



MOVING INTO THE PACIFIC CENTURY: THE CHANGING REGIONAL ORDER IN THE ASIA-PACIFIC

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Introduction

Lau Teik Soon
Leo Suryadinata

The Asia-Pacific has been identified as the region of economic dynamism and political development, and both America and the USSR are giving more attention to the region. The US trade with the Asia-Pacific exceeded her trade with the EEC. On the other hand, the Soviet Union moved into Afghanistan and has beefed up naval expansion on the Asia-Pacific waters. Thus, for economic and strategic reasons, the Asia-Pacific region has become a vital area of competition among the superpowers. This has implications for the international order in the region.

In recognition of the changing regional order in the Asia-Pacific, the Singapore Institute of International Affairs and the Centre for Advanced Studies, Faculty of Arts and Social Sciences, National University of Singapore, organised an international conference to examine and analyse the various issues affecting stability and security in the Asia-Pacific under the title “Moving into the Pacific Century” in November 1983. Regional and extra-regional experts and representatives in the private and public sectors were brought together to discuss such important issues as the factors affecting the balance of power in the Asia-Pacific region and prospects for regional stability and economic growth.

The present volume is based on the conference papers. The ten papers were organised in four sections covering the following topics: the roles and policies of the superpowers, that is the United States and the Soviet Union, the role and policies of the major powers, viz. China and Japan, the regional relationship between Indochina and ASEAN states, and finally, the economic prospects in the Asia-Pacific region.

Roles and Policies of the Superpowers

The stability of the Asia-Pacific region is determined largely by the roles and policies of the superpowers, viz. the United States of America and the Soviet Union towards the region. Professor Bernard Gordon in his paper examined the foreign policy behaviour of the US, and maintained that its principal commitment was to maintain a balance of power in the region and to deny the domination of a single power in the Pacific. The policy was also due to the situation soon after the Second World War where the US became the dominant military factor in the region because “weakness and vulnerability were still the principal features throughout most of the Pacific”. However, Professor Gordon argued that these conditions had changed and there was “a sizeable number of generally stable and increasingly prosperous states”, and the US should adjust to this changing situation. Apart from correcting the European bias of its policy, Professor Gordon maintained that the US should also shed its inaccurate assessment of China’s political and economic power, the narrow bilateral framework in its dealings with Japan, and the paranoia it had of Soviet designs on East Asia. In his view, because of its historic “love affair” with China, the US tended to regard China as more important for both economic and political gains, but in fact, the greater advantages might lie with Japan, South Korea and parts of ASEAN. On America’s relations with Japan, he was of the opinion that the US had a tendency to deal with Japan in a narrowly bilateral framework, when in fact much more was involved. He argued that protectionism would harm both America and Japan. He also emphasised that for Japan to remain part of the Western international political system, it had to rely on America as its major trading partner.

With regard to the Soviet designs on East Asia, he argued that East Asia was more dynamic than before because of its economic success. The Soviet Union, because of its weakness, had failed to play an effective economic and political role in the region. Therefore, Professor Gordon maintained that the US and other states in the region should adopt “a more relaxed posture to the role of the Soviet Union in Asia”. He noted that “Moscow’s capacity for regional trouble-making, based, for example in Vietnam, cannot be underestimated, but it is long past the time for the US to shape its Asia-Pacific policies based much less on fear

and much more on the opportunities the region holds out for all its members”.

America's influence on Asia-Pacific trade and development had been tremendous. This aspect was the focus of Professor Augustine Tan's paper. Focusing on trade and investment, Professor Tan argued that the US-Asian Pacific trade and investment had been mutually satisfying. Referring to the US investment in the region, he argued that this was not only important to the recipient countries, but also benefited the American economy by generating demand for US exports directly and indirectly. Nevertheless, there was friction between the US and the Asia-Pacific countries. The US claimed that a number of its industries had been hit by competition from developing countries covered by the Generalized System of Preferences (GSP), and the US threatened to withdraw GSP benefits unless the most successful exporters were excluded. However, Professor Tan argued that the developing countries were more concerned with primary product exports and a few primary commodities whose price fluctuations cause them serious problems. These countries in the region would like to see the US more involved in commodity-stabilisation agreements.

While Professor Gordon called for a more relaxed policy of the US towards the Soviets in the Asia-Pacific, another writer, Mr Geoffrey Jukes, argued that the Soviets still attached great importance to Europe as shown by the fact that two-thirds of Soviet military strength was deployed in or adjacent to it. He also maintained that “during the past fifteen years there had been a strengthening of Soviet forces in the Asia-Pacific area, but this had been primarily in response to a worsening of Sino-Soviet relations”. He further argued that the main Soviet worry in the Asia-Pacific was “a combination of complexities”.

Nevertheless, the perceived threat from the Soviets had been balanced up because of the differences among the Communist states. Mr Jukes noted the USSR's military power, especially the Soviet naval might in the Pacific, but thought it was still far from being effective. In his view the naval build-up would not enable the Soviets to impose their will on China or anyone else, “any more than the overwhelming military strength of the United States enabled it to impose its will on Vietnam”. While Soviet military capacity was a matter to be reckoned with, their economic and political influence in the Asia-Pacific was very limited.

Roles and Policies of the Major Powers

If the superpowers affect the stability of the region, so do major powers such as Japan and the PRC particularly on the other states in Asia-Pacific. While Japan has more influence in economic matter, China is more influential in the political field.

Professor Masashi Nishihara argued that Japan was interested in having an informal Pacific Basin Coalition. It wanted to promote “the political stability and economic viability of the non-communist areas and tying China’s interests to those of the non-communist areas”. In his view, the politically stable and economically viable non-communist areas, with economies like Japan’s, would provide a highly desirable market for Japanese goods and capital. Professor Nishihara also noted that it was a strategic calculation for Japan to seek a stable China friendly to the non-communist areas and have it function as a buffer state against the increasing military power of the Soviet Union. Nevertheless, Professor Nishihara holds the view that Japan-Asian relations is a function of the US-Asian relations, America being the corner stone of the Japanese security policy. As long as Japan relies on the United States for her security, it is not likely that Japan would seek military independence. However, he was of the opinion that “a properly-armed Japan should be beneficial to South Korea and China as well”, and this is crucial for the stability of Northern Asia and also Southeast Asia. However, Professor Nishihara was aware that some Asia-Pacific countries were alarmed by Japanese “militarism”, but he pointed out that the increase in Japanese military spending was for self-defence purposes. He argued that Japan could not opt for military expansion because the US would not allow this.

Japanese economic role in the Asia-Pacific was assessed by Professor Lee Soo Ann. He maintained that Japan would seek new markets in the Asia-Pacific in order “to overcome the possible restriction of markets in the developed countries due to reciprocity trade legislation”. Professor Lee maintained that the Asia-Pacific role of Japan was very much part of the world role of Japan. The important problem was the solution of the trade imbalance between the US and Japan. “If it is to be resolved through the exchange rate mechanism (the yen’s appreciation) then it does not matter if the Japanese economy grows slowly. But if it is to be resolved by trade bargaining, then the need for Japan to find new

markets becomes more imperative''. However, Professor Lee concluded that Japan considered herself as a world economic giant and "no amount of success can remove the fact that she is Japanese and so she will pursue policies which appear as vexatious to other countries (protecting the agricultural sector at high expense) inviting reciprocal action. She will therefore be compelled to turn more to the Asia-Pacific as her 'home' base and assert her strength in conventional military fashion so that she has something to counter the pressure from fellow rich countries''.

In fact, it was not only America which did not allow Japan to engage in "militarism". Even the PRC was concerned with the sign of Japanese "militarism", although the PRC has not yet been alarmed. Dr Benito Lim in his paper on China argued that although both China and Japan perceived the Soviet Union as a threat and hence signed the Sino-Japanese Treaty, "it is not correct to conclude that China or Japan would like to see the other militarized. Each perceives militarization of the other as a threat to her own security".

Dr Lim viewed China as a country which was interested in peace and stability. In his review of China's foreign policy especially after the rise of Deng Xiaoping, Dr Lim concluded that China had been preoccupied with the issue of Taiwan, its own four modernization programs and the Soviet threat. He noted that "the objectives of China's diplomacy in the Asia-Pacific are quite obvious: to reduce tension with her enemies, to secure her borders, help restore independence to her allies, strengthen Third World unity and co-operation, and extract maximum help and support from Japan and the USA in order to pursue her program of modernization". He noted that China would continue this policy in the future if there were no major changes in the international environment. Dr Lim further argued that China had rejected the doctrine of "proletarian internationalism" and declared herself as "a non-aligned state belonging to the Third World". He asserted that the Chinese leadership had shown flexibility and it had genuine desire for peace in the region.

Regional Issues

Within Southeast Asia, there was also intra-regional problems. Mr Nayan Chanda examined the trends in ASEAN-Vietnam relations and its prospects. Mr Chanda explained that the relations had

experienced at least seven phases, from the first phase of the period of waiting, through various periods of mutual adjustments and to the latest phase of “coalition struggle and dialogue”. While noting that the Vietnamese action in Cambodia had forged ASEAN solidarity, he argued that there was a basic common approach among the ASEAN states which sought “an independent and relatively strong Vietnam as a balancing factor in Southeast Asia vis-a-vis China but not strong enough to challenge the stability of the region”. He also pointed out that Vietnam attempted to split the ASEAN countries in their policy towards Cambodia, and having failed to do so was ready to recognise ASEAN, if the latter accepted a Hanoi-led Indochina as a legitimate grouping. He emphasised that Hanoi’s primary aim was to exclude China from playing any role in Indochina and secure ASEAN’s acceptance of the new power-balance. Nevertheless, Mr Chanda was of the view that “the fact that Hanoi is willing to recognise ASEAN indicates Vietnamese assessment of the not-too-favourable current balance of forces in the region and also their domestic difficulties”. The Vietnamese, he argued, still believed that “lopsided growth, income disparities and social injustices in these countries would eventually lead them to the path of socialism. Waiting for that day, Vietnam would rebuild its economy and consolidate its hold over Indochina”.

Although the Cambodia issue had unified the ASEAN states, it also had a potential tendency to split ASEAN. Mr Sukhumbhand Paribatra argued that Thailand had successfully buttressed its position vis-a-vis Vietnam in the past, but then it could become a victim of its own success. He explained, “with Vietnam perhaps even more intransigent, the prospect is that the present stalemate will persist into the future”. Mr Sukhumbhand outlined three dangers which such a situation could pose. Firstly, there was the threat to Thailand; there being an increasing possibility of more tensions along its border with Cambodia. Secondly, a stalemate in Indochina might intensify rivalry among the great powers in the region. The conflict would lead to greater US intervention in the region which would make Southeast Asia “once more embroiled deeply and fruitlessly in another Cold War”. Thirdly, the Cambodian situation might lead to a “re-militarization” of the Thai political system and lead to another round of Thai participation in the Indochina war.

Economic Prospects in the Asia-Pacific

What are the prospects of political stability and economic growth in the Asia-Pacific? Despite the superpower rivalry and the emerging role of China and Japan in Asia-Pacific affairs — both political analysts and economists appeared to be quite optimistic about economic growth and political stability in the Asia-Pacific region. This was especially the case for the economists who identified the Pacific as a growth area. Of course, even economists are not without reservations when they discuss the economic prospects in the Asia-Pacific. Dr Eric Rasmussen argued that there were potential risks of at least temporary disruption. One of the greatest risks was that the Asia-Pacific remained an energy importer and hence its development would depend on the Middle East for basic supplies. Dr Rasmussen also argued that the regional conflicts, particularly in Indochina, could adversely affect investment and growth in the region. Another risk, he noted, was that protectionism in Europe and the US would worsen. “If these risks can be avoided”, he maintained, “we are likely to see relatively good growth for the Pacific and OECD nations and high growth elsewhere.”

Dr Chia Siow Yue, a Singapore economist, also shared some of the optimism on the economic prospects of the Asia-Pacific. In her paper, she surveyed the past economic achievements of the East Asian Newly Industrialized Countries (NICs) and ASEAN countries, highlighting developments in the early 1980s. This was followed by the examination of the economic outlook in the short-term and in the medium-term up to the middle of the next decade. She opined that US and Japanese economies would be more buoyant than the European market economies, while the East Asian NICs and the ASEAN economies would continue to show a high degree of dynamism.

Concluding Remarks

The papers discussed above had examined various issues pertaining to the changing regional order and prospects of economic growth in the Asia-Pacific. Some papers addressed themselves to the evolving roles and policies of the major powers with vital interests in the region; others dealt with the impact of Great Power policies on regional stability and challenges to the intra-regional

order. In those papers, past roles and policies of major actors were discussed and factors which affected political stability and economic growth were identified. There are varying degrees of agreement on various issues and most tend to consider that in the near future, the Asia-Pacific region would achieve political stability and a relatively high degree of economic growth.

Pacific Futures for the USA

Bernard K. Gordon

I

As American foreign policy in the Pacific rim approaches the end of this century, it is useful to recall the American President — Theodore Roosevelt — who was in office at its beginning. He had a perceptive understanding of the Pacific region, both in terms of its place in world politics, and the role the US would play there.

As early as 1903, Roosevelt wrote, “The Atlantic Era is now at the height of its development and must soon exhaust the resources at its command. The Pacific Era, destined to be the greatest of all, is just at its dawn.” Roosevelt was just as accurate on the course that US policy would take in the Pacific: when his son questioned why the US seemed then so favourable to Japan, the President answered that America must oppose any who would be “top dog” in Asia. In words that were strongly predictive, he added that should Japan aim to become “top dog” in the Pacific, then the US would oppose her as well.

Both predictions have stood the test of time. The Pacific region has indeed become the world leader in economic growth, and every indicator suggests it will continue to surpass all others. Similarly, the East Asian policy of the US has long been shaped by the view Roosevelt outlined. Its principal commitment has been to a balance of power in the region, or as it is more commonly expressed, “by a concern that there be no single dominant nation in the Pacific”.

The two factors — East Asia’s recent and remarkable economic development, and the record and aims of US policy in the past — lay the groundwork for the next stage of American involvement.

There is no question about *whether* the US will participate significantly in the main affairs of the region; it is instead a question of what kind of role that will be. If it is to be constructive and effective, America will need to shape a policy consistent both with her enduring interests, and sensitivity to Asia's new conditions.

II

The East Asian environment has of course changed profoundly since that time when basic American interests took shape. When the US first became involved in issues of Pacific region security, most of East Asia was still colonized, and in the years after World War II — when the US became the dominant military force in the region — most of the Pacific was still politically weak and vulnerable.

It is those conditions, of difficult postwar recovery, and of post-colonial weakness in particular, that have now so profoundly altered, and the main question for American policy is whether it can adapt to the new conditions. For example, the concept of a large US military presence in the Pacific, an American posture which took shape during the Second World War and has continued largely uninterrupted since, is probably regarded by most Americans as a permanent feature — both of US policy and of conditions in the Pacific. There has of course been ample justification for that presence: direct threats to American security and to peace generally have come from East Asia since the 1930s, and there have been other developments in the region since then that might have widened or escalated to direct threats.

Today's conditions make a recurrence of at least such direct threats much less likely now. The reason is the basic change in the structure of the East Asia region. Its nature has changed from an environment in which one power (or group of powers) might achieve dominance, to the present structure: an environment in which there is a sizeable number of generally stable and increasingly prosperous states.

It will not be easy to implant this change in American thinking, nor to bring about widespread understanding of the basic changes in the economies of the region. Progress has been so rapid that Americans, like others, find it hard to accept that a genuinely profound historical shift has occurred. Even knowledgeable people — scholars, editors of distinguished journals and the like — react with

disbelief, for example, to the information that the US now trades more across the Pacific than across the Atlantic.

Yet this change in the historic direction of US trade began to be evident in the mid-1970s, and the gap has been growing every year since. The most recent figures reveal the magnitude of the shift: in 1982 American trade with East Asia was more than \$128 billion; while with all of Western Europe it was just under \$113 billion.¹ This difference, of more than \$15 billion, reflects both a basic change in the direction of US trade and a probably irrevocable transformation of the global economy.

One major reason for the change is the significantly higher rates of economic growth in the Pacific region, as compared with Western Europe. In the 1970-80 decade, most economies of the Pacific averaged an annual growth rate of 6 to 8 percent, while for Western Europe the rate was at best between 3-4 percent. This gap will widen, according even to the most conservative estimates, so that Western Europe will reduce its share of world GDP (gross domestic product), while that of East Asia will increase. For example, one report by the Hudson Institute (based on OECD studies) anticipates that the portion of world GDP accounted for by East Asia will rise from 15.9 percent in 1975, to 23 percent in the year 2000. The same study indicates that for Western Europe, the share of global GDP will decline from 22.5 percent in 1975 to 20 percent in 2000.²

Even these figures probably underestimate the differences to be expected. One measure is that the East Asian economies generally have been less affected by the global slowdown in economic growth, and by the recent recession, than all other regions. Another is that (like the US) the East Asian states have begun to come out of the global recession more quickly, and with better performance, than Western Europe and other regions. Furthermore, most of the Pacific economies have neither the massive debt that will slow down recovery in Latin America and Africa, nor the structural rigidities, of a social and political nature, that will inhibit both recovery and growth as in Western Europe.

¹ Figures derived from IMF, *Direction of Trade Statistics*, April, 1983. For "Western Europe" I have included not only the EC and others traditionally considered, but also Austria, Finland, Greece, Spain, Sweden, Yugoslavia, and Turkey. For East Asia I have included Japan, China, Australia and New Zealand, South Korea, Hong Kong, Taiwan, and the five ASEAN states in Southeast Asia.

² Quoted in Pacific Basin Institute, *Whole Pacific Catalogue* (Santa Barbara, California, 1981), p. 63.

The consequence is that East Asia and the United States can reasonably be expected to do better — and Western Europe and Latin America worse — than was anticipated even a few years ago. This common feature of US and East Asian economic growth will further reinforce US-Pacific trade, as will the rampant protectionism now evident in Western Europe. Trade restrictions imposed by the Europeans are already recognized as harmful in the US and among the export-oriented East Asian economies; the result will be to enhance the already-evident tendency of greater US trade with the Pacific region.

To draw fully on these objective opportunities, however, a significant shift in American thinking about the Pacific region is necessary. For cultural and historical reasons, Americans traditionally are biased toward Europe, and Latin America occupies another special place in American thinking. East Asia, despite the evident fact of greater US trade there than with either of the other two regions — is still seen as more distant and more foreign. Indeed it is likely that most Americans still tend to regard the region — Japan and Australia aside — as one that is poverty-stricken and conflict-ridden.

III

One consequence of this view is a widespread American perception that much of the nation's foreign trade problems emanate from Asia, and that its markets are not open to American goods. The constant attention given to Japan as a trade competitor (and the near-total avoidance by the American media to trade problems with Western Europe) probably contributes to this view, but the facts prove otherwise. Table I, which shows European and East Asian imports from the US indicates how receptive the East Asian market has become to the US.

As these data show, a number of East Asian countries compare very favourably with the generally higher-income nations of Western Europe as markets for American goods. Even Korea and Malaysia, whose economies, populations, and *per capita* incomes are much smaller than most-West European states, recorded *per capita* imports of US goods of \$140 and \$120. This is higher than the figure for Italy (\$80) and Denmark (\$143). And Japan, so often cited as resistant to American exports, had a higher *per capita*