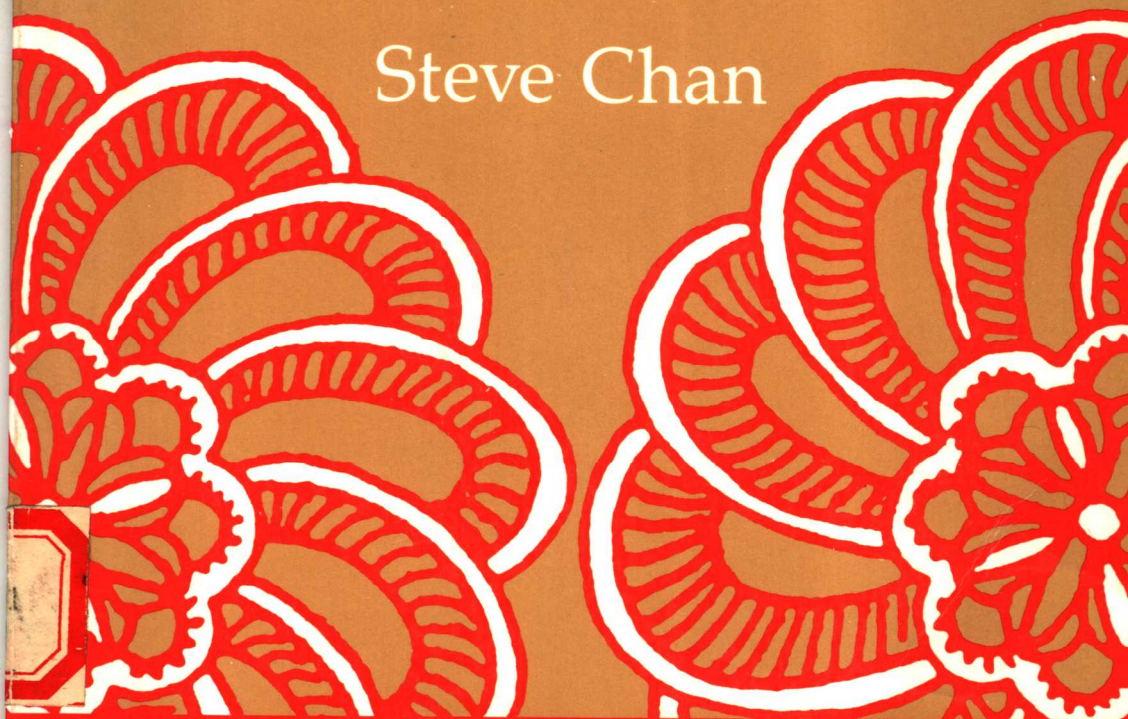


EAST ASIAN DYNAMISM

*Growth, Order, and Security
in the Pacific Region*

Steve Chan



DILEMMAS IN WORLD POLITICS

EAST ASIAN DYNAMISM



Growth, Order,
and Security
in the Pacific Region

Steve Chan

University of Colorado

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Preface and Acknowledgments

This book offers a succinct treatment of the political economy of the Pacific region for both advanced undergraduate students and beginning graduate students. It combines perspectives from such social science disciplines as sociology, economics, history, and political science. It offers some substantive explanations of the recent experiences of Pacific Rim countries (especially the East Asian ones) and suggests some possible scenarios for their future development.

The first book in Westview's Dilemmas in World Politics series and faithful to the thematic focus of the series, it emphasizes the concepts of *policy choice* and *policy dilemma*. The discussion of these concepts is organized around the three cardinal values of economic growth, socio-political stability, and military and resource security. Through the presentation of alternative theoretical perspectives and the illustration of country-specific materials, three main arguments are put forth: (1) there is a variety of competing policy practices (or strategies) for the achievement of these values (each with its own promises and liabilities); (2) there are important and often nonobvious trade-offs in the pursuit of these values; and (3) there are significant cross effects between domestic and foreign developments. These three arguments buttress the central themes of policy choice and dilemma.

I am grateful for the encouragement and support of various friends and colleagues during the preparation of this book. George Lopez, series editor for Westview's Dilemmas series, was responsible for getting me interested in this project. Jennifer Knerr, senior editor at Westview, was very supportive and helpful in moving the project along. Several members of the Dilemmas editorial board—Barry Hughes, Jeffry Frieden, Deborah Gerner, and Karen Mingst—gave useful suggestions in response to my initial book proposal. Harry Harding, Neil Richardson, Sheldon Simon, Donald Weatherbee, and Allen Whiting conscientiously reviewed the manuscript and provided extensive comments that helped to improve

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Steve Chan



Acronyms

ASEAN	Association of Southeast Asian Nations
EEC	European Economic Community, or Common Market
GATT	General Agreement on Tariffs and Trade
GNP	gross national product
MITI	Ministry of International Trade and Industry
MNC	multinational corporation
NATO	North Atlantic Treaty Organization
NIC	newly industrializing country
OMA	orderly marketing agreement
PLA	People's Liberation Army
PRC	People's Republic of China
UN	United Nations
VER	voluntary export restraint

EAST ASIAN DYNAMISM



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ONE



The Pacific Region at the End of the Twentieth Century

We live in a rapidly changing world. As we prepare to enter the twenty-first century, developments in both the Atlantic and the Pacific areas portend major changes in the structure of the international political economy and the balance of global strategic force. In 1992, the member countries of the European Economic Community will remove their trade and immigration barriers. Therefore, Western Europe is poised to become one vast economic market while continuing its process of social, cultural, and political integration. Combining the assets of countries such as West Germany, France, Britain, and Italy promises to give them an enhanced collective voice in world affairs—perhaps even to the point of constituting a third center of global power, in addition to the United States and the Soviet Union.

Momentous events are also occurring in Eastern Europe, where because of popular pressure for economic and political liberalization, the authoritarian Communist rulers of Czechoslovakia, Bulgaria, East Germany, Hungary, Poland, and Romania fell from power in rapid succession in the final months of 1989. Under the leadership of Mikhail Gorbachev, the Soviet Union initiated a series of reforms to restructure its economic and political system. These reforms, however, have been unable to dampen and might have actually contributed to the outbreak of ethnic strife and secession movements in this vast country. After four and one-half decades, the iron curtain separating the European Communist countries from the West is finally being lifted. Both the physical and

symbolic barriers between Eastern and Western Europe—as epitomized by the Berlin Wall—are being taken down.

In the Pacific region, equally momentous changes have been taking place. Japan now commands the third largest economy in the world (the Japanese gross national product ranks only behind those of the United States and the USSR). Although Tokyo's current military capability is relatively limited in comparison to its economic and technological prowess, this capability can easily be upgraded on short notice—thereby enabling Japan to become a potential balance tipper in the U.S.-Soviet rivalry. Moreover, the absence of a visible military outreach capacity is compensated by an energetic and well-endowed foreign assistance program: Japan has now overtaken the United States as the world's largest donor of foreign aid.

The Pacific region also features the rapid ascendance of several *newly industrializing countries* (NICs) in recent decades. Collectively known sometimes as the "gang of four" or the "four little tigers," South Korea, Taiwan, Hong Kong, and Singapore have been phenomenally successful in their export drives and in exploiting this export expansion as an engine for domestic growth. Together with Japan, these smaller Asian countries have been responsible for much of the U.S. trade deficit and have consequently been the main targets of U.S. protectionism. With their rapidly rising income level and industrial maturity, they are on the threshold of joining the ranks of developed countries.

The looming presence of the People's Republic of China (PRC) is a constant factor in the evolving Pacific region. Beijing commands an enormous population, a large territorial expanse, and a potentially lucrative market for foreign trade and investment. It also has a large standing army equipped with nuclear weapons. For all these reasons, the "China factor" has been prevalent in U.S. as well as Soviet strategic thinking. Of course, this China factor will assume even greater importance if Beijing is able to accelerate its program of economic modernization without endangering domestic political stability. Any realignment of Chinese foreign policy will surely arouse grave concern in Washington, Moscow, and Tokyo.

The Pacific region also includes, at its northern reaches, Soviet Siberia and western Canada, with their vast natural wealth in lumber, minerals, and agricultural resources. Similarly, we find other resource-rich countries—especially Indonesia and Australia—toward the southern end of this region. These economies have been increasingly drawn into a regional system of economic exchange, with Japan acting as a prominent exporter of capital, technology, and heavy industrial products and as a major importer of agricultural goods and industrial raw materials.

The United States, of course, is very much an active and important player in the Pacific regional system. Economic and demographic trends point to a continued westward shift, so that California—already the nation's most populous and productive state—will assume an even more dominant role. The economy of the West Coast will become particularly oriented toward and dependent on economic transactions with the Pacific Rim countries. However, these countries are important for the United States not just because of commercial considerations. The United States after all has fought its three most recent and devastating wars in the Pacific region (the Vietnam War, the Korean War, and World War II, which, for the United States, started as a result of the Japanese attack against Pearl Harbor). Therefore, this region evidently also commands crucial strategic importance for Washington.

THE SCOPE AND DIVERSITY OF THE PACIFIC REGION

The policy importance of the Pacific region is buttressed by its sheer size and remarkable dynamism. At the same time, this size and dynamism imply considerable regional diversity and complexity, which make efforts to cope with the region's evolving problems a very challenging task.

Figure 1.1 illustrates this challenge. The map shows that the Pacific Basin encompasses an enormous area. On one side of this basin lies North America, where Canada and the United States are located. Further south, we find the countries of Central and South America (such as Mexico and Chile), areas that will, however, be outside the scope of this book. On the other side of the Pacific Basin, the East Asian mainland is principally occupied by the PRC. Korea (its northern as well as southern parts) and Japan are situated to the northeast of the PRC and are the most industrialized parts of Asia. Further to the north are Siberia and Sakhalin Island, both territories of the Soviet Union. To the south of the PRC is Indochina, consisting of the Communist states of Vietnam, Laos, and Cambodia (also known as Kampuchea). Forming a semicircular arc around these Indochinese countries are the members of the Association of Southeast Asian Nations (ASEAN) and Papua New Guinea. The ASEAN members are Thailand, Malaysia, Singapore, Brunei, Indonesia, and the Philippines. Oceania, consisting of Australia and New Zealand, is situated even further south. Finally, several island groups, such as Micronesia, Melanesia, Polynesia, and Hawaii, lie in the middle of the Pacific Ocean.

A variety of ethnic groups, cultural traditions, economic systems, and political ideologies exists around the Pacific Basin. The countries of North America and Oceania—namely, the United States, Canada, Australia,

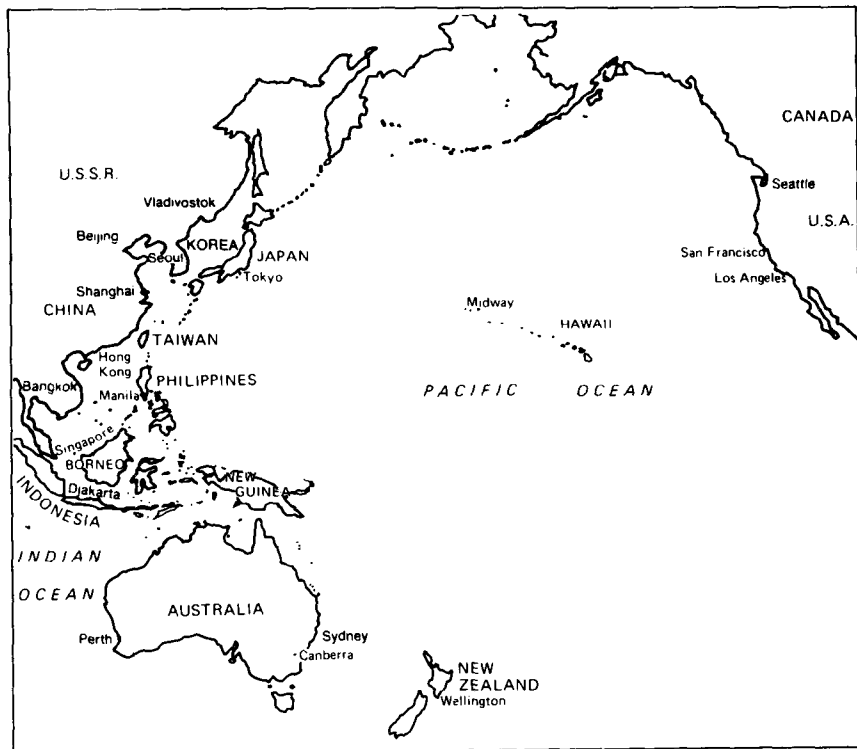


Figure 1.1 The Pacific region

and New Zealand—have a great deal in common. They are former British colonies, settled mainly by white immigrants from Europe. Consequently, they share a common language, religion, economic system, and political institutions inherited from the British. They are all English-speaking and predominantly Protestant countries, with a tradition of pluralistic politics and a developed capitalist economy.

The countries of East and Northeast Asia also tend to share a common cultural legacy—with its source in China. Japan, Korea, Taiwan, Hong Kong, and to some extent, Singapore have been deeply influenced by Confucianism. However, they are also marked by important economic and political differences. Japan is, of course, a highly industrialized society that has had democratic institutions since the end of World War II. Like Japan, South Korea, Taiwan, Singapore, and Hong Kong have capitalist economies based on the principles of market competition. They differ from the so-called command economies of the PRC and North Korea, where the government instead of the market assumes the primary