

ASIA-PACIFIC ECONOMIES:
PROMISES AND CHALLENGES

Volume Editor: M. DUTTA

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Volume Editor: M. DUTTA
Rutgers University

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ASIA-PACIFIC ECONOMIES:
PROMISES AND CHALLENGES

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RESEARCH IN
INTERNATIONAL
BUSINESS AND FINANCE

CONSULTING EDITORS

H. Peter Gray

Richard Hooley

Richard F. Kosobud

John M. Letiche

James Riedel

George Rosen

Kazuo Sato

Anthony M. Tang

Jang H. Yoo

TO
LAWRENCE R. KLEIN
University of Pennsylvania

PREFACE

This volume in two Parts—each part in six Sections—is based on revised papers presented at the Second Conference on United States-Asia Economic Relations sponsored by American Committee on Asian Economic Studies, on September 29–October 1, 1985 in New York City. This inter-university program was instituted in 1982 following the First Conference on United States-Asia Economic Relations, successfully held on April 16–18, 1981 at the New Brunswick campus of Rutgers-the State University of New Jersey, sponsored by the Asian Economic Research program of the University. “Studies in United States-Asia Economic Relations” (ed. M.DUTTA, Durham, NC; The Acorn Press, 1985 pp. 578) is the volume reporting its major contributions.

Two principal economic factors have been responsible for the emergence and growth of this program. First, the long-run industrialization of many countries in the Asia-Pacific Region, and the industrial potential of the People’s Republic of China and India as well as their impact on the industrialized, developed economies have engaged attention of many researchers in

economics, and of course, of policymakers in government and corporate sectors of all of the countries concerned. Needless-to-say Japan's emergence as an industrial super-power in the world adds a new dimension to this perspective. Second, there is a growing recognition of the fact that all developing countries in all continents of the world do not share the same economic structure, and that there exists a closer economic structural affinity among the developing countries in a given region. This prompts an attempt to study developing countries of the Asia-Pacific Region in a regional, continent-based framework. A similar regional framework for countries of Latin America and of Africa will be expected to add substantively to the understanding of the economic structure of the countries in a given continental region. This is not, however, a suggestion that the North-and-the South groupings of the nations of the world be replaced. Indeed, efforts to develop study frameworks based on regional groupings of nations in several continents, of course, with limitations as must be unavoidable, will be expected to supplement any and all other efforts to study economies of the world.

Part I has six Sections. The first Section begins with the invited lecture by Lawrence R. Klein, the 1980-Nobel Laureate in Economics, who rightly argues: "It is hard not to be optimistic about this region . . . but there are significant immediate problems ahead." Klein points to specific problems of different countries in the Asia-Pacific Region, and then concludes with an optimistic note: "With India going on a fresh path we could find South Asia as well as the Pacific Basin remaining as one of the big growth areas of the world and improving on that position." He also refers to the potential of the economy of the People's Republic of China.

Section II deals with "Economic Dynamism of the Asia-Pacific Economies" based on contributions by Lawrence B. Krause, the Brookings Institution, Washington, D.C.; Miyohei Shinohara, Institute of Developing Economies, Tokyo, Japan; Bela Balassa, Institute for International Economics, Washington, DC; Staffan Burenstam Linder, Stockholm School of Economics, Stockholm, Sweden; Romeo M. Bautista, International Food Policy Research Institute, Washington, D.C. and University of the Philippines, Manila, Philippines; George Szakolczai, Hungarian Academy of Science, Budapest, Hungary; and M. Dutta, Rutgers University, New Brunswick, NJ.

Krause advocates for the "Second Best" solution by way of a regional grouping, beginning with the ASEAN, should the global free trade and the GATT negotiations remain unsuccessful. Shinohara presents an analysis of long-run industrialization of Japan and her six Asian neighbors, and of the supply-push role Japan successfully played in her neighbors' industrial development. He, however, argues that Japan has failed to play her demand-pull role in this regard. Balassa argues that Japan has indeed failed to

import manufactured goods from developing nations, and that based on his empirical test, Japan in a group of seventeen other industrialized nations, is found to be an "outlier" in this regard. Linder marvels at the economic growth of the Pacific Basin Region (as he defines) and strongly argues for a free market regime for optimal economic gains of all participating nations. Bautista outlines the case of the ASEAN countries—the Philippines, Indonesia, Malayasia, Singapore, Thailand, with Brunei as the newest and sixth member of the group. Szokolczai introduces a view of the Asia-Pacific Region from the perspectives of Eastern European economies. Dutta in his comments advocates the thesis of continent-based regional economic cooperation of the countries in Asia, including the People's Republic of China, India and other South Asian countries, (recently grouped under SAARC -South Asian Association for Regional Cooperation), Australia and New Zealand. He recognizes that Japan must play a leadership role in this regard.

Section III deals with the two planned economies of Asia, -China and India. Pei-kang Chang and Shao-kung Lin co-author a paper on the market orientation of China's economy and the working of the price mechanism under China's Modernization Program. V. Pandit and B.B. Bhattacharya examine the role of the public sector in India's mixed economy and alternative modes of financing the economic programs in the public sector.

Section IV includes three papers on exchange rates. Kazuo Sato and Sheng-Yann Lii co-author a paper on the Japanese yen; Kanta Marwah examines the role of the Indian rupee in the world market; and Sung Y. Kwack dwells on the international value of the Korean won, especially in the context of Korea's external debt burden. Dilip K. Ghosh discusses the first two papers by Sato and Lii and by Marwah.

Section V presents three studies on agricultural issues affecting the Asia-Pacific Region. Arsenio Balisacan, Chung H. Lee and James Roumasset examine the national food policies of various countries, especially in the region, and its international implications. Linda Hudgins studies the tuna fish market in the Pacific and examines an economic framework for negotiating fishery access rights in the South Pacific. M.G. Quibria deals with "Sharecropping in Dual Agrarian Economies" and concludes that land reform, though an important factor, by itself may not be sufficient for optimum economic productivity in agriculture. Saleem M. Khan comments on the two presentations by Hudgins and by Quibria.

The sixth and final section of Part I is an interesting presentation by George Szokolczai. He surveys, in a comprehensive way, all of the materials in both Part I and Part II of the volume, "Asia-Pacific Economies: Promises and Challenges." This instructive survey serves as a link between the two Parts of the volume, as it projects the unity of the basic theme of all contents.

Part II, not unlike Part I, has six Sections. Section I deals with Japan. Kiyoshi Abe discusses "Patterns of Trade, Inter-and-Intra-Industry," between Japan, the United States and West Germany on the one hand, and Asian developing countries on the other. Tadashi Inoue uses the input-output technique to present a comparison of labor productivity between Japan and the United States. Jon Woronoff asks the question which many countries in the world continue to ask: how manufactured products not only from the United States but also from the newly industrialized developing countries in Asia are kept out of Japan?

Section II consists of four papers on the People's Republic of China. Li Ze-Gao in a technical note, discusses China's manpower need for her modernization program, and how best to predict China's need for experts and professionals in the year 2000. Liu Jing-Tong examines the role of energy in China's economic development plan, and advocates for a greater reliance on China's coal resources, and a more market-oriented planning of China's energy resources in general. Ted-wei Hu presents the findings of his field study in the People's Republic of China about the extent of teaching of the American economy in Chinese academic institutions. James T.H. Tsao presents an econometric model of China, discussed by Yien-I Tu, who commends the author for his efforts.

Section III includes two presentations on India. Kamta Prasad and Pramod K. Sinha co-author a paper on Indo-U.S. trade flows. Pranab K. Chatterjee develops a synthetic index to measure economic development of an economy, and compares relative levels of some selected Asian countries to that of the United States.

Section IV deals with the newly industrializing countries (NICs) in Asia—Korea, Taiwan and Hong Kong. In Kie Kim presents a study of "Foreign Participation in Korea's Money Market" and suggests that the solution to the problem of over-reliance of Korea on external debt lies not in the restriction of foreign participation in Korea's money market, but in the de-regulation and liberalization of Korea's domestic money market and banking system. Youn-suk Kim considers the role of external debt in Korea's economic development and concludes with an optimistic note. Kiseok Lee and M. Dutta examine the technical aspect of how to empirically verify the shifting patterns of international trade in a four-fold division of the world economy (trade only)—Korea, Japan, the United States and the rest of the world.

Rong-I Wu presents a study of "the Role of U.S. Direct Investment in Taiwan" and concludes that Taiwan's domestic contributions to her historic economic growth over the past decades have been often overlooked, as many researchers dwelled on the otherwise obvious aspects of Taiwan's export-led growth and the role of U.S. investments in this regard.

Chyau Tuan discusses the U.S. influence on Hong Kong economy. He

documents the substantive role of the United States in the past, and argues for the progressively increasing role of the United States to be continued in the future.

Section V presents three studies on the ASEAN (Association for South East Asian Nations). Warin Wonghanchao and Jeerasak Pongpissanupichit examine certain critical issues relative to American direct investment in Thailand which are argued to be less than optimal for the country's economic development. Raj Aggarwal presents a survey study of multinationals listed on the Singapore Stock Exchange, a pioneering effort to analyze the role of multinationals in the Asia NICs. Fong Chan Onn presents a comprehensive study of the ASEAN countries and indicates that this regional grouping of Southeast Asian nations points to great potentials. Each member nation, the Philippines, Indonesia, Malaysia, Singapore, Thailand (Brunei is not included in the study) has set itself to encourage export-led, market-oriented industrial growth with a firm policy commitment to a free trade regime. Given stability of the world economy and stability of the overall conditions inside, ASEAN is set, as the author concludes, on a course of rapid industrialization. Indeed, Singapore, one member of the group, is already ranked as a NIC.

The sixth and final Section of Part II of the volume discusses the significant and relevant topic of rational security expectations which always overwhelm all studies in international economics. Arthur Cyr and Richard F. Kosobud co-author a paper on the subject with specific reference to Northeast Asia.

* * *

No project of this magnitude can ever be successful without support and cooperation from many individuals and institutions. The Asia Society of New York and the Port Authority of New York and New Jersey lent their cooperation and greatly contributed to the success of the present project. In the past, the Federal Reserve Bank of San Francisco, the Institute for East Asian Studies of the University of California at Berkeley, and the Federal Reserve Bank of New York offered their co-sponsorship for several programs sponsored by the Committee on Asian Economic Studies, which made the development of the present program a feasible proposition.

Universities, government and/or non-government agencies in the various Asian countries, especially in Japan, Korea, Hong Kong, the Philippines, Thailand, India, the People's Republic of China, and of course, in the United States offered generous travel support to invited conferees and have earned our sincerest gratitude. The Asian Development Bank in Manila, Philippines extended its support in this regard. Rutgers- the State University of New Jersey, especially its Council for Asian Economic Research in the Bureau of Economic Research, gave its support in diverse ways.

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M. Jan Dutta
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LIST OF CONTRIBUTORS

- | | |
|--------------------------------|--|
| <i>Kiyoshi Abe</i> | Chiba University
Chiba City |
| <i>Raj Aggarwal</i> | The University of Toledo
Toledo, Ohio |
| <i>Pranab Kumar Chatterjee</i> | University of Kalani
Kalyani, India |
| <i>Arthur Cyr</i> | Chicago Council of Foreign
Relations
Chicago, Illinois |
| <i>M. Dutta</i> | Rutgers University
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| <i>Youn-Suk Kim</i> | Kean College of New Jersey
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