality" which seeks to isolate their area from great power rivalry. Malaysia, Singapore, and Indonesia are members of the non-aligned movement, and would be sensitive to any association which might imply political or ideological alignment. All of the countries of the area are acutely aware of the tremendous disparities in power and wealth between them and the super powers, and see in any close association the potential for undesirable levels of influence and control. Their freedom, they believe, can be as much threatened by the embrace of a powerful friend as by the machinations of a potential enemy. There are also a range of issues which separate them from one or more of the major powers. The United States and Japan stand on

the opposite side in the North-South confrontation. The United States and the U.S.S.R. oppose them on law of the sea issues. The Communist ideology of the U.S.S.R. and China would make the non-Communist nations of Asia very reluctant to enter any close relationship, yet they would be equally opposed to joining any organization which excluded the U.S.S.R. and China.

The economic, social and cultural forces at work in the world today are drawing the nations of Asia into progressively closer association with each other and with us. Short of a major world cataclysm, this process is irreversible. As in every association, there will be elements of difference and conflict, and the pull of these forces will sporadically be resisted. We will find ourselves therefore, on the outside at times, and can then contribute to the growth of the relationship by accepting the role of the responsible antagonist. A Pacific community will develop inevitably. It is perhaps better that we do not label it, formalize it, or try to give it organizational structure.

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TENSION MANAGEMENT IN THE ASIA-PACIFIC REGION

By Soedjatmoko*

The North Pacific constitutes a fulcrum in the power relationship of the whole Asia-Pacific region. Without much strain on the imagination, it is possible to envisage some of the points at which reactions to perceived threats on the part of any of these countries would change in a fundamental way the prevailing power configuration.

For China such a point would be reached when the People's Republic decides that improving relations with the Soviet Union would reduce the internal political cost of an "unresolved" Taiwan issue and the longer term cost of finding unavailable United States technology, credit, and skills. For Japan the point would be reached when growing anxiety and frustration had weakened the Liberal Democratic party to such a degree that it would lose its capacity to keep Japan's extreme right wing under control. Among other things, this might open the door to a power shift in Japan's defense and foreign policy posture. The point would be reached for South Korea and Taiwan when they decide that nuclear weapons are the only reliable guarantee for their security.

Each of these countries is still some distance away from these points. Still, their relevance is visible on the horizon of possibilities, and we should be aware of the limits beyond which continued drift would irreversibly change the balance of power in the entire Pacific region, including Southeast Asia and the Southern Pacific.

At the same time, it is also clear that the nonhegemony clauses included in both the United States-China and Japan-China communiques reflect a fundamental reality in the Asia-Pacific region. Any attempt to stem the drift, to search for a mutually acceptable basis for multiple coexistence and for a consensus on the limits to which disputes can be pressed without triggering threats of violence, will have to take place collectively, not under the aegis of any of the major military powers of the region. This will require continued multilateral consultations and information-exchanges at a much higher level of intensity than has been the case so far.

Communicating to others one's own perception of existing or new problems takes on increasing importance as uncertainty grows. But where should communication take place? And who would participate? Could it be a North Pacific regional forum, with representatives from Japan, the Soviet Union, China, North and South Korea, the United States, and Canada? It would seem that no country in the North Pacific region or anywhere else in the Asia-Pacific area has the strength or the stomach deliberately to upset the existing balance of forces. Not one wants to be caught in a revolutionary chain of events leading

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to such an upset. There is need for a collective capacity in the North Pacific area capable of managing change without recourse to violence.

The establishment of some kind of a North Pacific forum may not now be within reach. But if it is to become possible, it should be brought about as the result of an initiative by Japan. After its first independent foray into the realm of international politics with the announcement of the "Fukuda Doctrine" toward Southeast Asia, Japan may not want to take a second major initiative too soon. Still, no country can afford the consequences of continuing drift, least of all Japan. And Japan would realize, of course, that there would be other elements in the process of identifying and seeking to manage tensions. In addition, China's newly increased interest in foreign trade and the importation of technology may also reopen the question whether Japan would want to work toward a closer economic relationship with China or with the Soviet Union; with significant consequences for the whole region.

Finally, there is Japan's interest and involvement in the North-South confrontation. It is clear there is little prospect for stability in the Southeast Asia region unless the problem of continued rural stagnation and poverty is dealt with more adequately and unless economic development can be redirected to provide employment for a rapidly increasing labor force. Japan, I think, sees with unique clarity that the destabilizing effects of internal threats in Southeast Asia could once again, possibly inadvertently, pull in the major powers, thus compounding the North-South tensions with those between East and West.

A North Pacific forum, together with other already existing institutions and networks, might eventually become an important building block of a structure for peace and equitable development in the Asia-Pacific region.

SOME POLITICAL QUESTIONS ABOUT THE PACIFIC COMMUNITY: ASEAN, CHINA, U.S.S.R.

By Donald S. Zagoria*

Much of the discussion about a new Pacific Community takes place in a political and strategic vacuum. To be sure, there are good reasons to avoid some of the most delicate political questions at such an early juncture in the discussion. On the other hand, two of these issues are of such critical importance that it is necessary at least to take them into account even in any preliminary discussions. The first such issue is the role of ASEAN in a Pacific Community; the second is the role of the communist states—China, Russia, North Korea, and the new Indochina grouping of Vietnam, Laos, and Cambodia. In these brief remarks, I should merely like to identify these issues and their implications.

The Role of ASEAN

It is not an accident that the intellectual genesis of the Pacific Community idea has come more from the United States, Japan and Australia than from ASEAN. Whatever the reasons for this, it has not gone unnoted in the ASEAN countries. A recent trip through the region has convinced me that there exists a considerable amount of skepticism and puzzlement about the motivations of the more developed countries in calling for a new Pacific economic organization at this time. Some southeast Asians believe that such an organization has been designed by the more advanced countries in order to exploit their stronger economic positions. Others fear that, whatever the intention of the more developed countries, the result of any larger Pacific association will be to dilute and to diminish the importance of ASEAN. Still others with a more political bent do not want ASEAN to join any organization that tarnishes or dilutes ASEAN's new and growing importance as a factor in the non-aligned movement.

To be sure, ASEAN does not speak with one voice on this matter. There are differences both within and between individual countries. Within individual ASEAN countries, support for the Pacific community idea often comes from a Westernized group of technocrats, many of whom are professional economists or planners educated in the West and many of whom play key roles in the economic agencies of their governments. These ASEAN technocrats play a critical but not necessarily decisive role. Some of the more xenophobic and

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nationalistic elements in these countries, both within and outside the government bureaucracies, fear that the idea for such a community is an effort on the part of the former colonial powers to regain their ascendancy in the region. To many southeast Asians, the history of Japanese invasion and colonialism is still fresh enough in mind to make them regard with suspicion any overture from Tokyo. And there is deep ambivalence about the United States.

Differences between ASEAN countries are also important. Indonesia and Malaysia still cherish the hope of reconciliation with Vietnam and are therefore wary of joining any association that looks like a Western attempt to revive a Cold War bloc. Singapore and Thailand, on the other hand, have fewer inhibitions on this count but neither of these two countries has sufficient weight within ASEAN to carry the entire five.

This is not to minimize the fact that many Southeast Asians are actively enthusiastic about the Pacific Community concept. Indeed, several influential thinkers in the region are convinced that such a larger community is essential to ASEAN's future economic development. Nevertheless, the concept of a Pacific Community is still new and puzzling to many officials in the region.

Several implications would seem to flow from these considerations. First, it is unlikely that ASEAN is likely to join any *formal* new Pacific organization at this time, particularly an organization whose paternity can be so heavily traced to Japan and the United States. Since a Pacific community makes little sense without ASEAN, it would be realistic not to think of a new Pacific community as some Asian equivalent of the OECD. Indeed, it might be best for the time being not to think of it in formal organizational terms at all. Rather, if each Asian-Pacific country interested in the idea was to form its own Pacific Council—one composed both of government and private sector representatives—these national councils could then meet periodically and informally in an attempt to define the Pacific agenda. After a few years of such informal discussions in which ASEAN representatives would participate. there might be a more realistic basis for proceeding further. At the very least, many of the existing suspicions within ASEAN might either be confirmed or allayed.

Second, it would be wise for those Japanese and American leaders and officials now at the forefront of the Pacific Community discussion to seek more effective ways to bring ASEAN leaders and representatives into this dialogue. If a Pacific Community is to be brought into existence, at least some of the initiative for it will have to come from ASEAN leaders.

Third, it will be necessary to demonstrate to the ASEAN countries that the benefits to be derived from a larger Pacific association are mutual benefits. There will have to be serious discussions, therefore, about such problems as trade protectionism, access to markets, and investment, all of which loom very large in the minds of the ASEAN countries.

Over the longer run, there is every reason to be optimistic about the future of a larger Pacific economic association. The five ASEAN countries, Japan, the United States, New Zealand, Australia, Hong Kong, South Korea, and Canada—the countries that are among those most often mentioned as participants in such an association—all

have much in common. They are free market countries with a strong interest in a liberal Pacific economy that permits them all free access to each other's markets. They have a variety of common security concerns. And they all have a strong common interest in prosperity and stability in the Pacific region. It would be surprising if these common interests did not in time lead to a Pacific organization comparable to the OECD. But the process will take time and can only be endangered by a premature rush to organizational forms that are not yet generally seen as necessary.

The Role of the Communist States

Of the various proposals to develop a Pacific Community, some, like the OPTAD proposal, confine such a community, at least at the outset, to the free market communities of the Pacific. In other quarters, there is a strong interest in adding China, both for political reasons and because the Chinese have now adopted a sweeping new program for economic modernization that involves considerable interaction with Japanese and American investors, banks, and suppliers of technology. There is another strong case for adding China. As China's economy develops, its impact on the Pacific region will grow considerably. Already in the year or so since the signing of a long range trade agreement with Japan, Chinese trade with Japan has grown significantly. There is also likely to be increasing interaction between the thousands of overseas Chinese bankers and businessmen in Southeast Asia and the mainland as China seeks to develop export markets and sources of credit in the region. Already many of the ASEAN countries, as well as South Korea and Taiwan, are concerned about the future prospects of economic competition from China. One important function that a Pacific economic association could play would be to provide a forum for exchange of information between China and other Asian countries on the likely future impact in the region of China's ambitious modernization plans. The more that the PRC and other Asian countries exchange information on this vital subject, the greater the prospects will be for avoiding misunderstanding.

Few of the proposals for a Pacific Community have even mentioned the Soviet Union. Yet two-thirds of Soviet territory lies within the Asian-Pacific region and, as a result of the development of Siberia and the building of a new trans-Siberian railroad, the weight of the Soviet Union in the Pacific economy is bound to grow. Over the longer run, Siberian gas, oil, and timber is likely to be an important factor in the region's energy balance.

Quite apart from the economic merits of the case, however, the Soviet Union is bound to perceive a Pacific Community that includes China but excludes the U.S.S.R. as part of a U.S. plot to develop an anti-Soviet alliance in Asia. It will then seek to disrupt such a community and the result could be an increase in regional tension. Nor is there any reason why a Pacific community should be exclusive. Over the longer run, a Pacific economic association will have to take into account the interests of all the powers in the region or it will be viewed with suspicion by those excluded from it.

North Korea and the Indochina countries are important not so much for their economic interaction with the free market countries

of the Pacific as they are for their strategic roles. There can be no stable peace on the Korean peninsula until North and South Korea come to terms. Similarly, there can be no stable peace in Southeast Asia until Vietnam comes to terms with ASEAN. The question arises, then, whether it is possible to imagine a Pacific economic association that can help alleviate political tensions in Korea and Indochina, as well as East-West and East-East tensions more generally. Some proposals have, for example, been advanced to develop regional offshore oil resources in a cooperative fashion so that the entire region might benefit.

At the moment, the prospects for such economic cooperation between East and West in the Pacific are not promising. On the contrary political tensions are growing. There has been little movement in the North-South Korean dialogue over the years and tensions between Vietnam and ASEAN have been rising as a result of the Vietnamese invasion of Cambodia in 1979. More recently, the growth of Soviet naval power and the Soviet invasion of Afghanistan in early 1980 seemed likely to harden East-West lines in the Pacific, to make even more difficult any Sino-Soviet accommodation, and, in general, to raise tensions in Asia as well as everywhere else.

It is possible that a Pacific economic association can be inaugurated even under such inauspicious circumstances. But these political issues will at some point have to be confronted. And, over the longer run, a Pacific community will have to take into account the interests of all the powers in the region. Otherwise it will be viewed with suspicion by those excluded from it and this will contribute not to community but to regional instability.

III. CULTURAL FACTORS

IDEOLOGY AND COMMUNITY

By Hongkoo Lee*

There seems to be an ideological vacuum in A sia today. The i deo logical stars which shone in the days of the cold war began to pale as the end of the Vietnam war opened a new chap ter in Asian development. Marxism offered, perhaps, the strongest attraction to Asian ideologues and revolutionaries for a long time; it accommodated two basic goals, anti-colonialism and anti-feudalism. Withdrawal of American forces from Vietnam brought a new era in w hi ch traditional anti-colonialism had lost relevance. If there are today empires po tentially capable of posing colonial threats in Asia, they are the two Marxist empires, the Soviet Union and China. The essential aim of anti-feudalism is to bring modernization: the Marxist model for rapid economic development has been conclusively shown to be ineffective, and far inferior to the open market model. Few Asian socialists, if any, express approval or admiration for China's, the Soviet Union's or North Korea's modernization efforts in general, and economic modernization in particular. Complex explanations aside, the popular verdict reached by the Asians in the late 1970's seems to be clear: Marxism is not the best way to bring rapid economic growth. Irrelevant on the issue of colonialism and ineffective on the issue of anti-feudalism, Marxism has lost most of its ideological attraction in the Asian context.

The sharp decline of Marxism's attraction, however, has not raised the popularity of western liberalism, particularly the blend of liberalism the United States has propagated with diligence and determination. Many Asians feel that western liberalism failed to pinpoint and to solve the concrete problems Asian societies face in the process of modernization. Furthermore, western liberalism or, to be more precise, western societies, seem to be losing the moral conviction necessary for effective propagation of any universal ideology. The spectacle of Vietnam forced many Asians to conclude that western liberalism—again American liberalism in particular—is primarily based on pragmatism and not on moral idealism. In the eyes of Asians, the successes of the western market economy and the operation of the international economic order have been achieved, not because of, but despite, the ideological fate of western liberalism.

The influences of Marxism and liberalism as dominant ideologies in many Asian societies have declined partly because of the decline

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of superpower dominance in regional and global affairs in the 1970's. The limitations—rather than the might—of the United States and the Soviet Union in the political, military and economic spheres have become increasingly apparent in recent years. The ideologies they championed through the cold war years have lost persuasiveness. To exaggerate the point, the power vacuum created by the retreat of the superpowers has brought an ideological vacuum in Asia. No tears are shed for the end of superpower dominance, but there is worry about the resulting ideological vacuum. And discussion on the future of Asia must begin with some examination of various options for filling this vacuum.

The decline of superpower dominance has brought a decline in dependence on the superpowers, but this is not to say that there has developed a structure and an ideology to sustain regional independence. The international politics of Asia in the late 1970's could be characterized by the prevalence of uncertainties stemming from "the diffusion and uneven development of power within the region." The instant, and customary prescription for any disarrangement of power in international relations is to rearrange a new balance of power. That prescription has limited value in the Asian context: it fails to take into consideration fundamental changes in the *quality* of power. Mere balances of power do not constitute a lasting solution to instability in Asia. A sense of community is a requirement for such a stability.

It is often suggested that the bipolar power balance in Asia should be replaced by a quadripartite balance among China, Japan, the Soviet Union and the United States. Such a suggestion, despite its initial plausibility, is unpersuasive from an Asian perspective. To begin with, the quality and distribution of political, military and economic power among the four powers is asymmetrical. Consequently, whatever quadripartite balance we may see within a near future has to be achieved by artificial combinations of powers among the four. While such combinations are not impossible, the balances so achieved are highly unstable, always containing the possibility of shifting rearrangements. The uncertainties in the Sino-Soviet conflict alone make questionable any scheme for quadripartite balance. Artificial combinations put too much strain on diplomacy—a dying art in our time. Furthermore, without a commitment, even successful diplomacy can bring only temporary relief and not permanent solutions to the kinds of problems Asia faces today. In any case, few Asians—leaders or general public—plan their future with much confidence in a quadripartite balance which can sustain peace and stability.

A China-Japan entente is sometimes seen as a method to correct the diffusion of power in Asia. However, an entente between China and Japan at this stage would be no more than a temporary arrangement for mutual convenience. There simply does not exist any real long-term commonality between the two countries, be it in tradition, social values or political constitution. Even if a semblance of entente could be achieved for temporary convenience, the desirability of such arrangement in terms of balance of power, let alone a new Asian regional community, should be seriously questioned. By 1978, China and Japan jointly produced about 85 percent of the aggregate of Asia's GNP. Under the circumstances, a China-Japan entente would

mean to replace dominance by the global superpowers with dominance by a regional superpower: such a prospect is not particularly enticing to the vast majority of Asians. The fact that neither China nor Japan has exhibited much interest in development of genuine regionalism adds to the discomfort of Asians at the mere thought of entente between the two regional superpowers.

Current discussion of alternative modes of power rearrangement in Asia has not attached sufficient importance to the positive consequences of diffusion of power, particularly to some middle powers, thus creating multiple centers of power. The predominance of Chinese politico-military influence and of Japanese economic power is a genuine possibility. The effective role of the United States—and to a lesser extent that of the Soviet Union—seems to be as an "outside balancer." In these terms, quadripartite balance has a certain functional meaning. Only with effective "internal balancers" can the "outside balancers" make the quadripartite balance productive, and acceptable to Asians. Without active participation of "internal balancers," the quadripartite balance becomes something other than Asian and, as such, could not be a cornerstone for a lasting peace in Asia.

It is more urgent to worry about increasing the strength of "internal balancers" like South Korea and the ASEAN countries, than to worry about China's *internal* political and economic weakness or Japan's *external* political and economic weakness. The weaknesses of China and Japan are, perhaps, blessings which provide opportunity for the "internal balancers" to strengthen their capabilities both individually and collectively. The United States as an "external balancer" should search for relations with the "internal balancers" in Asia and thus help to develop a new structure of peace for the Pacific Region.

"Internal balancers" occupy the central place in development of a new regional community. However, are Asian countries capable of playing the role of the "internal balancers" ? Capability refers to existence of that effective leadership needed to resolve internal problems and to meet external challenges. Ideology is tied to system-capability. Any new ideology must have its roots in national development. Balance of power within a regional Asian community depends basically on the health of those national societies which can play the role of effective "internal balancers."

Decline of ideology is a trend in most of the Asian countries. There are two obvious reasons. First, as noted earlier, the end of the colonial era and the absence of any clear and present external threats diminish the power of nationalism. In most Asian countries, nationalism incites ideological fervor. Second, a semblance of political stability exists in a majority of Asian nations; those in power tend to favor the status quo, and consider ideologies, irrespective of their color or substance, potentially threatening change or revolution. Consequently, Asia's present-day regimes and power elites welcome the decline of ideology and try to crush attempts to revive an interest in ideology.

It is true that politics infused with ideology tends to bring political instability. On the other hand, the line is thin between political stability and political stagnation. Political stability which enables rapid economic growth can turn into political stagnation which erodes capacity to resolve crises. Political stability should not be blamed for

crises. However, political stability which erases ideology from social and political process can lose the vitality necessary for development, and can become mere stagnation.

But, then, what are the crises which might reveal vulnerability to political stagnation in Asian countries today? We can cite three kinds which face many Asian societies. The first is the crisis of modernization. With increase in wealth and benefits, comes soaring rates of crime and accident. These unpleasant by-products of modernization arise from a political stagnation in which moral bankruptcy or self-serving moral dogmatism festers, and cripples the ability of societies to prevent or curb these malaises. Ideology and moral conviction have affinities; suppression of ideology weakens capacity to deal with crisis.

The second of our three crises is the crisis of westernization. There is an inherent dilemma in westernization; an identity crisis is unavoidable. The crucial question is whether or not a nation can perceive the nature of identity crisis and resolve it. There is always danger that to give minimum importance to ideological development means to have minimal capacity to cope with westernization.

The third and the most serious crisis many Asian nations face today is the crisis of justice. Justice has both objective and subjective dimensions, and the sense of injustice and inequity in their subjective dimensions is as important as the objective state of affairs in creating a crisis of justice. Political stagnation coupled with an ideological vacuum may subdue crisis, but it can render a system incapable to deal with the problem of justice in such a way as to prevent a crisis from deepening to a point of no return.

In essence a discrepancy between economic growth and political vitality can produce a legitimacy crisis. Granted that economic growth brings benefits, it also piles up side-effects and problems. Only a corresponding growth in political ability to solve those new problems can forestall crisis. But from whence comes the political ability to handle crisis? It has to come from an expansion of political power which can be utilized for crisis prevention and resolution. But from whence comes the extra political power so needed? From mobilization of power resources. But, then, what is the most important power resource, and how can that resource be mobilized? The most important power resource in modern societies is the mass of people, and it can be mobilized through mass participation. We should conclude that the key to that political development in many Asian nations which will ensure continued economic growth lies in an orderly promotion of mass participation in the political process. Having reached that conclusion, we must be struck by the glaring lack of adequate mechanism or infra-structure to facilitate mass participation in political process in most Asian nations. In contemplating remedy for this deficiency, we must recognize, once again, the importance of ideology for balanced development in Asian nations.

As noted before, ideology links elites and the masses in the vertical dimension of political process. Given the opportunity, the mass will surely participate in one way or another. To be mobilized the mass must be provided with an acceptable set of norms to guide political action, and political elites must consciously put together sets of political norms for the masses. Such norms constitute ideologies,

and they are creations of political elites. In that sense, all ideologies are artificial, but how does one prevent an ideology from becoming arbitrary and dogmatic? This can be done by developing an infrastructure for creative relations among political elites in the horizontal dimension of political process. After all, the ruling elites are only a part of political elites in all nations, in and out of power, and there must be ways to maintain creative tensions among the elites which will ensure the legitimacy and effectiveness of an operating ideology.

Considered in this light, to fill the ideological vacuum—or at least to reverse the decline of ideology in Asian nations—involves restructuring relations between the ruling elites and the general population, and between the ruling elites and the rest of the political elites. Such an effort requires both courage and vision on the part of political elites and particularly the ruling elites, and this might be simply too much to expect in contemporary Asia. Nevertheless, success in community building within nations is a prerequisite for moving in new directions towards development of a regional community for Asia.

"Welfare" and "community" are the two central concepts around which a new ideology for Asia can develop. The ultimate purpose of the new politics is to enhance and guarantee the well-being of all the citizens in the nations of the region, and the term "welfare" has to be understood in the broadest possible sense. There seems to be almost a conspiracy to restrict the meaning of welfare to the narrow confines of getting material benefits. As long as welfare is understood in such a restricted sense, there is no guarantee that greater benefits in material welfare can ensure a corresponding sense of well-being among the population. There are cases where improved material benefits have brought a subjective sense of deprivation. The new ideology of welfare must give due attention to the wider problem of human dignity. Most of all, in the new ideology there will be inherent in the concept of welfare emphasis on popular participation which is the essence of community building.

Welfare includes two dimensions: one is the dimension of benefit, and the other the dimension of participation. Political stagnation often stems not from the lack of benefits to the general population but from the absence of political participation. Participation in the political process is an integral part of personal welfare as it is understood by the citizens of modernizing societies. Only through exploration and activation of a citizen's potential ability for political participation can moderizing nations produce the power needed to resolve problems emanating from modernization and industrialization. The ideology of welfare is in fact an ideology for political mobilization to make political systems more powerful both qualitatively and quantitatively than before in manageing the developmental processes.

An ideology of welfare in which popular participation is inherent should be the norm for community building. But should the boundary of such community be national or regional? Should the new ideology be nationalist or internationalist? Traditionally, nationalism and internationalism are considered mutually opposing ideological streams. However, we are in an historical stage in which an ideology which encompasses and synthesizes both is required. "Europeanism" in the post-war era is the foremost indication of this tendency. In any case, our ideology of welfare unifies or synthesizes national goals and

regional goals. A nation's goal is to promote the welfare of citizens of the nation; that is also the goal of regional community. Thus the ideology of welfare should expand communal boundaries from nation to region with recognition of mass involvement. For a long time, it was considered that citizens best fulfill their potentials as human beings within self-sufficient nation-states. As we enter the 1980's, we see that a regional community, not self-sufficient nation-states, offers better possibility to achieve that fulfillment.

Movement towards a regional community of welfare could bring drastic, and positive changes in the international relations of Asia. Regional community is a giant step forward from mere balance of power. Balance of power is an *external* relationship among a number of countries. A political community of region, on the other hand, is formed by participation of not only the nations but also the people who comprise those nations. In that sense, regional community welfare is not an outcome of merely *external* relations but a product of *internal* relations. For a balance of power, the operating units are nations; for a regional community of welfare, the building blocks are both nations and individual citizens. Perhaps a balance of power is a necessary condition for the development of regional community. It seems equally true that a lasting peace based on a balance of power requires existence of regional community.

The building of regional community on the basis of an ideology of welfare requires preceding effort of community building within nations. The ideology of welfare is an ideology of reform, and there should be no mistake about it. Our only concern about various schemes for Asian or Pacific community is that while those schemes uniformly espouse the noble idea of creating a regional community, they often ignore the fact that development of a regional community has to be based on the development of national communities committed to political reform.

History contains paradoxes for individuals as well as states. In the last decades of this century, there may be a new, and interesting trend. We may see a slow but clear victory of pragmatists over ideologues in the totalitarian communist states. In the non-communist states of Asia, on the other hand, we may see a new breed of ideologically inclined leadership come forward, effective because of their success in mass mobilization.

PACIFIC COMMUNITY: THE NOTION

By Alan K. Henrikson*

The notion of a Pacific Community seems to be a kind of unidentified flying object, but one way of approaching this concept is to define it geographically. By geographically, I mean not simply objective geography. It is highly important that people in the area consider, believe, think, imagine that they belong to a common community. Until the people of the Pacific area can see themselves as living together in a Pacific area and have an actual image of that area, and I mean a kind of mental map of the Pacific as a whole, the degree to which we can have political, military, or even economic cooperation will be limited.

It is useful to contrast the Pacific and Atlantic. Initially, the Atlantic Ocean was not thought of as a single entity. Braudel's great book on the Mediterranean points out that for the various countries of Europe, the Atlantic meant quite different things. For the Portuguese, the Atlantic was the African Coast. For the Spanish, it was the Spanish Main. For the French, it was the trans-Atlantic Nouvelle France. For the British, it was a number of things, but it was the route to Hudson's Bay, the John Cabot route. And for Americans, it was not until World War II that the Atlantic area began to be thought of and felt spatially as a single unit.

The vocabulary of trans-Atlantic relations changed then. Walter Lippmann's great little book, *U.S. Foreign Policy: Shield of the Republic*, calls the Atlantic "an inland sea." Halford Mackinder was asked to reconsider his notion of the heartland. He had previously defined the United States, like Australia, as kind of satellite around the heartland. He expanded his heartland notion to include most of North America and redefined or reconceived the Atlantic as "a midland ocean." In other words, the emphasis was on the lands containing the Atlantic rather than on the ocean separating the two continents. The Atlantic began to be thought of—and this metaphor is used frequently—as a kind of lake. Having such a concept and having such a related image of the community is essential to having a well-articulated, well-defined political organization, military alliance, trading community, or whatever.

Now contrast, if you will, the Pacific. The Pacific has never been thought of in these terms. The Pacific is generally conceived as the world ocean, that which encompasses all of us; the explorers developed pictures only of certain parts of it. When Balboa, for instance, saw the Pacific, he called it the South Sea because from the prospect of Panama, given the fact that it runs more or less east and west, that is where it

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was. The coastal countries have quite different conceptions of it, and the geography books have until recently made quite a sharp distinction between the Occidental Pacific and the Oriental Pacific. The South Pacific Forum is a notion based to some degree on the old German idea of Oceania, the colonies Germany had until World War I.

There is, despite the patchwork and piecemeal quality of the Pacific idea, a notion developing nowadays of an emerging Pacific Basin community. The increased use of this concrete metaphor of a basin seems to reflect a willingness on the part of politicians all around the Pacific slope to give shape to this idea. It is a kind of index of the increasing crystallization of the concept itself. There seems to be a deficiency, however, in the idea of a Pacific Basin or the countries on the Pacific slope forming a single community. It makes much more sense for the prospective island members of the Pacific community than it does for the continental powers that border on it.

For Japan, the Philippines, even for Australia as well as for the thousands of islands of Oceania, the Pacific is the total milieu but the California slope is not the United States, British Columbia is not the Dominion of Canada, the Maritime Provinces are not the Soviet Union, and China is not the old treaty ports. All of these countries, especially since the late nineteenth century, with the development of railroads and in the twentieth century airplanes, have been able to penetrate far into the interior. Being able to tap the resources of the interior is really what has given the continental powers the edge economically and strategically.

The United States, it is sometimes said, faces the Pacific. Civilization has traditionally marched westward. The center of political gravity in the United States is shifting westward as is the population. Americans are nonetheless profoundly ambivalent as between East and West, Pacific and Atlantic, and a concept that emphasizes the coastal relations—the slope relations of all the countries contiguous to the Pacific body of water—seems highly limited. Even members of many of the organizations in the Pacific today, ASEAN and so on, have very close ties with the EEC, and with some of the Latin American trading organizations. They reach all the way around the world to establish economically and politically relevant relationships. This is even more the case with the various continental powers. Size—that is economic size and population size—may be less important than the geographic disparity between the insular members, those actually contained in this community, prospectively, and those that would only touch upon it but have attraction in other directions.

The currency of the idea of the Pacific Basin, however, suggests that now may be the time to examine the potential of the notion very carefully. There seem to be a number of reasons for this. One of the most important is the current Pacific slope focus of China, and the concomitant change in American policy toward China. We no longer speak of containing China. We have normalized relations and have a much more open attitude toward it. But historically China has had the capability of facing in other directions as well, of looking inward not only upon itself but inward across Eurasia. And this might be a critical juncture, an opportunity to stabilize this Pacific orientation of the Chinese. This will require an American presence and perhaps even American leadership. I know that this is

a matter of some concern. Carlos Romulo has expressed his concern about whether the Western Pacific will be polarized between the Soviet Union and China unless the United States does exercise leadership there. There is a great deal of fear that President Carter's policy of not getting involved in conflicts between Asian communist countries means a kind of hands-off quarantine of a huge area in that region.

Being able to incorporate China into the community first and perhaps even Russia later on may head off polarization of this kind. The United States, however, may not be the appropriate country to take the lead, partly because of its multitude of orientations, as I have suggested, and its continental nature, and also because it is a big power. Japan may have understandable inhibitions about doing it. I suppose there are some who suspect that the notion of a Greater East Asia Co-Prosperity Sphere would come to the surface and that the Japanese would want to be careful to avoid any suggestion of that. It is possible that a country like the Philippines would be an appropriate country to take the lead. It is a member of ASEAN. It has an historic relationship to the United States. Americans still feel a peculiar special link to that country. It is centrally located, having ties with all the organizations and fairly close ties with the PRC at present. The Philippines in conjunction with some of the middle powers such as Canada, or perhaps Mexico and maybe Australia, could perhaps engage in a collective move toward forming a practical organization of some kind.

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AMERICAN ACTIVITIES AND ATTITUDES RELATED TO THE PACIFIC COMMUNITY CONCEPT

By Charles E. Morrison* **

The two most striking facts about American interest in the concept of a Pacific Basin community are, first, that it is relatively new-born and still confined to a relatively small group of individuals, and secondly, that interest, nevertheless, has been growing very rapidly.

When one reads the *Far Eastern Economic Review* or *Asiaweek* or newspapers in the region which carry stories on Congressional hearings or the isolated speeches on the subject, one can get the distorted impression that American interest is not only very keen, but enjoys wide currency in the government, Congress, and business and academic communities. When one is sitting in a Congressional committee hearing on the subject, one has quite a different perspective. There are likely to be only one or two Senators or Congressmen; and the audience is relatively thin. Committee staff had some difficulty in finding witnesses (the same individuals from both the private sector and government tend to be used again and again). The hearings are not covered by major American newspapers, certainly not by television. And wire service stories carried in the *Asahi Evening News* or the *Straits Times* are not seen on the pages of the *Washington Post* or the *New York Times*. A story may appear in *Asiaweek*, but not in the American edition of *Time* or *Newsweek*.

The second fact, however, is also very important. Although American interest in Pacific Basin cooperation tends to be confined to groups and individuals with an institutional or personal interest in the region, the concept of Pacific Basin cooperation has gained considerable current popularity within these groups. A vigorous, if still quite circumscribed, discussion is underway. There appears to be a consensus among those with an Asian/Pacific orientation that some kind of Pacific Basin institution is an idea worth seriously exploring. But exactly what such an institution should look like, whether it should be private or intergovernmental, what its membership and functions should be, and the level of American participation are matters on which there are many differences of opinion. In general, American advocates of enhanced Pacific Basin cooperation have avoided specificity on such topics, in part because they have believed that the initiative should come from countries other than the United

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States and a regional consensus on the feasibility and desirability of any new institution must be developed before proposals are concretized.

Factors Affecting American Attitude Toward Pacific Basin Cooperation

The origins of the present American interest in Pacific Basin cooperation can be traced back to the mid and late 1960's. In those days a number of new East Asian regional organizations were established, including ASEAN, ASPAC, the Asian Development Bank, the Ministerial Conferences for the Economic Development of Southeast Asia, SEAMEO, and a variety of specialized institutions. Asian regionalism was widely discussed among policy-oriented members of the academic community in the United States, and the American government was generally supportive of such East Asian endeavors. However, there was no serious discussion in the United States of regional institutions embracing both East Asian countries and the United States. Pan-Pacific institutions did receive some attention in academic literature in Australia and Japan, and in 1967 then Foreign Minister Takeo Miki proposed an Asian/Pacific organization. The concept Pacific Basin cooperation was kept alive in such fora as the newly established private sector Pacific Basin Economic Council (PBEC) and the Pacific Trade and Development Conferences, and percolated back to the United States, eventually to fall on more fertile ground.

Why was the ground more fertile in the late 1970's? First of all, there had been a steady growth both in American economic links with East Asia and in American awareness of the importance of these links. This reflected the very dynamic economic growth in the region itself. American trade across the Pacific in the 1970's exceeded the traditionally more dominant trans-Atlantic. Moreover, this trade steadily diversified. By 1978, Taiwan had become America's eighth largest trading partner; Korea ranked twelfth and Hong Kong, Australia, and Indonesia ranked seventeenth, eighteenth, and nineteenth, respectively. Moreover, while most of East Asia continued to prosper during the recession of the mid-1970's, Western Europe stagnated. Finally, there has been a steady shift of the distribution of population and economic activity within the United States away from the North Atlantic coast and toward the "Sun Belt," including the states of the Pacific littoral. To some Americans, all these facts suggest America's destiny lies more with the Pacific than with the Atlantic.

A second factor propelling American interest in the possibilities of a Pacific Basin community was dissatisfaction among Americans involved in Asian affairs with the handling of their country's East Asian and Pacific policies in the 1970's. For many of these Americans, the Nixon shocks administered to Japan (especially the 1973 soybean embargo), the erratic nature of the Korean troop withdrawal program, the low level of American representation of the first U.S.-ASEAN dialogue meeting in Manila in 1977, and aspects of the handling of U.S.-Japanese trade frictions in the late 1970's reflected a serious disregard for the interests and sensitivities of America's East Asian friends. In searching for the causes of this insensitivity and for solu-

tions, a Pacific Basin consultative organization seemed to suggest itself. The United States participates in regional organizations providing frequent consultations with European and Latin American countries; the same is not true on a general basis with the countries of the Pacific Basin. According to its advocates, a Pacific Basin organization could identify potential areas of friction and provide an avenue for consultation on policies and issues among high-level decision-makers in the United States and its East Asian and Pacific partners.

Finally, and very importantly, the political climate in the Pacific had shifted in a way suggesting that American participation in a Pacific Basin Community was not just desirable, but politically feasible. In the 1960's, when Sino-American rivalry remained at a high pitch, it was presumed that American participation in any regional organization of East Asian countries, even if strictly limited to economic subjects, would be seen in the context of the Cold War. Whatever the organization, it would be harshly criticized by China, and therefore deepen the sense of confrontation. (After all, even ASEAN was initially regarded by China as an imperialist-inspired organization). But with the rappochement between China and the United States, advocates of a Pacific Basin community generally believe China would not oppose a new organization and might even consider participating in it. This, they believe, would remove obstacles that some non-aligned Asian and Pacific countries might otherwise have in participating in a regional organization including the United States.

There was also a general belief in the United States in the 1960's that many East Asian countries desired a lower American profile in the region. After the mid-1970's, the American perception has been that there has been a general desire for assurance the United States would play an active role in the region, particularly economically. Advocates of American participation in a Pacific Basin community argue, from this perspective, that American participation in such a community would be interpreted as evidence of a constructive American interest and involvement in the region.

These factors which help stimulate interest in a Pacific Basin community are partially counterbalanced by other factors dampening enthusiasm.

First, there is a general skepticism in the United States about the value of both domestic government and international organizations and particularly consultative organizations. In recent years, the domestic pressures to limit government have grown. This has resulted in efforts to fix ceilings on numbers of government employees, eliminate advisory committees, and introduce "sunset laws," phasing out governmental agencies whose functions can no longer be justified. This mood has also been reflected in attitudes towards international organizations. Americans, for example, have been cutting their percentage of contributions to international organizations, refusing to fund such projects as the United Nations University, and insisting upon better evaluation and oversight of activities of international organizations. In this climate, those who advocate any new institution bear a heavy burden of convincing others of its utility. In the specific case of the Pacific Basin, it has been argued that the region has man-

aged spectacularly without any such organization and that the effort would be duplicative of other organizations, such as Escap.[1]

A variety of more specific concerns are expressed from time to time. First, surprisingly in view of U.S. participation in a number of regional institutions, is the argument that Pacific Basin cooperation might undermine global institutions or be incompatible with U.S. global policies. Second, that the Pacific Basin is simply too diverse culturally, economically, and politically to be the basis for any but the loosest form of regional cooperation. Third, that it might disproportionately benefit smaller, developing countries in the region by serving primarily as a channel for them to make economic demands on the United States and other developed nations. Fourth, that U.S. participation would be misinterpreted politically and that there would therefore be political costs to putting much effort in the creation of a Pacific Basin community. The question of who the appropriate members of such a community would be, some argue, is complex enough to kill the proposal.

Activities of Interested Groups in the United States

A brief survey, beginning with the private sector and moving to the Congress and Department of State, will identify most of the individuals and institutions active in Pacific community oriented activities in the United States.

Private Sector

As indicated above, private sector interest in the Pacific Basin community concept preceded governmental interest and came via private institutions and conferences from the late 1960's on. Among the Americans who have written or testified on this subject are William Watts, a specialist on American perceptions of East Asia, Hugh Patrick, a professor of East Asian economics, Lawrence B. Krause, a senior fellow at the Brookings Institution who has specialized on East Asian and Pacific economic interdependencies in recent years, Richard L. Sneider, former American ambassador to South Korea, Everett Kleinjans, president of the East-West Center, and Harrison Brown, director of the Resource Systems Institute at the East-West Center. As the list suggests, the individuals in the private sector most committed have considerable prior interest, background, or institutional affiliation with East Asia and the Pacific.

There are differences among them regarding the form Pacific Basin cooperation should take. Watts is appalled at the level of American ignorance of East Asia and has urged the creation of a nongovernmental "Council of the Pacific" composed of national councils drawn from business, labor, academia, and government to exchange information and ideas.[2] Kleinjans also suggests, for the immediate future at least, workshops, conferences, and small group meetings from which he hoped would develop a variety of Pacific institutions.[3]

Sneider has advocated the creation of an intergovernmental consultative institution, organized similar to ASEAN, to concentrate on

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[1] See Alfred Reifman, "A Skeptical View of an 'An Asian-Pacific Regional Economic Organization,'" in U.S. Congress. Committee on Foreign Relations, *An Asian-Pacific Regional Economic Organization: A Concept Paper* (Washington: GPO, 1979), pp. 26-27.

[2] William Watts, "For Creation of a Council of the Pacific," *New York Times*, Apr. 7, 1979.

[3] U.S. Congress, House of Representatives, Subcommittee on Asian and Pacific Affairs, "The Pacific Community Idea" (Washington: GPO, 1979), pp. 98-117.

economic issues.[4] Krause and Patrick have separately introduced to the United States from its Australian and Japanese origins, the concept of an inter-governmental "Organization for Pacific Trade and Development" (OPTAD).[5] As outlined by Professor Patrick (in a study done in collaboration with Peter Drysdale), OPTAD is tentatively envisaged as an intergovernmental organization with a small secretariat and task forces for specific economic issues.

A number of American academic and research institutions and foundations have been interested in the Pacific Community concept, perhaps most prominently among them the East-West Center in Hawaii and the Aspen Institute for Humanistic Studies. The latter in cooperation with the Hubert H. Humphrey Institute of Public Affairs has proposed a 2-year work program concentrating on industrial development in the Pacific Basin, Pacific Ocean issues, energy alternatives, the impact of communications, and potential new institutional arrangements.[6]

The Pacific Forum of Honolulu, Hawaii publishes occasional policy papers and sponsors conferences on Pacific Basin issues. Its conferences have dealt with political and security issues as well as economic issues, and its guests tend to reflect more conservative points of view.[7]

As in the academic community, those in the business community who have been interested in institutional arrangements in the Pacific Basin tend to be individuals with backgrounds or business interests in the Pacific. The most active group has been the U.S. National Committee of the Pacific Basin Economic Council (PBEC). A paper prepared for the Committee urged PBEC to undertake research to broaden public understanding of Pacific Basin economic issues, seek greater governmental attention to the potentials of Pacific cooperation, and assist in the creation of "a more formal intergovernmental coordinating organization."[8]

A group of businessmen associated with PBEC hopes to establish a Pacific Basin Institute (to be located in Phoenix) to conduct research and otherwise promote Pacific economic cooperation. This institute will emphasize "practical studies designed to aid business and government in reaching near-term policy decisions."[9] While the potential Latin American involvement in enhanced Pacific cooperation has been often neglected in the United States, the founders of the Pacific Basin Institute are especially interested in exploring means of actively involving Mexico and other Latin American nations.

Congress

As in the academic community, interest in Congress is generally confined to those with an institutional interest in promoting Pacific cooperation, primarily the chairmen and the staffs of the Asia/

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[4] "The Pacific Community Idea," op. cit., pp. 90–98.

[5] Krause's ideas are contained in "The Pacific Economy in an Interdependent World," (October 1978); "The Pacific Community Idea," pp. 16–29; U.S. Congress. Senate. Subcommittee on East Asia and Pacific Affairs, "U.S. Policy in East Asia" (Washington, GPO, 1979), pp. 29–31; and in this volume, pp. 11–16. See also Krause and Sueo Sekiguchi, eds., *Economic Interaction in the Pacific Basin* (Washington: Brookings Institution, 1980), pp. 259–262. For Patrick, see citation in footnote 1; "The Pacific Community Idea," pp. 30–50; and "U.S. Policy in East Asia," pp. 25–29.

[6] The Aspen Institute for Humanistic Studies and The Hubert H. Humphrey Institute for Public Affairs, "The Pacific Basin Project: Prospectus of a Work Program, 1980–82," March 1980.

[7] See, for example, *Pacific Asia and U.S. Policies: A Political-Economic-Strategic Assessment* (Honolulu: Pacific Forum, 1978).

[8] James D. Hodgson, "Pacific Economic Community Concept." autumn, 1979.

[9] *Prospectus, Pacific Basin Institute*, Phoenix, Ariz.

Pacific Subcommittees of both Houses. In the 96th Congress, aside from Senator John Glenn, the Senate Chairman, and Lester Wolff, the House Chairman, the only other member who has yet devoted much energy to Pacific cooperation has been Senator William Roth, who has a personal interest in East Asia.[10]

Congressional interests derive from a number of factors, including perceptions of economic opportunities in Pacific Basin cooperation, unhappiness with present Asia/Pacific policies of the United States, and belief in the need to strengthen understanding of American policies and interests among the countries of the Pacific as well as the reverse. Understandably, interest in the House initially focused on interparliamentary cooperation, with Lester Wolff suggesting in 1977 the establishment of a regional parliamentary association. Senator Glenn's interest appears to date from a September 1977 conference in Japan.[11] A few months later, in April 1978, he requested a study of the issue by the Congressional Research Service which eventually resulted in the Patrick/Drysdale paper (released July 1979). The Senate Subcommittee held an afternoon of hearings in July,[12] and the House Subcommittee has had three mornings of hearings in July and October 1979.[13] The main role Congress serves is that of a catalyst, and the Chairmen of both the House and the Senate subcommittees have urged serious attention to the idea on the Department of State.

In addition, Congressman Wolff, in his private capacity, has sought to establish a "Pacific Community Association" (PCA). The PCA is envisaged as a private organization of individuals and institutions thoughout the Pacific to promote awareness of Pacific issues, seek means of resolving problems, and coordinate "current scholarly and educational activities concerning the Pacific Community idea." [14] A first meeting is planned at the East-West Cemter in 1981.

The Department of State

State Department interest is largely confined to individuals working on economic issues in the Bureau of East Asian and Pacific Affairs. Those involved in the more political aspects of U.S.-Asian policy tend to be more skeptical, fearing Pacific Basin cooperation might be mistakenly regarded as competitive with existing regional institutions, such as ASEAN.

Aside from those individuals in the department personally attracted to the concept, the two principal pressures on State for devoting attention to Pacific Basin cooperation come from Congress and a perceived need to be ready to respond to Japanese and Australian initiatives. The Department has provided funds to Lawrence Krause to develop an economic data base on Pacific Basin interactions. Although there is no official Department of State position on the Pacific community concept or institutional arrangements, in the most general terms the Department's posture can be described as considering the idea worthy of further study and exploration and that the best avenue for this is through the private sector. In addition,

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[10] See William V. Roth, Jr., "The Pacific Basin: A Challenge to American and Japanese Diplomacy," The Japan Society, 1979.

[11] See Herbert Passin and Akira Iriye, eds., *Encounter at Shimoda: Search for a New Pacific Partnership* (Boulder: Westview Press, 1979).

[12] "U.S. Policy in East Asia."

[13] "The Pacific Community Idea."

[14] "Proposal for a Pacific Community Association (PCA)." Decmeber 1979.

the Department is willing to help facilitate private and governmental efforts to promote enhanced Pacific economic cooperation.

The most concrete manifestation of the Department's interest was the Fall 1979 mission of East Asia by Erland Heginbotham, then Deputy Assistant Secretary, and Donald Zagoria, an academic specialist on Asia serving as a consultant. The Heginbotham-Zagoria mission was certainly not an attempt to float an initiative, but merely to assess attitudes in relevant East Asian countries on Pacific Basin cooperation and some other issues. Heginbotham and Zagoria met with a large number of officials and appear to have come away with the impression that while relatively little attention has been given to the concept of Pacific Basin cooperation, those with an economic orientation tend to be more favorably disposed on first impression and those with a political orientation tend to be more skeptical. This, incidentally, mirrors American attitudes.

Conclusions

As should be clear, American thinking and activity on Pacific Basin cooperation is still in a relatively early stage. However, while those individuals who have committed themselves to the concept emphasize different forms of organization, functions, and rationales for cooperation, there is broad agreement on at least two things a Pacific Basin community should not be.

First of all, no serious advocate proposes a Pacific military organization. Most advocates stress economic and cultural cooperation which is *for* improving upon the growing network of beneficial relations among Pacific countries, not against any country or countries, and some suggest, in addition, political consultation.

Second, there is general agreement that Pacific Basin cooperation should help further strengthen and build upon existing forms of regional and global cooperation. It should not come at the expense of existing organizations, such as ASEAN, and in fact, should enhance their importance. A Pacific community would hardly be the exclusive or dominant association in which participating countries would be involved. Those who advocate intergovernmental forms of cooperation, for example, want the United States to give equal stress to its other regional commitments, such as those with Latin America and Europe. They recognize many other Pacific countries have other associations, such as the Commonwealth, Group of 77, and the nonaligned movement, and they would certainly expect these countries to continue to derive the maximum benefit possible from all these forms of international cooperation, just as the United States would from its other regional associations, such as NATO and the OAS.

Finally, it should be observed that citizens of each country will evaluate any new proposal, such as the Pacific Community concept, from the standpoint of the national interests of their country. Americans natually emphasize what they conceive of as the advantages to the United States; Japanese advocate the advantages of Japan; Indonesians will evaluate it in terms of their national aims, etc. Whether the concept is institutionalized or not, depends on whether some "critical mass" of Pacific Basin nations or nationals finds that one or another form of enhanced and institutionalized cooperation is of mutual benefit.

Appendix. PACIFIC BASIN ECONOMIC INDICATORS

	Afghanistan	Australia	Bangladesh	Burma	Canada	China, People's Republic of	Taiwan	Hong Kong	India	Indonesia	Iran	Japan	North Korea
Area (thousand square miles)	250	2,968	55	261	3,845	3,692	14	0.404	1,261	735	636	142	47
Population (millions, 1979)	15	14	86	32	24	971	17	5	651	148	37	116	17
Percent increase 1960–79	1.2	1.8	2.6	2.0	1.5	2.3	2.8	2.1	2.2	2.5	2.9	1.1	2.8
Percent population under 15 yrs	45	27	46	41	26	33	33	30	42	41	46	24	41
Infant mortality (per 1,000)	226	14	140	100	14	20	25	14	134	126	155	9	20
Population per physician (1,000)	29	0.8	11	5	0.5	1	2	1	3	16	3	0.9	1
Percent literate adults	12	100	22	67	98	95	82	90	36	62	50	99	95
Production and prices:													
GNP in U.S. dollars (billions 1979)	2.9	119.6	9.5	4.3	229.2	245.7	26.9	11.8	132.7	34.9	81.5	1,053.3	6.5
Per capita income (U.S. dollars; 1979)	197	8,291	110	134	9,674	253	1,600	2,352	204	240	2,202	9,100	380
Percentage average GNP growth 1970–79	3.6	2.5	−1.4	−1.1	3.8	4.9	8.2	6.6	1.4	5.0	13.7	3.1	5.4
Agriculture as percent of GNP	52	6	57	39	3	27	9	1	43	30	9	5	21
Industry as percent of GNP	13	30	12	12	25	43	51	38	21	15	49	44	45
Gross capital formation as percent of GNP	12.4	22	9.8	14	22	----------	28	24	19	19	34	30	35
Capital-output ratio	0.9	1.8	1.8	1.3	1.8	----------	1.7	1.7	2.5	1.01	2.4	3.2	----------
Inflation (CPI) in 1979	8.2	9.1	12.7	5.6	9.2	5.8	9.7	9.0	6.3	24.4	11.6	3.6	----------
1980 estimate	----------	(10.5)	(16.8)	(2.3)	(9.4)	----------	(17.4)	(18.3)	(12.1)	(22.5)	(14.0)	(7.5)	----------
Public expenditure (1974–79):													
As percent of GNP	12	29	15	13	22	40	11	14	12	20	44	12	52
Defense as percent of GNP	3	3	2	4	2	9	8	----------	3	3	14	1	11
Defense as percent of public expenditure	15	9	7	21	9	15	26	3	21	21	26	7	22
Education as percent of public expenditure	15	10	7	15	----------	22	18	10	11	8	9	12	10
Foreign trade:													
Total foreign trade as percent of GNP	18	28	22	11	45	5	83	160	13	38	57	26	20
Percentage of energy consumption imported (net)	47	26	50	----------	8	----------	72	100	12	2	----------	90	10
Percentage of food consumption imported (net)	----------	4	10	----------	6	5	11	85	5	10	14	70	10
Percentage of trade with Pacific region (except United States and Japan)	45	16	22	38	4	4	18	35	17	17	10	34	65
Percentage of foreign trade with Japan	15	22	11	31	5	26	22	15	9	41	17	---------	30
Percentage of foreign trade with the United States	11	17	11	4	67	10	31	19	12	18	13	22	----------

APPENDIX. PACIFIC BASIN ECONOMIC INDICATORS—Continued

	South Korea	Laos	Malaysia	Nepal	New Zealand	Pakistan	Philippines	Singapore	Sri Lanka	Thailand	Vietnam	United States	U.S.S.R.
Area (thousand square miles)	38	148	128	54	104	307	115	0.2	25	198	207	3,615	8,469
Population (millions, 1979)	38	4	13	14	3	80	48	2	15	46	52	221	258
Precent increase 1960–79	2.3	2.3	2.7	2.1	1.4	0.1	2.9	2	2.1	3.0	2.6	1.1	1.1
Percent population under 15 yr	37	45	43	42	29	47	46	31	38	45	44	24	25
Infant mortality (per 1,000)	37	130	32	152	16	90	65	12	47	68	62	15	25
Population per physician (1,000)	2	22	4	39	0.7	4	3	1	6	8	5	0.6	0,3
Percent literate adults	91	28	60	19	99	21	87	75	78	82	87	99	99
Production and prices:													
GNP in U.S. dollars (billions 1979)	61.5	0.3	20.2	1.6	18.4	19.7	29.5	8.3	3.4	27.6	3.1	2,343.5	537.9
Per capita income (U.S. dollars; 1979)	1,636	85	1,523	116.8	5,938	247	618	4,150	232	599	60	10,624	2,085
Percentage average GNP growth 1970-79	11.3	1.2	5.9	0.3	2.5	5.3	3.0	6.5	7.0	4.7	−1.6	1.6	3.6
Agriculture as percent of GNP	23	60	26	64	12	34	27	2	32	27	40	2	20
Industry as percent of GNP	33	5	41	5	16	19	31	28	17	26	2	27	8
Gross capital formation as percent of GNP	31.4	----	24.4	9.9	20.5	16.2	24	35	25.3	25.9	20	18	31
Capital-output ratio	1.4	----	1.4	1.6	1.5	1.4	1.2	3.4	1.4	1.7	----	1.7	----
Inflation (CPI) in 1979	18.3	3	3.6	6	13.8	9.5	18.8	4.1	10.7	9.9	6	11.3	----
1980 estimates	(25.9)	(70)	(6.4)	(16.8)	(18.4)	(10)	(24.9)	(9.2)	(22)	(19.7)	(30)	(14.2)	----
Public expenditure (1974–79):													
As percent of GNP	19	7	27	12	34	17	17	18	31	16	45	21	30
Defense as percent of GNP	6	16	4	1	2	6	3	6	----	4	----	6	12
Defense as percent of public expenditure	24	28	13	8	5	26	10	25	2	20	47	27	20
Education as percent of public expenditure	15	9	19	11	14	10	14	25	14	16	----	19	20
Foreign trade:													
Total foreign trade as percent of GNP	54	14	79	20	53	25	33	189	61	39	17	16	16
Percentage of energy consumption imported (net)	58	100	----	90	60	25	93	100	88	90	30	20	----
Percentage of food consumption imported (net)	32	15	20	----	5	15	----	90	25	3	15	----	10
Percentage of trade with Pacific region (except United States and Japan)	11	50	34	22	31	24	14	32	22	20	20	34	7
Percentage of foreign trade with Japan	28	21	24	16	14	12	24	14	11	24	17	11	11
Percentage of foreign trade with the United States	25	4	16	7	14	11	26	14	7.3	14	0.1	----	12

Source: Asia Society Williamsburg Conference.