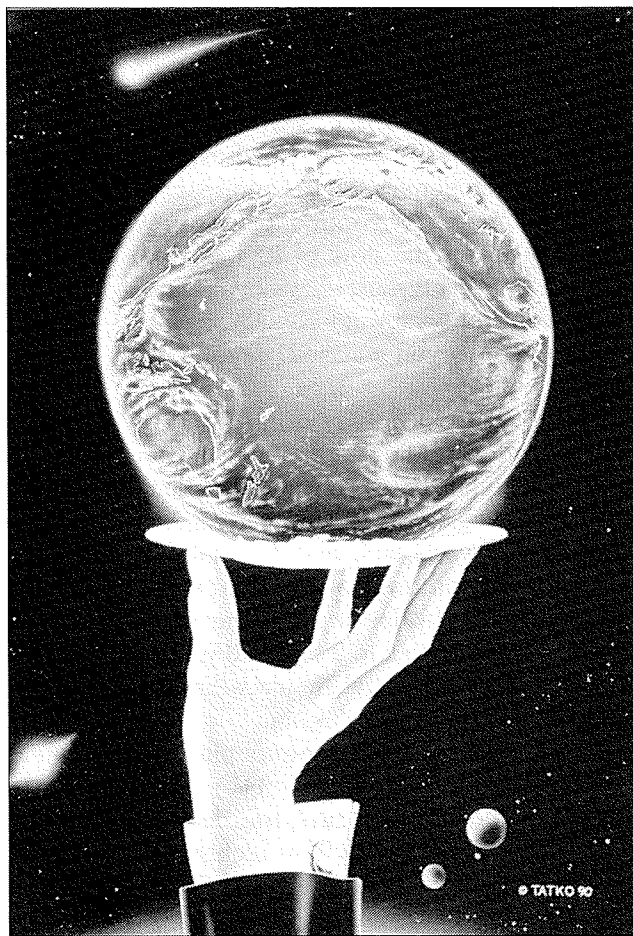


# Pacific Prospects

With the 50th anniversary of Pearl Harbor only recently behind us, it may seem odd to contemplate the prospects of a coming Pacific Century. In fact, the moment could not be more fitting. After all, current hopes for Pacific cooperation rest largely upon the example of Japan and what it accomplished, with U.S. assistance and the U.S. market, during the years after World War II. Japan's postwar miracle inspired similar takeoffs in other Asian economies, with the result that the Asia-Pacific is fast becoming the most vibrant economic zone in the world. An important question, though, is whether such developments augur the emergence of a Pacific-wide region, bound together by trade, cultural commingling, and mutual security arrangements. Another question is whether the United States should look to the Pacific as its future. Considering these and related questions, our two contributors, Frank B. Gibney and James Clovis Clad, take opposing views. While Gibney sees a Basin brimming with possibilities, Clad finds something far less than overflowing.



*Partial support for these articles was provided by the Pew Charitable Trusts.*

# THE PROMISE OF THE PACIFIC

*by Frank B. Gibney*

**I**n his pioneering work on the Mediterranean world in the age of Spain's Philip II, historian Fernand Braudel claims that the Mediterranean region lacked any unity apart from that "created by the movements of men, the relationships they imply and the routes they follow . . . . The whole Mediterranean," Braudel continues, "consists of movement in space. Anything entering it—wars, shadows of war, fashions, techniques, epidemics, merchandise light or heavy, precious or commonplace—may be caught up in the flow of its lifeblood, ferried over great distances, washed ashore to be taken up again and passed on endlessly, maybe even carried beyond its shores."

The Mediterranean world that Braudel evokes, with its trading galleys, Phoenician and Greek alphabets, colonizing Crusaders, Venetian merchants and their fleets, Byzantine and Arab scholars, and Renaissance bankers, took centuries of commerce and communication to develop. All the more remarkable, then, that in a mere 30 years a similar evolution has taken place among the peoples of the Pacific Basin.

Of course, it is now commonplace to note how the jet aircraft, the TV screen, and the semiconductor have transformed our old ideas of geography, how technology has compressed time and space. But living with these new realities is not so easy as talking about them. Braudel's Mediterranean peoples had many generations in

which to get used to their neighbors across the water. By contrast, Japanese and Americans, Australians and Indonesians, Chinese and Canadians are learning Braudel's unities in a hurry—almost by the hour.

Like the postmedieval Mediterranean, the Pacific Basin came to life as a marketplace. Some Americans regarded it as such during the last century. Yet even those Yankee traders of the clipper-ship era considered Pacific commerce little more than a footnote to the main action in the continental United States and across the Atlantic in Europe. Now the scenes have shifted. By 1979 American trade with Pacific Rim countries had grown greater than that with Europe. By 1989 our \$297 billion commerce with the East Asian countries was more than one-third heavier than our total trade with Europe—and growing. It has become exceedingly complex as well. Besides the flood of automobiles, textiles, microchips, and electronic gear coming in from the Pacific, as aircraft, agricultural commodities, and computer software go out, an interlocking network of investments, joint ventures, and offshore manufacturing has grown up among the Pacific countries. For better or for worse, we are becoming part of a vast shared economy in which it is increasingly hard for individual countries to legislate or otherwise enforce protective barriers, or for that matter to retain their economic sovereignty.

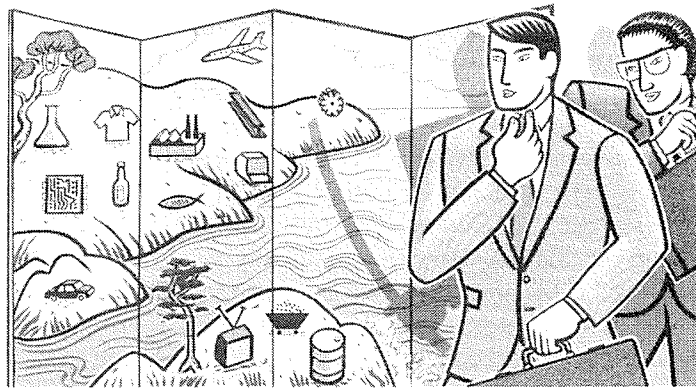
Japan's postwar success story was what first made people contemplate a Pacific

flowering, but the rise of Japan as an economic superpower was not an isolated phenomenon. It was followed during the 1970s by the meteoric growth of the Republic of Korea, Taiwan, Hong Kong, and Singapore as trading and manufacturing powers. Now Indonesia, Thailand, and Malaysia are registering similar gains in exports and gross national products (GNPs). Even mainland China, for all its post-Tiananmen political posturing, has irrevocably shattered its old Maoist command economy, with Guangzhou (Canton) and the free economic zones as virtual capitals of a new free market. The absorption of free-wheeling Hong Kong in 1997 is likely to further loosen China's economy. The huge changes, social and economic, taking place along the western shores of the Pacific amount to modern Asia's jet-age version of the Industrial Revolution. Such changes are having an impact on the United States—and Europe—comparable to the 19th-century assault of Western colonialism on Asia.

The impact transcends the expansion of trade and investments. Asian-Pacific people are now America's fastest-growing source of immigrants, and a large proportion of them are skilled. (More than 2.6 million came here during the 1980s, comprising almost half of the U.S. immigration in that period. By the 1990 census fully eight percent of California's population was of Asian descent.) We are importing the cultures and philosophies of Asians along with their goods. The growth of Chinese and Japanese language study in American high schools and universities during the last 15 years has exceeded all expectations. Translations of Japanese and Chinese books are finally being widely

and seriously reviewed. The very word "Confucian," once a virtual synonym for obscurantism, is now used admiringly to describe the cohesiveness of group-minded Asian capitalists.

The Asian-Pacific take-off did not happen by accident. Following Japan's example during the 1960s, but with marked individual variations, East Asians threw out the self-defeating import-substitution policies and command economies so favored by Third World countries elsewhere. Taking advantage of traditional reliance on group loyalties, plus an almost religious regard for education, they showed themselves willing



*If current patterns continue, says the Economist, by the mid-21st century the locus of global economic power will shift from "Europe and North America to the western side of the Pacific Rim."*

to work hard and save for the prospect of long-term gain. Although keenly competitive in head-to-head struggles with rival companies, East Asian businessmen were willing to take direction from their governments. (They generally had little choice.) In a sense, engineers and economic planners played the didactic role that Confucian mandarins had played in an earlier day, leading their countries in intensive export drives, based on extraordinarily high levels of personal savings and capital investment.

One newly industrializing country learned from another, in what Saburo Okita, the doyen of Japan's official develop-

ment economists, called the "flying geese" pattern of shared growth. Borrowing the term from the writings of another Japanese economist, Akamatsu Kaname, Okita used the image of the V-formation of geese to demonstrate how an economic latecomer adopts the techniques of more advanced countries to catch up, in the process using its own distinctiveness to support itself. As Okita has pointed out, this is neither the horizontal-type integration of equals of the European Community nor the classic vertical relationship between industrialized countries and the underdeveloped commodity-suppliers. It is often unapologetically imitative. Witness the similarities between Japan's redoubtable Ministry of International Trade and Industry (MITI) and similar government organs in Korea and Taiwan.

Almost all of the Asian economic upsurges were directed by authoritarian regimes, albeit enlightened ones (at least in economic affairs). However politically repressive, these governments gave private business every possible support. Business and finance worked closely with government to expand existing markets and promote research and development. They were all well-advertised market economies, answering to the name of free enterprise. Yet the "guidance" that governments imposed on their manufacturers and traders made for a unique version of capitalism, worlds away from the adversarial free enterprise of American definition. The political economist Chalmers Johnson has very aptly categorized these economies as "capitalist development states." They represent a new kind of capitalism indeed, which in its progress has already stood Adam Smith,

David Ricardo, and today's neoclassical economists on their collective head.

The model for these burgeoning Asian economies was Japan's Meiji Restoration of 1868. More properly called a cultural revolution, Meiji was Japan's self-propelled drive to modernize itself and become, economically as well as politically, an East Asian version of the 19th-century European nation-state. To succeed, the Japanese had to play "catch-up" ball all the way. Lacking modern banks or capitalists, the new Meiji government privatized industries after it developed them but continued to be supportive—lest the new Japanese businessmen be swallowed up by their more experienced European competitors. The resultant capitalist development state was the unique amalgam of microeconomic free enterprise and macroeconomic government guidance that Japan largely remains today.

As other East Asian nations gained their independence, Japan's business-government symbiosis served as an obvious economic model. South Korea's dour dictator, President Park Chung Hee, made clear his debt to this model when he announced his first economic Five Year Plan in 1962: "The basic economic system . . . respects as much as possible the freedom and creativity of private individuals . . . With regard to key industries, however, the government must take a direct or indirect part . . . [I]n other words an enterprise leadership system has been adopted."

Under the watchful eyes of the new Asian bureaucracies, the free enterprisers of the capitalist development states expanded according to government plan—and had their domestic markets protected while doing so. Their technology was bor-

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rowed mainly at bargain prices from the United States, where most of the Asian technocrats had earned their advanced degrees. For their markets they also looked eastward. Without the combination of American invention and American buyers, the Pacific recovery would have sputtered out shortly after it began.

American military power guaranteed the security of postwar East Asian polities. As Lee Kuan Yew, Singapore's leader from 1959 to 1990, acknowledged, even the ultimately disastrous American intervention in Vietnam kept his and other Southeast Asian countries safe from threats of conquest or subversion during a critical period of economic growth.

More immediately, American aid and commercial loans—not to mention U.S. offshore military spending—were key factors in building up the economies of Japan, Taiwan, and many of the Southeast Asian nations. The motive for such aid was far from altruistic. Throughout East Asia—from the 1960s to the late 1980s—American policymakers winked at these countries' economic protectionism and turned a blind eye to their political repression, in return for their loyalty in the Cold War struggle against communism.

**T**he real hero of the Pacific economic take-off was the American consumer, who bought and bought and bought. The huge trade imbalances that resulted surely gave the lie to the old dependency theory, according to which developed capitalist countries inexorably turn the underdeveloped nations into helpless raw-material suppliers and markets for their own manufactured goods.

Quite to the contrary, American consumers readily bought the manufactures of their Asian trading partners, while the U.S. government erected only minimal tariff barriers against the endless flow of goods.

Similarly, American businesses, little concerned about their own work forces, were quick to build their plants offshore, wherever labor was for the time cheap. Any thought of reciprocity was long delayed. Thus the United States became quite literally the engine of growth for the whole Pacific area. From textiles to high-tech, the huge Asian GNP rises were generally based on expanding sales to North America.

In a wider sense Americans have been the leading instrument of the Asian-Pacific world's political and cultural modernization. If Japan was the working exemplar, the United States was the teacher. Asian students have assiduously studied English and many have gone to America to earn degrees in science and engineering. (Only recently has Japan's xenophobic university system opened its gates, ever so slightly, to other Asian students.) In their modernization efforts Asians have been guided, for better or worse, by American pop culture—fashions, movies, and music. More seriously, they have studied American ideas of law and democratic government.

Here, in the realm of political ideals and practice, American influence has proved effective in the long run, despite the egregiously uncritical U.S. support of despots who dutifully toed the anticommunist line. Economic success brought rising social and political expectations with it. This in turn brought pressure for greater political and social freedom, pushed by an emerging new middle class, confident and increasingly self-assertive. Even to those Asians who as students denounced U.S. "imperialism," America remained a powerful model of a working democracy. In the late 1980s popular movements toppled authoritarian regimes in South Korea and the Philippines, and the United States played a vital, if belated, role in both countries' move toward greater democracy. Increasing popular pressure is at last forcing the democrati-

zation of rich Taiwan, again with U.S. encouragement.

Not even Asia's communists are impervious to change. In Vietnam and even in Kim Il Sung's Stalinist satrapy in North Korea, as in China itself, the police rule of old ideologues cannot indefinitely dam up a rising tide of popular aspiration and discontent. As Japan's socialist leader Eda Saburo said prophetically in the 1970s: "The age of ideology is dead." To which one might add that an age of democratic political pragmatism is dawning.

Modernization and democracy, however, do not automatically mean "Americanization" or even "Westernization." A knowledge of the Federalist Papers, John Dewey, the *Divine Comedy*, or Kant is not necessary for learning the computer—still less for running the new business collectives of the capitalist development state. Nevertheless, the Greco-Roman and Judeo-Christian traditions, the optimism of the Enlightenment, and the empiricism of the scientific method are legacies available to all of mankind. The Japanese, among others, have shown that they can be grafted onto older Asian thought and culture without doing much damage to the intellectual ecology.

Influences flow in both directions, of course. New Asian ideas and adaptations in business and the arts are being studied and followed by many Americans, as this Asian Industrial Revolution swings back full circle. With this has come a healthy, if sudden, appetite for traditional Asian culture, among at least some in this society. The influx of Asian immigrants has added a new element to American culture—and not just in California. Cars, sushi bars, television sets, Buddhist philosophy, *tai chi* exercises, tennis rackets, video games, financing for new factories and U.S. government bonds, and new Asian entrepreneurs in the Silicon Valley—all these come to us from across

the Pacific. They contribute to a dawning sense of Pacific community.

**B**ut when we speak of a Pacific community—present or future—what do we really mean? Physically speaking the Pacific Basin includes all those countries bordering the Pacific littoral—from the United States, Canada, and Mexico and the Pacific Latin American countries on the eastern shore to the Asian nations on the western, from Japan and the Soviet Union in the north to Indonesia in the south, with the significant addition of Australia and New Zealand farther south. As distinguished from the oft-used "Pacific Rim," however, the Basin also includes the Pacific island nations scattered across the ocean and, at least in prospect, the significant if untapped resources of the ocean floor—which remain a subject for international discussion and cooperation.

If we go back to Braudel's idea, however, that a civilization is based on the movements of people and their relationships, the number of significant players in the Pacific drastically diminishes. The United States and Japan are of course most prominent in the economic and, to a great extent, the political intercourse of the entire area. China is inevitably part of Pacific "movements"—as are Korea (both North and South), Taiwan, Hong Kong, Singapore, Malaysia, Thailand, the Philippines, Indonesia, Brunei, and, perhaps in the near future, Cambodia and Vietnam.

The Soviet Union—or at least the Russian Republic—must now be counted a participant. In fact, Russian economists and new businessmen of both the Gorbachev and Yeltsin persuasions are doing their best to interest Asian nations in the development of Siberia. Here the Republic of Korea has been a particularly active player; Japan may soon follow. The triangular trade between Southeast Asian

countries, Japan, and the United States is constantly expanding.

Australia and New Zealand also play significant roles here. Prime Minister Bob Hawke was not indulging in hyperbole when he repeatedly claimed during the 1980s that Australia is an "Asian country." (His pronouncements met with some understandable skepticism: "They don't look much like Asians to me," said one Japanese economist.) The Anglo-Saxon commonwealths "down under"

have done their best not merely to keep up trade relationships—Australia, rich in oil, iron, and other commodities, is one of the few countries to enjoy a favorable trade balance with Japan—but have also increased Asian immigration, once prohibited, and shown themselves to be promoters of Pacific cooperation.

Of the Latin American nations, Mexico has shown by far the most interest in the Pacific connection. It has played an increasing role and will continue to expand. This is true not only of direct trade and investments: Mexico is also the active host to a variety of *maquiladora* companies, mostly Japanese and American, which operate across the border and export to the United States and to Asia—even back home. (The local Sanyo company in Mexico, for instance, is now exporting vacuum cleaners to Japan.) Chile and Peru—the latter with a president of Japanese descent—have also expressed considerable interest in the transpacific connection.

The first real thinking about Pacific economic cooperation came from Japan. The distinguished Japanese economist, Kojima Kiyoshi, set forth the idea of an emergent



*On the New Guinea island of Manus, tribesmen ride in a Toyota truck. Asia finds its biggest new market is Asia itself—and the western Pacific. Will the eastern Pacific stay in the game?*

Pacific community in a series of essays that first began to appear in 1967. In that same year, primarily for security reasons, five Southeast Asian nations—Singapore, Malaysia, Thailand, the Philippines, and Indonesia (later to be joined by Brunei)—formed the Association of East Asian Nations (ASEAN). Given urgency by the intensification of the Vietnam War, the ASEAN group later turned more to economic cooperation. Even with their own communication difficulties—they have yet to iron out a welter of intramural trade restrictions—the Southeast Asian nations' working partnership showed how people of very disparate cultures, races, and political make-ups could get together in the common interest.

In 1978, Japan's newly installed prime minister, Ohira Masayoshi, became the first statesman to promote the ideas of economist Kojima. Ohira found a strong supporter in Australia's prime minister, Malcolm Fraser. At a 1980 meeting in Canberra, sponsored chiefly by the Australians and Japanese, the backers of the Pacific-community concept formed what is now called the Pacific Economic Coopera-

tion Conference (PECC), an organization that today includes 20 nations.

The United States joined the Canberra Conference and subsequent meetings with enthusiasm. By the early 1980s, in fact, American academics and businessmen were active in two organizations, PECC and the Pacific Basin Economic Council (PBEC). While PBEC consists entirely of businessmen, the national delegations of PECC contain equal numbers of businessmen, academics or professionals, and government officials.

To be sure, the Pacific Basin community is no Organization for Economic Cooperation and Development, and it is doubtful that it will ever become a counterpart of the European Community. In part this is because the peoples of the Pacific nations exhibit the widest disparities of history, race, and background. And radically different stages of development exist not only among Pacific nations but also within them. Several historic "time zones" separate businessmen in the luxurious corridors of the White Swan Hotel in Canton (Guangzhou) from the impoverished peasants in the communities of Guizhou a few hundred miles away.

All of Okita's "flying geese" in East Asia have moved at different paces and in different ways. The Japanese example is, of course, preeminent—with its purposeful coordination of government, finance, and business. Others are equally interesting, however. The Koreans produced their own catch-up device of economic expansion in large *chaebol* conglomerates, which concentrated from the first on export business—beginning with overseas construction work and reaching a higher level of sophistication with electronic and automotive exports. Their ascent involved a high-risk policy of accumulating heavy foreign debt, gambling that their industry could export enough to pay it off in the end. The

gamble paid off when the Korean balance of payments went over into the black in the late 1980s (although there has been slippage since then).

In Singapore and Taiwan more reliance was put on attracting foreign companies—American, European, and Japanese—to build offshore plants. The idea was to offer cheap labor and facilities provided by the government to get foreign companies to create the nucleus of a local industry. Indonesia, on the other hand, offers the classic example of a single-commodity economy purposefully changing to reliance on exports in other fields.

**I**t is precisely because of all these differences among Basin nations that some sort of Pacific economic organization was necessary. With all the countries on the rim of the Pacific practicing vigorous aggressive export-led economics, the United States, along with mercantilist Japan, has been moved to retaliate with its own form of protectionism. There was clearly a need for some kind of organization to play international traffic cop or at least to advise all these different economies of some general rules of the road.

PECC set out to do just this, and it has met with some success. With its member governments cooperating at the foreign-ministry level, PECC created various task forces to deal with matters such as energy resources, science and technology, transportation and communications, and trade problems throughout the Pacific Basin. These have proved to be indispensable forums where people from different countries with vastly different backgrounds and problems can meet to discuss the inevitable collisions that occur among them. The more such forums proliferate, the less chance that these lumbering economic recovery buses will run into each other—or at least end up in serious gridlock.



The great cities of the Pacific littoral have their similarities. Tokyo, Los Angeles, Seattle, Seoul, Singapore, Shanghai, and Sydney are big, brash trading cities. They have much in common—not least a general veneer of American-type pop culture. But the hinterlands behind them are far different. The job of organizations like PECC is to bring the people of the hinterlands—and the politicians who reflect their concerns—ever closer together.

Although there is little possibility of cultural homogenization with so many strong local cultures involved, there is good reason to hope that such regional organizations can promote at least a general internationalist view among businessmen, statesmen, and academics throughout the Basin. Starting with trade, these networking bodies have made people aware that they have to think on a multilateral, rather than a merely bilateral, basis.

Some say that these groups have no real muscle, that the agreements they reach have little binding effect on the governments, even though one-third of the representatives in PECC are government people. Nevertheless, the process of multilateral consultation has mitigated many problems that would have become impassés in bilateral dealings. (A largely bilateral approach is, in fact, one of the reasons for the bitterness on both sides of the Japanese-American conversation.) By and large, multilateralism in the Pacific has been encouraging. As a former U.S. trade negotiator observed a couple of years ago at a PECC conference, "There is really much more of a discussion process on Pacific trade problems than there is in Europe. When we go to Europe, we are almost immediately involved in confrontational tactics with the EC people. In the Pacific we can talk things over first. This paves the way for some reasonable solutions."

One fruit of Pacific multilateral dealings

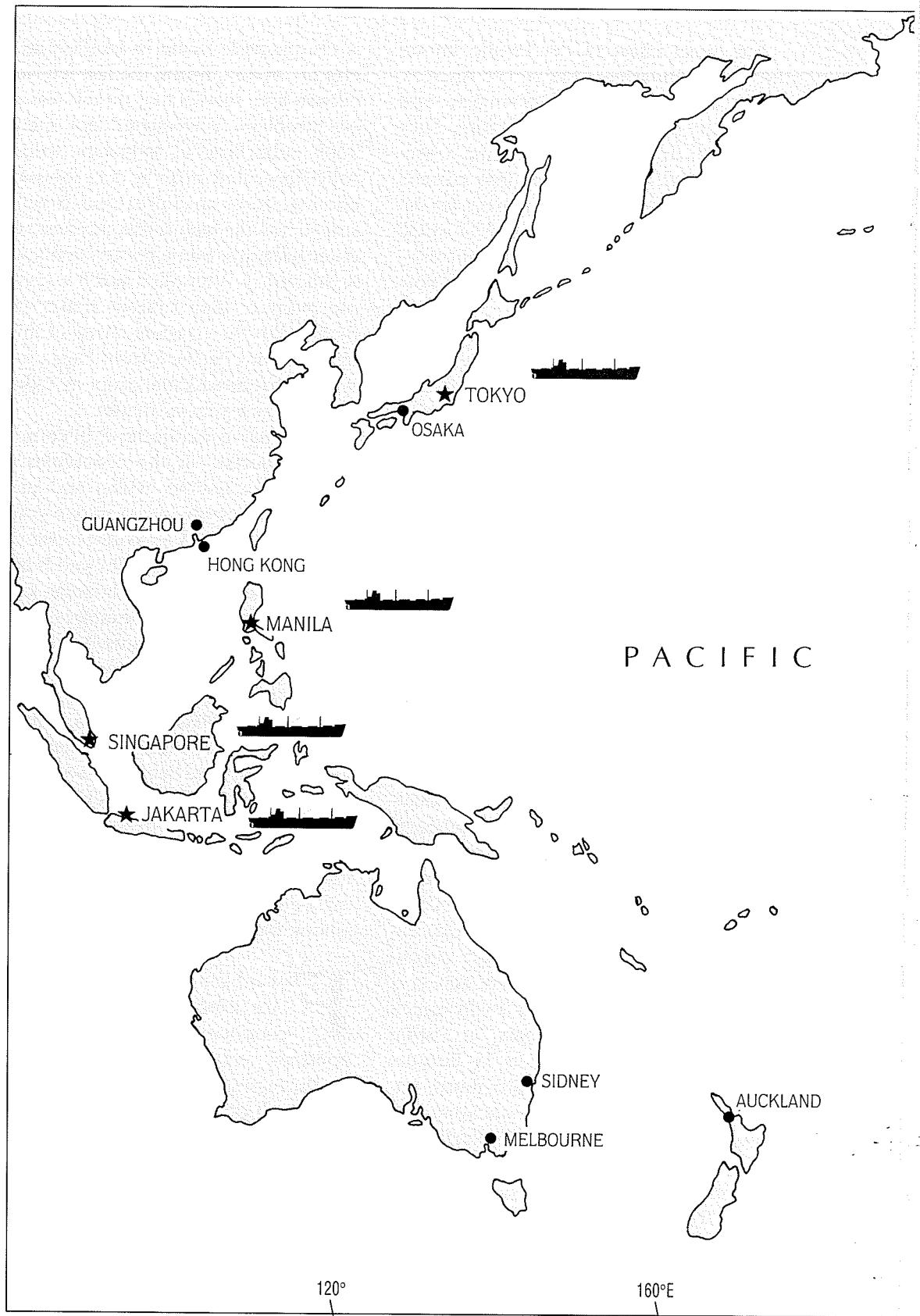
is the progress made in intellectual property protection during the last few years. A decade ago, intellectual piracy was a serious problem. It occurred not merely in book publishing or videotape sales—the Jolly Roger flew proudly over thousands of bootleg stores in Taipei and Seoul—but spread into the high-stakes business of computer software. Some governments winked at this piracy. After all, it was a way of helping many of their citizens make windfall profits. But the constant airing of this matter in various Pacific forums began to make it clear that intellectual property rights protection was a serious matter.

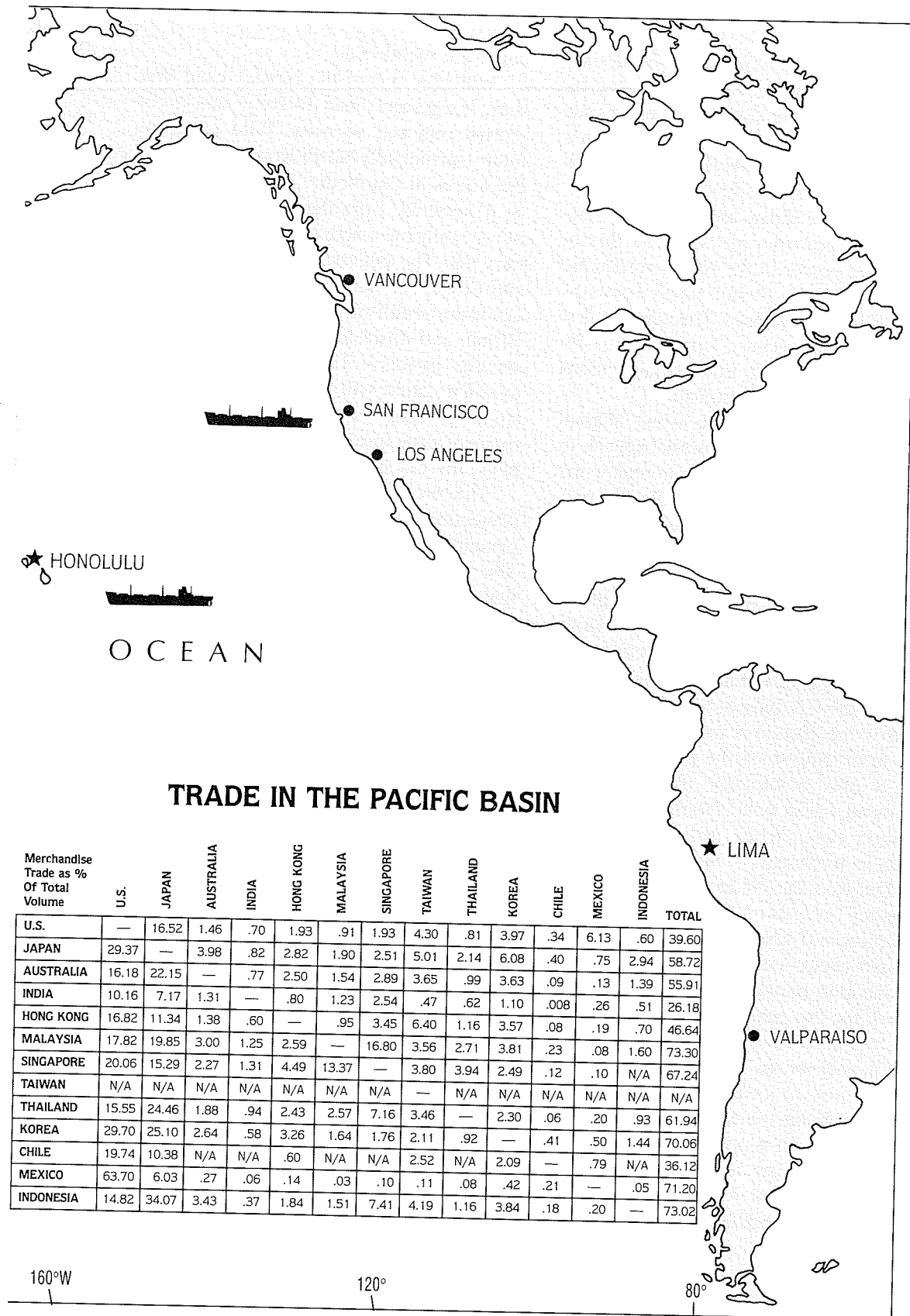
Regional organizations become even more important as the economies of the Asian-Pacific nations widen and diversify. Many of the newly industrialized countries of the Pacific Basin have developed considerable domestic demand for goods and services. This includes more imports. In countries such as Korea, for example, domestic demand is now very heavy. A great deal of the economy is devoted to satisfying it, including much production that was previously concentrated on exports. This comes just in time. Not even the American consumer would have been able to support the continuing flow of products making its way eastward across the ocean. As trade and investments increase in other Pacific countries, a leveling takes place—and this leveling demands discussion and arbitration among the parties involved.

**F**or all the promise of a coming Pacific Century, two major problems continue to trouble the Pacific relationships: security and trade imbalances.

During most of the postwar era, the Soviet Union or its communist surrogates remained the region's major security threat (although for the past 20 years, the People's Republic of China has been more of a paper tiger than a real menace). Not only did

PACIFIC PROSPECTS





**TRADE IN THE PACIFIC BASIN**

Merchandise Trade as % Of Total Volume	U.S.	JAPAN	AUSTRALIA	INDIA	HONG KONG	MALAYSIA	SINGAPORE	TAIWAN	THAILAND	KOREA	CHILE	MEXICO	INDONESIA	TOTAL
U.S.	—	16.52	1.46	.70	1.93	.91	1.93	4.30	.81	3.97	.34	6.13	.60	39.60
JAPAN	29.37	—	3.98	.82	2.82	1.90	2.51	5.01	2.14	6.08	.40	.75	2.94	58.72
AUSTRALIA	16.18	22.15	—	.77	2.50	1.54	2.89	3.65	.99	3.63	.09	.13	1.39	55.91
INDIA	10.16	7.17	1.31	—	.80	1.23	2.54	.47	.62	1.10	.008	.26	.51	26.18
HONG KONG	16.82	11.34	1.38	.60	—	.95	3.45	6.40	1.16	3.57	.08	.19	.70	46.64
MALAYSIA	17.82	19.85	3.00	1.25	2.59	—	16.80	3.56	2.71	3.81	.23	.08	1.60	73.30
SINGAPORE	20.06	15.29	2.27	1.31	4.49	13.37	—	3.80	3.94	2.49	.12	.10	N/A	67.24
TAIWAN	N/A	N/A	N/A	N/A	N/A	N/A	N/A	—	N/A	N/A	N/A	N/A	N/A	N/A
THAILAND	15.55	24.46	1.88	.94	2.43	2.57	7.16	3.46	—	2.30	.06	.20	.93	61.94
KOREA	29.70	25.10	2.64	.58	3.26	1.64	1.76	2.11	.92	—	.41	.50	1.44	70.06
CHILE	19.74	10.38	N/A	N/A	.60	N/A	N/A	2.52	N/A	2.09	—	.79	N/A	36.12
MEXICO	63.70	6.03	.27	.06	.14	.03	.10	.11	.08	.42	.21	—	.05	71.20
INDONESIA	14.82	34.07	3.43	.37	1.84	1.51	7.41	4.19	1.16	3.84	.18	.20	—	73.02

Moscow put the starch in Kim Il Sung's aggressive posturings in North Korea, but its constant fleet and air activity off Japan's sea lanes—plus the occupation of Japan's northern islands since World War II—continued to worry the world's new economic superpower. American bases seemed necessary as a counter not only to Soviet home-based power in the Northeast Pacific but to such huge Soviet naval bases as Camranh Bay in Vietnam. Through the first half of the 1980s, Soviets continued to denounce various Pacific Basin organizations as fronts for "U.S. imperialism."

All this changed in 1986, when Mikhail Gorbachev made his memorable speech in Vladivostok, announcing that hereafter the Soviet Union wanted "in" on Pacific economic cooperation and hoped to play a constructive and cooperative role. Now, as the Cold War becomes a thing of the past, both external and internal pressure grows on Americans to cut back on their military strategic investment in the Pacific. The Philippine Senate's refusal to renew the leases for the U.S. base at Subic Bay merely served to accelerate a tendency that had been developing since the perestroika era.

It is now quite clear that the Soviet Union and Japan will reach some accommodation even on the vexed issue of the "northern territories," while South Korean president Roh Tae Woo's successful "northern policy" of making friends with the Soviet Union and China has moved the two principal backers of Kim Il Sung's aggressive one-man dictatorship in North Korea to work for the peaceful unification of the divided nation. The United States inevitably will cut back on its military expenditures, which served to counter a threat that is now gone. Even the Security Treaty commitment to Japan is no longer as certain as it once was. Many argue that, from the standpoints both of Americans and Japanese, it would be better if U.S. forces in Ja-

pan were withdrawn.

With the end of the bipolar Cold War, there is a greater need for some sort of collective regional security. Wild cards remain—principally North Korea and the Pol Pot forces in Cambodia. Although founded as a security organization, ASEAN has never really been able to develop close military ties. The interest with which Malaysia and Singapore have kept up long-standing Commonwealth military relationships with Britain and Australia suggests a continuing security concern. The American presence to some extent will remain, but a consensus is growing that some sort of regional security force or alliance is necessary to replace the old superpower confrontation.

The problem of trade imbalances and protectionism is more immediate. Here the principal complainant is the United States. The chronic \$40–50 billion trade deficit with the Japanese has grown little better. As of this writing there is something over a \$7.2 billion deficit with China. U.S. negotiators continue to press South Korea, Taiwan, and, increasingly, the Southeast Asian nations both to open their markets and to put teeth into some regional trade reciprocity agreements.

American pressure here cannot be ignored. On the average, the United States absorbs more than 23 percent of all exports from the East Asian nations. Thus the engine of growth, although sputtering in protest, continues to service these developing economies. By contrast, Japan, although a huge exporter to the United States, South Korea, and the Southeast Asian countries, absorbs on the average only about 16 percent of other Asian nations' trade. There is a growing demand from such countries as South Korea that Japan let their exports in. Only rarely can one find a Hyundai or Daewoo car on Tokyo's streets.

It is too late in the game, even with recession-inspired political pressures, for the

United States to adopt outright protectionism. The Pacific economies are far too closely linked for that. For one thing, close to 50 percent of the exports from Singapore and Taiwan to the United States are made by offshore branches of American companies. Both the Japanese sales and profits of American companies such as IBM are most impressive. And then, of course, we have the swollen U.S. budget deficit, propped up by Japanese lenders.

The close integration of Japanese *keiretsu* conglomerates with Southeast Asian companies has caused considerable worry, especially when maverick statesmen like Malaysia's Mahathir Mohamad frankly suggest a genuinely "Asian-Pacific" trade block without American participation at all. For that matter, Asians in their turn are worried about the new North American trade bloc, with Mexico joining Canada and the United States.

Most of these trade issues are many-sided. It is hardly the best policy for the United States to continue operating on a bilateral basis, invoking the punitive "301" clause against single countries which seem to be abusing the trade relationship. It is better to put teeth into existing economic organizations like PECC—of which both China and the Soviet Union are now members—and the new official Asia Pacific Economic Cooperation (APEC) association. The Japanese themselves are nervous about appearing to promote a new Greater East Asia Co-prosperity Sphere. Ever more aggressive activity is serving to provoke anti-Japanese rather than pro-Japanese reactions among many smaller countries. If Americans have been less economically competitive than the Japanese, Americans are regarded as politically safer.

Although the new Asian economies are developing consumer societies of their

own—spending a lot of money on infrastructure and domestic demand—and showing increasing receptivity to American imports, we can hardly expect them to change their idea of the capitalist development state to fit American standards. It would be healthier and more productive in the long term for America to get its own act together, reduce its vast deficit, and think of an industrial policy with the same intensity that it devoted to military planning during the past 50 years. If the United States expects the Asian-Pacific countries to unlock some of their remaining protectionist doors, it must also establish for itself a new set of national priorities in which economic security and the development of living economic relationships, rather than the building of Star Wars and stealth systems, become the primary goals of American policy. Japan in turn must behave more like an engine of growth than a hungry predator, for the United States can no longer sustain the locomotive function all by itself.

During the last quarter century of Pacific cooperation we have watched a steady widening of educational, cultural, and technological interchange among the Basin nations. The revolution of rising expectations is well on its way among the Pacific nations, China included. As prosperity is distributed, purchasing power will increase with it. The trading cities of the littoral—Los Angeles, Tokyo, Vancouver, Shanghai, Sydney, Seattle, Hong Kong, and Singapore—will become less national ports than regional capitals of an expanding Pacific economic community. This community—unique in its growth attainments over the last 30 years—can well become, as Saburo Okita has suggested, "the driving force for dynamism in the world economy."