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U.S. NATIONAL INTERESTS IN THE ASIA-PACIFIC REGION

BY

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U. S. NATIONAL INTERESTS IN THE ASIA-PACIFIC REGION

AN INDIVIDUAL STUDY PROJECT

by

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## ABSTRACT

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The Asia-Pacific region accounted for 36 percent of U. S. world trade in 1988. The United States and Japan, collectively, generate more than one-third of the world's gross national product and possess the largest economies, estimated at \$8 trillion in 1989. Japan is the world's economic super-power, but other countries in the region are increasing their share of world commerce. Southeast Asia is currently outstripping Northeast Asia as the world's fastest growing sector. If predictions are correct that a "megamarket" will emerge from the countries of Hong Kong, Singapore, South Korea, Taiwan, Thailand, Indonesia, and Malaysia, the region may become the recipient of more than half of U. S. world trade. Trends within the Asia-Pacific region influence the economic and strategic well-being of the United States. This paper explores the current strategic, economic and political influences on selected Northeast and Southeast Asia countries and how they affect and influence U. S. interests and policies. It briefly examines the Soviet Union's position as an Asian country, U. S. basing rights in the Philippines, and current trends in the Northeast and Southeast Asia countries.

## INTRODUCTION

**"There is only one sensible way to think of the Pacific Ocean today. It is the highway between Asia and America, and whether we wish it or not, from now on there will be immense traffic along that highway. If we know what we want, if we have patience and determination, if above all we have understanding, we may ensure that the traffic will be peaceful, consisting of tractors and students and medical missionaries and bolts of cloth. But if we are not intelligent, or if we cannot cultivate understanding in Asia, then the traffic will be armed planes, battleships, submarines, and death. In either alternative we may be absolutely certain that from now on the Pacific traffic will be a two-way affair. I can foresee the day when the passage of goods and people and ideas across the Pacific will be of far greater importance to America than the similar exchange across the Atlantic."**

James Michener wrote these words in 1952, early in the cold war era. While a portion of the passage reflects the chauvinism or naivete of the era, in that the U. S. could export its values through the work of missionaries while the Asian countries would produce "bolts of cloth", his vision that the traffic would be a two-way affair has been correct. During the past forty years, traffic has reached proportions that would have been inconceivable in 1952. The traffic, in most respects, has been peaceful. According to the most recent census of international students studying in the United States, China, Taiwan, Japan, India, the Republic of Korea, Malaysia, Hong Kong and Indonesia occupy the top nine positions with their monopoly only broken by Canada who is number six<sup>1</sup>. Foreign students from these countries total 176,870 . Of the total, China leads with 33,390 students, Taiwan has 30,960, and Japan has 29,840. In addition to people and ideas engaged

in two-way traffic across the Pacific, the passage of goods across the Pacific has increased so much that the coming century has been described as the Pacific Century. Michener's final point, that the passage of goods, people, and ideas across the Pacific would be of greater importance than a similar exchange across the Atlantic, may have taken place even as our policy-makers have continued to focus across the Atlantic. The strategic and economic well-being of the U. S. demands This paper will provide an overview of the current trends within the region which should weigh heavily on U. S. policies for the region during the coming decade.

The highway of the Pacific Ocean as described by James Michener is a fast-paced, critical freeway which links a number of countries with extreme diversity in history, culture, and economic development. This diversity ranges from an economic super-power, Japan, the historically self-sufficient nations of Australia and New Zealand, the nations described as the Four Tigers (South Korea, Taiwan, Singapore and Hong Kong) which are newly industrializing countries, to the small island states of only a few thousand people in the Pacific Ocean. There is not a natural land or cultural grouping such as found with the European Economic Community (EEC), although a number of cooperative organizations have evolved such as the Association of Southeast Asian Nations (ASEAN), Asian Pacific Economic Cooperation (APEC) the South Asian Association for Regional

Cooperation (SAARC), the South Pacific Forum and the Commonwealth of Nations.

## STRATEGIC SEA LANES OF COMMUNICATION

Mirroring the extreme diversity among the countries of the region, this "freeway" possesses both a surreal tranquility of sunwashed beaches, uninhabited atolls, and strategic sea lanes of communication and commerce. A look at the strategic impact of the Pacific Basin begins in the Northern Pacific where the headquarters of the Soviet Pacific Fleet is situated at Vladivostok on the Sea of Japan. The military importance of this city goes back to czarist days and, until recently, it was a "closed city" because of its strategic importance. Travelling south, we see that the sea lanes of communication or trade weave a tight path on the Sea of Japan between Japan and South Korea; past Taiwan and Hong Kong where the lanes can go east into the Philippine Sea, and proceed toward Australia. The lanes can then proceed from that point west between Vietnam and the Philippines, and on toward Malaysia and Indonesia before spilling into the area of Australia and eastward to the islands of the South Pacific Ocean. These sea lanes possess both military strategic importance as well as economic importance.

To exit port, the Soviet fleet at Vladivostok must pass through the Soya

Strait and the Tsugaru Strait. The Soya Strait is frozen during the winter and the Tsugaru and Tsu-shima Straits could be closed by Japan and South Korea, therefore, freedom of passage and navigation is critical for the USSR from both a military and an economic perspective. In July 1986, Mikhail Gorbachev, in a "speech heard round the world", stated that the Soviet Union intended to play a more active role in the Pacific region and would expect to exert its rightful influence in the region as an Asian nation. During the same period that the Soviet Union has declared for itself a more active role in the area, it has continued to upgrade and increase its naval and air resources in the region. In February 1990, the Commander-in-Chief of the Pacific Command stated that the Soviet Union continues to modernize and improve its Pacific Fleet even though the number of vessels may have been reduced.<sup>2</sup> During this same period, the USSR has accused the United States of balking at proposals to open talks on disarmament in the Asia-Pacific region. Thus far, the U. S. has not agreed to put naval power on the arms control agenda; however, with the pull-back of conventional arms from the Eastern Bloc countries, the USSR appears to be transferring land-warfare armaments such as tanks to its naval inventory. This has led to quips that the USSR has more tanks in its Navy than most western armies. As a military power in this region, the USSR possesses indigenous strategic naval and air resources in the Pacific Basin

which has, in the past, included the use of Cam Ranh Bay and Da Nang in Viet Nam. This permits a considerable degree of freedom of maneuver and accessibility.

At the same time the USSR is expanding its Asia-Pacific focus, the United States is evaluating significant changes in its long-standing strategic placement of forces. For example, the Philippine basing agreement expires September 16, 1991. This agreement provides for six U. S. bases in the Philippines, the best known of which are Clark Air Base (considered the military crossroads of the Pacific and home of the 13th Air Force) and Subic Bay Naval Station (the main supply and repair base in the Pacific and a training ground for jungle tactics). Demonstrations were held almost weekly during the past year by factions of the Philippine population who want the bases completely vacated. U. S. policy makers have signalled a willingness to vacate the bases; however, it currently appears that negotiations have intensified and that the Philippine negotiators have backed away from insistence on a five-year "terminal phase-out" of Subic Bay Naval Base and Clark Air Base. The U. S. position backs a ten to twelve year phase-down. Compensation, criminal jurisdiction over U. S. troops, and the perceived throw-back to colonialism that the bases represent to some Filipinos are the major factors in negotiations. As a result of a series of lesser agreements, negotiators announced

in January 1991 that the Philippine military would assume responsibility for Wallace Air Station and San Miguel Naval Communications Station in September 1991<sup>3</sup>. In addition, the U. S. has announced that all fighter planes and 1800 personnel stationed at Clark Air Base would also be withdrawn by September<sup>4</sup>.

While a strategic location in the Pacific provides a power projection capability into both the Indian Ocean and Persian Gulf regions, this requirement could be met by other options. Singapore and neighboring Brunei have opened facilities to U. S. troops and, for the Persian Gulf build-up, Diego Garcia was used for both troops and supplies. The key is maintenance of transportation and logistical linkages which will provide the U. S. the ability to forestall or deter any blockages of the lanes of trade.

## ECONOMIC AND POLITICAL FACTORS

During the past 40 years, the global economy has been reshaped in a fashion that most would have doubted in the immediate post-WW II era. Economic interdependence among nations has become a fact of life rather than an aberration. Prior to Operation Desert Storm, arguments were made that economic strength was taking the place of military strength in establishing a nation as a world power. In the aftermath of Desert Storm, it is clear that military strength and influence remain

strong elements of any nation's profile as a world super power. While the mantle of world leadership status may be settling on the shoulders of the U. S. (as opposed to the leader of the free world or leader of the western world) with its strong military, potential for continued economic growth, stable political system, and close allies, the Asia-Pacific region encompasses several nations who are economic super-stars with stable political systems. The center of mass for the world's economy has been shifting toward the Pacific-Asia area. Historical trends show that the shares of world product have declined steadily for the U.S. and the European Economic Community while it has increased for many of the Pacific countries. In 1988, the Asia-Pacific region accounted for 36 percent of the U. S. world trade, a total of \$280 billion, while the European Economic Community accounted for 21 percent or \$165 billion<sup>5</sup>. Japan alone accounted for half of that trade, rivalling Canada, the U. S.'s largest trading partner. To further illustrate the startling difference in growth, in 1988 the overall growth of the Asia-Pacific region was 7.4 percent while that of the European Economic Community was 2.8 percent<sup>6</sup>. Prior to the Gulf War, much media and academic attention was given to Japan's economic strength and its ascendance as a leading player on the world political stage. The 1991 Gulf War and Japan's accompanying political decisions and actions prior to the initiation of military action by the allied countries appear

to have snatched a world leadership role away from the economic giant. U. S. government officials are quoted as being disappointed that "when the issues of peace or war hang in the balance, the world's second richest nation seems to have disappeared off the radar screen"<sup>7</sup>. The Christian Science Monitor likened Japan's role in the Iraq crisis to that of a conscientious objector<sup>8</sup>. Tokyo apparently agreed both with the U. S. position regarding Iraq's aggression and with the position that the shape of the post-cold war global community was at stake. Its conclusion was that Japan must support the international armed response to that aggression, but its commitment must be non-military. The initial financial commitment was four billion dollars which was delineated as two billion to support the military efforts and two billion for the bordering states (Egypt, Jordan and Turkey) suffering disruption from Iraq's incursion. In September, the Prime Minister requested that his cabinet develop a deployment plan to send Japanese personnel to the Gulf commenting that Japan must "contribute not only dollars but also sweat and manpower"<sup>9</sup>. While an opposition mounted within Japan against use of the Japanese Self-Defense Forces in the Gulf, arguments also raged about Japan's role around the world. The chairman of Japan's Federation of Economic Organizations stated that "Unless we can make a contribution other than a financial one, we cannot come out of the Gulf crisis as a member of the international

community."<sup>10</sup> World opinion seemed to be using Japan's decision-making process as a test of the economic superpower's global political leadership and commitment. Many, including members of the U. S. Congress, could not understand Japan's reluctance to commit a token military contingent and complained that even a \$4 billion commitment to the effort was a virtual free ride. On January 12, 1991, Secretary of State Baker appeared to be nudging Japan with a message released through the Japanese media. This message declared that while both countries shared great opportunities, they shared "great responsibilities for maintaining a peaceful, stable, democratic and prosperous world system. Working together, the United States and Japan have a rare historic opportunity to shape the world of the 21st century." He continued by saying that the Persian Gulf crisis and the Uruguay Round of trade talks<sup>11</sup> are "benchmark issues that will define the nature of the post-Cold War international system.....An 'activist' role by Japan on these major political and economic issues is very much in Japan's own national interest, because no country depends more on global stability and prosperity than Japan".<sup>12</sup>

On January 15, 1991, military action was initiated and concluded very quickly; however, Japan's role and resultant image is still the subject of debate. In reality, Japan is the fourth largest contributor to the coalition, ranking behind the

United States, Saudi Arabia and Kuwait<sup>13</sup>, having upped their financial commitment to a total of nearly \$13 billion (\$11 billion for military uses and \$2 billion in aid to the bordering countries). Even the amount is being disputed, with criticism that the amount paid is less than the initial pledge. Japan's position is that the difference is a result of currency fluctuations rather than shirking full payment. On March 6, seven months after the invasion of Kuwait, Japan's Foreign Ministry announced that it had sheltered 16 Americans in Kuwait City, later spiriting them out of the country to avoid their being taken hostage by Iraqi forces. Speculation was that the Government's decision to release this information was a result of a loss of credibility in the eyes of the world and its own population regarding their Gulf role. A newspaper with close ties to the governing party wrote that "Japan's poor skills in diplomacy surfaced during the seven-month crisis, underlying the nation's political immaturity was its intellectual inadequacy in tackling the realities of a changing world."<sup>14</sup> As Japan and the world continues to debate Japan's political decision in the Gulf, the Japanese position at the Uruguay Round has been the subject of much concern to the U. S. Japan is characterized as having "persistently refused to take a leadership role. No bold proposal in any area of negotiations has come from Tokyo. Indeed, Japan has acted as if it were merely a Third-World, third-rate economy somewhere in Africa or South America".<sup>15</sup>

Japan has received a substantial amount of criticism from the U. S. because of its tenacity in protecting its rice farmers against any imports. It appears that, as of the writing of this paper, the Japanese position on rice imports will not waver.

Criticism regarding its world leadership role has not changed Japan's position as the world's economic powerhouse model. Although the Japanese stock market declined substantially during 1990 and there is speculation that a fall in land prices could follow, their economic performance shows no sign of diminishing. The desire to excel is so embedded in their culture that even cocktail waitresses keep statistical charts to improve their performance<sup>16</sup>. Japan's continued economic growth is spurred by markets in addition to the United States. The Japan Foreign Trade Council predicts that Japan will be sending more of its exports to Southeast Asia in 1991 than to the United States. Japan's direct investment in Asia rose from \$1.435 billion in 1985 to \$8.239 billion in 1989. In 1989, Japan opened a new factory in Thailand every four days. Through September 1990, two factories were opened every five days. Further, it is predicted that by 1995 Japan will be the biggest market for all of Southeast Asia.<sup>17</sup> In addition to its Pacific Rim market, Japan may be soon opening trade inroads with the Soviet Union. President Mikhail Gorbachev is currently scheduled to visit Japan which may have "global impact" similar to the events which took place in Eastern Europe during the past two years.

Japan and the Soviet Union are the only two countries who have not formally ended World War II hostilities. The Soviet Union has an interest in Japanese investment for their own economic development and Japan is interested in trade, fishing rights and access to the USSR's vast mineral resources. The only obstacle to strong pursuit of these interests appears to be the Iturup, Kunashir, Shikotan To and the Hobamai group islands often referred to as the Northern Territories, or the Kurils. These islands have been held by the USSR since WWII when they became part of the spoils of war for Russia. In addition to their fishing value, the islands hold tremendous emotional impact for those who were dispossessed from them and this refrain has become one of national honor for the Japanese. If the leaders can conclude a compromise or agreement on either immediate return of some islands and future exchanges or phased return of the remaining islands, Japan will have a virgin market which it can develop and the Soviet Union will have a strong investor with whom it can begin to develop its own economy. If the Soviet Union could emulate the Japanese economic development model, by the mid-21st century the European Economic Community and the Americas economic growth would pale in comparison to the Asiatic hemisphere.

The Japanese and U. S. economies are the two largest economies, estimated at \$8 trillion in 1989. Together, they generate more than one-third of the world

gross national product<sup>18</sup>. Japan depends on the U. S. market to absorb close to 40 percent of its exports but also prudently invests in its best customer. A vignette from former President Reagan's meeting with Japanese Prime Minister Noboru Takeshita illustrates this export phenomenon. It was widely publicized at the time of the meeting that an interpreter had observed that all of the photographers' cameras being used for a photo session in the Oval Office were made in Japan. It was reported that "strained" laughter followed the comment. The old adage, "Much truth is told in laughter" may be an appropriate observation. In 1988, Japan's new investments in the United States totalled \$87 billion which placed it as the number one investor<sup>19</sup>.

Following in Japan's economic wake are the Four Tigers (South Korea, Taiwan, Singapore and Hong Kong). Similar to Japan, South Korea has been encouraged to be a "significant leader on international economic issues"<sup>20</sup> through progress in the Uruguay Round. As are the other Tigers, South Korea is an export country and has been perceived as exhibiting both informal and formal anti-import tendencies. In the political realm, Korea has taken advantage of the Soviet Union's desperate need for consumer goods. In another historic spin-off of the end of the cold war, President Roh met with President Gorbachev. Although trade between the countries has been growing, Moscow's close ties with its ally, North Korea, had

precluded official relations with South Korea. Diplomatic relations were reestablished in the fall of 1990 with the South Korean Embassy opening in Moscow in December. Clearly, these ties will have both short-term and long-term benefits for both economies. South Korean-Soviet trade has grown from \$100 million in 1986 to \$600 million in 1989. The forecast for 1991 was pegged at \$1 billion<sup>21</sup> and predicted to soar to more than \$10 billion a year by the mid-1990s<sup>22</sup>.

If this significant change in trade patterns is a glacier melt resulting from the cold war thaw, another glacier has begun a slow, deliberate drip. For the first time in post WW II history, a series of prime minister-level talks took place between the two Koreas. While these talks centered on humanitarian issues such as exchanges between divided families, building trust between the countries, and seating in the United Nations, the model of Germany's reunification hovers in the background. In spite of the relative smoothness with which German reunification took place, it is doubtful that significant progress toward reunification of the Koreas will take place until there is a perceptible change in the hard-line, entrenched North Korean leadership. The USSR recently indicated a degree of quiet support for reunification. President Roh of South Korea announced in a press conference after his official visit to Moscow in December that President Gorbachev promised

to promote the reunification of the peninsula. The quote attributed to Gorbachev by President Roh was the necessity "to be patient and carry on dialogue between North and South and create an atmosphere of mutual trust", thus creating the conditions necessary for reunification<sup>23</sup>. North Korea's poor economic outlook and the benefits which would accrue to it by ties with the south may create those very conditions as prescribed by President Gorbachev.

Similar to Japan, South Korea imports much oil from the Middle East. While the U. S. did not request a military contingent from South Korea because of the continuing North Korean threat, South Korea, as a long-time ally of the U. S., was requested to provide token financial aid to the Gulf War account.

Taiwan, long considered an economic tiger with its double digit growth rates is poised to continue its economic growth with the expanding consumer market in Asia. According to recent reports, Taiwan's investment in the Philippines, Thailand, China and Indonesia is ranked as second, behind that of Japan, but ahead of the United States. In Malaysia, Taiwan's investment ranks ahead of both the United States and Japan<sup>24</sup>.

Singapore has been described as a Japan in miniature<sup>25</sup> and their tourist ads describe it as "Instant Asia". Politically, the country saw its first changing of the guard in November, 1990. Prime Minister Lee Kuan Yew, who had been in office

for 31 years, resigned with Goh Chok Tong taking his place as Prime Minister. Singapore is maintaining its reputation as a "tiger". Its per capita income is predicted to be close to the United Kingdom's by the mid-1990's and its long-term plans for growth is highlighted by its promotion of a "growth triangle" 13 miles south of Singapore which would provide space for new factories<sup>26</sup>. Although Singapore's gross domestic product growth rate slipped from its former double digit growth in 1988 to 8 percent in 1990 and is projected to decline to 5 percent for 1991<sup>27</sup>, the economy has a resilience that bodes well for the future and it continues to develop opportunities by prudent investment.

Hong Kong suffered a post-Tiananmen economic depression and loss of political confidence during the past year. With the rapidly approaching transfer of Hong Kong from Great Britain to mainland China in 1997, emigration is high and confidence in the future is somewhat low. Governmental actions such as media censorship to avoid offense to China has not buoyed confidence. Despite these signals, Hong Kong's third stock market crash in three years, and a gross domestic product growth rate of only 2.5 percent in 1989<sup>28</sup>, outside investment has been attracted to the area. Kenneth S. Curtis, senior economist for Deutsche Bank Capital Markets, predicts that "the Hong Kong enclave", Hong Kong and neighboring Guangdong (a Chinese province), will enjoy a gross national product

as big as France by the year 2000 because of the number of foreign factories<sup>29</sup>.

Thailand has long been touted as gaining fast on the Four Tigers. It currently leads in attracting foreign investment commitments (projects totalling \$21.5 billion have been approved in less than three years<sup>30</sup>) which has kept its economic growth in excess of 10 percent<sup>31</sup>. This growth has not been without its downside which could have global effects. Thailand initiated a logging ban two years ago to counteract deforestation which has doubled since 1980. One-fourth of the world's tropical rainforest that is destroyed each year is in Asia. Forest cover in Thailand has decreased from 53 percent in 1960 to a current 18 percent<sup>32</sup>. In the political arena, Thailand experienced what was described by the New York Times as a "calamity for Thailand and a setback for U. S. interests in Southeast Asia"<sup>33</sup>. A non-violent military coup took place in February, 1991 with Premier Chatichai Choonhavan replaced by Armed Forces commander General Sunthorn Kongsompong. The new leadership dissolved the government, declared martial law and abolished the 1978 constitution, but also stated that Thailand would retain a pro-West/anti-communist stance. The potential explosiveness of this action was mitigated when King Bhumibol issued a "royal command" appointing General Sunthorn as head of the National Peace-Keeping Council<sup>34</sup>. As of this writing, the change in government does not appear to have affected either the Thai

way of life or its economic position.

A review of the major Asian countries would not be complete without a discussion of China and India. China remains a forlorn socialist giant. As the 1980's drew to a close, it appeared that the giant was reaching toward the rest of the world. An historic meeting between Deng Xiaoping and his Soviet peer, Mikhail Gorbachev, began a thaw in what had been thirty years of estrangement. Rajiv Gandhi, then Prime Minister of India, visited China for the first official visit between the countries in more than twenty-five years and President Bush also paid a short visit en route from a state funeral. With unexpected suddenness and brutality, the giant who had begun to stir appeared to withdraw from civilized company with its harsh response to students in Tiananmen Square. Tiananmen Square has become synonymous in western lexicon with massacre and horror. Chinese leadership seems to demonstrate a loathing of western influence or any move away from its totalitarianism. How much longer the leadership can continue its political repression and ward off changes influenced by the West remains to be seen given the large number of Chinese students studying in the United States and in other western countries. The Chinese Alliance for Democracy (CAD), an organization of Chinese students in the United States, publishes China Spring, a dissident magazine. The magazine is finding its way around the world. The CAD

is reported to have several chapters in China which survived the political crackdown following Tiananmen. These students were sent west to learn skills which would then be used to benefit China. If they return to the homeland, they will bring both their acquired skills and an acquired desire for political freedom which will result in tension mounting again for political change. Having lived in a free society may instill a zeal to effect change. Having learned a tragic lesson from Tiananmen may harden that zeal into an opposition to the current rule which begins to find cracks and crevices into which pressure for change can be applied.

Another tension that shackles China is its population which has surged beyond anticipated levels. Preliminary data from the 1990 census is expected to reveal a population of 1.14 billion people, which is approximately 20 million more than Chinese demographers had estimated. Estimates place the population at 1.3 billion people by the year 2000<sup>35</sup>. The enormity of the pressure to feed, clothe, and house such numbers at any minimum degree of adequacy is staggering and will continue to drive population control measures as government policy.

China has demonstrated both the effectiveness of its Silkworm missiles and their willingness to sell them abroad for hard currency. It was reported during the Gulf crisis that China was searching for a country who would be willing to smuggle arms to Iraq<sup>36</sup> even while it publicly supported the United Nations arms

embargo.

China's economy is neither market-oriented nor competitive with other world trade powers. State industry losses were \$4.2 billion in the first three quarters of 1990 and one-third of state-owned industries operated in the red<sup>37</sup>. Fueling these inefficiencies is the energy loss experienced because of poor quality and high energy consumption technology. According to Chinese officials at a conference to discuss pollution, their national energy consumption per dollar of GNP is 5.3 times that of Japan, 2.3 times that of the U. S. and 1.7 times that of the USSR<sup>38</sup>. Without drastic steps to change this pattern, it could have global effects if China attains its goal of doubling its GNP by 2000. During 1990, China implemented a new five-year economic plan; however the goal of doubling GNP in the next decade appears elusive. The 2.7 percent rise during the first three quarters of 1990 does not meet the six percent annual target rate established by the central government<sup>39</sup>.

This picture is in dramatic contrast to a picture painted by Tom Peters who describes a trip to Guangzhou where "the energy on the streets was palpable." The scene he describes is a showcase for China's economic reforms where there were hundreds of stalls, shops and miniature factories which made him feel that he were seeing capitalism for the first time<sup>40</sup>. Clearly, the potential for China to be a

global economic super-power is present--whether it will be unleashed within the next one or two decades remains to be seen.

India, another population giant with 835 million people (expected to surpass one billion by 2000), is also a poor giant with a per-capital income of about \$306 (U.S.) a year. Politically, while India has experienced upheavals at the national level during the last two years, the process has been democratically conducted. India's economy continues to be shackled by government bureaucracy and public factories and mills which are not competitive. In May, 1989 India was designated under the 1988 U. S. Omnibus Trade Act as a "priority country" which requires reporting from the U.S. Trade Representative to Congress on India's trade and investment practices<sup>41</sup>. Pressure on India for systemic monetary reforms was increased when both Standard & Poor's and Moody's lowered the credit ratings for Indian institutions. The World Bank's forecast for India's current payments deficit has been revised upward to \$10 billion as a result of Gulf crisis dislocations to their economy<sup>42</sup>. As socialism continues to be discredited and the march continues toward free market economies around the world, there are no indisputable signals that India is moving in that direction.

## CONCLUSION

Many factors which will serve as catalysts for actions in the Asia-Pacific region are beyond the direct control of the United States. For example, the internal political strife and future direction of the Soviet Union, Chinese government decisions on handling dissidents, alleged corruption within several of the industrializing countries and continuing military build-ups which appear disproportionate to the threat. These are events which would sorely test the mettle of U. S. foreign policy if they should occur. What would be U. S. reaction if the incumbent Chinese leadership should move to consolidate mainland China and Taiwan? How will we respond in 1997 if there is a massive humanitarian appeal for exit from Hong Kong? Our course in supporting South Korea from aggression appears clear. What is not clear is whether North Korea, becoming consistently more isolated, would take any precipitous action similar to Iraq's military action. How would we react if the USSR's interest as an Asian nation begins to destabilize that area. The USSR, while an economic child, is a nuclear superpower. China is also a full-fledged member of the nuclear club with intercontinental ballistic missiles, medium range missiles and submarine launched ballistic missiles. India has tested a nuclear "device" and the President cannot certify to Congress that Pakistan does not have nuclear capability. From a nuclear volatility standpoint, the

region is a "hotspot" with the potential for accidents similar to Chernoble which could spell, at best, local devastation and, at worst, global devastation. Japan, while relying heavily on nuclear power for energy, appears to be the only Asian nation that is not raping its own ecology as a trade-off for its development.

While the decisions and actions which have shaped foregoing status have been made by the nations in the region, the United States must exercise its leadership to influence the development of human rights, the deterrence of aggression, and the setting of strict international safeguards and inspections for nuclear facilities. Desert Storm has provided a unique model for coalition building and combining resources. While one may judge that the U. S. twisted arms to build the coalition, or used undeniable economic carrots such as debt forgiveness, it still stands as an astonishing example that bureaucracies can be moved and action taken in an extremely short period of time. This same type of leadership and aggressiveness, under the auspices of world organizations could be applied to the long-term trans-national catastrophic problems such as pollution, ocean clean-up, rainforest devastation and nuclear safeguards. While these issues are not vital interests, their effects will be inescapable as the future becomes today. Our foreign policy must reflect our leadership and commitment to the issues that stretch beyond four-year terms.

Just as the Desert Storm coalition may serve as a model for multi-national cooperation, Japan serves as a model for economic outreach. Japanese investment in new plants, equipment and research stands at 28 percent of its GNP. The U. S. percentage stands at about half of this percentage<sup>43</sup>. While we seem preoccupied with mergers, acquisitions and leveraged buy-outs as the route to wealth, Japan's investments are expanding the industrial base of both their country and others. Economist Ken Courtis predicted recently that a megamarket will emerge from the Four Tigers, Thailand, Indonesia, and Malaysia which Japanese investments will be ready to capture<sup>44</sup>. Southeast Asia, as home of the newly industrializing countries, is outstripping Northeast Asia as the world's fastest growing region. With their dynamic growth, they are certain to challenge the European Economic Community nations in both products and wealth. Are we continuing to look across the Atlantic? Donald Gregg, U. S. ambassador to South Korea, has stated fears that the U. S. is not poised to take advantage of the opportunities in Asia and consequently will fail to gain a place at the economic table<sup>45</sup>. Japan is touted to have an economic strategy that combines the individual, business, government, and academia. The strategy has worked and is continuing to work. An Asian colleague commented that whereby 10 years ago you only saw U. S. automobiles in his country, now there are only Japanese and Korean cars. The U. S., in order to

Korean cars. The U. S., in order to catch-up, must promote a coherent trade strategy while encouraging entrepreneurship and initiative. While private enterprise bears responsibility for actively and aggressively seeking new markets, new applications, and new investments, it cannot complete the cycle in isolation. Investments in research and development must be encouraged and incentives offered by the government. Two of the monolithic programs which have led in spin-off applications and industries, the military and space efforts, are destined for lower investments in future spending. While it may be necessary to restructure some military spending in view of the changing world, the industrial complex cannot be left to languish. If and when the USSR begins to restructure to a market-based economic system, we must be there with cars and other goods, ready to sustain them for years to come. If and when China begins restructuring to a market-based economic system, we must be there with consumer goods and ready to follow-up with investments. The Asia-Pacific region is important to the United States strategically, economically, and geographically. Nations in the region are our security partners, trade partners and partners in the New World Order.

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