

A Study on Regional Cooperation in the Pacific Basin

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I. Introduction

The notion of regional cooperation has been fashionable for at least two decades now. Particularly, regional cooperation in the Pacific Basin is very important to the regional balances of security, stability, and peace in this area.

The concept of Pacific Basin cooperation is aimed at promoting international cooperation mainly in such economic areas as trade, investment, resource, energy, transportation, and communication as well as mutual understanding, a prerequisite to such cooperation, through international exchange of education, academic research, and cultural activities, thus strengthening the prosperous and harmonious relations of the Pacific region. This concept is rooted in the deepening interdependence in economic and other areas among the Pacific countries in recent years and envisages the Pacific development in long-term perspective beyond this century.⁽¹⁾

This essay surveys the economic interdependence of the market economies of the Pacific

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(1) Saburo Okita, "A View on the Pacific Basin Cooperation Concept," in Hadi Soesastro and Han Sung-joo, eds., *Pacific Economic Cooperation: The Next Phase*. Yayasan Proklamasi, Centre for Strategic and International Studies (CSIS), Jakarta, 1983, p.254.

Basin and examines the factors that have shaped the development of common regional goals such as trade and other economic issues. The basic interests of the regional powers are then assessed in terms of the possibilities of Pacific Basin cooperation. As one might expect, Japan is of pivotal concern for any sense of regional cooperation and the United States is also a strong driving force for promoting regional cooperation in this area.

A number of research and studies clearly show that the Pacific Basin is now developing in this direction. In this context, we might say that the Pacific cooperation is on the historical tide.

The most important development to date has been the establishment of the Pacific Economic Cooperation Conference (PECC), which is also called the Pacific Community Seminar. Its first meeting was held in Canberra in September 1980. Delegates from twelve Pacific Basin countries, each represented by a team of three people, a government official, a businessman, and a scholar, met three times in the past to explore the possibility of a regional framework for economic cooperation. This 'tripartite' form of representation was to become the standard practice in subsequent meetings. Its second meeting was held in Bangkok in June 1982 and was participated in by five ASEAN countries, i.e., Indonesia, Malaysia, the Philippines, Singapore, and Thailand, as well as Australia, New Zealand, Canada, the United States, Japan, Korea, and the Pacific Islands.⁽²⁾ Its third meeting was held in Hali in November 1983. Its fourth meeting was held in Seoul in April, 1985.

By the time the second PECC was held in Bangkok in June 1982, ASEAN had managed to agree on a common stand and was able to state that "the economies of ASEAN are closely linked to the economies of other Pacific Basin countries and that economic cooperation with these countries would enhance the economic progress of ASEAN."⁽³⁾

At the meeting in Bangkok, an International Steering Committee of eight prominent persons was established to oversee the work of four economic-oriented task forces: investment and technology transfer, trade in manufactured goods, trade in agricultural products, and trade in mineral commodities. The Secretariat of the Standing Committee was located in Jakarta. This is a cautious start by a dozen of market economies trying to create a regional structure for economic cooperation in the Pacific.

With these backdrops, it seems significant that Seoul was host the Pacific Economic

(2) Hahn-Been Lee, "Korea Development in the Context of the Pacific Momentum," in In-Joung Whang ed., *Forum on Industrialization and Trade Promotion*, (May 15-24, 1984), Korea Development Institute, Seoul, 1984, p. 1.

(3) Pacific Economic Cooperation Conference, *Report of the Standing Committee*, p. 1.

Cooperation Conference (PECC) in April, 1985 under the sponsorship of the Korea Development Institute (KDI).⁽⁴⁾ The PECC has *de facto* institutionalized the Pacific cooperation.

II. Age of the Pacific Basin

During the course of the past decade the Pacific Basin became a bipolar trading bloc in which major trade routes radiated to and from the United States and Japan. As is shown in Table 1 Hahn-Been Lee pointed out that "in 1980 the United States was the major market for exports from five countries, i.e., Japan, Korea, the Philippines, New Zealand, and Canada and Japan was the principal market for four countries, i.e., Australia, Indonesia, Malaysia, and Thailand. On the other hand, Japan was the principal source of imports for five nations such as Korea, Indonesia, Thailand, Singapore, and New Zealand, while the United States was for four nations such as Japan, the Philippines, Australia,

Table 1. The Trade Matrix for Pacific Basin Countries in 1980
(unit: million of US\$, F.O.B.)

From \ To	U.S.	Canada	Japan	Australia	New Zealand	Korea	Taiwan	Hong Kong
U.S.	—	35,395	20,790	4,876	38	4,685	4,673	2,686
Canada	41,065	—	3,751	576	96	355	249	169
Japan	31,905	2,449	—	3,407	680	5,393	5,353	4,784
Australia	2,579	470	5,871	—	1,043	486	512	330
New Zealand	721	118	680	712	—	57	—	79
Korea	4,624	345	3,039	230	28	—	209	823
Taiwan	6,760	460	2,173	539	—	267	—	1,551
Hong Kong	5,157	394	909	477	61	227	250	—
Philippines	1,583	64	1,511	98	4	203	117	190
Thailand	795	22	994	69	6	59	90	311
Malaysia	2,117	63	2,961	185	55	261	424	243
Singapore	2,424	132	1,560	780	351	289	222	1,496
Indonesia	4,605	24	11,036	411	104	377	540	133
Subtotal	104,335	39,936	55,275	12,360	2,466	12,659	12,639	12,795
Rest of World	148,660	22,630	86,009	9,819	3,006	9,630	7,094	9,608
Total	252,995	62,566	141,284	22,179	5,472	22,289	19,733	22,403
Import within Pacific (%)	41.2	63.8	39.1	55.7	45.1	56.8	64.1	57.1

Source: IMI, *Direction of Trade*, 1981.

(4) *The Korea Times*, January 1, 1985.

From	To	Philip- pines	Thai- land	Malaysia	Singa- pore	Indo- nesia	Subtotal	Rest of World	Total	Export within Pacific(%)
U.S.		1,999	1,263	1,337	3,033	1,545	82,320	138,383	220,703	37.3
Canada		94	119	82	171	137	46,864	20,663	67,527	69.4
Japan		1,692	1,925	2,070	3,929	3,476	67,063	63,397	130,460	51.4
Austral a		192	159	507	538	370	13,057	9,004	22,061	59.2
New Zealand		74	34	70	83	76	2,704	2,703	5,407	50.0
Korea		153	165	184	267	366	10,433	7,072	17,505	59.6
Taiwan		195	176	168	545	478	13,312	6,499	19,811	67.2
Hong Kong		328	213	176	863	617	9,672	10,052	19,724	49.0
Philippines		—	63	90	112	107	4,142	1,569	5,711	72.5
Thialan d		21	—	280	482	317	3,446	3,509	6,505	53.0
Malaysi a		196	188	—	2,477	34	9,204	3,801	13,005	70.8
Singapo re		273	844	2,908	—	—	11,279	8,098	19,377	58.2
Indones a		192	39	76	2,708	—	20,245	2,319	22,564	89.7
Subtotal		5,409	5,188	7,948	15,208	7,523	293,741	276,619	570,360	51.5
Rest of World		2,776	4,026	2,892	8,805	4,857	319,812	965,528	1,285,340	—
Total		8,185	9,214	10,840	24,013	12,380	613,553	1,242,147	1,855,700	—
Import within Pacific (%)		66.1	56.3	73.3	63.3	60.8	47.9	—	—	—

Source: IMF, *Direction of Trade*, 1981

Table 2. Population for Pacific Basin Countries
(Unit: Millions)

	1981	1984	2000 projection
ASEAN:			
Indonesia	149.4	162.2	212.3
Malaysia	14.3	15.3	20.7
Philippines	48.9	54.5	77.6
Singapore	2.4	2.5	3.0
Thailand	48.6	51.7	75.7
Brunei	—	0.2	2.6
Subtotal	263.6	286.4	389.0
Korea	38.9	42.0	51.1
Japan	117.8	119.9	126.5
Australia	14.8	15.5	17.9
New Zealand	3.1	3.2	3.8
Total	438.2	467.0	588.3
U.S.A.	229.8	236.7	258.9
Canada	23.9	25.0	28.0
Grand Total	691.9	728.7	875.2

Source: Far Eastern Economic Review, *Asia Yearbook 1982, 1984.*

and Canada.

For a most all of the countries mentioned, exports within the Pacific region ranged from

50 percent in the case of New Zealand to nearly 90 percent in the case of Indonesia. Thus, as far as trading goes, the countries of the Pacific Basin have already formed a *de facto* trade bloc. Economic interdependence is a fact among these twelve countries, whose combined population approximates 700 million people. The figure could go to 900 million by the year 2000. (See Table 2).

In the past decade, the Asia-Pacific region has greatly increased its weight and influence in the world if only because of its remarkable economic growth. Following Japan's astonishing record of growth in the 1960s, the Newly Industrialized Countries (NICs) of the region, namely South Korea, Taiwan, Hong Kong, and Singapore, displayed an equally remarkable rate of growth in the 1970s. They were closely followed by the four less developed members of ASEAN, i.e., Indonesia, Malaysia, the Philippines, and Thailand, which achieved their annual growth rates between 6 percent and 8 percent consistently throughout the 1970s. As a result, the region currently accounts for one-sixth of the total world trade and recently replaced Western Europe as the biggest trade partner of the United States. It was the first time in modern history that a group of non-Western countries had achieved such a substantial economic success and it was the first time that a group of developing countries had managed to demonstrate such a sustained pattern of growth.⁽⁵⁾ (See Table 3).

Fig. 3. Economic Statistics for Selected Asian Countries

	GNP (1983)		Annual Growth Rate (%)
	(US \$ Billion)	Per Capita (US \$)	
South Korea	75.3	1,884	4.4
Taiwan	49.9	2,457	6.2
Hong Kong	28.2	5,316	6.9
ASEAN:			
Indonesia	79.3	513	6.0
Philippines	34.1	656	3.8
Thailand	39.3	794.2	5.0
Malaysia	27.3	1,960.5	12.2
Singapore	16.3	5,219	8.8
Brunei	4.1	20,800	na
Japan	1,157.2	7,109	4.06
China	328.4	335	7.1

[Source]: Far Eastern Economic Review, *Asia Yearbook 1985*

(5) Shibusa wa Masahide, *Japan and the Asian Pacific Region: Profile of Change*, Groom Helm, London, 1984, p. 136.

The rapid growth of the Asia-Pacific economy during the 1970s has led to a proposal for cooperation in a wider area namely, the Pacific Basin as a whole. The area's consistently robust growth seems to distinguish it from many other parts of the world, where slow growth, increasing unemployment and a foreign debt of vast proportions persistently hamper development.

The fact that the countries in the Pacific Basin are at different stages of development tends to increase interdependence, as the expansion of intra-regional trade over the past decade demonstrates. Intra-Pacific trade now accounts for more than half the total trade of Hong Kong, Indonesia, Malaysia, Singapore, and Thailand and for approximately one-third of those of the Philippines and Indonesia. The dependence on regional outlets for goods and resources has expanded quite rapidly, from very low bases in some countries.⁽⁶⁾

The Pacific Basin has an extraordinary wealth of natural resources. The combined tin reserve of Indonesia, Malaysia, and Thailand amount to 43 percent of the world total. The Philippines has 13 percent of the world cobalt.⁽⁷⁾ Coal reserves including those of Australia and China are 34 percent of the total world reserves. Even in petroleum, most countries are trying to decrease dependence on Middle Eastern oil and increase imports of oil, natural gas and coal from the Pacific. Malaysia and Indonesia together supply close to 2 million barrels of crude oil per day and Indonesia has an estimated reserve of 11 billion barrels of untapped domestic resources, with a further reserve of some 29 billion barrels elsewhere in the region. Japan now gets 19 percent of its total oil imports from East Asia, compared with 7 percent in 1972.⁽⁸⁾ The region is by no means self-sufficient or ever likely to be, but it does have ample supplies to provide a significant proportion of what individual countries need.

III. ASEAN as the Core of Regional Cooperation in Pacific Basin

ASEAN started from the inception as an organization aiming at promoting relationships among member countries in broad fields, and thus lacks the adequate mechanism needed for economic integration. If ASEAN countries are to pursue economic integration, they may have to establish a concrete scheme for that purpose and devote systematic efforts.

(6) *Ibid.*, pp. 144-145.

(7) United States, Library of Congress, *An Asia-Pacific Regional Economic Organization: An Exploratory Concept Paper*.

(8) Shibusawa, *op. cit.*, p. 146.

Economic literature in the field of market integration among developing nations is abundant and economic gains resulting from this are well recognized. Though many authors have developed proper theories in terms of economic effects in this regard, the basic approach to market integration among different economies should be the same.⁽⁹⁾ Enlarged market and economic efficiency constitute together the principal source of economic gains, while the degree of intra-market protection vis-à-vis the Third World and the distribution rule of gains among member countries should be taken into account more seriously in the cases of developing economies. The reason is because a less developed country "may value industrialization so much that it is willing to give up a certain amount of achievable national income for this end."⁽¹⁰⁾

Thus, the type and process of economic integration among developing countries must be somewhat different from those applied to the advanced world and may not have to follow a uniform pattern.

As most of developing countries carry out economic development plans, it would be first of all necessary to coordinate their respective economic policies to some extent. This sort of cooperation is also called for since the markets are generally characterized by government interventions and distortions and shortages in foreign exchanges and economic instabilities are often spread out in many sectors.

Therefore, at least two main elements must be included in the integration scheme, namely the localization of industries enjoying an enlarged market and an equitable compensation which can take various forms. Economic particularities propose further that Western European experience cannot be applied to the developing world. A partial approach seems to be more realistic, in which some elements of the Common Market are broadened progressively sector by sector at the same time. Of course, in the first stage, market integration should be directly confined to a limited number of industries which the member countries can afford. The success of these measures would permit them to liberalize step-by-step trade barriers and markets in other sectors.

It seems that a large part of integration in Africa and Latin America did not sufficiently take into account the importance of the process particular to developing markets, especially

(9) Ali M. El-Agroa, ed., *International Economic Integration*, Macmillan, London, 1982, pp. 24-25.

(10) F. Andriotti et al., *A Theory of Economic Integration for Developing Countries*, G. Allen and Unwin, London, 1971, p. 17.

the complementary measures without which the liberalization of markets could not progress. This was the case for LAFTA, which turned into LAIA (Latin American Integration Association) in 1981. The failure of LAFTA shows that policy coordination and equitable distribution of gains should first be incorporated in the integrative scheme.⁽¹¹⁾

If ASEAN countries continue to intensify their efforts for economic integration, then the scale of the association could be reconsidered. Of course, ASEAN is not an exclusive organization and is open to every country in the region which shares its common objectives. However, some predetermined conditions seem to be required and the five "imperatives" adopted at the Bangkok Conference pointed out clearly ASEAN's position relating to the Pacific Economic Community idea.⁽¹²⁾ Two of them are properly concerned with economic aspects: 1) in opening the door to other Asian-Pacific countries, ASEAN member countries should perceive clear benefits far exceeding the possible costs; 2) ASEAN's existence and prosperity should not be jeopardized.

First, it is needless to say that unless the benefits of member countries are to be extended, the enlargement of ASEAN to include other developing nations in the region cannot have any meaning. No other countries would dare join ASEAN if there are no additional gains assured.

The theorists on economic integration argue that the more markets are enlarged, the more gains would be attained. Furthermore, since the economic structures of ASEAN countries and other developing countries in the region are rather complementary, the potential gains of integration could be augmented. The essential point in this regard is how the equitable compensation schemes for foreseeable gains can be assured.

Secondly, some apprehension could arise among the ASEAN member countries, organization, with its relatively short history, is not yet rooted on a solid foundation and may become diluted as a consequence of enlargement. However, very few developing countries in the region are not institutionally tied with ASEAN, including mainly the so-called NICs, such as the Republic of Korea, Taiwan, and Hong Kong. These countries are directly complementary to most of the ASEAN member countries and thus, integration of the ASI AN member countries with these economies would bring greatly increased economic

(11) Che-One Kim, "Towards a New International Economic Policy in the Asia-Pacific Region", The 14th International Conference of the Korean Institute of International Studies on "Peace and Stability in Northeast Asia" held in Seoul, October 4-6, 1984.

(12) H. A. Jenkins, "Regional Cooperation among Asia-Pacific Nations: An Australian View," *The Korean Journal of International Studies*, Vol. XIV No. 4, Autumn 1983, pp.309-320.

gain. Close cooperation for some projects selected between the two parties (ASEAN and the countries concerned) or a special status such as an associate member would bring about some mutually satisfactory solution.

On the other hand, ASEAN's relationship with planned economies in the region, such as China, North Korea, and Vietnam draws particular attention as long as these countries remain different in their economic system. Certainly, different economic systems do not constitute any impediment to broadening economic exchanges in a proper sense. Then, a more realistic solution would provide them with an appropriate alternate status, for example, an observer country, which would allow them a close cooperation with ASEAN member countries.

ASEAN countries subsequently became engaged in collective bargaining vis-à-vis certain advanced countries, especially, the European Economic Community, thus acquiring considerable international standing as a group. Although the progress in intra-ASEAN economic affairs has been modest, it has demonstrated coherence in external economic dealings and acquired increasing recognition as an international force.

This visibility of ASEAN as a promising subregional grouping generates a good deal of inspiration to many forward thinking people around the Pacific Basin, especially regarding the possibility of creating an enlarged framework of mutual benefit.

IV. The Role of the U.S. and Japan for Regional Cooperation in Pacific Basin

The Pacific Basin contains a few large countries and a number of small ones. Furthermore, some of the countries are highly developed, while industrialization is just beginning in others. How can close economic relations be worked out among the unequals? Will not the large and strong countries dominate the small and weak ones? The question of dominance is a difficult one. The accusation is made that Japan is seeking to enforce economic hegemony over the entire region. Sometimes the United States and Australia are similarly charged or are linked with Japan in a combined effort. Large differences in economic wealth and power among the countries in the region are real. It does not mean, however, that the sovereignty and economic interest of each nation cannot be recognized and respected. (12)

(12) Lawrence B. Krause, "The Pacific Community Idea: Preparing for the Next Phase," in Hadi

Japan's GNP in 1984 was 1,235 billion dollars (est.),⁽¹⁴⁾ which was well over three times the combined GNPs of the six ASEAN countries, Hong Kong, South Korea, and Taiwan. (See Table 3). Because of the size of the economy and its heavy consumption of raw materials, light industrial goods and recently, increasingly sophisticated manufactured goods, the weight of the Japanese economy is felt throughout the region. The fluctuations of Japanese business cycles, changes in the exchange rates, particularly the yen/dollar rates, changes in government policy, especially decisions affecting interest rates, tariff levels, and import quotas, have an impact on the economic health of every country. The flow of Japanese capital both through direct and indirect investments mobilize large amounts of local capital and resources.⁽¹⁵⁾

Japan's centrifugal impact on the region is inevitable in view of the size of its economy, but this is not always beneficial to the less developed nations in the area. It is important, therefore, that Japan should realize that dependence on it is one of the principal features of the region's economy, and should try to steer its course in such a way that its activities contribute to greater regional growth and stability.

Japan is the single largest trading partner for Indonesia, Malaysia, Singapore, and Thailand and the second largest for Hong Kong, South Korea, the Philippines, and Taiwan. In spite of successful efforts in recent years to diversify their exports from primary commodities to manufactured goods, the four developing nations of ASEAN, namely, Indonesia, Malaysia, the Philippines, and Thailand, are still dependent on the export of one or two primary commodities for the bulk of their foreign exchange earnings: oil in the cases of Indonesia (59 percent of total exports) and Malaysia (26 percent of total exports); tin and rice in the case of Thailand (24 percent of total exports); and copper in the case of the Philippines (8 percent of total exports). For each country, Japan is the largest or second largest purchaser of its commodity and therefore, the continuity of demand and the volume of Japanese purchase is a key factor in determining the balance of payments and foreign exchange earnings, and an important factor in determining the levels of industrial activity as well as employment in the relevant sectors.

ASEAN, therefore, has long been eager for Japan to implement some form of price stabilization scheme for exports—the Japan-ASEAN 'Stabex' scheme—providing compensa-

Scasastro and Han Sung-joo, eds., *Pacific Economic Cooperation: The Next Phase*, *op. cit.*, p. 109.

(14) Far Eastern Economic Review, *Asia 1985 Yearbook*.

(15) Shibusawa, *Japan and the Asia, Pacific Region*, *op. cit.*, p. 148.

ation for losses in export income, and this was officially raised at the Kuala Lumpur summit in 1977.⁽¹⁶⁾

As Table 4 shows, many countries in the region, particularly the East Asian NICs, have substantial trade deficits with Japan. In spite of the intra-industry division of labor which is gradually developing with many of these countries as their industrialization proceeds, their imports from Japan seem only to increase. The accumulated trade deficit of 30 billion dollars which South Korea recorded during the 1965~84 period in fact became a political problem and has been one of the main sore points in recent Japanese-South Korean relations.⁽¹⁷⁾

The developing members of ASEAN, although the high level of Japanese imports of oil and natural gas makes the overall ASEAN trade balance with Japan favorable, individual countries, especially Thailand, have continuously experienced large deficits, as much as 2 billion dollars in 1984. This is a source of serious grievance in an otherwise comfortable relationship.⁽¹⁸⁾ Obviously, one of the causes of the trade imbalance is the low level of Japan's import of manufactured goods, about 21 percent of its total imports.⁽¹⁹⁾

It is charged that Japan takes advantage of market opportunities in other countries, but limits imports from them. Furthermore, it is stated that entry into the Japanese market can only be obtained with the aid of a Japanese company. This company earns the

Table 4. Japan's Trade with the Asian Pacific Region
(Unit: Millions of US \$)

	Japan's Exports			Japan's Imports		
	1980	1982	%	1980	1982	%
S. Korea	5,368	4,881	3.5	2,996	3,254	2.5
Taiwan	5,146	4,255	3.1	2,293	2,443	1.9
Hong Kong	4,761	4,718	3.4	569	622	0.5
Indonesia	3,458	4,261	3.1	13,167	12,005	9.1
Malaysia	2,061	2,502	1.8	3,471	3,010	2.3
Philippines	1,683	1,803	1.3	1,951	1,576	1.4
Singapore	3,911	4,373	3.1	1,507	1,826	1.2
Thailand	1,917	1,907	1.4	1,119	1,041	0.8
China	5,078	3,511	2.5	4,323	5,352	4.1

Note: Percentage column represents the share of Japan's total exports and imports.

[Source]: Keizai Koho Center, *Japan 1982* and *Japan 1983* (Tokyo, 1982 and 1983).

(16) *Ibid.*, p. 149.

(17) *The Korea Times*, January 5, 1985.

(18) *The Bangkok Post*, January 22, 1985.

(19) Shibusawa, *op. cit.*, p. 150.

marketing and distribution profits which reduce the the gains to the foreign producer/exporters. It is said that Japan is able to maintain this position because of its superior economic wealth and power. Whatever the merits of the charge—and it is usually exaggerated—the problem can only be made better by closer cooperation. How much better is uncertain, but it cannot be worsened.⁽²⁰⁾

Another concern causing the fear of dominance is related to the so-called vertical nature of the economic relations between the advanced and the developing countries. The advanced countries in the region are the suppliers of the high valued manufactured goods such as heavy machinery, airplanes, sophisticated electronics and computers; are the home bases of the multinational corporations that invest in the region; are the providers of international loans; and are the issuers of the currencies that are used by private traders and central banks in other countries. By way of contrast, the developing countries supply only raw materials and unskilled labor-intensive products such as textiles, shoes, and clothing; are the recipients of foreign direct investment; are the borrowers of capital; and are the users of the currencies of other countries in their international transactions. This pattern is said to display dominance and is given normative significance as it is seen as preventing the development of weaker countries.

The vertical pattern provides at best only a rough description of economic relations in the Pacific region. While Japan fits into many of the stereotypes, the other advanced countries including the United States do not.⁽²¹⁾ Comparative advantage at a point in time may produce a vertical trade pattern, but this benefits all countries. This pattern does not retard the growth of the developing countries. When the developing countries progress, the trade pattern will reflect it. Furthermore, the tensions that arise from direct investment by multinational corporations might well be addressed more successfully in a regional rather than in another context, since the Pacific Community would include private business along with government participants. Thus, the deeply felt fear of dominance is understandable and in part reflects contemporary reality, but it should not impede the creation of the Pacific Community; instead, it should encourage it.⁽²²⁾

The United States and Japan have economic and political interests in all areas. How consistent is it for them to pursue regional cooperation in the Pacific Basin in view of

(20) Klaus, *op. cit.*, p. 109.

(21) *Ibid.*, p. 110.

(22) *Ibid.*, p. 111.

their global interests? Will the effort to create a Pacific Community weaken efforts to promote global cooperation? Where are the potential payoffs theoretically greater? Answers to these questions are important in determining whether the United States and Japan can endorse the Pacific Community idea.

The Pacific has less regional organization than other areas and the creation of a Pacific Community would merely correct the imbalance. The crucial factor that makes a regional institution consistent with global interests is the absence of discrimination against the nonmembers. Since benefits to the participants of the Pacific Community are not being sought at the expense of other regions, no conflict should arise.⁽²³⁾

Since the Pacific Community would include both the United States and Japan and might even find some sort of a role for China, it would not be unreasonable for the Soviet Union to perceive the effort with some misgivings. The problem would arise only if the Soviet Union adopted a hostile attitude to the Pacific Community and the United States utilized the Community to mobilize anti-Soviet attitudes, positions, and policies. Concerns would be felt by other countries in that they might be forced into taking sides on issues between the superpowers which they might otherwise avoid.⁽²⁴⁾

The United States has extensive bilateral relations with the countries of the region, which will not be displaced by regional cooperation. If the United States wants to forge an anti-Soviet front, bilateral channels would be the superior way to do it. If it is seen to be in the U.S. interest to have the Pacific Community succeed in promoting closer economic cooperation, then the United States would not want to misuse the organization for other purposes.⁽²⁵⁾

In view of the critical problem of securing energy supply and other related considerations, Japan naturally would see a great potential in channeling a significant portion of its surplus capital to the PRC.⁽²⁶⁾ But here Japan would meet the inevitable chorus of vehement objections from ASEAN and grave reservations from the United States.⁽²⁷⁾ ASEAN

(23) *Loc. cit.*

(24) *Ibid.*, p. 112.

(25) *Ibid.*, p. 113.

(26) According to a Japanese study, the PRC's external capital need for the first ten-year period of modernization could reach some 200 billion dollars. This assumes a growth rate of 10 per cent for industry and 4 per cent for agriculture, with no transfer of surplus savings from agriculture to industry. For the details see: *Dialogue with Saburo Okita*, No. 1, "On Japan and China," Woodrow Wilson Center, May 9, 1979, p. 6.

(27) "U.S. Seeks to Protect Oil Firm Position in South China Sea Beds," *Washington Post*, November 14, 1982, p. 5.

would claim that the lion's share of that surplus capital should be extended to the nation-building and economic development needs of Southeast Asia, the source of most valuable raw materials and the sea lane security needed for Japan. But ASEAN alone cannot do much to influence Japan. The country which has the necessary leadership capacity to mediate between Tokyo and the rest of Western Pacific is the United States.

V. Korea and the Pacific Basin

So far as the prospect of a Pacific is concerned, Korea shares many interests with Australia and New Zealand. But Korea is different: Korea has an extremely high population density, has few natural resources, and relies on the strength of her 40 million literate and hard-working people. This has been the backbone of her remarkable economic growth in the past two decades.⁽²⁸⁾

Economically, exports have been the primary engine of Korean growth during the past two decades: the export share of the GNP which was only 5 percent in the early 1960s rose to 10 percent by 1972. It then rose to 33 percent in 1976 and 40 percent in 1983 and finally 41.9 percent in 1984.⁽²⁹⁾ South Korean trade with the Pacific region, except the U.S. and Japan, accounts for 10 percent; trade with Japan, for 19 percent; and trade with the U. S. accounts for 28.7 percent of its total trade. In spite of the obvious vulnerability of such an economic strategy, Korea's resource to population ratio forces her to examine the idea of a Pacific Basin Community, which, among other things, would assure a stable and possibly expanding market.

The oil shocks in the 1970s had a major impact on the Korean economy. In fact it greatly shocked the industrializing countries in East Asia. Nearly 80 percent of South Korean total energy was imported in 1979. One hundred percent of the petroleum was imported and 90 percent of that came from the Middle East. Korea imports more oil than any other East Asian nation except Japan: in 1980, for example, Korea imported 5.6 billion dollars worth of crude oil; the total GNP was 60 billion dollars with a total export earning of 20 billion dollars. Korea plans to reduce dependence on petroleum from 58 percent in 1981 to 46 percent by 1986. Bituminous coal imports will go from 2.2 percent

(28) Han-Been Lee, *op.cit.*, p. 15.

(29) Far Eastern Economic Review, *Asia 1985 Yearbook*.

(30) Han-Been Lee, *op. cit.*, p. 16.

to 10.5 percent over the same period. In order to pursue such a course, Korea must turn to the various energy resources of the Pacific Basin, particularly those of Australia, Indonesia, Malaysia, Canada, and the United States.⁽³⁰⁾

It is in the area of a diffuse psychological sense of security (not necessarily military) that Korea is particularly enthusiastic about the idea of a larger regional framework in the Pacific region. Partly nourished by her recent economic growth and wider exposure to international relations and partly necessitated by a growing consciousness of its sophisticated citizenry, South Korea is driven by a strong urge to seek a breakthrough from the unilateral preoccupation it has had over the possibility of an invasion from North Korea. Moreover, regarding Japan, Koreans feel a genuine desire to shift the relationship in a more relaxed and productive context which can best be provided through the regional framework of the Pacific Community.

The expansion of Korea's external economic relations into a regional context would provide psychological stability in the coming years so that Korea might expect to enjoy another spurt of productivity and growth. Naturally, a lingering concern for all Koreans is the issue of national reunification. But many Koreans feel that a realistic solution of the Korean peninsula must be found in some interim formula like "one nation-two states" and that the only possible way to make even a modest breakthrough is likely to lie in the quest for a positive role in the context of a Pacific Community.⁽³¹⁾

VI. Conclusion

Our urgent task now is to marshal the valuable knowledge and wisdom among persons of considerable authority both in governmental and non-governmental circles for the purpose of advancing mutually beneficial Pacific Basin cooperation in the real sense of the world. It is desirable therefore that the governments concerned express their political will to support the building of a forum in order to pursue such a purpose.⁽³²⁾

Pacific cooperation is the requirement of the times. The growing interdependence may be best managed and assisted through Pacific cooperation to benefit all nations of the region to usher in the Age of the Pacific.

The economies of the Pacific Basin, especially those of Asia, have been growing at rates

(31) *Ibid.*, p. 17.

(32) Saburo Okita, *op. cit.*, p. 259.

which surpass those of other countries in the world during the last two decades. The map of the Pacific economy has changed considerably. For one, Japan has become a major world industrial power. Second, the nations of Northeast Asia have attained the respectable status of newly industrialized countries (NICs) and are presenting a serious challenge to the competitive strength of the industrial powers. In addition, Southeast Asian countries also are catching up with the NICs in terms of the rate of economic growth and industrialization. Such growth and industrialization of the Asian Pacific economies have been led by trade and has depended very much on open markets abroad and capital and technology from the more industrial nations, the most important one being the United States. This meant a rapidly growing interdependence among the Pacific Basin countries; the slide toward a slower growth in Western Europe that began in the 1970s reinforced the growth in the regional interdependence.

In order to realize the vision of the Pacific cooperation, president Chun Doo Hwan called for a Pacific summit conference in August, 1982. According to the South Korean government, the summit proposal was not intended to substitute or supersede the existing efforts to institutionalize regional economic cooperation, nor did it presuppose the formation of a Pacific Community.⁽³³⁾

The proposal was extended in search of additional, rather than alternative, means of cooperation at the highest level of government to contend with many of the regional problems which remained unresolved. The proposal played an important role in having the governments of the region give serious attention to the Pacific cooperation.

Recently, the United States has become very positive toward the Pacific cooperation. At the same time, the Chinese drive to open its economy in connection with the Pacific cooperation movement is another significant step. China will be willing to take part in the drive to form the Pacific Community in pursuit of her external economic cooperation. U.S. Ambassador Richard Fairbanks, who is in charge of the Pacific cooperation, is known to have said that Korea and China should play a leading role in the projected Pacific cooperation.⁽³⁴⁾

Problems of Pacific cooperation arise basically from the diversity which exists among the countries in the region in terms of history, culture, development and politics. A fundamental issue is the purpose of the Pacific cooperation. The Pacific cooperation is a concept

(33) *The Korea Times*, January 1, 1985.

(34) *Loc. cit.*

which embraces many interests and needs. It supposes that security matters have already been ruled out, leaving economic matters of central importance. Nonetheless, there is still the question of what to do and how. The thorniest issue, perhaps, is the membership of the Pacific cooperation. In geographical terms, the Pacific Basin is such a vast area that it would not be meaningful or feasible to admit all the Pacific Basin countries to a regional institution.

However, such problems should be hammered out in the spirit of regional cooperation. Pacific cooperation is still a vision and a dream, but one of these days we may find it a reality.

Building a stable and viable new international order in the region, i.e., a *Pax Pacifica*, is the task ahead for the nations with a vital stake in the future.⁽³⁵⁾ President Chun and U. S. president Ronald Reagan are likely to take up the Pacific cooperation as one of the key topics during a summit meeting in Washington in April, 1985.⁽³⁶⁾ The idea of promoting cooperation among the Pacific countries was discussed by president Reagan and Japanese prime Minister Yasuhiro Nakasone in Los Angeles on January 2, 1985.

I believe that we are on the verge of finding such a process.

(35) Hahn-Il-ee Lee, *op. cit.*, p. 20.

(36) *The Korea Herald*, February 3, 1985.