A U.S. PERSPECTIVE ON ASIA AND THE PACIFIC

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A national consensus has developed in the United States during the last several years regarding the importance of American ties with East Asia and the Pacific and the importance of the region to the national interests of the United States. It is also understood and appreciated that U.S. expanding interests in East Asia and the Pacific need not come at the expense of other regions of the world.

One of the lasting legacies of the Reagan administration has been the clarity with which the U.S. government reaffirmed the fact that the U.S. is a Pacific power, intends to remain one, and will live up to its commitments and responsibilities to its allies and friends in the region.

Regional trends in the East Asian and Pacific area are very positive. Over the past decade, East Asia has surpassed all other regions in economic development, GNP growth, and increases in international trade. Annual GNP growth averaged almost 7 percent from 1970 through 1985. Economic growth has been fueled by trade. Average annual export growth exceeded 15 percent from 1970 to 1985. Imports grew an average of over 16 percent during that same period.

Human resources are abundant in the East Asia-Pacific region. Education levels are quite high with the literacy rate way ahead of other developing regions.

Sound financial management has led to rapid economic
development and the East Asian developing countries' debt-service ratio is the lowest of any region. A strong technological base has been built on scientific and technical education and has launched many countries in the region on the road to rapid and sustained development.

East Asia's economic prosperity and security is linked to the U.S. economy. The region is a primary trading partner of the U.S.—some $213 billion in 1986 (over one-third of the total trade of the U.S.). From 1982 to 1986 U.S. trade with the world increased 29 percent, but with East Asia-Pacific countries over 63 percent. Seven of America's 20 largest export markets are in the region and U.S. investment exceeds $33 billion and is growing.

On the average, East Asian and Pacific economies are growing more slowly now than in the 1970s: only 5 percent in 1985 and about 3 percent in 1986. There is also quite a bit of variation: South Korea's real growth topped 12 percent in 1986, while Malaysia contracted for a second year.

Export-led growth has capitalized on an expanding U.S. market, contributing to the huge U.S. trade deficit with the region, $81 billion in 1985 and $98 billion in 1988. Asian dynamism stimulates global prosperity, but depends on healthy Western economies; trade imbalance is likely to continue, fueling strong protectionist pressures in the U.S. and elsewhere.

The general economic outlook for the region is bright and strong. Gross Domestic Product (GDP) growth should continue this
year among all the economies of the region (except perhaps New Zealand) although at rates somewhat below the "boom" levels of 1988.

The combined effects of a depreciated dollar, strong domestic growth in the largest surplus economies (Japan, Taiwan, and the Republic of Korea) and some success in opening East Asian markets should result in further reducing our large trade imbalance, although less than in 1988.

U.S. trade and budget deficits will continue to cast long shadows, particularly in implementing the complex provisions of the 1988 Omnibus Trade Act in the face of strong protectionist pressures if improvement in the U.S. global trade balance should stall in 1989.

The U.S. is going to have to come to terms intellectually and particularly with sharply growing Japanese assistance (which the U.S. has encouraged) and commercial roles in the region, both of which are frequently closely intertwined.

Both the U.S. trade and budget deficits make more urgent the discussion of burden-sharing with successful East Asian economies—not only in the narrow sense of their picking up defense costs—but more generally their adopting policies that will contribute to the reduction of their trade surpluses with the U.S. and otherwise aid in the efficient functioning of the international trade and payments systems.

This does not mean the acceptance of the widely touted thesis that the U.S. is a declining power or that the U.S. has
lost its position of leadership. Rather, the relatively smaller
U.S. economic position means that U.S. leadership must be
exercised creatively, in order to forge the cooperative links
necessary to further peace and stability in the East Asia-Pacific
region.

The shifting patterns of trade and investment in the region
and increasing concern about quality of life issues can work to
the benefit of all, including the U.S. While the U.S. should not
abandon its reliance on market forces, it should ensure that its
export promotion and development assistance programs are as
supportive as possible of our private sector commercial
interests.

In the political area, rapid socio-economic modernization,
declining growth rates, and political successions will all fuel
popular pressures for political change. One can see increasing
popular support for democratization at the expense of
authoritarianism in country after country. This will lead to
political instability where elite resistance to political
pluralism and popular participation persists. I think we can
anticipate basic continuing stability within the region, but
governments and societies must be able to manage the pressures
for change.

Despite some persistent subregional tensions, the region is
largely at peace. Exceptions include the nagging communist
insurgency in the Philippines; North Korean hostility towards the
Republic of Korea; and the Cambodian tragedy brought about by the
cruelties of the Khmer Rouge and the Vietnamese occupation of the country. The continued Soviet military presence in the region in excess of defensive needs is also troublesome and disturbing.

But I think there are signs of improvement: Economic woes (caused partly by ASEAN-led isolation) and perhaps Soviet pressure are apparently causing Vietnam to withdraw from Cambodia, although an internal settlement is still elusive with a danger of civil war and a Khmer Rouge return to power. In the Philippines, the Aquino government is seriously grappling with underlying economic problems and dealing more effectively with the communist insurgency. On the Korean Peninsula, although North Korean policy seems unchanged, President Roh of the Republic of Korea has taken bold initiatives to reduce tensions. And the Soviet desire to present a less threatening image in the region may hold opportunities for substantive movement towards lower tensions.

Still, remaining tensions and uncertain future Soviet policies require continued vigilance. U.S. forces are generally welcomed as stabilizing and non-threatening. U.S. allies, especially Japan, are making larger contributions to mutual security. Although anti-nuclear sentiment in the South Pacific stems from past U.S.-UK nuclear testing, and current French testing, the U.S. is not in a position to sign the South Pacific Nuclear Free Zone treaty protocols because of global security responsibilities. But, in practice, American activities are not inconsistent with that treaty or its protocols. The New Zealand
Labor government has detracted from ANZUS effectiveness by blocking traditional access for allied vessels and aircraft and the U.S. has consequently suspended its security obligations to New Zealand.

Looking at the major power dynamics of the region, the U.S.-Japan security partnership remains the anchor for regional peace and stability. But despite interdependence, managing the economic friction in the U.S.-Japan relationship has become increasingly difficult. The normalization of Sino-Soviet relations reduces the chances for armed conflict. At the same time, there seems to be little or no chance for a return to a 1950s-style Sino-Soviet alliance, which would be threatening to the region. Soviet President Gorbachev's diplomatic initiatives reflect a desire for calmer external relations and may have substantive value over the longer term if actions follow words. So far, there is little of economic interest offered by Moscow. The Soviets need to open their economy to trade and investment on a market basis. Soviet security proposals so far are one-sided, obviously aimed at restricting U.S. activities while preserving Soviet strengths.

Although not in all cases complete, representative democracy is making impressive strides in the Asia-Pacific region. In the Philippines, Taiwan, the Republic of Korea, and elsewhere, political participation and demands for greater participation in representative institutions are expanding. In Japan, a firm consensus has been attained for a close association with the
free world.

I see strong evidence for evolving regional cooperation in Asia and the Pacific. Habits of cooperation and consultation on common concerns are developing. U.S. talks with the Association of Southeast Asian Nations and the developed and developing states of the region are underway at various levels. There is a growing interdependence and sense of common identity, which means that bilateral arrangements may gradually yield to multilateral initiatives.

We must be careful not to give too positive an assessment of the future of the Asia-Pacific region, but it is difficult to escape the conclusion that if present trends continue the future is a bright one with American participation assured.