

**U.S. POLICY IN THE ASIA PACIFIC REGION:
POST COLD WAR PHASE**

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CERTIFICATE

Certified that the dissertation entitled "^{POLICY}U.S. ROLE IN
THE ASIA PACIFIC REGION: POST COLD WAR PHASE", submitted by
Maheep Singh in partial fulfilment of the requirements for
the award of the degree of **Master of Philosophy** of this
University, is his original work. This dissertation has not
been submitted for any other degree of this University or
any other University.

We recommend that this dissertation be placed before
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A handwritten signature in cursive script, reading "Maheep Singh". The signature is written in dark ink and is positioned to the right of the main text.

MAHEEP SINGH

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INTRODUCTION

"NO REGION ON EARTH has grown so rapidly in the past two decades as the Pacific rim. No other area has expanded its trade with the U.S. so rapidly. None has depended as much for its economic prosperity on the generosity of U.S. market or for its political security on the presence in the region of U.S. power and alliance.¹

With the end of the Cold War, American foreign policy is entering a period of sweeping readjustment in which the Asia Pacific region needs new policies and more attention. The U.S. and its allies which were held together due to the opposition to the Soviet Union are currently finding that their most crucial interests in the strategic region, especially concerning trade, are frequently in conflict. The U.S., after re-evaluating its long-standing economic embargo against Vietnam, has lifted it recently but operative point

1. David Aikman, Pacific Rim Area of Change, Area of Opportunity (Boston: Little Brown & Company, 1986), p.181.

of it need to be watched. And there exists continuing trade dispute with Japan. From a strategic standpoint, potential hot spots still remain, particularly in North Korea and newly hard line China, that could escalate if the deep and long lasting non-proliferation and trade disputes were not resolved.

In the post-Cold War world, against the backdrop of the new importance of economies to the U.S., both at home and abroad, there is no other region more important to it than the Asia Pacific.

The U.S. has a major economic stake in Asia. Over half of U.S. total world trade is with the Pacific region; half again as much as its trade with Europe and three times the trade with Latin America. More than 2.5 million U.S. jobs are now dependent on exports to the Asia Pacific region. As the fastest-growing region in the world, the Pacific Rim holds tremendous promise for even more job-creating exports of U.S. goods and services.

The term Asia Pacific is relatively new and generally need to refer to countries: Japan, Korea, China, Hongkong, Taiwan, the Philippines, Thailand, Malaysia, Singapore, Indonesia, and Brunei.

Though this region is referred to by a variety of descriptive terms, viz., East of Suez, the Far East, East Asia, Southeast Asia and so on.²

The purpose of the present study is to *examine the aspect how far the end of cold war has influenced American foreign policy for readjustment in Asia-Pacific region.* In the past there were certain constant factors, specifically the ideological adversary super power the Soviet Union, which had contributed to the alignment of Asian Pacific states with America. With the collapse of the Soviet Union, the Asia-Pacific states needed readjustment of their relationship with U.S. The study proposes to *examine the content and nature of that growing re-adjustment currently taking place with Asia-Pacific region and the U.S.*

2. David Drakakis Smith, Pacific Asia (New York: Routledge, 1992), p.1.

In the post-cold war era super power conflict has been replaced by regional difference of Asia-Pacific states. With the U.S., trade, transfer of technology and investment are increasingly influencing their relationship. It is proposed to examine the nature and content of their emerging relations. Strategically, the Asia-Pacific region is not free from instability. The north Korean nuclear profile and Chinese hard-line on various issues like arms transfer, missile technology transfer, nuclear technology transfer and high defence budget expenditure are major source of instability in the security environment of Asia-Pacific region. It is proposed to examine these aspects within the framework of American security profile in the Asia Pacific region.

This study mainly covers the major members of the Asian Pacific community, Japan, Korea, China and Vietnam with special focus on Japan.

Each chapter of the paper will deal with a specific aspect of the U.S. Asia-Pacific relations. Chapter 1 will give a historical background of relations. Chapter 2 examines the emerging security environment in Asia-Pacific. The

Chapter 3 discusses economic relations between Pacific rim countries and the U.S. and Chapter 4 looks at intra-regional associations and U.S. involvement in them. The fifth chapter contains concluding observations.

CHAPTER I

A BACKGROUNDER

A brief historical relationship between the U.S.A. and the nations of the Asia Pacific, especially those belonging to the "Pacific Rim" is focus of the chapter. It will begin with a discussion of the U.S.'s early historical involvement from the time of the American revolution upto the Second World War. The following second section examines U.S. Asia Pacific relations during the Cold War and presents the trends in the historical perspective.

Early History

The U.S. has had a history of military involvement in the Pacific as early as the beginning of the 19th century. However, prior to the involvement of the navy, American trade in Asia Pacific had begun just after the American revolution.

By the turn of the nineteenth century numerous American ships had followed the lead of the 'Empress of China', which had left New York for Canton in 1784 with furs, cotton,

lead and ginseng (a root believed capable of restoring virility) and returned a year later with a rich cargo of spices, silk, tea and other Chinese goods. By 1820s China's interest in cotton seemed to promise a huge Asian market for the American South's chief product. During 1830s America's penetration into the Far East deepened. In 1832 the U.S. sent a special agent to the Far East, Edmund Roberts, who had instruction to negotiate trade agreements with China (Indo China), Siam (modern Thailand), Muscat (along the Arabian Sea) and Japan.¹

During the war of 1812, Captain Porter, Commander of the Essex, was the first American naval figure to explore the Pacific. He sailed into the Pacific to capture British whalers and men-of-war which were operating off the Pacific coast of South America.²

His attempt to thwart British efforts to secure important strategic resources during wartime lead to the first entrance of the U.S. navy in the Pacific region and the first step towards U.S./Asia Pacific relations.

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1. Howard Jones, The Course of American Diplomacy from the revolution to the present (Chicago: The Dorsey Press, 1988), p.182.
 2. Edwn P. Hoyt, Pacific Destiny - The Story of America in the Western Sea from the early 1800s to the 1980s (New York: W.W. Norton & Company, 1981), p5.

The first real U.S. involvement in the Pacific began in 1823 when President Monroe laid claim to a protectorate over the Western Hemisphere.³

The Monroe Doctrine, of course, was problematic because while it denounces colonization on one hand, by putting the entire Western Hemisphere under its protective sphere of influence it was effectively claiming the right to defend its interests in the region, effectively colonizing in a manner of speaking, the Western Hemisphere. Under the auspices of the Monroe Doctrine, several naval adventures were launched in the Pacific.⁴ In 1831 Captain Jones Downes was sent to suppress pirates interfering with the U.S. spic trade in Sumatra.⁵ This action and event set the trend of U.S. foreign policy for the next 1¹/₂ centuries: the use of the U.S. military to further the interests of the American business community.

3. Howard Jones, n.1, pp.113-114.

4. Edwin P. Hoyt, n.2, p.14.

5. Ibid., p.26.

In 1843 Commodore Lawrence Kearney persuaded representatives of the Chinese empire to sign a treaty opening several ports to U.S. ships for trade. The U.S. sent marines to Canton in July 1844 to "protect" American property.⁶

In the following decades, until World War II, U.S. naval operations in the Pacific seem to have followed this precedent and were primarily concerned with furthering U.S. trade objectives and protecting the "property" of the American business community overseas. Indeed the excuse of "protecting American property" has been used repeatedly to rationalize U.S. military involvement.

The U.S. Congress announced in 1845 that Japan and Korea should both be opened for trade. In what later turned out to be an ironic turn of events, the Americans wanted to open Japan for trade because "over-whaling" in the Atlantic had led to a poor yield and new whaling grounds had been discovered near Japan. The treaty therefore was needed to protect U.S. property (whaling ships) and its citizens.⁷

6. Ibid.

7. Ibid., p.27.

The American navy was often involved in military action in the Pacific even after the signing of the treaties with China and Japan. These actions were all taken to protect American traders and their interests. These actions occurred during the period 1855-1858.

During the period of the American civil war, understandably American attentions turned inward. However, after the civil war, which had facilitated rapid and widespread growth in northern industry, America once again focused its attention outward and Asia Pacific was not forgotten. In 1882 Rear Admiral John Rodgers was sent to Korea to negotiate a treaty with Korea similar to the treaty signed with Japan. However, relations with the Koreans were not as amicable as the Americans had hoped they would be and there was a period of restlessness for the following six years. During this period, U.S. marines were landed to "protect American interests".⁸

8. Ibid., p.30.

Prior to the American Civil war, but increasingly after, Americans began to take a growing interest in the political trade opportunities that the Asian Pacific countries represented. The importance of new foreign markets as outlets for surplus production in the growing American industries lead the United States to take actions in Japan and China to keep these countries' governments strong, vis-a-vis European interests in keeping these government weak.

...as yet the United States had no colonial ambitions. For its commerce it desired nothing better than most favoured nation treatment, equality, or the "open door" as it came later to be called. When trade had once been opened, threats to the door came not from China and Japan but from the colonizing powers of Europe, which were on the lookout for colonies, spheres of interest, and special favours in the Far East. A weak China or a weak Japan would be more likely to yield such demands than a strong China and Japan. It was to the interest of the U.S., therefore to maintain or to build up the strength of both China and Japan.⁹

9. Julius W. Pratt and others, A History of United States Foreign Policy (New Jersey: Prentice Hall, Inc., 1980), p.116.

Although the U.S. government, as demonstrated by Congress, was still undetermined about its attitude to world's colonialism, the increasing importance of the Asian Pacific region to American traders and the need to protect and promote their interests was not lost on the Department of Navy. Of equal importance to the navy in order to be an effective sea power, in the light of the new development in maritime navigation (steam power) was the ability to readily obtain coal when needed during a journey. Therefore the need for new markets for growing U.S. industries to absorb their surpluses, as well as steam and the subsequent need for coaling stations for the navy lead the navy take on an imperialistic position regarding the U.S. role in Asia Pacific. These ideas are illustrated in the following quotes:

America's growing export trade necessitated a larger navy to safeguard projected new sea lanes. During the Civil War, Union naval commanders became aware of the need for coaling stations in the Caribbean and Pacific.

For various reasons Americans were receptive to involvement in the Pacific and Far East. Trade was a factor, as were American military

and strategic concerns. ...the U.S. wanted coaling stations across the Pacific at Midway Island..., Somoa, and Hawaii, and sought to broaden its economic penetration of China and Japan. ...Completion of the transcontinental railroad in 1869 furthered American interest in the Orient. The main prize was the famed though elusive market of China, and stepping-stones across the Pacific were the vital prerequisites.¹⁰

The navy wanted bases across the Pacific, from Pearl Harbor, to the kingdom of the Hawaiian Islands, to China.¹¹ The United States navy was leading the nation on an imperialistic path in the interest of "national security". For while most Americans still considered the Atlantic and Pacific oceans as walls against foreign incursions; the navy, converting steam-driven vessels, had a different view. No navy could be effective in the days of coal without coaling stations in the middle of the oceans. The only way to get coaling stations was by annexation of territory or establishment of bases by treaty, and both courses involved an imperialistic position.

10. Ibid.

11. Edwin P. Hoyt, n.2, p.30.

President Monroe's earlier claim to the responsibility for defending the Western hemisphere, Captain Alfred Mahan, in his book The Influence of Seapower, proposed how the United States could go about building the strength to carry out Monroe's proposal. Mahan advocated the cultivation of sea power for the U.S. to attain a position of "first" importance in the world. His idea of seapower related to all aspects of maritime activity including: commerce, merchant marine, navy, naval bases at strategic points, and overseas colonies.¹² Mahan recommended that the United States acquire bases in the Carribean and the Pacific to act as ports for refuelling and repairs as well as outposts for defense of the mainland should war break out in the Pacific. "Mahan's philosophy was basically economic. At the root of sea power was trade, the source of national wealth and power. Without trade, a nation might still need a navy for coast defence, but other elements of the sea power - colonies, bases, merchant marines - would lose their significance".¹³ Thus Mahan was quite in accord with the current

12. Julius W. Prat and others, n.9, p.169.

13. Ibid., p.169.

urge for trade expansion for wider foreign market. American manufacturers began to express growing interest in the Chinese market, and with the acquisition of the Philippines. The steel industry advocated colonial expansion as a method of increasing the markets for American goods.¹⁴ It was during this period, the last decade of the nineteenth century, that U.S., in order to further its commercial as well as strategic interest set itself on an imperialistic course. Although it was not officially annexed until 12 August, 1898. In 1893, Hawaii became a de facto territory of the U.S. when armed revolutionaries supported by American troops and an influential American minister seized the government building, declared a Provisional Movement and raised the American flag over the government building. This was the first successful imperialistic move of the United States in the Pacific.¹⁵

Shortly after gaining Hawaii, the United States acquired the Philippines and Guam during the Spanish-American

14. Edwin R. Hoyt, n.2, p.63.

15. Ibid., p.39.

war in 1898, Wake Island in 1899, Tutuila Island in 1900, and the Manu's group of islands, in 1904. The United States took military action during the Boxer Rebellion in 1900 to protect the lives and property of Americans (mostly traders) in China. This involvement and subsequent victory allied the U.S. with European powers in a colonial venture. However, the prevailing attitude in America, as projected by the government and Congress in particular, was the internationalist position. Americans supported free trade for all nations in China. The position in Congress tended to be even more conservative regarding expansionism:

More insular was the attitude of most Americans who, if asked, would deny that the United States ever had any colonial aspirations and assert that the two great oceans east and west were all the protection America ever needed. That myopia, particularly in Congress, was to continue for the next forty years.¹⁶

Just after the Boxer Rebellion, Japan began to assert itself as a colonial power. This resulted in a conflict of inter-

16. Ibid, p.68.

ests between the United States and Japan which led to worsening relations between the two countries until the Japanese attack on Pearl Harbor in 7 December 1941 when tensions between the two nations reached their breaking point and war was declared.

Concern over Japanese military (naval) prowess and its demonstrated imperialistic tendencies led U.S. policy makers and navy men to formulate their policies with a wary eye on Japan. U.S. policy in the Pacific from the early 1900s to the end of World War II. U.S. policy in the Pacific was dominated by this concern regarding Japan's military strength and its intentions in the region.

In 1907 President Roosevelt sent a fleet of America's most modern warships around the world. The purpose of the voyage was, in particular, to impress the Japanese of American military might. Other objectives such as boosting the navy's shipbuilding programme, practice for the navy in navigation and naval operations and directing the American people's attention from domestic problems were also factors

in the decision to send the fleet, but the most important factor was the belief that Japan posed a threat to the U.S.. While the fleet was on tour, the Army and Navy Joint Board, for the first time, drew up a war plan in the event of a war with Japan. According to Edwin Hoyt, "Roosevelt was well aware of anti-American feeling in Japan, and recollection of the victory of the Japanese navy at Tsushima gave him something to consider."¹⁷

Japan's imperialistic policy progressed steadily. In 1910 Japan annexed Korea and it announced its imperialistic intentions in Manchuria in 1912. This Japanese policy was in conflict with the American "Open Door" policy and caused considerable friction. By 1911, there was "agreement by [amongst] most of America's responsible leaders about Japan as the most important enemy in the future."¹⁸ Japan profited greatly during World War I and therefore presented an even greater threat. The following quotes sum up the growing animosity which eventually led to U.S.-Japan conflict

17. Ibid., p.70.

18. Ibid., p.85.

during World War II:

...Japan planned naval expansion with or without international consent... In the 1920s Japan continued her activity to dominate China.... Leonard Wood, ...said once that the United States must never give up the islands [Philippines]. ...the navy was ordered to plan an active defense of the Philippines. This policy made Japan nervous, because a fleet large enough to defend the Philippines was large enough to attack Japan. More and more the commercial interests of the United States and Japan came into conflict, particularly as the United States talked much (but did little) about promoting trade through the Open Door of China. Also, between the governments, over the years, there were many areas of disagreement: as American policy became more China-oriented than ever, with much discussion of the Open Door and "territorial integrity", the Japanese growled in annoyance. In 1925, the navy had fully accepted the principle that the Japanese were "the enemy". War plans were quite open about it. ...American naval attaches in Tokyo and the rest of Asia were reporting home that Japan's plans called for "domination of Asia".¹⁹

In the 1930s, these trends continued and worsened. Japan continued expansion in China and built up its armament apparently disregarding treating commitments. In 1937, an

19. Ibid., pp.87-89.

American gunboat was sunk by Japanese aircraft on the Gangtse river. The Japanese continued with their expansionist activities into the late 1930s. Japan annexed the Sprattley islands and Hainan island in 1939. By 1940 Japan was recognized as the potential enemy by all levels of the American military.

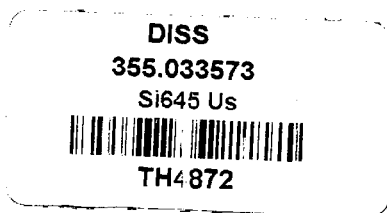
Despite American concern over Japanese aggression in China and the Pacific, the traditional American concern for promoting trade interests overrode these fears and Americans were not prevented from supplying Japan the materials that were vital to its war with China.

"It was July 1940, before the Japanese army's establishment of a puppet government in China and continued aggressions aroused Congress to give President Roosevelt power to control the export of arms, ammunition, and military equipment in the national interest. Three days later Roosevelt invoked the new law against Japan and cut off strategic war materials... It was a harsh blow to Japan and it gave rise to a whole new set of recriminations and self-justifications for the Japanese leaders, who had already decided that war with the United States was preferable to ceasing their operations in China... In September, Japan formally joined the Tripartite Pact, which was directed against

the United States.²⁰

On December 7, 1941 Japan attacked Pearl Harbor. This event marked the entry of the United States into World War II. All of the fears of Japan U.S. navy strategies over the previous two decades about an aggressive Japan had been realized. This event not only marked the entry of the United States into World War II, but also a turning point for the United States and its relations with other nations. The United States emerged from World War II as an economic and political giant whereas the war had been a drain on the economies and societies of the colonial powers of Europe and Japan. The United States clearly emerged as the "world leader" due to this fact. In the post World War II period the political leaders of the United States came to feel that the United States was the leader of the "free-world" and that it was their duty to be the defenders of democracy and capitalist ideology vis-a-vis the threat of the Communist expansionist policies of the Soviet Union. Therefore, although the Asia Pacific region had gained a much greater

20. Ibid., p.100.



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degree of importance on the American agenda during and after World War II, it still was overshadowed for the following two decades by America's interest in rebuilding a strong Europe which could resist Soviet expansionist strategy, as Europe seemed to be the most likely Soviet target. This however did not mean that the Asia Pacific region was ignored by the United States in the early Cold War period as will be seen in the following discussion of events. Although policy makers in the White House were mainly preoccupied with the containment of Soviet expansion in Western Europe, Asia was also included in the formation of a "Cold War" strategy.

The Cold War conflict in the Far East, as it was perceived by U.S. policy-makers, was the struggle between the United States and the Soviet Union for influence in and control of the region. The Cold War was a conflict between two diametrically opposed ideologies: capitalism and communism. It was a struggle for dominance and influence in the international arena as well as competition for access to foreign markets.

By the end of 1949, the U.S. began to develop a Cold War strategy for Asia that corresponded with its Cold War perceptions. By that time, the People's Republic of China had been established and the Soviet Union had successfully exploded its first atomic devices. On the other hand, the situation in Europe had become stabilized and a new status quo was being consolidated. The goals the Americans had regarding East Asia were the prevention spread of a rival ideology in the region which could and probably would threaten accessibility of East Asia's markets and raw materials and American industries. Other goals that the U.S. had for East Asia were: a demilitarized and democratic non-imperialist Japan, a strong, united and democratic China which would be elevated to 'great power' status; a free and independent Korea; and a move towards independence in all of East Asia, especially for the Philippines.²¹

America's initial aims in Japan in post-Second World War were to reduce Japan to a lesser power status and to

21. Julius W. Pratt and others, n.9, p.425.

institute a democratic reform programme. The second goal was achieved but the first goal had to be forfeited when China was drawn into the Soviet sphere of influence. It became important to restore Japan to a position strong enough to balance off Soviet influence in the region.

Japan was occupied by American troops from 1945 to 1952. During this period Japan underwent many changes. Japan was demilitarized and warmakers were banned from official positions. The education system was reformed and female suffrage was introduced. The monarchy became only a figurehead. The occupation also dissolved the great commercial and industrial combines and consigned all except the smallest landed estates to peasant proprietorship. "America's post-war occupation of Japan under General Douglas MacArthur had implanted democratic reforms that underlay a model of Western ideals in the Far East".²²

The United States wanted to consolidate its strategic interests in East Asia, first and foremost by reconstructing

22. Howard Jones, n.1, p.502.

the Japanese economy. This was due to the growing strategic importance of Japan after the emergence of Communist China. According to a quote by George Kennan, "...Japan and the Philippines will be found to be the cornerstones of such a Pacific security system and that if we can contrive to retain effective control over these areas there can be no serious threat to our security from the East within our time".²³ On 4 September, 1951 the United States invited fiftyfour nations to sign a peace treaty it had already negotiated with Japan.²⁴ At the same time, Japan also signed a Security Treaty with the United States which would permit U.S. troops to remain in Japan to maintain international peace and security in the Far East and Japan. In 1954 Japan and the United States signed a mutual defence agreement which provided for progressive Japanese rearmament with American military and economic aid. Economic ties especially regarding trade, grew very strong:

23. Robert A., Pollard, Economic Security & the Origins of the Cold War, 1943-1950 (New York: Columbia University Press, 1985), p.185.

24. Julius W. Prat and others, n.9, p.440.

The bulk of Japan's growing foreign trade, however, was with the "free world". In 1955 the United States was instrumental in securing Japan's admission to General Agreement on Tariffs and Trade (GATT). ...the two governments agreed in 1961 to establish at cabinet level a joint U.S.-Japan Committee on Trade and Economic Affairs, whose function was to seek solutions for economic problems through periodic discussions.

The United States, at any rate, remained Japan's best customer, and Japan was surpassed only by Canada as a market for American exports. Japan attained unprecedented prosperity in the two decades after the peace treaty.²⁵

However, friction over trade issues was a problem even in the early days. American cotton producers demanded for protection from imports of Japan's cotton textiles, trade restrictions on both sides as well as Japan's barriers to foreign investments were sources of friction. While frictions regarding trade were a concern, the continued presence of American troops in Japan and the occupation of the Bonin and Ryakyu islands were far more serious. To some extent, these tensions were resolved with a new Security Treaty

25. Ibid., p.451.

signed in 1960. This treaty replaced the treaty of 1957 and was designed to:

...raise Japan from a position subordinate to the United States to that of an equal partner. The key provision,... specified that consultation with Japan should precede any new deployment of American forces of bases into Japan, any major changes in equipment (such as the introduction of nuclear weapons), or any use by American forces of bases in Japan for combat operations for any purpose other than the defence of Japan itself.... Subject to these restrictions, American forces were to retain their base facilities in Japan.²⁶

Despite friction over trade issues U.S.-Japan relations have continued to run smoothly and amicably up until the present.

Prior to the Second World War, the U.S. had been assisting China against Japan for some time. During the War, China and the United States had become full-fledged allies. American policy regarding China had two goals: One was to ensure Chinese cooperation in the war against Japan; and the second to elevate China to the status of a great power not

26. Ibid., p.443.

only for the better prosecution of the war, but also so that China might serve as a stabilizing factor in the post-war Far East. This policy did not seem to differ much from the previous U.S. policy which desired to keep China's government strong vis-a-vis European colonial powers in order to keep China's markets open to U.S. trade. The U.S. signed a treaty relinquishing extra-territorial rights, policing rights, and political and jurisdictional rights in the Diplomatic Quarter and in the International Settlement in 1943, and by doing so removed the taint of inequality that had always marked relations with China.²⁷ American policy makers suffered a set back when Chiang Kai-Shek's forces lost to the communists. The United States began to look at China with suspicion and felt that, in order to counter the threat of the spread of communism in East Asia, Japan must be made stronger. As the central purpose of American post-war policy in Europe was to prevent the expansion of Soviet communists in the containment of Chinese communist, so became, after 1950, the central purpose of American policy

27. Ibid., p.367.

in Asia.

Although the United States was opposed to the communist movement in China, it did little to help Chiang Kai-Shek's nationalist forces to defeat the communists who eventually gained control. Paradoxically, when Chiang Kai Shek's forces were defeated by the communists, and Chiang retreated to Taiwan, the United States refused to recognise the communist government, but chose to recognise Chiang's government instead.

The United States was one of numerous governments that withheld recognition from Peking and continued to regard the Nationalist government on Formosa as the government of China. ... But although withholding recognition and opposing admission of "Red China" to the United Nations, the United States had apparently reconciled itself, at least at the beginning of 1950, to the prospect of Red China's taking over Formosa as well as the mainland.²⁸

The position taken by the U.S. set the tone for its future poor relations with Communist China. Because of its

28. Ibid., p.429.

support for the opposing Nationalist government, the U.S. was seen as the stronghold of world capitalism and imperialism.

The United States was seen as enemy number one... the power which, by shielding the nationalist government in Taiwan, prevented the unification of China under communism. This, as the Peking government viewed it, was aggression, interference in China's domestic affairs.²⁹

In November of 1950, Chinese armies launched a massive attack on the Allied armies below the 38th parallel in Korea in response to incursions made by U.N. forces into North Korean territory with the declared objective of "a unified, independent and democratic Korea".³⁰ Prior to the action taken by U.N. forces, the U.S. had antagonized China by ordering the 7th fleet to prevent any attack on Formosa, which it had claimed as part of its defensive perimeter, along with acceleration of military assistance to the Philippines and Indochina. General MacArthur believed that Asia would be the decisive theatre in the struggle against Commu-

29. Ibid., p.446.

30. Ibid., p.432.

nism and that the U.S. should not limit the war to Korea, but go for an all out victory against Red China. However, the administration's policy gave Europe first place and deferred to the opinion of Allies in the U.N.³¹

A significant development which may have caused American policy makers to reconsider its China policy was Communist China's rapid progress in nuclear and missile technology. China exploded its first nuclear device on October 14, 1964.

By the end of September 1969, China had exploded at least ten atomic or thermonuclear devices and was presumably well on the way to ICBM capability.

If China, as a nuclear power, was to be governed by the restraints that other nuclear power except France had accepted... she must be brought onto speaking terms with the others; yet she was excluded from the U.N.³²

Normalization of relations with China and its admission to the U.N. could not begin as long as the United States

31. Ibid., p.433.

32. Ibid., p.452.

continued to recognize and support the Nationalist government on Taiwan. American involvement in the Vietnam war also proved to be obstructions to improving relations with China. A perceptible thaw in Chinese/American relations began during the Nixon administration. President Nixon wanted to draw China "into a constructive relationship with the world community", and as means of doing so began to relax bans on travel to China and trade embargoes.³³ He furthered improvements in U.S. China relations by indicating plans to visit China, at the invitation of the Chinese government before May, 1972. This improvement in U.S.-China relations led to the approval of a seat for the PRC in the U.N.'s General Assembly and the expulsion of Taiwan. The main barrier to normalization of U.S.-China relations continued to be Taiwan. China maintained that the settlement of the Taiwan issue was an internal affair and as such, the United States should refrain from interfering. In the Shanghai Communique, which was released at the final meeting between Premier Chou En-lai and President Nixon, the U.S.

33. Ibid., p.453.

acknowledged that the Taiwan issue was indeed an internal problem to be solved by the Chinese, and it agreed to the ultimate goal of withdrawal of American forces and installations from the island.

In 1977 the U.S. began negotiations with the PRC to settle outstanding financial claims in order to pave the way toward resumption of normal trade relations. In 1978, President Carter announced on national television that the United States and the People's Republic of China had agreed to recognize each other and establish diplomatic relations. The United States also agreed to break diplomatic ties with Taiwan, withdraw its remaining troops and terminate its 1954 mutual defense treaty with Taipei.³⁴ President Carter also broadened commercial, financial and military ties with China. Probably the most recent cause for friction between China and the United States is the United State's concern regarding China's human rights record and its linking of this issue to trade issues. However, considering the reali-

34. Ibid., p.673.

ties of a global economy where no nation can afford to remain isolated, the U.S. and China have acknowledged the fact that they need each other and that amicable relations can be mutually beneficial.

Vietnam:

"Towards the end of the war World War II the Vietminh cooperated with America's Office of Strategic Services against the Japanese, and Ho spoke of support from Washington in implanting American ideals in an independent Indochina during the post-war period."³⁵ According to the preceding quote, it seems that the United States was given an opportunity to do in Indo-China what it had done in Japan: help to set up a new government in a country based on American values. It would have been an ideal opportunity for the U.S. to further its interests in containing the spread of communism and promoting the adoption of American ideals in developing countries. However, in the early post Second World War period. The united States' European concerns

35. Course of American Diplomacy, p.536.

still took priority over foreign policy considerations in other regions.

Therefore, because American foreign policy makers gave European considerations top priority over its interests in Southeast Asia, the United States forfeited an opportunity to establish a nation in Southeast Asia which would be friendly to the U.S. and share its ideals. Besides forfeiting this opportunity, the U.S. also unwittingly forfeited its opportunity to avoid entering one of the most tragic chapters of American history: the Vietnam War. Although the United States did not agree with France's colonialist position in Indo-china, it was forced to support the French in Indo-china in order to receive French support for its policies in Europe. As Europe was considered to be of more strategic importance at the time, the U.S. was forced to compromise its ideals and forfeit opportunities to advance its interests in Indo-china. America at first contributed massive amounts of material aid to the French war effort. The United States was financing 70% of the cost of the

French military effort by 1954.³⁶ After the Geneva Conference, France acknowledged the independence of Cambodia, Laos and a divided Vietnam. The U.S. immediately sent ambassadors to the newly independent countries and initiated programmes of economic and military aid in order to help them maintain their independence. American influence soon overshadowed French.

By thus replacing French influence in the area, the United States also took over from France, morally at least, responsibility for seeing that the Geneva terms were observed by the former proteges of France.³⁷

Because of President Ngo Sink Siem of South Vietnam had refused to hold elections in 1956, a campaign of terrorism began in 1957 against village officers, school teachers etc. It is unclear who lead the campaign, it may have been instigated by Hanoi, or it may have stemmed from local grievances. By 1958, a guerrilla war was being waged against the South Vietnamese government. American military advisors only provided training for conventional war. President Diem

36. History of United States' Foreign Policy, n.9, p.459.

37. Ibid., p.462.

did not initially ask for U.S. troops, but did request military assistance in the form of personnel to assist in logistics and communications. U.S. aid to South Vietnam rose dramatically after 1961:

A dramatic indicator of the new policy was the arrival at Saigon, December 12, 1961, of an American escort carrier bearing over thirty helicopters, four single-engine training planes, and operating and maintenance crews to the number of about four hundred men. This event was a prelude to the "helicopter war", in which United States personnel were to participate throughout the next three years....³⁸

By 1964, President Johnson had made the decision to commit major U.S. forces to South Vietnam and by doing so, make it an American war. In May of 1965 the first American troops to be deployed for combat in Vietnam were put ashore.³⁹ U.S. fighting on the ground ended in March 1973.⁴⁰ The Paris cease-fire agreement was concluded on January 27, 1973.

38. Ibid., p.465.

39. Ibid., p.469.

40. Ibid., p.479.

Tentative steps were taken to reestablish relations between the U.S. and Vietnam in 1978, during the Carter administration. These negotiations fell apart however, due to overriding U.S. interests with China and the worsening of relations between Vietnam and China and also with Kampuchea. Relations worsened during the Reagan administration due to Vietnamese incursions into Thailand as well as the failure of the Vietnamese government to cooperate with U.S., agencies over the MIA issue. David Aikman's book, Pacific Rim, gives his assessment of U.S. Vietnamese relations when Pacific Rim was published in 1986:

The official U.S. position is that relations between Washington and Hanoi will not be normalized until the United States is satisfied that Hanoi has done its very best to account for the 2,441 men officially listed as missing in action during the U.S. involvement in Indo-china... Officially, the Vietnamese deny that they hold any Americans involuntarily or that they have not been forthcoming about the MIA issue.... The Vietnamese have nevertheless taken a major step forward in meeting U.S. demands for a proper accounting of the MIA issue within two years... There are surely no compelling reasons for swift U.S. normalization of relations with Hanoi.... The commercial

benefits to the United States of open trade with Hanoi are also dubious at present. For one thing, Vietnam has hardly any hard currency to buy products the United States might be willing to sell.... But there are more important reasons why the United States ought to let "a decent interval", perhaps a few more years, elapse before conferring upon Hanoi the respectability of a U.S. embassy.⁴¹

Aikman goes on to say that Hanoi should be made to prove itself and live up to its promises to withdraw from Kampuchea. He also feels that Vietnam, because of its military incursions into Thailand is a destabilizing element which greatly affects the U.S.'s most important ally on the Southeast Asian mainland. Aikman concludes that "There is little likelihood in the foreseeable future of its movement away from that role [Southeast Asia's odd man out] or of American commercial involvement in the country."⁴² That was the state of U.S.-Vietnam relations in the closing years of the 1980s. In more recent times, however, U.S./Vietnamese relations have shown a marked improvement. Although the MIA question still remains an unresolved issue, the Vietnamese

41. Pacific Rim, pp.162-63.

42. Ibid., p.165.

government in the past few years has shown greater cooperation in resolving the problem:

Business community leaders and policy analysts are urging forthright action so as not to lose momentum to Japan and other countries. They note that Vietnamese authorities appear to be fully cooperating in addressing MIA/POW cases.⁴³

In addition, although Khmer Rouge leaders charge that huge numbers of Vietnamese disguised as civilians remain in Cambodia, Vietnam officially began withdrawing its troops in 1989 after the peace agreement was signed. The current U.S. administration has received considerable pressure recently from business, banking, the media and foreign governments to normalize relations with Vietnam. The most recent development in U.S.-Vietnamese relations has been the lifting of embargo in June of this year. If the U.S. had not taken this step towards normalization of relations it most probably would have found itself to be the "odd-man-out" in Southeast Asia.

43. Foreign Affairs, p.71.

For more than 40 years after World War II, the Cold War with the communist countries primarily China and the former Soviet Union was the axis on which American foreign policy in Europe and Asia turned. It was, for example, because of communist expansionism that the United States fought in Korea in the early 1950s... Indeed, the threat from the Soviet Union and China served as a sort of glue holding the United States and its Asian allies together. ...It was also Cold War driven security concerns that caused the United States to unilaterally open its markets, not only to Japan but also to Hong Kong, Singapore, Thailand, South Korea and many other Asian countries in an attempt to strengthen friendly regimes.⁴⁴

The communist invasion of South Korea and the subsequent U.S.-U.N. actions set the tone for future U.S.-Korean (both North and South) relations. North Korea invaded South Korea on June 25, 1950. The U.S., backed by the U.N. Security Council, counterattacked and was involved in the war until an armistice agreement was signed on July 27, 1953.⁴⁵

The role the United States has played in its relationship with South Korea has been that of protector and promoter of economic prosperity. The United States assumed

44. CQ Researcher, Feb. 14, 1992, p.123.

45. History of United States' Foreign Policy.

these roles in order to further its policy to contain the spread of communism. According to the following quote, it seems that the United States had a vision for Korea which was similar to its vision for Japan, minus the reconstruction:

...State Department official H. Freeman Mathews wrote the Joint Chiefs of Staff that if the United States could reunify Korea, "the resultant defeat to the Communist world would be of "momentous significance". Korea would join Japan as models of national self-determination in Asia, and at the same time mark the successful culmination of America's Korean policy established during the Second World War.⁴⁶

The U.S.-South Korean relationship has been primarily a military and economic relationship. As the military aspect of the relationship has declined, the economic relationship has grown as demonstrated:

...U.S. aid (some \$13 billion to date, half of it in economic assistance....⁴⁷
Throughout the 1962-1984 period, nevertheless, the combination of U.S. aid and broad

46. Course of American Diplomacy, p.516.

47. Pacific Rim.

access to U.S. markets proved decisive for Korea's economic leap out of poverty.⁴⁸

Of course, the relationship between the two countries was beneficial to the United States also in that it gave the United States an important military base in a strategic region. However, with the end of the Cold War, the continued usefulness of this benefit is questionable. With this fact in mind the U.S. has already begun cutbacks in its troops posted in South Korea.

The conflict did have one beneficial side effect, particularly for South Korea and Japan:

The dollars spent by the large U.S. military contingent that stayed behind helped to emerging their economies as did generous aid from America and preference access to U.S. markets.⁴⁹

...the economy, though buffeted by internal problems, is among the most important in world (South Korea is eventually the seven largest trading partner of the United States).⁵⁰

48. Ibid., p.25.

49. CQ Researcher, p.131.

50. Foreign Affairs, p.70.

As mentioned in one of the quotes above, the United States is partially responsible for Korea's overwhelming economic success, due in part to large amounts of aid it has given South Korea, but primarily due to the unilateral opening of its markets to Korea. While American markets were opened to Korea, American businesses faced many obstacles to doing business in South Korea. Trade restrictions on both sides have, in recent years, become a cause for concern and a source of tension between the two countries. For example, in 1985, 23.5 per cent of all Korea's export earnings were from textiles. U.S. textile producers felt threatened by competition from cheap Korean imports and clamoured for having the U.S. textile market restricted or partially closed to Korea. This was alarming to Koreans since textile exports comprise such a large proportion of Korea's export earnings.⁵¹ Certain industries are entirely closed U.S. businessmen in Korea these industries include: insurance, tobacco and imported movies. As Korea's economic prosperity

51. Pacific Rim.

increases, U.S. economic policy makers are probably less likely to consider pleas for a more open American policy from a country that has much more rigid protectionist policies than its own.

Another source of tension between South Korea and the United States was the degree of political freedom people in South Korea have been allowed:

Carter also made it clear to the South Korean Movement that its internal oppression was repugnant to American traditions and that its continuation could only undermine the support of United States commitments here.⁵²

Nevertheless, despite these tensions, the relationship between the United States and South Korea has been and continues to be an amicable one based on mutual interests and benefit.

Conclusion

If one had to sum up the United States involvement in Asia Pacific in one word, that word would be "economics".

52. History of United States Foreign Policy, p.438.

The U.S. first established ties with East Asian countries under the auspices of trade. It later was property and interests of its businessmen here. The establishing of trade, in order to gain access to Asian markets to absorb U.S. industry surplus, led to the need to establish naval bases in the region to protect U.S. citizens and their property and for recoaling of steam ships. When one examines past U.S.-East Asian relations, one can see a trend towards increasing military involvement to protect and promote U.S. economic interests. Later conflicts in the region were justified as ideological clashes with the Soviet Union and China. Justification for the occupation of Japan, entry into the Korean war and the war in Vietnam was the containment of Communist expansion. However, this conflict between ideologies and their struggle to gain influence could be considered a struggle to protect and promote economic interests also, if one considers that Capitalist and Communist ideologies are theories regarding socio-economic. In this context, according to explanations used for military intervention in Japan, Korea, Vietnam and Cambodia, the

U.S., by promoting its ideology, was protecting its economic interests. The United States and the rest of the capitalist world was struggling against the communists to promote their system of socio-economics.

CHAPTER II

THE EMERGING SECURITY ENVIRONMENT

Asia in the 1990s poses a radically new challenge to America. The military threat in the region that long defined the paramount issues, and U.S. and its allies built a network of alliances against them, but has diminished to a level that makes the existing total war security structure obsolete. Presently U.S. Asian security increasingly is derived from a flexible ad hoc set of political and defence interactions. Multilateral approaches to security are slowly emerging.¹ U.S. is facing several tough foreign policy challenges in the region. President Clinton inherited a declining U.S. importance in Asia and yet continuing Asian desire for a strong U.S. role and presence. There is no coherent Asia policy but a series of strained bilateral relationships with several countries, especially with Japan and China. For more than four decades U.S. engagement in Asia was based on two pillars: a cold war commitment to

1. James A. Baker, "America in Asia: Emerging Architecture for a Pacific Community", Foreign Affairs (New York), Vol.70, No.5, Winter 1991, p.5.

Asian security and America's extraordinary economic power. Both of these foreign policy premises are now gone: the Cold war ended suddenly and dramatically; American economic hegemony has waned according to a major study done by Prof. Paul Kennedy.²

In the new post-Cold War era, when U.S. is facing economic pressure at home and growing nationalism and economic strength of many Asian countries, a major question faced by the U.S. had been: what would be appropriate U.S. military role and security object in Asia? What sort of presence would be necessary, appropriate and affordable to carry out that role?

U.S. Strategic Interests

Most important among the strategic interests of the United States in East Asia is the preservation of its political and economic access to the region as an equal trading partner. The Asia Pacific region accounts for about 44 per cent of total world output and has the highest rate of

2. Paul Kennedy, Rise & Fall of the Great Powers (London: Unwin Hyman, 1988), p.113.

growth. U.S. presence and influence over the past decade have had a major impact on the political and economic orientation of the region. There are some indications that the U.S. had been pushing for cooperative economic arrangement with Beijing, thereby have not only paved the way for natural changes in the political system in China, but also be in a better position to talk about human rights".³

On the security front, U.S. objectives remain the same as they had been in the past: to deter aggression against the U.S. and its allies; to maintain a balance of power in the region that effectively precludes the emergence of a hegemonic power or coalition of powers hostile to U.S. interests; to prevent the proliferation of nuclear, chemical and biological weapons; and to preserve freedom of the seas.

Strategic Concerns

In the post-Cold War era American policy makers had been exercising the threat perceptions and by and large the post-second war threat perception is not obtained. By and large the American policy decision-makers recognise that

3. Hindu (Madras), 19 NOVEMBER 1993.

current security environment is very new and subject to considerable uncertainties.⁴

The ~~man~~ⁱ threat that has been visualised by American foreign policy elite had been in the Western Pacific to be instability that would arise from the partial withdrawal of U.S. forces. Some Asian specialists offer several views of the future. The worst case involves a military building triggered by some nation's move to fill the vacuum created by the disappearance of the Soviet Union or the efforts of other nations to anticipate such a move.⁵ In November 1992, U.S. withdrew its forces out of Subic bay in compliance with the decision of the Philippine Senate not to extend the base's agreement, thereby ending a century-long era of U.S. military presence. Though even after the withdrawal from the Philippines, the U.S. still has military alliance with Japan, South Korea, Australia, the Philippines and Thailand, and deploys over 100,000 military personnel in Asia, most of

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4. Robert B. Onnam, "Asia Pacific Challenges", Foreign Affairs, Vol.10, Special No. (1991), p.61.
 5. David A. Fulghum, "Regional Conflicts, Powers Shifting leading to Arms Races concern Asian specialists", Aviation Week & Space Technology, February 24, 1992, p.96.

them in South Korea and Japan. Those numbers will further decline in the future, partly because of planned cutbacks and partly out of continued pressures of budget-balancing. Other concerning hotspots are, tensions on the Korean peninsula with respect to denuclearization, reunification, political succession in the North, and the South's security relationship with the U.S. The U.S. views that North Korean nuclear capability have a destabilizing effect on the entire area which includes Japan. A note-worthy aspect of this scenario is its description of North Korea's assumed nuclear capacity: 5 to 10 weapon deliverable by aircraft or missile".⁶

Another prospective flashpoint American foreign policy elite perceive relates to the reluctance of the People's Republic of China to embrace political reform and PRC's conflict on U.S. policy approach to Taiwan. Tiananmen Square and subsequent events have created doubt on the ability of the current regime to manage the political requirements of a market economy. However, there are the renewed strain in the PRC's relation with Taiwan as the

6. International Herald Tribune (Paris), 18 February 1992.

latter undertakes constitutional reform. Moreover, U.S. concerned about China's nuclear testing. President Bill Clinton has directed the department of Energy to prepare for a possible resumption of nuclear testing following China's underground nuclear test in October 1993.⁷

Some American foreign policy elite have pointed out that Communist resistance in the Philippines, coupled with the Muslim rebellion could also effect the future stability of the region. Rapid economic growth and unmet expectations in countries such as Thailand and the PRC also create the potential for instability. Numerous lingering border disputes in East and South Asia could also become point of conflict. Cambodia has disagreements with Thailand and Vietnam; Malaysia with the Philippines; Indonesia with Timor. Disputed maritime boundaries are another source of friction as a number of Pacific rim countries have extended their exclusive economic zones (EEZs) beyond internationally recognized limits. Those with overlapping claims are:

the PRC, Taiwan, Vietnam, Malaysia and the Philippines

7. New Strait Times (Kuala Lumpur), 6 October 1993.

- over the resources of the sportly Islands in the South China Sea;
- . Japan and South Korea over the Liancourt Rocks in the Sea of Japan;
 - . Japan and South Korea with respect to North Korea declared military zone of 50 nautical miles;
 - . the PRC and Japan over the Diaoyutai (Senkaku) islands in the East China Sea; and
 - . Thailand, Combodia and Vietnam in the Gulf of Thailand.

Arms Build-up

American foreign policy elite note that many Asian states were upgrading their military capabilities and acquiring advanced weapon systems. This phenomenon is facilitated due to several factors. First, many states are getting prepared for the instability that may arise as the United States reduces its military presence. The larger regional powers want to consolidate their position and increase their influence while the smaller countries want to play a more active role in the region. Second, a widespread need to replace aging equipment is coupled with the economic resources to permit doing so with modern high tech weaponry.

Third, the historical anxieties and territorial disputes continue to be there. Finally, the relationship between U.S. and Japan is under increasing stress. Concerned about the ~~for~~ arms buildup in the Asia Pacific region, Indonesia had been seeking for strict measures to control the spread of both conventional and mass-destruction weapon to prevent possible conflict in the region as the U.S. and Russia reduce military presence. Ali Alatas, the Indonesia foreign minister, said in a speech that the four major powers with interest in the region - the U.S., Russia, China and Japan - should be encouraged to work towards "a new strategic equilibrium at lower level of armaments."⁸

The complexity of the interrelationships between economic growth and security is amply illustrated in the Pacific. Greatly increased economic power in the region has expanded its capacity to support enlarged military capabilities and to exert increased economic and political influence. The major economic and security interaction involve

8. International Herald Tribune (Paris), 29 October 1992.

the role of the U.S. in the pacific.⁹ The U.S. security arrangement with Japan is widely viewed as vital to regional stability. Beyond its past effectiveness in providing a check on Soviet aspirations in the area, it has also provided reassurance to the region with respect to Japanese intentions. Although Japan's growing military capabilities (the third largest defence spender behind the U.S. and Russia, are not a present concern, they will become as if they are seen as supporting an independent military role outside the parameter of the U.S.-Japanese security pact.

The recent sale of American F-16 fighter jets to Taiwan and Russian Su-27 fighter jets to China are part of a larger arms acquisition effort as both countries are also upgrading their own military production capabilities. Other countries in the region - Indonesia, Japan, Malaysia, Singapore, Thailand and the two Koreans - also involved in major arms acquisition programmes and the development of high-tech military industries. Although these nations have generally managed to avoid direct combat with one another since the

9. Stuart, The Economic Aspect of Pacific Security, Adelphi Paper 275 (London: The International Institute for Strategic Studies, 1993), pp.16-17.

Vietnam War (excepting a short border conflict between China and Vietnam in 1979), continuing tensions in Korea and a number of territorial disputes in the South China area could lead to confrontation.

The acceleration of regional arms races is made more worrisome by the absence of any regional arms control talks by the leading Asian powers. Many East Asian countries are having their military outlays - in some cases by a significant percentage - and investing in the procurement of modern munitions. Even more significant, many of these countries are developing domestic arms industries that are expected to compete on equal terms with those of the more advanced western countries in the early years of the 21st century.

It is the emphasis on technology imports that sets the east Asian arms races apart from those in the Third World. Hence Taiwan will produce and assemble many F-16 component while it proceeds with development of its indigenous defensive fighter and a domestic variant of the patriot missile. China seeks foreign technology to upgrade its J-7 and J-8 fighter planes and is negotiating with the Russians for licensed manufacture of the MIG-31. The U.S. intelligence

community is concerned about China's growing power-projection capability, due to the purchase of component of nuclear warheads and missile-guidance systems from a bankrupt Russia. China's drive to project power and its aggressive posture in the South China has made China a potential adversary of the U.S."¹⁰ Japan produces the F-15 under license from McDonnell-Douglas and is producing with code-development (with the U.S.) of its fighter support experimental. South Korea has begun domestic production of the F-16 and manufactures many of its other combat systems too.

The American foreign policy elites also observed that In the southern area, regional power - notably Indonesia, Malaysia, Singapore and Thailand - had developed modern multiservice military forces with significant power projection capabilities. These countries had until recently emphasized the counterinsurgency capabilities of their military and thus lagged behind the northern powers (China, Japan, Taiwan and the two Koreans) in the development of modern air and naval forces. To make up for this deficiency

10. Nayan Chanda, "Confronting the New Asian Order - China Policy Sets the Tone", World Press Review, Jan~~uary~~ 1993, pp.11-12.

and to enhance their capacity to power projection. However, currently these countries were investing in development of "blue water" navies (that is, forces capable of oceanic rather than merely coastal operation) as well as in the formation of mobile combat forces and long range bombers/attack squadrons.¹¹

In addition to basic combat gear, the Pacific Rim nations also manufacture many of the communication electronics and surveillance system used by their militaries. Drawing on their increasingly sophisticated civilian industries, countries such as Japan, Taiwan, Singapore and South Korea are poised to become major suppliers of these systems in the late 1990s and early 21st century. Advanced electronics played a decisive role in the allied victory in Operation Desert Storm, the ability to produce such systems will invest Pacific Rim nations with the significant advantage in future military encounters, the arms races now under way in Asia are unencumbered by any breaking mechanism and show every sign of accelerating in the years ahead.

11. Michael T. Klare, Foreign Affairs, Vol.72, No.3, Summer 1993.

Significantly Western strategic writers and reports indicated that there were several important features of defence modernization programmes of Pacific Rim nations. In Southeast Asia, defense forces have been restructured from counter-insurgency capabilities to modern, high-technology forces, with increased emphasis on maritime (including land based air) capabilities. Even in South Korea, where the principal military threat is a land offensive across the Demilitarized Zone (DMZ) by the North Korean army, it is planned to allocate some 60 per cent of the increasing defence budget over the next five years to the Airforce and Navy, rather than the usual 40 per cent.¹²

In Japan, the maritime and Airforce accounted for some 72.1 per cent (37.6 and 34.5 per cent respectively) of the procurement vote for the three services in 1992.¹³ Throughout the region, there is significant degree of consistency in the acquisition programmes. The more particular enhancement includes national command, control and communications

12. "Bigger Role for Forces", Jone's Defence Weekly, 8 August 1992, p.22.

13. Kensuke Abata, "JDA spends less Yen on more Contracts", Jone's Defence Weekly, 8 May 1993, p.13.

(C³) system, notional strategic and tactical intelligence system; multirole fighter aircraft, with maritime attack capabilities, as well as air superiority capabilities (e.g. F-16S and F-18S); maritime surveillance aircraft (e.g. P-3S); anti-ship missiles (e.g. Harpoon and Exocet); modern surface combatant - destroyers, frigates, ocean patrol vessels; submarine, electronic warfare (EW) systems and rapid deployment forces.¹⁴

The prospect of a reduced U.S. presence, coupled with observable arms buildups by neighbouring countries, is leaving a number of governments with the choice of seeking added security either through military acquisitions of their own or through participation in multilateral arms limitation agreements and confidence and security building measures (CSBMs). Driven by market forces and government initiatives, the Asia Pacific region is experiencing a degree of integration somewhat similar to that of Europe, including the formation of intraregional associations such as the Asia Pacific Economic Council (APEC) and the Pacific Economic

14. Desmond Ball, "The Council for Security Cooperation in the Asia Pacific (CSCAP)", The Indonesian Quarterly, XXI/4, Fourth quarterly, 1993, pp.497-498.

Cooperation Conference (PECC). At the same time, some of these countries have been undergoing a process of democratization similar to that of Eastern Europe. The question is whether a pan-Asian equivalent to the Conference on Security and Cooperation on Europe (CSCE) would make sense. In fact several states in the region have proposed the establishment of a Conference on Security and Cooperation in Asia (CSCA) modelled after the CSCE.

But in the European context, CSCE is highly institutionalized and interdependent system where even limited control over exercises and troop movements is important to the entire system. This is indirect contrast to the Asian Pacific context due to power asymmetries and thereby leaving little room for reciprocity and a perception of shared benefits.

Moreover, CSCE acceptance of post-World War II boundaries contrasts sharply with the numerous unresolved territorial disputes in the Pacific rim.

Finally, there are the wide differences in the Asia Pacific region with respect to the nature and source of potential security threats - whereas in Europe, the threat

was uniform and commonly recognized.

U.S. contribution to Regional Security

In Asia in particular, the Clinton Administration is has been intensifying U.S. efforts to halt proliferation of chemical and nuclear weapons. The importance of discouraging an arms race Asia Pacific region has been emphasised by some of the President's advisors.

President Clinton's Asia specialists has been seeking stronger U.S. moves to undercut the Khmer Rouge in Cambodia and to normalise relations with Vietnam. No major departure from President Bush's policy has been attempted in regard to Korea and other regional economic powers.¹⁵

Since the U.S. Navy plays such a pivotal role in the western pacific, a reasonably strong presence along with a reinforcement capability is currently be maintained. Regardless of future cutbacks, however, the recent transfer of the naval logistics command from the Philippines to Singa-

15. Kavin J. Kelley, "The Main Pillar of U.S. Foreign Policy - Military Supremacy", Tribune (Chandigarh), 10 Nov~~em~~^{ber} 1992.

pore is a powerful signal that the U.S. commitment to the region is continuing. This U.S.-Singapore military cooperation involves a diversified but limited use of facilities. Similar agreements with Malaysia and Thailand are being worked out.

Pacific Security: Economic Aspect

The role of economics in security discussion is based on two things, the end of the Cold War and decline in U.S. power. Due to the massive economic changes in the Pacific there is renewed focus on economic factor.

Clearly the major economic and security interaction involves the role of the U.S. in the Pacific. The economic growth of Japan and the NIEs and recently most of the other Asian states, raises concerns about the possible role of U.S. in relation to its regional role and the emergence of regional blocks.

Much discussions of U.S. declinism has concentrated on how for the U.S. underlying economic strength may have

diminished, on which there is room for doubt.¹⁶ What is more critical, however, is that, intentionally or not, U.S. domestic economic policies imply a lower priority for its capacity to exercise foreign policy leadership.¹⁷

Presently U.S. security role is the matter of policy rather than its global security interest. It is hard to believe that U.S. might withdraw from Pacific security. Even when U.S. followed isolationist policy, it was applied to political, not economic questions. Economic and political interests are now more difficult to separate. U.S. economic, political and territorial interests in the Pacific are substantial and the economic costs of the Pacific presence (increasingly met by Japan) relatively small especially compared with those in Europe. There is uncertainty of U.S. presence and how it operates. This uncertainty increased significantly with the then President Bush's announced sale of F-16 fighter aircraft to Taiwan despite the 1978 Shanghai communique.

16. Joseph Nye, Bound to Lead: The Changing Nature of American Power (N.Y.: Basic Books, 1990).

17. John Zysman, "U.S. Power, Trade & Technology", International Affairs, Vol.67, no.1, January 1991, pp.81-106.

Economic and security intersections are two way relationships, and security fears can be a stimulus to economic growth, as seen in much of Southeast Asia. Immediate post-colonial security threats stemming from internal subversion were mostly overcome through economic development. Security fears also influenced rapid economic development in South Korea and Taiwan, which now have substantially powerful economics, increased political influence and improved security system. ^{There is} With growing economic competition for fish, petroleum and gas, all the countries of the Association of Southeast Asian Nations - Brunei, Indonesia, Malaysia, Singapore, Thailand. In the Philippines - are seeking ways to extend their power beyond the outer reaches of their territorial waters.¹⁸

Without a stable U.S. presence, there would be considerable security anxiety in the region. There is also increasing wariness on the part of Japan, for example, over Korea's economic growth, particularly given the potential economic and political power a unified Korea could project.

18. Steven Erlonger, "Economic Rivalries Fuel Asian Rearm-
ing", International Herald Tribune, 7 May 1990.

Japan may be comforted that lessons learned from German reunification have demoralized both north and south Korea in moves towards unification involving economic integration. Indeed, there is some concern in the South that the north may need it help to avoid economic collapse.

Security concern over relations between North and South Korea emerge from the significant difference in the economic growth rates of the two countries. They demonstrate that peace may be threatened when one country is weakened materially as well as when another perceives itself as materially stronger.¹⁹

Some commentators fear that Pyongyang's perception of its vulnerability to the South's military potential poses the threat of a pre-emptive strike from the North before the imbalance becomes too great. Similarly North Korea's nuclear motivation, given its economic stress, may be that it offers a less economically expensive defence capability than

19. A point made, for example, by Susan Strange, "Supernationals and the States" in John Hall (ed.), States in History (Oxford: Blackwell, 1986), pp.289-303.

conventional weapons.²⁰

The priority generally given in the region to economic development might be perceived as recognition of what can be gained from peace and stability. There is reassurance among smaller countries in the region that the major countries, particularly China, have set such a priority. At the same time, the growing economic strength of these countries offers the potential for future insecurity.

Conclusion

There are two basic premise of this chapter. First, despite the opportunities provided by the end of the Cold War, the net impact on the Asia Pacific region has been limited and regional tensions may be on the rise due to the deep-rooted national rivalries and uncertainties associated with great power strategies. Second, it sounds good to have a common or collective security regime. It will confront lot of challenges at least in the present decade. So these adjustments should take place more likely bilaterally.

20. Andrew Mock, "North Korea & The Bomb", Foreign Policy, no.83, Summer 1991, pp.87-104, "Tokyo said to drop plan for fast breeder reactors", IHT, 28 May 1992.

While it is tempting to reshape Asian security along European line, it should be kept into mind that no two Asia Pacific powers for the time being are likely to engage in joint security cooperation comparable to the Franco-German experience in Europe. Ironically the only actor which has been playing the role of unifier and balancer is also the extraregional powers, the United States. But even United States' leverage is declining as its forward deployed presence is decreasing and at the same time increasing power other Asian states.

It can be assumed that domestic issues and national strategies will receive more attention in the post Cold War era, particularly in relation to the political transitional in China and North Korea and the articulation of a more indigenous security posture on the part of Japan, China and even Korea. Moreover, transformations in Indo-China, political change in Southeast Asia, unresolved territorial disputes, as well as pent up national aspirations, significantly curtail the prospects for common security outlook.

Meanwhile, the diffusion of tension between Asian states will receive higher priority, particularly if the

probability of armed conflict increases, for example in the South China Sea. While this is a key challenge for Asia as a whole, as a result of which there is focus on maintaining national deterrent strategies.

CHAPTER III

NEW CENTRALITY OF ECONOMIES

Background

Three defining events have shaped the history of East Asia: World War II, the Cold War and the ending of the Cold War. World War II saw the rise and subsequent fall of Japanese suzerainty over much of the region, followed by U.S. occupation of Japan and American influence over most of East Asia. Crude economies^c statistics, however, say less about U.S. policy towards the Far East during the 1940s than political and strategic factors.¹

The Cold War with the Soviet Union, and to a lesser degree with China, shaped American policies in the region for nearly four decades following the war. It was the perceived need to block the advance of communism, that drove America's decision to rebuild Japan, to isolate China and protect the exiled Chinese government in Taiwan, to go to

1. Robert Pollard, Economic Security & the Origin of the Cold War, 1945-1950 (New York: Columbia University Press, 1988), p.169.

war in Korea and later involvement in Vietnam. It was also Cold War-driven security concerns that caused the United States to unilaterally open its markets not only to Japan but also to Hong Kong, Singapore, Thailand, South Korea and many other Asian countries in an attempt to strengthen friendly regimes.

The end of the cold war is proving to be a watershed event, involving the withdrawal of Soviet threat and the uncertainty of a changed relationship - both economic and military between the U.S. and East Asia.

The new relationship, though not solely based on World War II and the Cold War. Four countries in particular have been of special concern to the U.S. over past 50 years: Vietnam, China, Korea and Japan.

The World War II, like the first, greatly strengthened the position of the U.S. relative to its international trading partners. All the other great trading nations had been badly damaged. Once again only U.S. had, temporarily, over half the global GNP. The U.S. was instrumental in

economies, competition intensified.

Further, having to start from scratch and to capture markets that had been dominated by American companies, foreign companies were often much more innovative, both in design and in manufacturing techniques. For example, American automotive industries were selling as late as the 1970s cars whose engineering had not basically changed since the 1940s. Between 1981 and 1985 the USA's share of global trade in computers had slipped from 43% to 34% on productivity side and that Japanese could manufacture an automobile in 80 to 100 hours while American need 150 to 160 hours and that these cars needed 3.3 repairs per year against the Japanese car needing 1.1 repair. That 70% of the components used by the much-glorified U.S. corporation IBM was made in Japan or Singapore; that Japan accounted for 47% of global super computer sales. That 60% of the robots (that the Americans invented) in use in the US came from Japan.²

To take but a few examples between 1970 and 1980 the

2. Aditi Roy Ghatak, "No takers for 'made in America'", Statesman (New Delhi), 9 November 1987.

U.S. share of world exports in aircrafts fell from 71 to 62 per cent, in computer from 42 to 36 per cent in telecommunication from 19 to 13 per cent in machine tools from 17 to 13 per cent. This was a long term structural trend.³

America's once huge trade surplus in manufactured goods began to slip away. Their self-sufficiency in raw materials also rapidly eroded. The trade balance in vital commodities as petroleum, iron ore and copper turned sharply against the U.S. For a while the reversal of trade flows was taken by an increase in agricultural exports. In 1959 it ran a trade deficit for the first time in the century. Within a decade American steel and automobiles industries were losing their shares of world markets. In 1971 the U.S. unilaterally severed the link between gold and dollar. Inflation took off. Then came the sudden increase in the price of petroleum after the 1973 Arab-Israeli war. Japanese and other foreign companies invaded American market with small efficient cars and took increasing chunks of market share.

3. Achin Vanaik, "USA's economic upturn - Foundation remains weak", Times of India (New Delhi), 3 September 1984.

Foreign goods started capturing U.S. markets and suddenly there was a flood of imports guzzled by the U.S. economy.⁴ Though American exports rose in volume due to agriculture, aircraft and very high tech equipment such as supercomputers, but imports rose much faster. By the early 1980s foreigners were investing more and more in U.S. These capital inflows offsets the trade deficits and restructuring of the American economy. Due to the intense competition from abroad and home and free trade, American companies had to cut costs and to innovate; wages were held down; layoffs increased. By 1988 the U.S. had become the low-cost producers in many industries and American exports were booming as a result. In 1980 American merchandise exports were \$220.6 billion (1991 dollar). In 1991 they were \$421.9 billion.

In the 1950s and 1960s the economies of most of the countries in the Asia Pacific region changed very little. They relied heavily on primary exports but were trying to develop import substitution industries. Lack of investment

4. Aditi Roy Ghatak, n.l.

capital and limited internal markets (because of poverty) lead to sluggish economic growth apart from those countries that were being directly supported by U.S. aid. These included Japan, South Korea and Taiwan which the U.S. envisaged as bastions of capitalism against rising communism in the region. They still retain the lead in urban industrial development.

By 1970, a fundamental change had occurred in the global economy. Decreased economic profitability in the core countries of Europe and North America had induced a shift in capital investment into countries where production costs were lower and productivity per capita higher. One of the important factor in this programme of reinvestment was cheaper labour. The per worker productivity in the U.S. is far behind in counterpart in Western Europe, Japan and South Korea while his wages are far ahead of others.⁵ But there were other considerations too which were not easy to satisfy like educated and trainable workforce, good port facilities, a degree of local capital and political stability. The ADB

5. K.V.S. Rama Sarma, "Free trade in Peril", National Herald, (New Delhi), 14 September 1985.

president, Mr. Masao Fujioko, said that developing countries often offered incentives to attract foreign investors, "sometimes in counter-productive competition among themselves." But it is political and economic environment, more than incentives that draws investor's to one country rather than another".⁶

Pacific Asian countries being incorporated into this process of investment in a somewhat erratic way. South Korea and Taiwan were already industrializing. Hong Kong and Singapore provided skilled labour and Chinese capital, but elsewhere the political situation was not stable and only unusual resource access attracted overseas capital.

In general, the region's trade has increased steadily over the last 27 years. Although it has slowed down during the recession of the 1980s, there had been an increase three-fold between the mid-1970s and mid-1980s. Japan has emerged as a leading political and economic nation challenging the U.S. for power and influence amongst the capitalist

6. "Steps to Attract Foreign Capital", Times of India (New Delhi), 27 January 1988.

economies in the region. Despite the overall trading dominance of Japan, the U.S. is still by far the most important market for the export of manufactured goods. All types of financial flows into Pacific Asia have increased over the last 22 years but, in general, private flows have increased far more rapidly than public or government flows. As a result, foreign investment has become a much more prominent proportion of total investment, particularly in those countries favoured by the international investors. Singapore, for example, has half of its gross domestic product is funded this way. The undesirable consequences of overseas loans, rather than investment is debt and many of the countries in the Pacific Asian region face a mounting debt crisis as a result of borrowing during time of expansion and not being able to pay the interest during the lean years of the 1980s.

Economic growth rates are world business news, as nearly industrialized economic (NIE) status spread across Asia-Japan in the 1960s; South Korea, Taiwan, Hong Kong and Singapore in the 1970s and early 1980s; Thailand and Malay-

sia in the late 1980s; Southern China in the early 1990s; and many analyst put Vietnam, Indonesia and possibly the Philippines in that category by the late 1990s. In 1990s, U.S.'s two way trade with the region was about 34% of U.S. global trade. American direct investment in the region was \$55 billion in 1989, accounting for 13% of the total U.S. overseas investment and providing 18% of its foreign investment income.⁷ U.S.-Asian trade amounted to 310 billion dollars in 1990, when it was 270 billion dollars with Europe. The U.S. is still running a trade deficit with Japan, Korea and Singapore, but it is also true that U.S. exports have been improving dramatically in general. In November 1991, they reached their highest level ever and were a major source of the current strength of the U.S. economy.⁸

Adverse trade balance of U.S. with Japan is numerically important. It arises mainly from U.S. imports of motor

7. U.S. Department of State Dispatch, Government: U.S. Economic Relations with East Asia of the Pacific, 5 August 1991.

8. N.C. Menon, "Crisis of Confidence", The Hindustan Times, 4 January 1992..

vehicles, their parts, and other manufactured items. Japanese net imports from the u.S. include aircraft and chemicals. However, effective impediments hold imports to a low level. Much of their value is in the form of food, live animals and non-edible raw materials.

Taiwan has had the greatest commercial success among the East Asian Countries. Its annual balance of trade with the U.S. during the past 7 years has averaged more than \$11 billion Taiwan has built up the world's largest monetary reserve (\$ 90 billion). While the country was experiencing this success, its gross national product (GNP) per capita was increasing too. In 1990, that number was \$8690. In comparison, the GNP per capita of china was \$370 and that of South Korea was \$5400. The Taiwan-U.S. data indicates changes in the economy of Taiwan. In 1988, the main type of exports to the U.S. was items of clothing. Of all the exports, footwear had the highest value. In 1992, export of footwear had diminished to one-third of that in 1988. A group of high-technology products had become dominant in 1992, and the top-value item was "automatic data processing

machine and units thereof."

It may be only coincidence, but a substantial ^{decrease} in labour-intensive items exported from Taiwan was accompanied by a big increase in Chinese exports of such items to the U.S. China today is the largest of source imported footwear for the U.S. The Chinese balance of trade with the U.S. has risen from \$3.5 billion in 1988 to \$21 billion 1993. High technology items, though small in value, are showing large percentage increases. A striking example is automatic data processing machine and units thereof, which in 1988 were valued at \$8.38 million and in 1992 at \$227 million.⁹

Trade Issues

Over the last fifteen years Asia has surpassed Europe as America's most important overseas trading region. Some estimates indicate that Pacific trade will double the volume of Atlantic trade by the year 2000. In 1993 one-third of the total \$422 billion U.S. export was to East and Southeast

9. Philip H. Abelou, "East Asian Trade with the U.S.", Science (New York), Vol.262, 5 November 1993, p.823.

Asia.

Against this vibrant Asian economic backdrop the U.S. has had a tough time working out effective trade strategies. Reports of trade imbalance arouse fears and discontent. Of the five countries that run the highest surpluses in trade with the U.S. in 1990, the first three were in Asia: Japan, Taiwan and China. The figures from 1991 show that these three nations remained the top surplus countries with the only difference being that China had displaced Taiwan from the no.2 spot. Japan's surplus, however, remained many times that of any other U.S. trading partner.¹⁰

In 1992 trade frictions had become the main obstacle in U.S.-Asia pacific relations when powerful domestic lobbies pressurised leaders on both sides of the Pacific. In recent years the U.S. government and private sector gave greater attention to European and American economic regionalism than to Pacific integration. This is under keen observation by some Asian leaders who see a symmetry in the emergence of

10. C.Q. Researcher, New Era in Asia (Washington, D.C.), 14 February 1992, Vol.2, p.124.

North American free Trade Agreement and the European Community. U.S. support for Asia Pacific Economic Cooperation (APEC) has been an important counterweight. The Clinton administration will need to do more reassuring Asian governments that its initiatives including support for NAFTA, are not aimed at promoting block. Already exclusive regional economic grouping has been proposed ^{by} Malaysian Prime Minister Datuk Seri Mahatir's ^{which} pointedly omits the U.S.

The nagging recession in the U.S. has given trade issues heightened importance in recent months. And since the worst of America's trade deficits are with Asian countries, the most intense focus has been across the Pacific. The country running the largest surplus in trade with the U.S. is Japan. Many U.S. officials and analysts stated that it was because of the Japanese unfair methods of projecting their home markets shutting out exports from the U.S. and other trade partners there had been continuous huge trade surplus. But James Clad, a specialist on Asia at the Carnegie Endowment for International peace warns that the U.S. should not focus narrowly on repairing the trade defi-

cit with Japan, simply because several other countries in the region also run big surpluses, among them Taiwan and China. "We are on firmer ground talking about generic difficulties," says Clad. "That may in the end point to Japan as a prime offender, but this is equally applicable to sweatshop industries in Thailand and elsewhere. It is a matter that has to be approached in trade relations globally."¹¹

A negative balance of U.S. trade with Japan is being supplemented by a rapidly increasing imbalance with the People's Republic of China, Taiwan, South Korea, Hong Kong and Singapore also contributed to the U.S. trade deficit.

China is a particular problem. The U.S. and China narrowly averted a trade war in January 1992 over alleged Chinese pirating of U.S. computers software, music and pharmaceutical. The U.S. threatened to impose sanctions on China. China reacted by threatening to retaliate ^{Eventually the} problem was resolved by China agreeing to adopt international stand-

11. Ibid.

ard for protecting such intellectual property.

Even if China follows through on that commitment other disputes wait in the wings. U.S. companies have charged China with dumping textiles on the U.S. market. In October 1991, the commerce department even began an investigation into China's barrier to imports. Meanwhile the Clinton administration barely won in May 1994 approval of MFN status for China, and only after being warned by Congress that renewal would depend on a significant improvement in China's human rights and trade policies.

Over the past few years, reports of China's use of prison labour to manufacture goods for export have attracted increasing criticism from many in Congress, who have called for economic sanctions against China.

U.S.-Japan Economic Issues

Historical Perspective:

U.S.-Japan trade frictions can be traced back to the 1850s when the U.S. and some Western European nations

stripped Japan of its authority to impose tariff. This action was known as the 'unequal treaties'. In 1854, the U.S. and Japan signed the Kangaroo Treaty calling on Japan to open its ports to U.S. ships. Despite these difficulties, trade between the U.S. and Japan continued to grow throughout the nineteenth and twentieth centuries. This growth was disrupted in the 1930s with the Smoot-Hawley Tariff Act of 1930 at the outbreak of the Second World War. The Smoot-Hawley Act raised U.S. tariff on imports by more than 50 per cent.

During the 1940s, U.S.-Japan trade relations moved to more difficult times. When President Roosevelt imposed an export control on such items as petroleum products and scraps metal being sold to Japan, the imposition of the export control by the U.S. government was in retaliation for Japanese militarism during the Second World War. At the end of the war, trade relations between the two countries was centered around the reconstruction of the Japanese economy. This phase of the economic relationship between the two countries come to an end in the 1950s as Japan imposed

'Voluntary Export Restraints' (VERs) on U.S. products in retaliation for U.S. pressure on labour-intensive Japanese products.

In the 1960s and 1970s, the bilateral trade problem between the U.S. and Japan was attributed mainly to exchange rate fluctuations and the economic growth rate in both economies. In 1973 the Japanese yen appreciated against U.S. dollar, which started a period of economic turmoil between the two countries. Consequently, Japan's exports to the U.S. were expensive while U.S. exports to Japan were less expensive. The U.S. government in that same year imposed export controls on soyabeans in Japan, and Oil Producing Export Countries (OPEC) imposed their oil embargo. The oil price increase led to both recession and inflation.¹² These two measures had a much broader effect on the Japanese economy than the appreciation of the yen. Due to oil embargo both U.S. and Japanese economies suffered.

12. Frank Levy, "Americans have been Living an Illusion of Wealth", International Herald Tribune, 18 December 1986.

The 1970s were marked by the introduction of a 'New U.S. Economic Policy' by President Nixon. The policy called for suspension of all conversions of dollar and a 10 per cent surcharge on imports. Even though this policy was not directed specifically towards Japan, its intent was clear. It was a move against Japan for failing to revalue its currency and its unwillingness to open its market. The result was that the U.S. continued to experience a trade deficit with Japan.

In the 1980s, the persistent U.S. trade deficit with Japan dominated the bilateral trade issues between the two countries. The frustration on both sides about trade issues continued in the 1980s. Japan's continuing trade surplus with the U.S. prompted the introduction of several protectionist bills in the U.S. Congress. The U.S. deficit was about \$156 billion in 1986, and increased to \$171 billion in 1987. Though U.S. trade deficit with Japan has been offset by capital inflow from Japan into the U.S., which helped to keep U.S. interest rates relatively low. As the balance of trade became very adverse in the 1980s foreign investment in

the U.S. came to play an increasing role in sustaining American economic growth.¹³ In 1970 Japanese direct investment in the U.S. was U.S. \$230 million. It increased to U.S. \$600 million by 1975 and climbed to U.S. \$4.7 billion in 1980. From 1985, the figure climbed sharply to US \$19.3 billion. In 1988, it was US \$53.3 billion, in 1989 U.S. \$70 billion and 1990 U.S. \$108 billion.¹⁴ During 1986 threats of protectionism continued to dampen the U.S.-Japan bilateral trade relations as the U.S. merchandise trade deficit reached an historical high of \$59.1 billion. This represented an increase of 27 per cent over the previous year. As a result of the threat of protection, Japan agreed to continue the 'market-oriented' sector-selective "Moss Talk" with the U.S. government for the purpose of eliminating certain tariff and non-tariff barriers in Japan on such items as auto parts and accessories. The reason the U.S. is interested in auto parts and accessories is because Japan

13. N.C. Menon, "Foreign Investment in U.S. Declining", The Hindustan Times, 14 June 1992.

14. Tahir Baig, "U.S. Policies to Blame for Trade Deficits with Japan", New Strait Times (Kuala Lumpur), 26 June 1993.

has used Foreign Trade Zone (FTZ) successfully to accumulate a substantial trade surplus with the U.S. in these markets. The Moss Talk of 1985 also covered the telecommunication industry. By the summer of 1986, the most dominant issue in U.S. Japan trade relations was the dumping of semiconductor products by Japan in third country market such as Hong Kong and Singapore. Other issues that separated the two nations in 1986 and 1987 ranged from machine tools to the Kansai International airport construction.

1990s:

The toughest issue for U.S. policy makers to deal within Asia Pacific is American trade deficits ^{with} Japan. Japan's surpluses were \$36.4 billion in 1990 and the trend continues to be upwards in 1991 around \$40 billion and in 1992 \$50 billion. In 1993 Japan's trade surplus further increased to around \$60 billion.¹⁵

Now primary goal of U.S. is cutting Japan's world trade

15. Marvey Stockwin, "U.S.-Japan Stand off", Times of India (New Delhi), 21 February 1994.

surplus estimated to reach \$190 billion in 1994.¹⁶ America complained that despite repeated American demand for opening its markets, the most important sectors (cars, financial services including insurance) and agricultural products are still hard for foreigners to crack. It has been pointed by American trade specialists that some of Japan's trade barriers are blatant -- such as tax policies and statutes governing, say, insurance companies -- most serious and wide ranging barriers are most subtle. Many of Japan's markets are closed simply because Japanese companies like doing business with each other and because Japanese consumers like doing business with Japanese companies. This type of behaviour though it may violate the spirit of free trade, is very difficult to legislate against. Many trade analysts believe that the only way the U.S. can deal with the Japanese is by market-sharing agreements, under which Japan grants the United States a set share of a given market.

Japanese Government has been willing to a dialogue with U.S. on trade issues in general but rejected any negotiation

16. "In Quest for New Trade Framework: US-Japan Resumes Talks Today", Bonton Post (Bangkok), 27 June, 1993.

in accordance with the Super 301 Clause. It publicly stated: "We cannot help but express regret over (the U.S.) decision in the face of:

- The existence of trade practices in the U.S. that protect it puts the blame solely on foreign countries. This only antagonises the countries cited.
- There has been inability to improve the U.S. trade deficit that has been the source of irritation and uncertainty among Americans. The real cause of the U.S. deficit is within its own boundaries.... Both the government and public put spending before saving. Seeking only short term gains, U.S. corporations appear to care little about the quality and prices of their product.¹⁷

Factors Responsible for Trade Imbalance

The underlying factors in the U.S.-Japan trade and trade friction has been the U.S. trade deficit or Japanese

17. "Around the World", Asahi Shimbun (Tokyo); Bangkok Post (Bangkok), 1 June 1989.

trade surplus. The reason for the deficit and the surplus have been based on how each country views the causes of trade imbalance - some of them are:

Saving Investment Imbalance:

The conflict over Japan's large trade surplus with the U.S. has been attributed to the imbalance between domestic savings and investment in both countries. The U.S. economy in last two decades has experienced huge financial shortfalls caused by the persistent budget deficit. This shortfall has been accompanied by tight Monetary policy in the U.S. which in turn have caused U.S. interest rates to rise, thus attracting more foreign capital. The decline in dollar since it peaked in February 1985 has helped boost U.S. export as a share of total exports of the group of G-7 industrial democracies from 19 per cent in 1986 to about 26 per cent in 1990.¹⁸ It has kept domestic capital in the form of private savings. However, one negative aspect of the inflow of the foreign capital into the U.S. economy was that

18. David R. Francis, "Weak Dollar Reflects Weaker U.S. Economy", Christian Science Monitor, 30 November-6 December 1990.

it caused the value of the dollar to rise as foreign investors convert their domestic currencies into dollars. Thus demand for dollars increased and also value. This is not the only factor responsible for the rise of dollar. There were other factors such as economic growth accompanied by low inflation which also caused the value of the dollar to rise. When foreign investments are made in a prosperous economy there is an increase in the demand and the value of the currency. The value of the dollar relative to the Japanese yen remained high during the period 1980-1984. This had an effect on U.S. competitiveness in Japan and other foreign markets. U.S. goods became less competitive because they were very expensive relative to others, thus adding to the growing decline in the U.S. saving investment balance when compared to Japan's. This also had an effect on the growing bilateral trade deficit of the U.S. and the surplus in Japan.¹⁹

In Japan high saving rates represent income generated

19. Ibid.

but not spent on imports from the U.S., while in the U.S., the low-saving rates represented income generated and spent on imports from Japan. Since savings should equal investment, the lower saving ratio in the U.S. would mean lower investment and lower productivity for exports. At the same time, higher savings in Japan meant higher investment and productivity for exports to the U.S. market; and thus the trade deficit will continue to worsen between the two countries. Also, as long as the U.S. savings are less than Japan's, the more the former will spend on its rival's imports. Therefore, when the U.S. imports are greater than exports, the U.S. will experience a trade deficit.

Exchange Rate

In an effort to liberalize its exchange control structure, the Japanese authorities passed the 'New Foreign Exchange and Foreign Trade Control Law' in December 1980. The new law made foreign exchange transaction and direct foreign investment in Japan freer, whereas this type of transaction had been prohibited unless ordered by ministerial ordinance.

Moreover, the new law gave Japanese consumers and firms an unlimited freedom to convert yen into foreign currencies, especially U.S. dollars. The unrestricted exchange rate provision gave Japanese firms the opportunity to increase their investment activities in the U.S. and, at the same time, ease the restrictions on foreign ownership and Japanese securities.

Liberalization of Japanese exchange controls could have important long-run implications on the bilateral trade conflict with the U.S. For example, in recent years capital movement from Japan to the U.S. in response to exchange rate flexibility has amplified the savings in the value of the dollar-yen exchange rate. Furthermore, the liberalization of the Japanese exchange rate has also influenced interest rate movement, which is partly responsible for large swings in the value of the yen in the late 1980s. Rising interest rates in Japan have increased the demand for yen-dominated assets, particularly from OPEC investors.

Also during the early 1980s, the dollar was grossly overvalued which resulted in excessive U.S. imports and weak

exports. Between 1980 and 1984, the dollar appreciated by about 20 per cent against the Japanese yen. The appreciation further worsened the U.S. trade deficit as Japanese imports became more attractive in the U.S. and U.S. exports less attractive to Japan.²⁰ The deficit remained at a high plateau through 1987. However, since 1985, the dollar has depreciated against yen, but U.S. imports from Japan continue to far exceed U.S. exports to Japan. That means the U.S. trade deficit continues to persist, even though it declined in the first quarter of 1988. There were several reasons the U.S. trade deficit has not declined proportionally with the depreciation of the U.S. dollar. (1) The strong performance of the U.S. economy; (2) the U.S. federal budget deficit; and (3) the declining competitiveness of certain U.S. industries.

Though the new foreign exchange and foreign trade control laws have reduced tensions in the area of investments as investors on both sides can now participate more freely

20. R.E. Baldwin and A.O. Krueger, eds., The Structure & Evaluation of Recent U.S. Trade Policy (Chicago: University of Chicago Press, 1984), pp.261-262.

in each other's financial markets.

Protectionism

As a policy instrument, protection of domestic industries has emerged as an issue which has overshadowed the bilateral trade relations between the U.S. and the Japan. In the U.S., concern over the trade deficit, has promoted hundreds of restrictive trade bills introduced in the U.S. Congress, and in Japan the government has introduced several restrictive measures to protect its industries.

On the average, U.S. tariff rates are much higher than those in Japan. Therefore, the reduction or elimination of all tariffs would be more beneficial to Japan than to the U.S.²¹

Tariffs are not the only means used to protect industries in both countries. Today the most dominant forms of protection used by both countries are what is referred to

21. Ibid., p.370.

as non-tariff barriers (NTBs). NTBs are tools used to restrict the flow of goods and services across national boundaries. The restricting tools include: quotas, voluntary export restraints (VERs), and technical, administrative and their regulations. NTBs can also come in the form of international cartels, dumping and export subsidies.

Both nations have also used intangible non-tariff barrier to protect their respective industries, having an impact on U.S.-Japan bilateral trade relations. E.g., an intangible protections would be governmental regulations which prevent foreigners from participating in domestic procurements. The Nippon Telephone & Telegraph (NTT) has been cited as an example of the Japanese agency that excludes American firms from participating in its procurement. Other tangible protective measures include: (a) widespread regulations red tape used by both governments; (b) the oligopolistic behaviour for business in both countries in which a number of firms dominate a specific market and create barrier to entry by foreign firms. For example, the Japanese government has encouraged what are called `reces-

sion cartels'. The idea is to recognize failing industries and limit imports in that industry in order to protect the domestic industry from failure as a result of a recessionary pressure. Another example of how oligopoly is used to restrict the flow of goods in Japan is through the distribution system. The distribution system in Japan is controlled by a few firms which exclude foreign competitors. An example would be the 'Keiretsu' conglomerates consisting of manufactures, financial institutions, and industrial targeting. (Industrial targeting, when used as a form of protectionism, can be called in the form of export subsidies or tax incentives for a particular industry. Export subsidies are in the form of government payments to a firm to export a commodity.) The U.S., at one time or another, can unilaterally impose duties on imports to nullify foreign subsidies, especially in the case of subsidized goods originated from Japan.²²

Thus, the issue of protectionism has emerged in the

22. Gary F. Saxonhouser, "What is all this about Industrial Targeting in Japan?", The World Economy, Vol.6, September 1983, pp.253-74.

1980s as the most dominated issue in U.S.-Japan trade relations. This is partly due to concern over the record trade deficit of the U.S.

Conclusion

Trade issues dominate and will continue to dominate American foreign economic policy towards the Asia Pacific region. Although several other countries in the Pacific are passing a strong competitive threat to the U.S., most American attention is focused upon Japan. Americans will respond to the Japanese challenge, but will it be through cooperation or confrontation. The Clinton administration pushing both bilaterally and multilaterally for Japan opens its markets. But it should not forget that trade liberalization benefits most the countries that practises it. Much of the energy now focused upon pushing and bashing Japan would be better spent on raising U.S. productivity and on improving the quality and performance of U.S. products.

To preserve and to strengthen the multilateral trading system. The Clinton administration should consider a new

multilateral negotiating process. GATT round as we have known them have outlived their usefulness, since it takes lot of time. The world is changing too quickly. A continuity multilateral process would also help to contain potential bad trade behaviour on the part of the U.S., because it would preserve a viable multilateral option for resolving trade disputes.

CHAPTER IV

INTRA-REGIONAL ASSOCIATIONS

Driven by market forces and government initiatives, the Asia-Pacific region is experiencing a degree of integration somewhat similar to that of Europe, like the formation of intraregional associations such as the Asia-Pacific Economic Council (APEC) and the Pacific Economic Cooperation Conference (PECC). Initiatives are taken for the Asian equivalent to the conference on security cooperation in Europe (CSCE), the Council for Security Cooperation in the Asia Pacific (CSCAP).

Increasingly the Asia-Pacific States perceive in need for a multilateral approach to security to parallel what has been taking place in the economic sphere. In fact several states in the region had proposed the establishment of a Conference on Security & Cooperation in Asia (CSCA) modelled after the CSCE. Power asymmetries in the Asia-Pacific region, however, leave little room for reciprocity and a perception of shared benefits. This is in direct contrast to the European context, in which the CSCE plays its role in a highly institutionalized and interdependent system where

even limited control over exercises and troop movements is important to the entire system, and the information gained is similarly useful to every participant as a possible signal of intentions. Moreover, CSCE acceptance of post World War II boundaries contrasts sharply with the numerous unresolved territorial disputes in the Pacific rim. There are the wide differences in the Asia-Pacific region with respect to the nature and source of potential security threats.

Although a region-wide security forum is adopted recently, a number of subregional organizations and agreements have been established with some having already demonstrated their potential for mediating disputes and averting hostile confrontations.

The well-known Association of Southeast Asian Nations (ASEAN) includes in its membership Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand. Established in 1967 under a Treaty of Amity and Cooperation, this body has worked to establish guidelines for economic, social and cultural cooperation. In 1971 ASEAN took action to form a Southeast Asian Zone of Peace, Freedom, and Neu-

trality (ZOPFAN). When that failed to attract a sufficient following, it advocated the establishment of a Southeast Asian Nuclear Weapons Free Zone (SEANWFZ). Neither of these proposals have yet proven effective.

International economies are moving towards forming grouping's trade blocks and relevant organizations are being set up, normally by two or more neighbouring countries or regions, through the conclusion of formal agreements by which the signatory countries commit themselves to a cooperative relationship or it may be that a kind of economic cooperation is shaped when countries and regions which share common features in economic development and have similar economic concerns engage themselves on an extensive economic exchange and take an identical stand in international economic affairs. The advent of economic groups, such as the European Economic Community (EC) and the Council for Mutual Economic Assistance (COMECON), dates back to early post war years. It was not until the mid 1980s that economic grouping became a trend in world economy. The dramatic changes in the world political and economic landscape over the past few years, provided this trend additional momentum and bringing

significant influence on world economics, especially those of the developing countries or NICs.

Factors Responsible for the Formation of Regional Blocks

The trend towards regional blocks is a product of the evolution of the international politics and economy and has been prompted by the following factors.

(i) Dramatic Changes in the World Political Pattern:

Since the mid-1980s, East-West relations have been moving from confrontation to dialogue and the world political scene from tension to relaxation. The disintegration of the Soviet Union have resulted in the end of Cold War. This has shifted the focus of international relations from political and military confrontation to a trial of strength in economic and scientific and technological clout. It also has broken the political constraints on economic relationships imposed during the Cold War period of bipolarity. This has resulted in a increased economic exchanges and cooperation among countries and regions of different systems or political orientation and created a favourable environment for expanding and deepening regional economic integra-

tion.

**(ii) The Multipolarization of World Economics and
the Intensification of Competition:**

In the early years after World War II, the U.S., capitalizing on its dominant position in the Western world, brought into being a world economic system and order revolving around itself. However, with the revitalization of the European and Japanese economies, a tripartite balance of forces has taken place. In recent years, the U.S. economy has continued to decline in relative terms with Japan and European countries. And in some aspects the Japanese and European have caught up with or even outstripped their American counterparts. In per capita gross national product (GNP) and some high-tech fields, for instance, the Japanese have cast the Americans into the shadows. The movement towards multipolarization in the world economy has given rise to intensified economic competition among the U.S., Europe and Japan and the contention is focusing on scrambling for an advantage in high-tech development as well for a larger market share, and above all, for a dominant position and decision-making power in the world economy. Hence,

along with the multipolarization of world economic, comes a growing tendency towards regionalization and groupings.

(iii) Escalating Trade Protectionism in the West:

Since 1980s, with the growing uneven development of their economic and trade, the U.S., Japan and Europe have been engaging in increasing frictions, which has triggered escalating trade protectionism. Upto 1,000 protective measures on non-tariffs alone have been established by various countries.

(iv) Further Economic Internationalization & Increasing Interdependence of National Economies:

With the rapid development of science and technology since World War II, economic activities have become increasingly internationalized, and strengthened mutual infiltration and interdependence among countries has manifested itself in such field as trade, finance and production. In trade, external exchange in commodities and services is making up a growing proportion of the world GNP while international trade has topped world production in growth rates. In the financial field, internationalization has shown a strong momentum and the volume of international

capital flow has exceeded that of international trade by more than ten times. Transnational financial institutions have become instrumental in financing foreign trade, direct international investment and other international economic activities. And in production, the development and application of science and technology have given rise to cross-border specialized production and coordination, creating systems of coordination based on international division of specialities. Economic internationalization has offered the necessary conditions for the formation of regional blocs.

The trend toward forming regional economic block is spreading across the world. According to incomplete statistics, the world's total existing groupings of all sizes exceed 30, among which in Asia Pacific, however only three blocs or co-operative entities hold dominant positions, Asia Pacific Economic Co-operation (APEC), Council for Security Cooperation in the Asia Pacific (CSCAP) and Association of South and East Asian Nations (ASEAN).

Asia Pacific Economic Cooperation (APEC):

Background: The U.S. has been working with East Asian

and Pacific economies for several years to strengthen regional economic cooperation. U.S. officials have extensive consultation with the association of Southeast Asian Nations (ASEAN), the Asian Development Bank, the U.N. Economic and Social Commission for Asia & the Pacific, the South Pacific Council, the South Pacific Forum, and the Pacific Economic Cooperation Conference. Many of the region's leaders recently have called for more intensive consultation among the market oriented economies of the East Asian and Pacific region on macro-economic policies, structural reform and the health of the world trading system particularly the General Agreement on Tariffs and Trade (GATT).¹

By 1989, increasing integration around the Pacific Rim led to a number of proposals for an organization to promote cooperation among the economies of the region. The U.S. supported the 1989 initiative by Australian Prime Minister Hawke which led to the 6-7 November meeting that year in Canberra of foreign and economic ministers and formation of Asia-Pacific Economic Cooperation (APEC), a regional forum

1. U.S. Economic Relations with East Asia & the Pacific, U.S. Dept. of State Dispatch (Washington, D.C.), August 5, 1991, p.566.

based on aforementioned principles. U.S. Secretary Baker played a key role in its formation. Annual ministerial meetings have been held in Singapore, Seoul and Bangkok. The U.S. hosted the fifth APEC ministerial meetings in Seattle on November 17-19, 1993.

The November 1989 APEC ministerial meeting in Canberra was attended by the six nations of the Association of South-east Asian Nations (ASEAN) - Brunei, Indonesia, Malaysia, Philippines, Singapore, and Thailand - and by Australia, Canada, Japan, South Korea, New Zealand, and the U.S.² Its major accomplishment was to focus attention on regional economic issues, particularly the need for a successful Uruguay Round. Ministers also set the process of continued cooperation in motion by agreeing to meet again in 1990 and 1991. There was no consensus on the structure of regional economic cooperation. To provide continuity, it became APEC practice for senior officials to meet regularly between annual ministerial meetings with the host of the upcoming ministerial meeting acting as chair and providing secretariat and other services for 1 year.

2. Zainon Ahmed, "Conditions for Attending APEC", New Strait Times (Kuala Lumpur), 1 October 1993.

The second APEC ministerial meeting took place in Singapore in July 1990. At that meeting, ministers endorsed seven areas of cooperation, which became APEC's first work projects:

- . Trade and investment data;
- . Trade promotion;
- . Investment and technology transfer;
- . Human resources development;
- . Energy;
- . Marine resources conservation; and
- . Telecommunications.

With the meetings of these work projects, APEC was a very active, if informal, organization. Ministers identified regional trade liberalization, consistent with the General Agreement on Tariffs & Trade, as a central theme of APEC and instructed senior officials to explore the possibilities in the area. Canada offered to host a meeting of APEC trade ministers, which was held in Vancouver in September 1990. The continuity of APEC was firmly established with the meeting in Thailand in 1992 and in the U.S. in

1993.

After a year of active Korean diplomacy, in November 1991 at the APEC ministerial, China, Hong Kong and Chinese Taipei entered the organization.³ APEC then included all the major economies of the Asia-Pacific region. Ministers deferred decisions on other economies which had expressed interest in joining APEC, in favour of consolidating the organization and further defining its role. There was a growing consensus that APEC should move beyond an annual forum for ministers to become a formal international organization but full agreement was not yet possible. Ministers adopted the Seoul APEC declaration, which sets forth the objectives, activities, and broad organization of the group. Ministers approved three additional work projects transportation, tourism and fisheries. It was informally agreed to cap the number of work projects at 10. Ministers directed that work continue on regional economic trends and issues and regional trade liberalization, but these were pursued in informal working groups.

3. "Mexico, Chile, Peru, review call to join APEC", Bangkok Post, 30 August 1991.

Work on the formal organization of APEC continued under the Thai chairmanship. In September 1992, ministers adopted the Bangkok Declaration on APEC International Arrangements - which formally established APEC as an international organization, provided for a permanent secretariat in Singapore, and established a budget and financial procedures. The scale of contribution to the APEC budget was established, ranging from 2.5% for smaller economy to 18% for Japan and the U.S.

The Bangkok ministerial agreed to establish eminent persons Group to enunciate a vision for trade in the Asia-Pacific region to the year 2000 and identify constraints and issues that should be considered by APEC. Proposals to establish an electronic tariff database, customs harmonization procedures, administrative aspects of market access, and a survey of investment regulations in APEC were endorsed to move regional trade liberalization ahead in the near term. Requests to join APEC were considered, but ministers again deferred decisions, while asking senior officials to examine the case for participation by Mexico and others.

Indonesia assumed the APEC chair in 1994, followed by

Japan (1995), Philippines (1996) and Canada (1997). It has become practice in APEC that an ASEAN country holds the chair every other year.⁴

Regional economic cooperation taking root in the promising evolution of the Asia-Pacific Economic Cooperation Forum, or APEC is another key to building community. APEC began in 1989 as an "informal dialogue" of only 12 member economies. Today, the 15 members of APEC are collectively the most powerful regional economy in the world, accounting for approximately half the world's gross product and about 40% of world trade.⁵

APEC Trade & Investment Committee

The "Declaration on an APEC Trade & Investment Framework", endorsed by the APEC senior officials in Honolulu, lay out for the ministers' approval a set of non-binding principles that the officials agreed should operate in the conduct of trade and investment relations among APEC's

4. Peter Mytri, "APEC Officials Agree to suggest New Secretariat", Bangkok Post, 25 June 1992.

5. U.S. Dept. of State Dispatch, Vol.4, No.42, 18 October 1993, p.731.

member economies. The declaration after being approved, established an APEC Trade & Investment Committee (TIC) within APEC, where the 15 APEC member economies can discuss trade and investment issues. Each year the APEC ministers would review the work of the committee and provide additional guidance on issues they want to be addressed.

The Honolulu senior officials meeting also recommended that the APEC ministers issue free-standing declarations on telecommunications, marine resources conservation and tourism. Telecommunication, in particular, has been broadly supported by the private sector, and APEC is beginning to look at ways to harmonize telecommunications practices.

Another aspect which ministerial meeting addressed in Honolulu was the report of the non-governmental eminent persons group. Group Chairman Dr. Fred Bergsten gave a preview of the group's recommendations on steps that could be taken by APEC's member economies to support global trade liberalization and to move the organization toward the long-term goal of free trade in the Asia-Pacific region. Some of the short-term steps included items that APEC already is working on, such as investment or facilitation, while others

cover areas such as standards, where APEC is only beginning to consider doing work.

APEC Trade & Investment Committee Work Programme

The APEC TIC and its work programme will strive to create a consistent APEC perspective and voice on global trade and investment issues and to increase cooperation among members on those issues. As a policy committee, the TIC will pursue opportunities to liberalize and expand trade; to promote a more open environment for investment; and to develop initiatives to improve the flow of goods, services, capital and technology within the region - all in a manner consistent with GATT principles.⁶

The TIC work programme is designed, first to garner member economy support for APEC's trade and investment role and second, to meet the anticipated demand for resources required to implement the results of successful Uruguay Round. The framework agreement suggested 10 subject areas for the work programme which will deal with those concerns

6. Focus on Asia-Pacific Economic Cooperation, Upcoming Seattle Ministerial & Results of Honolulu Senior Officials' Meeting, U.S. Dept. of State Disputes, Vol.4, No.43, October 25, 1993, pp.752-754.

and move APEC forward.

Trade Policy Dialogue: The TIC will foster a continuing trade policy dialogue to address developments in the multi-lateral trading system, regional trade initiation, globalization and other relevant issues.

Customs: The TIC will pursue efforts to simplify and harmonize customs procedures among APEC member economies.

Investment: The TIC will examine APEC's investment environment, with an eye toward enhancing the flow of investment to and within the region.

Tariff Database Manual: The TIC will assist regional and pilot study for a regional, electronic database of member's tariffs and transparency of regimes.

Administrative Aspects of Market Access: The TIC will examine administrative measures affecting trade in the region, the impact of the Uruguay round disciplines on those measures and means to address outstanding issues within the region.

Standards & Conformance: The TIC will define APEC's

role in standards, mutual recognition of certification arrangements, and harmonization based upon international standards.

Small-Medium Enterprises: The TIC will examine the APEC environment for small and medium enterprises and means to enhance their trade and investment activities in the region.

Uruguay Round: The TIC will review the results of the Uruguay round and its implications for the region and provide assistance within APEC on implementation of Uruguay round results.

Eminent Persons Group Topics: The TIC will address, with guidance from the ministers, topics selected by the Eminent Persons Group.

Additional Issues: The TIC will divide procedures for evaluating member economies proposals for consideration of new issues.⁷

7. "APEC's Cooperation in Detail: the Work Projects", Bangkok Post, 8 September 1992.

EPG Report: The Challenge of Expanding Regional Economic Cooperation

The EPG members were unanimous in recommending that APEC move forward and develop a strategy towards creating an Asia-Pacific economic community with the vision of eventual free trade and investment in the region. Which calls for initiation in three areas:

Trade liberalization: including proposals for further multilateral liberalization and support for global liberalization.

Trade facilitation: including development of an Asia-Pacific investment code and settlement process for trade disputes, macroeconomic and monetary policy cooperation, mutual recognition and testing of product standards, coordination of competition policies, cooperation on environmental policies and revision in rules of origin; and

Technical cooperation: including promotion of student exchanges for human resources development and future cooper-

ation in finance and physical investments.⁸

The main characteristics of the Asia-Pacific economic cooperation which differentiate it from other two big groups of the world (EC & NAFTA) are as follows:

1. Non-grouping:

Suharto said tha APEC should not evolve into a closed trade bloc, but remain as an economic consultation and cooperation forum.⁹ Far from being an economic group in nature, the Asia-Pacific economic cooperation entails economic cooperation in a general sense, because first, the Asia-Pacific region is vast in area and composed of numerous countries including big states where complex situations exist. Second, among the countries/regions in the area, there exist great complexities and differences in politics, economy, history, religion and culture etc. Thirdly, given their divergence on how to conduct regional economic cooperation, it is not easy to coordinate their respective inter-

8. Focus on Asia-Pacific Economic Cooperation Upcoming..., U.S. Dept. of State Dispatch, Vol.4, No.3, 25 October, 1993, pp.752-753.

9. Nusa Dua, "Suharto Throws Weight behind APEC Forum", Bangkok Post (Bangkok), 9 August 1993.

ests. Japan for its interests for global economic expansion and the need to counter the grouping tendency in Western Europe and North America it advocates to set up an East Asia Economic Sphere with itself as its centre and finally realize its aim of establishing a Pacific community. Against Japan, the majority of the ASEAN countries are not willing to set up an economic group with Japan as its focus and they want to take advantage of the U.S. strength to check Japan. Meanwhile there is fear among the Asian APEC states that they may consequently controlled by the U.S. Singaporean Foreign Minister Wong Kan Song said all ASEAN countries recognised the importance of the U.S. and it was therefore in ASEAN's interests "to respond positively" to Mr. Clinton's initiative.¹⁰ Due to its important economic stakes in Asia, the U.S. would neither allow Japan to dominant Asia nor displease ASEAN.

2. Multi-tiers:

At the present, the Asia-Pacific economic cooperation

10. Nusara Thailawat and Woranant Krongboonying, "Draft Bulletin to reject U.S. Overtures on APEC", Bangkok Post, 22 July 1993.

is being conducted at three layers: the pan-regional cooperation, sub-regional cooperation and sub-subregional cooperation. The pan-regional cooperation refers to the economic cooperation, among the countries/regions in the Pacific rim. This is the earliest form of cooperation ever proposed since the early 1960s in this region, and much headway has already been made. The fact that the intra-regional trade has already outstripped that of the European community which enjoys the highest level of economic integration serves a conspicuous manifestation.¹¹ The major organizations are the PECC and the Ministerial Conference for the Asia-Pacific Economic Cooperation. The sub-regional cooperation refers to the various economic cooperations in East Asia region, embracing the relevant countries/region lying on the West Coast of the Pacific. The North America Free Trade Zone on the east coast of the Pacific, which has already become one of the biggest regional groups in the world, is usually not listed in this category. The East Asia economic cooperation are conducted in both bigger and smaller scales: the bigger ones include the East Asia Economic sphere which was pro-

11. Guo Chuanling, "Explorations on the Issue of Asia Pacific Economic Cooperation", Foreign Affairs Journal (Beijing, China,), No.25, September 1992, p.58-59.

posed by Japan in the late 1980s and comprises Japan, the "4 little Tigers" and ASEAN and East Asia Econogroup (EAEG, latter changed into EastAsia Economic Conference) suggested by Malaysia in the early 1990s the smaller ones include the "ASEAN Free Trade Zone", "North-East Asia Economic Sphere", "Japanese Sea Ring Economic Sphere", "Huanghai Sea Economic Sphere", as well Australia-New Zealand Free Trade Zone and the South Pacific Trade and Economic Cooperation Agreement Zone. The sub-subregional cooperation refers to the bilateral or multilateral cooperation among various economic "Growth Triangles" as well as different kinds of economic entities in ASEAN and Northeast Asia. The above mentioned three-tiered economic cooperations are intrrelated, thus shaping the entire Asia-Pacific region into a multi-layered overlapping network of Regional Cooperations.

3. Complementarity:

Economically speaking, there exist great differences among major countries/region in the Asia Pacific area, but evidently they also enjoy some degree of mutual complementarity. Moreover, it is the very differences which give rise to the mutual supplementation. This is manifested not only

in the Pacific rim economic relations but also in the economic relations on the West Coast of the Pacific. Early, in the 1960s and 1970s, Japan heavily depended upon the U.S. markets due to the disparity in the level of their economic development. Then in recent years the U.S. has been on the decline while Japan has been on the rise. Especially since 1985 when the U.S. was reduced to the No.1 debtor nation and Japan became the biggest creditor nation in the world, the U.S. has been heavily relying upon Japan's capital. Therefore, the economic relations across the Pacific represented by the U.S.-Japanese economic relations have all along dominated the scene in the Asia-Pacific economic cooperation. As old differences disappeared and new ones emerged, the U.S.-Japanese economic relationship underwent a shift from the past: one of the one-sided reliance to one of mutual dependence. As there exist differences in the level of their economic development, Japan, the "4 little Tigers", ASEAN and other countries/regions enjoy a fairly high degree of mutual complementarity in their economic cooperations. The case in Northeast Asia may also explain the above-mentioned relations. Though this region faces many unfavourable factors which are impeding the development of the Asia-

Pacific economic cooperation, regional, economic cooperation remains attractive to the relevant countries/regions, owing to the obvious supplementation existing in production factors. The sub-regional cooperation in Northeast Asia is generally considered to be one of the most promising in the Asia-Pacific area.

The Council for Security Cooperation in the Asia-Pacific (ESCAP):

The ending of the cold war and the fundamental transformation in global and regional strategic circumstances from the elimination of the superpower competition has necessitated a profound re-evaluation of security arrangements in the Asia/Pacific region. On the one hand, regional security analysts and policy makers are to confront a number of new and more demanding regional security issues. On the other hand, there has been an evident lack of dialogue for a cooperative security arrangements in the region which could be used to address these issues.

The concept of a Council for Security Cooperation in the Asia-Pacific (CSCAP) was first articulated at the Seoul meeting on 1-3 November 1992. The critical achievement of

the Seoul meeting was the agreement to establish the council in order to provide a more structural regional process of a non-governmental nature to contribute to the efforts towards regional confidence building and enhancing regional security through dialogue, consultation and cooperation.¹²

Three essential themes permeated the discussions at the Seoul meeting. The first was that the Council should be a non-governmental institution. But that it should involve government officials, but in their private capacities. Although it was considered essential that the institution be independent from official control in order to take full advantage of vitality and fecundity of non-governmental organizations (NGOs) engaged in the second track process, as well as to allow free discussion of diplomatically sensitive issues that could not be brought up in official fora, it was also recognized that official involvement was necessary in order to attract government resources and to ensure that the value and practicability of the NGO efforts secured official appreciation. It was considered important that the official

12. Desmond Ball, Richard L. Grass and Jusuf Wanandi, Security Cooperation in the Asia-Pacific Region, (Colorado: Westview Press, Boulder, 1993).

may involvement include senior military personnel as well as defence civilian and foreign affairs officers.

The second theme derived from the experience of NGOs such as the Pacific Trade & Development Conference (PAFTAD) and Pacific Economic Cooperation Conference (PECC) in the promotion of Asia Pacific Economic Cooperation through the 1970s and the 1980s. These NGOs have contributed to the regional economic cooperation process in several important ways.

Many of the participants in the Seoul meeting were also actively involved in the PAFTAD and PECC process. And several of the institutions represented in Seoul were also the coordinators of their national PECC committees. In a sense CSCAP was loosely modelled on the PECC experience and practice. It was intended that CSCAP should support official forums concerned with regional security dialogue and cooperation, such as the ASEAN post-Ministerial Conference (ASEAN PMC) and the Senior Officials Meetings (SOMs), in much the same way that PECC supports the APEC process. Particularly the establishment of national committees and working groups agreed in Seoul closely reflected those established in the

PECC programme in terms of their general rationales and operational activities.

The third theme in the Seoul discussions was the acceptance of the need to build an extent arrangement in the region wherever possible rather than construct new structures and processes. In practice, this meant building upon the arrangements and processes developed by the ASIAN Institute of Strategic and International Studies (ASIAN ISIS) association and particularly ISIS Malaysia, which are the most advanced in the region in terms of both their infrastructure and their cooperative arrangements and practices.

Over the next several months, the task of the CSCAP Steering Committee established in Seoul was essentially twofold: first, to ensure that the official communities in the various countries represented in the CSCAP process would react positively to the initiative and be prepared to become actively involved in the activities of the Council; and second, to reach agreement with ISIS Malaysia on the provision of secretariat services for the Council in Kuala Lumpur for the use of the annual Asia-Pacific Round Table in Kuala Lumpur by CSCAP for its annual meetings. Final agreement on

the establishment of CSCAP was reached at a meeting of the Steering Committee on 8 June 1993, during the Seventh Round Table and announced at the conclusion of that Round Table on 9 June.¹³ It was agreed that the activities of the Council would be guided by the Steering Committee which would consist, at least initially, of representatives of the ten founding NGOs - the Strategic and Defence Studies Centre at the Australian National University Australia; the University of Toronto, York University Joint Center for Asia Pacific Studies, Canada; the Centre for Strategic and International Studies (CSIS), Indonesia; the Japan Institute of International Affairs (JIIA), Japan; the Seoul Forum for International Affairs, Republic of Korea; the Institute of Strategic and Development Studies, Philippines; the Singapore Institute of International Affairs (SIIA), Singapore; the Institute for Security and International Studies (ISIS), Thailand; and the Pacific Forum/CSIS in the U.S.

Initially, the CSCAP Steering Committee is being co-chaired by Amar Jordan (Pacific forum/CIS) and Jusuf Wanandi

13. Michael Richardson, "Old Asia Adversaries Build Bridge", International Herald Tribune, 10 June 1993, p.2.

(CIS Jakarta) ISIS Malaysia accepted the responsibility for providing the Secretariat for the first two years. The meeting on 8 June also agreed to the establishment of four CSCAP sub-committees: (i) By laws, chaired by the Institute for Strategic and Development Studies (ISDS) at the University of the Philippines; (ii) Finances, chaired by the Japan Institute of International Affairs (JIIA), in Tokyo; (iii) Membership chaired by the Singapore Institute for International Affairs (SIIA) in Singapore; and (iv) Working Groups, chaired by the Strategic & Defence Studies Centre in Canberra. The subcommittees are charged with the preparation of a series of formal recommendations for consideration of the next CSCAP meeting.

Activities Over the Near Term:

The agenda for those engaged in the CSCAP process over the coming years or so includes four principal tasks.

The first, concerns membership. The CSCAP is open to all countries and territories in the region, but several countries have yet to become involved in the process. In most cases, inclusion should present no problems. For exam-

ple, New Zealand is currently establishing a strategic studies centre with the specific objective of engaging in second track regional security activities, and early accession by New Zealand to the CSCAP is anticipated. On the other hand inclusion of countries like Mongolia, North Korea, Vietnam and Laos may take more time to effect.

The second task involves the establishment of 'broad-based committees in each member country or territory, which should include government officials in their private capacities.' Some countries already have organisations which essentially satisfy the intentions of the CSCAP Steering Committee. For example, South Korea has the Seoul Forum for International Affairs, which was established in 1986 and which includes representatives from academic institutions, government and the business sector.

The third task involves the establishment of the initial CSCAP working groups which will be given tasks of undertaking policy oriented studies on specific regional political-security problems. Membership of these working groups are envisaged to be the primary mechanism for CSCAP activity; will be open to those countries, institutions or

individuals who wish to participate and are willing to make a contribution to their operation. At the meeting in Seoul in November 1992, it was proposed that first two of the Working groups should examine (i) maritime cooperation in the Asia/Pacific region; and (ii) the enhancement of security cooperation in the north pacific.

The fourth task is complex, it involves consideration of the ASEAN PMC Regional Forum.

Jusuf Wanandi, who is foundation co-chairperson of CSCAP and who was one of the principal proponents of both the establishment of the ASEAN PMC SOMS and the nation of using PMC as a regional security forums, has said that the CSCAP 'would support the work' of the ASEAN PMC SOMS.¹⁴ However, the mechanisms and arrangements whereby the CSCAP will support the PMC processes have yet to be determined.

The establishment of CSCAP is one of the most important milestone in the development of institutionalised dialogue, consultation and cooperation concerning security matters in

14. Michael Richardson, "Old Asia Adversaries Build Bridges", International Herald Tribune, 10 June 1993, p.2.

the Asia/Pacific region since the end of the Cold War. It is designed not only to link and focus the research activities of non-governmental organisations devoted to work on security matters across the whole of the Asia-Pacific region, but also to provide a mechanism for linkage and mutual support between the second track and official regional security cooperation processes. It represents a major achievement in the development of multilateralism in the region. In the end, the success of CSCAP will be determined by the extent to which the dialogue, consultation and cooperation which it engenders is able to address in some practical fashion the emergent security concerns in this region.

Association of South East Asian Nations - ASEAN

ASEAN was established in August 1967 at Bangkok, Thailand to accelerate economic progress and to increase the stability of the South-east Asian region. It was initially created with the full support and encouragement of the U.S. for the purpose of countering the Communist threat in South-east Asia.

Members: Brunei, Malaysia, Singapore, Indonesia, Philippines and Thailand.

Organization:

Summit Meeting: The highest authority of ASEAN, bringing together the heads of government of member countries. The first meeting was held in Bali, Indonesia in February 1976; the second in Kuala Lumpur, Malaysia in August 1977. A third summit meeting was held in Manila, the Philippines, in December 1987, and a fourth was held in Singapore in January 1992. From 1992 summit meetings were to be held every three years.

Ministerial Conference: The ministers of foreign affairs of member-states meet annually in each member country in turn. These meetings are followed by 'post-ministerial conferences', where ASEAN ministers of foreign affairs meet with their counterpart from countries that are 'dialogue partners' as well as from other countries. Ministers of economic affairs also meet about once a year, to direct ASEAN economic co-operation, and other ministers meet when necessary. Ministerial meetings are serviced by the committees described below.

Standing Committee: The standing committee normally

meets every two months. It consists of the minister of foreign affairs of the host country and ambassadors of the other five accredited to the host country.

Secretariat: A permanent secretariat was established in Jakarta, Indonesia. The Secretary-General holds office for a five-year term. In each member country day to day work is coordinated by an ASEAN national secretariat.

Committees: Economic co-operation is directed by ministers of economic affairs through five committees, on Food, Agriculture and Forestry; Finance and Banking; Industry, Minerals and Energy; Transport and Communications; and Trade and Tourism.

Other ministerial meetings are serviced by the following three committees: Culture and Information, Science and Technology; and Social Development.

These committees are serviced by a network of subsidiary technical bodies comprising sub-committees, expert groups, ad hoc working groups, working parties, etc.

To support the conduct of relations with other coun-

tries and international organizations, ASEAN committees (composed of heads of diplomatic missions) have been established in 11 foreign capitals: those of Australia, Belgium, Canada, France, Germany, Japan, the Republic of Korea, New Zealand, Switzerland, the United Kingdom and the USA.¹⁵

ASEAN in the Post-Cold War Era:

From its modest beginning in 1967, the Association of Southeast Asian Nations (ASEAN) has come to be regarded as one of the most successful regional organization in the developing world. Most of its credibility comes from its role in dealing with problems of regional order during the Cold War period, especially its response to the conflict in Cambodia. The end of the Cold War and the political settlement of the Cambodian conflict, ASEAN is uncertain about the future. One of the reasons for this uncertainty relates to issues of security and stability in the post cold war regional environment.

Of course, ASEAN's managerial ambitions concerning regional security as indicated in the Singapore. Declara-

15. Europa Year Book, "International Organization", Association of SoutheastAsian Nation - ASEAN, 1993, p.97.

tions are nothing new. According to the text of the founding Bangkok Declaration of 1967, its goal were to 'accelerate the economic growth, social progress and cultural development in the region', as well as to 'promote regional peace and stability'.¹⁶ Although a military alliance within ASEAN was rejected and the security relationships underpinning ASEAN regionalism were somewhat down played by its founding fathers (Indonesia, Malaysia, Thailand, Singapore and the Philippines, with Brunei becoming the sixth member in 1984), security management has been a major aspect of its evolution. A number of previous measures, such as the 1971 call for a Zone of Peace. Freedom and Neutrality (ZOPFAN) in Southeast Asia, the 1976 Treaty of Amity and Cooperation, the Declaration of ASEAN Concord of the same year and ASEAN's high profile role in the Cambodian conflict in the 1980s, had both major implications for regional security and the goal of enabling the grouping to survive difficult security challenges.¹⁷

16. Arnfin Jorgensen-Dahl, Regional Organization Order in Southeast Asia (London: Macmillan, 1982), pp.37-41.

17. Sheldon Simon, The ASEAN States and Regional Security (Stanford, CA: Hoover Institution Press, 1982), pp.50-54.

The consultations in the 1992 Singapore Declaration are not to be seen as intent to transform ASEAN into a security alliance in the conventional sense. But they signed the Association's recognition of and response to major changes in the regional and international strategic environment.

The end of the cold war security order in Asia has been accompanied by new factors of conflict and instability in the region. By holding regular dialogue on security issues for the first time in its 25 years history, ASEAN aims not only to address these problems, but also to lay the foundations of a new regional order to ensure long term security and stability.

The ASEAN post-Ministerial Conference in July 1993 agreed to set up the ASEAN Regional Forum - a new framework for the ASEAN-PMC participants to begin talking about 'preventive diplomacy' after the end of the cold war. In confronting the challenges of the 1990s, ASEAN has to contend with the loss - with the end of bipolarity of a familiar, old structure of regional security. While the possibility of a major armed international conflict in Southeast Asia may

seem remote at this time, strategic uncertainties and potential flashpoints are there.

While the collapse of communism coincided with the decline of one of the major threats to the regime survival of the ASEAN states, the communist insurgency, this may have had the paradoxical effect of eroding a principal basis of unity within the grouping. Moreover, the threat of a violent challenge to ASEAN regimes does not end with communist insurrection. In one level, the challenge is one of several dimensions. On one level, it consists of simply maintaining cohesion in the absence of a common security threat or unifying concern (such as the Cambodian conflict). On other level, the challenge is one of responding to new threats to regional stability that have replaced Cold War geopolitics. Yet another aspect of ASEAN's post cold war security dilemma is the need to broaden its horizons beyond the narrow sub-regional focus.

Militarism cannot be a substitute for old fashioned balance of power mechanisms which, in the ASEAN state's view, remain critical to the prospects for regional order in the post-cold war era. This leads to an irony in the group-

ing's post cold war security posture as it relates to the issue of militarisation. While the conditions for realising ASEAN's existing multilateral security frameworks such as ZOPFAN (Southeast Asian Zone of Peace, Freedom & Neutrality) and SEANWFZ (South East Asian Nuclear Weapon Free Zone), have been made favourable by superpower retrenchment, their framework is also deemed less relevant in a new geopolitical climate in which regional powers such as China and Japan are viewed as the principal challenges to regional stability. These powers cannot be trusted to guarantee the viability of a security regime like ZOPFAN. This realisation has led ASEAN states virtually to abandon ZOPFAN and seek ever closer security ties with the U.S., a move which has been helped by the removal, with the demise of superpower competition, of some of the political constraints on an exploit U.S.-ASEAN security relationship.

Despite an interest in exploring the for common and cooperative security system in the Asia-Pacific region, the ASEAN states preferred approach to regional order to lie in the maintenance of a regional balance of power, underpinned by the superior and forward-deployed military resources of the U.S. and capable of deterring Chinese and Japanese

regional ambitions. But such a security system is also one over which weak local actor such as the ASEAN members can have little control. Here in lies a final contradiction in the Association post-cold war security posture. Its desire to assume a managerial role in regional order is and would remain circumscribed by shifts in the regional balance of powers which are essentially externally driven. Such a security structure not only deprive ASEAN of any ability to insulate the region from outside intervention and influence, but also gives it only a limited ability to constrain, through dialogue and consultation, the engagement of external powers so as to make it conform to its own security needs have yet proven effective.

CHAPTER V

CONCLUDING NOTE

The present study indicates economic factors greatly determine U.S. relations with Asia Pacific region ever since the cold war is over. The pattern of trade relationship between the States of Asia Pacific region specially with China, Japan, South Korea, Hong Kong, Singapore, has been not favourable to the U.S. These states are able to sell the U.S. more than what the U.S. is ready to export to these countries. In the case of China, the U.S. has an adverse balance of trade as high as 15 billion dollars. The U.S. needs cooperation of China in various foreign policy and security matter, specially Chinese arms export to West Asia; sale of missile to Pakistan, Syria and Saudi Arabia; sale of nuclear reactors and spare parts to Pakistan; favourable Chinese concurrence and support of American sanction bills on North Korea or nuclear proliferation; Chinese support on Bosnian crisis. All these foreign policy issues constrain U.S. to take any economic measure against China such as super 301 to reduce certain unfair trade practices by China

as alleged by the U.S. Even on question of human rights which was quoted by the U.S. being violated by China. The U.S. could not seek much concession on these matters. The American effort to link MFN concession to China if human right abuses were not reduced, did not succeed concession from China. Eventually the Clinton administration has to grant MFN status to China without linking human right abuses. At the same time China has not openly confronted U.S. on human right issues, unfair trade practices, and arms transfers. In fact there currently exists strong vested interest in both countries which prevent extreme stand by both countries.

The present study indicates that the U.S. relation with Japan are two dimensional. On the question of security, specially nuclear threat to Japan from North Korea and Japan is exclusively depend on U.S. In fact Japan strongly support American action against North Korea. There is difference on the question of Japan contribution on crisis management both inside the region and outside the region. America wants Japan to take more responsibility in the security arrangement in the region and cooperate with America with man and money in any other crises, like the Gulf War in

1990. Japan had repeatedly refused to participate militarily in any programme sponsored by U.S., which would project or indicate revival of Japanese militarism.

The study finds that more than security difference the current U.S.-Japanese trade war seem to be more threatening U.S.-Japan relationship thereby weakening the regional grouping APEC. The details of the trade conflict between U.S. and Japan indicate that Japanese are able to export to the U.S. as high as 240 billion dollars as compared to U.S. export to Japan being only 50 billion dollars, The large adverse balance of payment has been causing concerns with the U.S. and there has been pressure on Japan to open some sectors of market to U.S. The Japanese were responding restrictively, ^{and} try to reduce the adverse balance of payment by investing in America as much as 108 billion dollars. Thus U.S.-Japan relation is strained on the economic front but ~~as~~ some element of understanding and cooperation in security field.

The present study indicates that relation with other states of the Asia Pacific region specially Hong Kong, Singapore, Malaysia, Thailand, South Korea, Indonesia do not

have a conflictual relations, similar to U.S.-Japan and U.S.-China. While Hong Kong, Singapore, Taiwan and South Korea have favoured ^{able} balance of trade with U.S. their economic relationship with U.S. is not conflictual, Moreover these states are exclusively dependent on American military support. The study also indicates that South Korea, Hong Kong, Taiwan, Singapore, Malaysia, Thailand, Indonesia are dependent on the U.S., both on economic and security aspects. Such dependence on America did not produce any kind of coalition or grouping against Japan. In fact, these states are more anti-Chinese because of security threat from China and to some extent anti-Japan because of economic threat from Japan.

The present study indicates that the U.S. would be able to promote APEC cooperation in the post cold war by evolving mutually beneficial economic relation. U.S. should promote regional security relation, in which the regional states play a major role. Transfer of arms from the U.S. or from other outside power to the states of the APEC region, need to be restricted to contain conflict in the region. The study also indicates that ^{in the post cold war phase} there is no common adversary for

all the states as was seen during the cold war period,
w/thereby the U.S. assumed the leadership in the region.

There appears to be no challenge to the U.S. leadership even in the post cold war period provided U.S. plays the responsible super power role in relation to both the security and economic aspects of the region.

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