EAST ASIAN DYNAMISM
DILEMMAS IN WORLD POLITICS

Series Editor
George A. Lopez, University of Notre Dame

Dilemmas in World Politics offers teachers and students of international relations a series of quality books on critical issues, trends, and regions in international politics. Each text examines a "real-world" dilemma and is structured to cover the historical, theoretical, practical, and projected dimensions of its subject.

EDITORIAL BOARD

Ray Duvall
Smith-Bronfman

Jeffrey Frieden
U.C.A.

Deborah J. Denmon
University of Kansas

Lea Gondos
Mellon Institute

Barry Hughes
University of Denver

Jae Ho Lee
University of South Carolina

Vincent Millier
London School of Economics

Zeena Mace
University of Malta

Karon Mingus
University of Arkansas

President Phanacos
BYU

Neil Richardson
University of Minnesota-Minneapolis

Manolo Roche
University of Texas at Austin

Harvey M. Manshel
University of Missouri-St. Louis

Michael Sheffer
University of California-Los Angeles

Richard Noll
Northwestern University

Deoglas Teitel
Dickinson College

Donald S. Swain
Ohio State University

Sarah Tichy
World Development

John Vasquez
Rutgers University

Michael Ward
University of Colorado-Boulder

Sarah Tisch
Winrock International
FORTHCOMING TITLES

Jack Donnelly
International Human Rights

Barry R. Hughes
International Future: Choices in the Creation of a New World Order

V. Spike Peterson and Anne Simon Runyan
Global Gender Issues

Sarah Tinch and Richard Wallace
Dimensions of Developmental Assistance: The What, Why, and Who of Foreign Aid

Bruce E. Mann
International Trade in the 1990s

Ted Robert Gurr and Barbara Harff
Ethnic Conflict in World Politics

Frederic S. Pearson
The Spread of Arms in the International System
SECOND EDITION

EAST ASIAN DYNAMISM

Growth, Order, and Security in the Pacific Region

Steve Chan
UNIVERSITY OF COLORADO

Routledge
LONDON AND NEW YORK
For Jennifer and Andrew
Contents

List of Tables and Figures ........................................... xii
Preface and Acknowledgments ...................................... xi
List of Acronyms ...................................................... xvi

1 The Dawning of a Pacific Century ............................... 1
   The Pacific Basin’s Scope and Diversity, 2
   East Asia’s Economic Ascendance, 6
   Changing International Division of Labor, 9
   Policy Challenges to Growth, Order, and Security, 11
   The Book’s Purpose and Architecture, 12

2 East Meets West: Historical Background and Cultural Legacies 13
   Contrasting Traditional China and Japan, 16
   The Impact of Western Imperialism, 20
   Japanese Expansionism and World War II, 24
   U.S. Hegemony and the Korean War, 27
   The Vietnam War and the Sino-Soviet Break, 31
   Japanese and American Models of Development, 35
   Confucianism, Work Ethic, and Commercial Elite, 38
   Conclusion, 41

3 Convergent Goals, Divergent Conduct ........................ 43
   Production Package and Packaging, 44
   Import Substitution Versus Export Expansion, 47
   Laissez-faire Versus Command Economies, 54
   Regulatory Versus Developmental States, 58
<table>
<thead>
<tr>
<th>Contents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beware of Simple Labels and Easy Explanations, 62</td>
</tr>
<tr>
<td>Labor, Landlords, and Foreign Firms, 67</td>
</tr>
<tr>
<td>Between Power and Wealth: Japanese and U.S. Security Practices, 74</td>
</tr>
<tr>
<td>Conclusion, 78</td>
</tr>
<tr>
<td>4 Virtuous Cycle or Destructive Feedback? 81</td>
</tr>
<tr>
<td>Rapid Growth and Political Instability, 84</td>
</tr>
<tr>
<td>Economic Contraction, Mass Revolt, and Political Disorder, 86</td>
</tr>
<tr>
<td>Social Tranquility, Political Pluralism, and Economic Stagnation, 96</td>
</tr>
<tr>
<td>War Trauma, Income Inequality, and the Phoenix Factor, 93</td>
</tr>
<tr>
<td>Comparative Wage Justice, Regional Parity, and the Politics of Redistribution, 96</td>
</tr>
<tr>
<td>Ethnic Politics, Bureaucratic Polity, and Barrier States, 98</td>
</tr>
<tr>
<td>Defense Burden and Economic Performance, 102</td>
</tr>
<tr>
<td>Public Goods, Free Riders, and the Burden of Hegemony, 106</td>
</tr>
<tr>
<td>Hegemonic Decline, Power Transition, and International Order, 107</td>
</tr>
<tr>
<td>Public Goods or Private Gains? 110</td>
</tr>
<tr>
<td>Conclusion, 113</td>
</tr>
<tr>
<td>5 Looking Forward: Alternative Futures 115</td>
</tr>
<tr>
<td>Persistent Dominance or Lost Hegemony? 115</td>
</tr>
<tr>
<td>Pax Consortis or Regional Hegemony? 120</td>
</tr>
<tr>
<td>Security Community and Free Trade Area? 123</td>
</tr>
<tr>
<td>Growth Triangles and Peace by Pieces, 127</td>
</tr>
<tr>
<td>Democratization, Political Reconciliation, and Military Deterrents, 130</td>
</tr>
<tr>
<td>Complex Interdependence, 132</td>
</tr>
<tr>
<td>Long Cycle and Pax Nipponica? 134</td>
</tr>
<tr>
<td>Conclusion, 137</td>
</tr>
<tr>
<td>Contents</td>
</tr>
<tr>
<td>--------------------------</td>
</tr>
<tr>
<td>Discussion Questions</td>
</tr>
<tr>
<td>Notes</td>
</tr>
<tr>
<td>Suggested Readings</td>
</tr>
<tr>
<td>Glossary</td>
</tr>
<tr>
<td>About the Book and Author</td>
</tr>
<tr>
<td>Index</td>
</tr>
</tbody>
</table>
Tables and Figures

Tables
1.1 Relative size of Pacific Rim countries 5
1.2 Comparative economic performance 7
3.1 U.S. and Japanese manufactured exports to Asia 67
3.2 Comparative statistics on public welfare 69
4.1 Cross-national patterns of income distribution 95

Figures
1.1 The Pacific region 3
Since the completion of the first edition of this book, momentous events have reshaped international relations. These events include the disintegration of the Soviet Union, the collapse of East European communism, and the reunification of Germany. They mark the passing of the cold war, the demise of socialist command economies, and the relative decline of U.S. and especially Russian power in a more polycentric world. At the same time, East Asia has continued to be the most dynamic region in the world, thus further promoting the shift of global economic center from the Atlantic to the Pacific.

While mindful of the changing international context, in this new edition I have retained the thematic focus on policy choice and policy dilemma. These concepts are illuminated by various country-specific examples pertaining to values such as economic growth, political stability, social equity, and national autonomy and security. Although these values are hardly "universal truths," they are nevertheless sufficiently conventional to be accepted by most people as desirable goals. I recognize that values are always historically derived and culturally determined; however, I refrain from a normative debate about their relative merit or inherent bias (such as whether ecological preservation should take precedence over rapid growth) in the following pages because that is not the chief concern of this book. I concentrate instead on the empirical and policy implications of the value choices.

Throughout the subsequent discussion, I shall advance three arguments with regard to the pursuit of the values mentioned above: (1) varying national circumstances shape different policy practices and developmental paths; (2) policy choices often entail important trade-offs among desirable ends; and (3) domestic structure and foreign environment interact to constrain policy space (that is, they limit the latitude for policy choice and conduct).

My basic approach remains unchanged from the previous edition. As before, I choose to be somewhat eclectic in borrowing various perspectives from such social science disciplines as sociology, economics, history, and political science. Conscientiously, I try to address audiences in both international relations and comparative politics, while keeping the book
within the page limits of a supplementary text. These multiple goals have
naturally forced some compromises. Thus, I have attempted to highlight
major analytic distinctions rather than to dwell on subtle historical nu-
ances. I have also given more emphasis to aggregate cross-national pat-
terns than to particular national idiosyncrasies. Accordingly, theoretical
illustration receives priority over anecdotal description. While avoiding
cluttering the text with too many footnotes, I have offered a list of recom-
mended readings for students who want to pursue further the topics cov-
ered in the following pages.

I am grateful for the encouragement and feedback that I have received
from many colleagues since the initial publication of this book, including
referees who made valuable suggestions about this second edition.
Moreover, I am indebted to Libby Barstow, Jennifer Knerr, and Marian
Safran, at Westview Press, for their professional guidance and assistance;
they have been a great pleasure to work with them. Finally, my wife, Jennifer,
has again been a source of support and understanding in this as in so
many other projects.

Steve Chan
Acronyms

AFTA  ASEAN Free Trade Area
APEC  Asia Pacific Economic Cooperation
ASEAN  Association of Southeast Asian Nations
EEC  European Economic Community
GATT  General Agreement on Tariffs and Trade
GDP  gross domestic product
GNP  gross national product
HICOM  Heavy Industries Corporation of Malaysia
MITI  Ministry of International Trade and Industry
MNC  multinational corporation
NAFTA  North American Free Trade Agreement
NATO  North Atlantic Treaty Organization
NEP  New Economic Policy
NIE  newly industrializing economy
OECD  Organization for Economic Cooperation and Development
OMA  orderly marketing agreement
OPEC  Organization of Petroleum Exporting Countries
PLA  People's Liberation Army
PRC  People's Republic of China
SDF  Self-Defense Forces
SSC  Supreme National Council
START II  Strategic Arms Reduction Treaty II
UN  United Nations
VER  voluntary export restraint
EAST ASIAN DYNAMISM
The Dawning of a Pacific Century

Ever since the early modern era, countries along the north Atlantic shores have dominated international relations. Portugal, Spain, the Netherlands, England, and, most recently, the United States succeeded each other as the premier economic and military power in the past five centuries. During the last three decades, however, the Asia Pacific region has led the world in rapid industrialization and commercial expansion. This process points to a shift in the center of global political and economic gravity from the Atlantic to the Pacific area, prompting many observers to describe the approaching twenty-first century as the Pacific Century.

Inexorably, Asia Pacific has begun to command increasing attention from U.S. officials, businessmen, and academics. Two-way trade between the United States and Asia Pacific reached $600 billion in 1991, which was about one third higher than the value of cross-Atlantic commerce. Americans exported more to Thailand than to the former Soviet Union, more to Indonesia than to all of Eastern Europe, and more to Singapore (with a population of only 2.7 million) than to Italy (with a population of 57.5 million). Americans also imported more from Asia Pacific than from any other region. Products from Japan, the People's Republic of China (PRC), Taiwan, South Korea, and Hong Kong have established a major presence in many segments of the U.S. market, enabling some of these "export dynamos" to compile huge surpluses in their bilateral trade with the United States. In 1991, the United States ran a deficit in merchandise trade with every Asia Pacific country except Australia and Brunei. Because of their export successes, Japan and Taiwan in particular have ac-
quired large foreign-currency reserves and have become major interna-
tional investors and aid donors.

In addition to deepening economic ties, U.S. security interests are af-
fected by peace and stability in Asia Pacific. The United States fought
three major wars in the past fifty years in this part of the world. Whereas
the U.S. military efforts in these wars produced rather different outcomes—victory against Japanese aggression in World War II, military
 stalemate in the Korean War, and disastrous defeat in the Vietnam War—
Washington’s policies were motivated by a deep concern for maintaining
the regional balance of power. Although the passing of the cold war has
lessened military and ideological tension, it has not removed all sources
of conflict (such as those stemming from the legacies of the Chinese,
Korean, and Cambodian civil wars). The United States, the PRC, Russia,
and Japan all have vital security interests in the region. They have a com-
mon stake in developing new multilateral frameworks to provide for col-
llective security while maintaining the momentum of military detente.

Although less dramatic than recent developments in Eastern Europe,
many Asia Pacific countries have also introduced political and economic
liberalization. The democratization process has been particularly remark-
able in South Korea, Taiwan, Thailand, and the Philippines. Authoritarian
rule has gradually given way to popular election in these countries. Such
progress, however, has not been equally evident in the PRC, Vietnam, and
Burma (also known as Myanmar), even though their leaders have
launched economic reforms with the intent of reducing central planning
and promoting private entrepreneurship. Americans have an interest in
developments that promote democratic values and capitalist ethos, which
help to bring about for them an ideologically more congenial world.

The trends just noted present opportunities as well as challenges for
the United States. Changing international circumstance, to quote former
U.S. Secretary of State James Baker, require a new architecture for re-
gegional community.\footnote{43} The United States can contribute to the creation of
this new architecture by taking a leading role in efforts (1) to establish a
framework for economic integration, (2) to develop new defense struc-
tures for keeping peace, and (3) to foster the trend toward democratic
progress.

THE PACIFIC BASIN'S
SCOPE AND DIVERSITY

As Figure 1.1 shows, the Pacific Rim encompasses an enormous area
featuring significant diversity and complexity. On its eastern shores we
find the United States, Canada, Central America, and the South
American countries of Colombia, Ecuador, Peru, and Chile. On the west-
ern rim of the basin are the Asia Pacific countries, referring in this text to
A Pacific Century

3

CANADA
RUSSIA ·-·-.,.--...
U.S.A
~jdway
HAWAII
PACIFIC OCEAN
INDIAN
OCEAN
Sydney
NEW
ZEALAND

Figure 1.1 The Pacific region

the East Asian and Oceanian countries. The East Asia region consists of both Northeast Asia and Southeast Asia. The People’s Republic of China, Japan, the Koreas, Taiwan, and Russia’s Far Eastern maritime provinces are in Northeast Asia. Southeast Asia comprises western Malaysia, Thailand, Burma, Laos, Cambodia (also known as Kampuchea), and Vietnam as well as island nations such as the Philippines, Singapore, Brunei, Papua New Guinea, Indonesia, and eastern Malaysia (Sabah and Sarawak). Australia and New Zealand are the two main countries in Oceania, which also includes several island groups, such as Micronesia, Melanesia, Polynesia, and Hawaii, in the middle of the Pacific Ocean.

On the basis of their cultural heritage, economic development, and political system, we can put the Pacific Rim countries into four groups. The first group consists of Latin American countries such as Mexico, Peru, and Chile and is outside the scope of this book. The second group combines the North American and Oceanian countries. The United States, Canada, Australia, and New Zealand are all former British colonies, settled mainly by white immigrants from Europe. They share many cultural, economic,
and political institutions inherited from the British. They are all English-
speaking and predominantly Protestant countries, with a tradition of plu-
laristic politics and a developed capitalist economy.

The Northeast Asian countries form a third group. They also share a
cultural legacy, which has its source in China. Japan, Korea, Taiwan, Hong
Kong, and, to a significant extent, Singapore (even though it is geographi-
cally located in Southeast Asia) have been deeply influenced by
Confucianism. Their societies stress the values of education, family loy-
alty, obedience to authority, and group conformity. These are, however,
considerable differences in their economic and political systems. South
Korea, Taiwan, Hong Kong, and Singapore—sometimes referred to as the
“four little dragons”—are highly successful newly industrializing economies
(NIEs) with dynamic export sectors. Like Japan, they have capitalist econ-
omies based on the principles of private ownership and market competi-
tion. In contrast, Communist North Korea and, until its recent economic
reform, the PRC have relied on government planning to determine the
supply and the price of goods. Moreover, they are ruled by authoritarian
leaders who do not tolerate political dissent challenging the Communist
Party’s monopoly of power.

The fourth and final group features the Southeast Asian countries.
They are a rather heterogeneous lot, being geographically located at the
intersection of Indian, Chinese, Arab, and Western influences. Thus, for
example, we find Islam (Indonesia and Malaysia), Buddhism (Thailand,
Burma, and Cambodia), and Catholicism (the Philippines) being prac-
ticed in different countries. As a result of earlier immigration, there are
large ethnic minorities in countries such as Singapore, Malaysia, and
Brunei. Beyond their cultural and ethnic diversity, the Southeast Asian
countries also vary tremendously in their economic development. In ad-
dition to Singapore, Thailand and Malaysia have been quite successful in
their recent efforts to develop a modern economy. They hope to join the
ranks of the newly industrializing economies in the near future. In con-
trast, the Philippines has been mired in economic stagnation, whereas
Vietnam, Laos, Cambodia, and Burma have the dubious distinction of be-
ing among the poorest countries in the world. The per capita annual in-
come for the latter countries is below $250.

Table 1.1 offers some key descriptive statistics for the Pacific Rim coun-
tries (small countries such as Brunei, Fiji, and Nauru are omitted). It
reports each country’s geographic area, population size, gross national
product (GNP), and military expenditures. Five of the world’s six largest
territorial states have Pacific shorelines. They are Russia, Canada, the
PRC, the United States, and Australia (Brazil, the fifth-largest state, is lo-
cated in South America). Similarly, five of the seven most populous coun-
tries...
A Pacific Century

<table>
<thead>
<tr>
<th>Region</th>
<th>Area</th>
<th>Population</th>
<th>Economy</th>
<th>Defense</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northeast Asia</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Japan</td>
<td>144.0</td>
<td>133.2</td>
<td>2,820,999</td>
<td>22,412</td>
</tr>
<tr>
<td>South Korea</td>
<td>38.0</td>
<td>42.7</td>
<td>213,126</td>
<td>6,130</td>
</tr>
<tr>
<td>North Korea</td>
<td>47.0</td>
<td>31.0</td>
<td>20,200</td>
<td>0.00</td>
</tr>
<tr>
<td>PRC</td>
<td>3,692.0</td>
<td>1,135.6</td>
<td>437,000</td>
<td>25,000</td>
</tr>
<tr>
<td>Taiwan</td>
<td>14.0</td>
<td>20.0</td>
<td>100,200</td>
<td>0.00</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>1.6</td>
<td>5.7</td>
<td>10,540</td>
<td></td>
</tr>
<tr>
<td>Southeast Asia</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indonesia</td>
<td>735.0</td>
<td>187.7</td>
<td>227,270</td>
<td>1,512</td>
</tr>
<tr>
<td>Malaysia</td>
<td>128.0</td>
<td>17.1</td>
<td>27,270</td>
<td>1,032</td>
</tr>
<tr>
<td>Papua New Guinea</td>
<td>164.0</td>
<td>2.7</td>
<td>2,275</td>
<td>46</td>
</tr>
<tr>
<td>Singapore</td>
<td>53.2</td>
<td>2.7</td>
<td>26,890</td>
<td>1,470</td>
</tr>
<tr>
<td>Thailand</td>
<td>138.0</td>
<td>33.2</td>
<td>82,270</td>
<td>1,642</td>
</tr>
<tr>
<td>Vietnam</td>
<td>128.0</td>
<td>94.6</td>
<td>14,200</td>
<td></td>
</tr>
<tr>
<td>Cambodia</td>
<td>75.0</td>
<td>6.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Laos</td>
<td>91.4</td>
<td>3.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brunei</td>
<td>210.1</td>
<td>10.4</td>
<td>16,330</td>
<td>411</td>
</tr>
<tr>
<td>North America and Oceania</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>United States</td>
<td>3,513.0</td>
<td>124.8</td>
<td>5,211,900</td>
<td>304,100</td>
</tr>
<tr>
<td>Canada</td>
<td>3,852.0</td>
<td>31.2</td>
<td>231,200</td>
<td>13,044</td>
</tr>
<tr>
<td>Australia</td>
<td>2,968.0</td>
<td>39.7</td>
<td>217,800</td>
<td>6,143</td>
</tr>
<tr>
<td>New Zealand</td>
<td>120.0</td>
<td>3.5</td>
<td>38,900</td>
<td>347</td>
</tr>
<tr>
<td>Former USSR</td>
<td>8,630.0</td>
<td>386.7</td>
<td>2,864,500</td>
<td>111,000</td>
</tr>
</tbody>
</table>

*Area is measured in thousands of square miles.*
*Population is measured in millions for 1989.*
*Gross national product is measured in billions of U.S. dollars for 1989.*
*Defense is measured by military expenditures in 1989 (in millions of U.S. dollars).*
*The figures for Russia since the breakup of the USSR are not available.*


tries are members of the Pacific community (the PRC, Russia, the United States, India, and Japan).

 Naturally, the physical or demographic size of a country is not necessarily indicative of a country's international importance. Therefore, we need to consider its economic productivity and military capability as reflected by its GNP value and defense budget respectively. The United States and Japan, representing the world’s two biggest economies, are both Pacific powers. These countries together account for over 40 percent of the global economic output. At the same time, the United States and Russia command the most powerful arsenals in the world. Even though the figures in Table 1.1 refer to the former USSR and are outdated because
of the breakup of the Soviet Union (more-recent figures for the Russian Republic, a member of the Commonwealth of Independent States, are not available), it is clear that Moscow's military capabilities are still considerable. The PRC commands the world's largest army, which is engaged in rapid modernization. Finally, Japan has acquired an impressive array of defense capabilities and evidently possesses the economic and technological qualifications for further improvement in that area. In 1989, it had the world's third-largest defense budget (after the United States and the former USSR). Nevertheless, military spending and territorial size can be poor indicators of national power, which has come to depend increasingly on economic dynamism.

EAST ASIA’S ECONOMIC ASCENDANCE

East Asia has become the most dynamic region in the world. Table 1.2 demonstrates the economic vitality of this region. The Pacific Rim countries are put in different income categories according to the World Bank's criteria, and the average annual growth rates of their gross domestic products (GDPs) are compared with those of their peers in Western Europe, Latin America, and South Asia. Among the so-called high-income economies, Hong Kong and Singapore have the most impressive record. Their economies grew at an average annual rate of 7.1 and 6.1 percent respectively during 198(—1989. The achievements of the more mature Asia Pacific economies are more modest, with Japan and Australia featuring a growth rate of 4.0 and 3.5 percent respectively. These achievements, however, still exceed the performance of the high-income Western European economies, whose average annual growth rate was only 2.3 percent during the decade of the 1980s. Only New Zealand, with a rather sluggish 2.2 percent, among the Asia Pacific high-income economies underperformed this European average. However, even including New Zealand, the Asia Pacific high-income economies on the average grew two times faster than their European peers in the 1980s (4.4 percent compared with 2.3 percent annually).

The two East Asian countries in the World Bank's category of upper-middle-income economies, South Korea (9.7 percent) and Taiwan (8.0 percent), exceeded by a wide margin the economic performance of their Latin American counterparts. Brazil's GDP increased only at an average annual rate of 3.0 percent in the 1980s, whereas those of Venezuela (1.0 percent) and Uruguay (0.1 percent) barely budged at all. In fact, the 1980s have been described as the lost decade for Latin American countries. Meanwhile, South Korea and Taiwan grew at rates that doubled the size of their economies in seven and nine years respectively. With less than 2 percent of the developing world's population, East Asia's "Four Little
<table>
<thead>
<tr>
<th>Region</th>
<th>Country</th>
<th>Average Annual Rate of Change in GDP, 1980-1989</th>
</tr>
</thead>
<tbody>
<tr>
<td>Developed Economies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>High Income Economies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pacific Rim</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hong Kong</td>
<td>7.1</td>
<td></td>
</tr>
<tr>
<td>Singapore</td>
<td>6.1</td>
<td></td>
</tr>
<tr>
<td>New Zealand</td>
<td>2.2</td>
<td></td>
</tr>
<tr>
<td>Australia</td>
<td>3.5</td>
<td></td>
</tr>
<tr>
<td>United States</td>
<td>3.2</td>
<td></td>
</tr>
<tr>
<td>Japan</td>
<td>4.6</td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td>4.6</td>
<td></td>
</tr>
<tr>
<td>Latin America</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mexico</td>
<td>4.9</td>
<td></td>
</tr>
<tr>
<td>Dominican Republic</td>
<td>2.4</td>
<td>Hungary</td>
</tr>
<tr>
<td>Bolivia</td>
<td>2.4</td>
<td>Bangladesh</td>
</tr>
<tr>
<td>Malaysia</td>
<td>2.1</td>
<td>India</td>
</tr>
<tr>
<td>Thailand</td>
<td>7.5</td>
<td>Pakistan</td>
</tr>
<tr>
<td>China</td>
<td>9.7</td>
<td>Sri Lanka</td>
</tr>
<tr>
<td>Average</td>
<td>7.5</td>
<td></td>
</tr>
<tr>
<td>Upper-Middle-Income Economies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>South Korea</td>
<td>6.1</td>
<td></td>
</tr>
<tr>
<td>Taiwan</td>
<td>3.5</td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td>4.9</td>
<td></td>
</tr>
<tr>
<td>Middle-Income and Lower-Middle-Income Economies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bolivia</td>
<td>-0.9</td>
<td>Bangladesh</td>
</tr>
<tr>
<td>Philippines</td>
<td>2.4</td>
<td>India</td>
</tr>
<tr>
<td>Peru</td>
<td>2.2</td>
<td>Pakistan</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>3.5</td>
<td>Sri Lanka</td>
</tr>
<tr>
<td>Average</td>
<td>1.1</td>
<td>Low-Income Economies</td>
</tr>
<tr>
<td>South Asia</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bangladesh</td>
<td>3.5</td>
<td></td>
</tr>
<tr>
<td>India</td>
<td>5.9</td>
<td></td>
</tr>
<tr>
<td>Pakistan</td>
<td>6.4</td>
<td></td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>4.0</td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td>4.6</td>
<td></td>
</tr>
</tbody>
</table>
Dragons" (Hong Kong, Singapore, Taiwan, and South Korea) produced 60 percent of the developing world's manufactured output.

The figures also tell a remarkable story when we compare the record of the middle-income and lower-middle-income economies. The Latin American countries in this category had an average annual GDP growth rate of 1.1 percent during 1980-1989. Most of them had quite modest and some, even negative figures. The economies of Argentina, Bolivia, and Nicaragua actually shrank in this period. These countries produced fewer goods and services at the end of the decade than at its beginning. Some other countries, such as Mexico, Peru, and Panama, experienced considerable stagnation, with their economies crawling at a very slow pace. However, because their population was growing much faster than their economy, the per capita income of even these countries deteriorated in the 1980s. The experience of the Argentineans has been particularly dramatic. Although their country was once hailed as one of the most promising developing countries, their real income in the late 1980s was no higher than twenty-five years before!

The middle-income and lower-middle-income countries in Asia Pacific turned in mixed performances in the 1980s. The Philippines (0.7 percent) definitely came in on the low side. Its economy stagnated during the last years of Ferdinand Marcos's authoritarian rule and was still in considerable disarray after Corazon Aquino took over the presidency (in 1992); its economy did not expand, whereas its population grew 3 percent. In contrast to the rather dismal record of the Philippines, Thailand turned in a stellar performance. Its economy grew rapidly at a rate of 7 percent each year during the 1980s. Although less impressive than Thailand's experience, Malaysia's economic performance (4.9 percent) was still significantly higher than the Latin American average (1.1 percent). Even the record of Papua New Guinea (2.1 percent) looks more positive in this comparison.

The lower part of Table 1 reports the relevant figures for some low-income countries. The 5.3 percent annual growth rate achieved by Indonesia was higher than the average (4.8 percent) for the South Asian comparison group. With its economy expanding at an annual rate of 9.7 percent (which is about twice the South Asian average), the PRC's performance was even more remarkable. At this rate, its economy would double in value every seven years. Even though the PRC's per capita income is still quite low by international standards, its large internal market, vast labor pool, and considerable physical and human infrastructure are substantial assets in its effort to achieve rapid economic modernization. Political stability and further market reform are essential for the achievement of this goal. The PRC was apparently able to overcome the trauma
of the Tiananmen Square crackdown; in 1991, its economy grew at a respectable 7 percent; and in 1992, at an even faster rate of 12 percent.

We do not have the GDP figures for Burma, Vietnam, Laos, and Cambodia. This accounts for their absence from Table 1. Nevertheless, with an annual per capita income between $350 and $550, they are among the world’s poorest countries. In the past two years, their socialist governments have permitted some free-market economics and have sought foreign investment and assistance. Both the reforms and their successes have been quite limited so far. These countries and the Philippines have been the economic laggards in Asia Pacific. They are the exceptions to the generalization of regional dynamism.

Looking into the future, one can say that Japan’s economy will probably continue to grow faster than the OECD (Organization for Economic Cooperation and Development, which consists of all the advanced industrial countries) average. At its current rate of increase, by the beginning of the next century Japan will have the highest per capita income among the advanced industrial countries. If one assumes political stability, one can reasonably expect the PRC’s economy to expand at an average annual rate of about 7 percent, which means that it will be able to double its economic output in ten years. China can therefore join the ranks of the middle-income countries early in the twenty-first century. At their current rates of economic growth, Hong Kong and Singapore should by the end of the 1990s achieve levels of per capita income approximately comparable to that of France today, and Taiwan’s expected income should catch up to the current British standard. Projected on the same basis, South Korea’s per capita income will be at the lower end of the current range for advanced industrial countries (including, say, Ireland’s level by the year 2000). Finally, Malaysia and Thailand should be able to join the ranks of the upper-middle-income countries in another seven or eight years, putting the two countries at income levels comparable to those of Portugal and Venezuela respectively. These projections suggest that East Asia is rapidly closing the economic gap separating it from Western Europe and North America and that it will become an even more vital part of the global economy as we approach the twenty-first century.

ChANGING INTERNATIONAL DIVISION OF LABOR

East Asia’s rapid economic growth points to an ongoing and basic change in the global political economy. The NICs in this region have overtaken other developing countries and are on the verge of joining the ranks of developed countries. South Korea’s GDP is larger than that of Mexico,
even though its population is only half as big. Although Hong Kong’s population is about six times smaller than Argentina’s, their economies are roughly the same size. Similarly, despite a population disparity of six to one, Singapore has overtaken Peru in economic output. The combined economic output of Hong Kong, Taiwan, and southern China (Guangdong and Fujian provinces) is comparable to that of Brazil, which has by far the largest Latin American economy. Following the footsteps of Japan, the East Asian NICs have developed very competitive trade relations abroad. South Korea, Taiwan, Hong Kong, and Singapore have accounted for half of the manufactured exports from the developing world. Indeed, each of them has exported more manufactured merchandise than all of Latin America combined.

The successes of these “little dragons” and Japan in undertaking industrial modernization and export expansion have brought about major changes in the structure of international political economy. These changes suggest evolving comparative advantages in international trade, that is, national assets that provide countries a competitive edge in the production of particular goods and services. The English-speaking Pacific Rim countries—such as the United States, Canada, Australia, and New Zealand—find themselves increasingly reliant on the export of agricultural and mineral products (e.g., grain, lumber, beef, wool, iron ore, petroleum) in exchange for East Asia’s manufactured merchandise. The United States and Australia have also become large debtor nations. Japanese investors routinely finance about one-third of the U.S. treasury bonds, which are in effect IOUs issued by the U.S. government. As of August 1990, the Japanese had underwritten about $250 billion of Washington’s official debt.

These developments contradict the traditional premise of dependency theory, namely, that a reliance on resource exports and foreign capital is characteristic of developing countries and is a fundamental reason for their international weakness (for further details, see Chapter 3). Consequently, according to dependency theory, the developing countries should reject development strategies based on resource exports and foreign capital and should instead pursue self-reliance and socialism as a means of development. These views have been seriously undermined by the recent turn of events in the PRC and the former Soviet republics, which have sought to reorient themselves into the international capitalist order. Russia, as a result of its desperate economic situation, has been very eager to sell raw materials abroad and to seek foreign capital and assistance. The PRC has also tried to attract foreign direct investment and technology and has established export-processing zones to produce consumer goods for overseas sales.
Thus, developments around the Pacific Basin have brought about important role reversals. The United States, Canada, Australia, and Russia have become major resource exporters and net capital importers. In contrast, the Northeast Asian countries that were once dependent protectorates of the United States—Japan, South Korea, and Taiwan—have become capital-surplus exporters of manufactured products. These changes have produced upward and downward mobility in the international division of labor. The consequent adjustment of national status can be an obvious source of economic hardship and psychological discomfort. Declining trade competitiveness, endemic industrial dislocation, and painful austerity measures imposed by mounting debt burdens affect people's livelihood as well as their self-image. If not managed properly, these ills can fuel mercantilist and militarist policies such as those pursued by the major powers in the 1920s and 1930s.

**POLICY CHALLENGES TO GROWTH, ORDER, AND SECURITY**

The rise of East Asia in world affairs poses policy challenges to those inside as well as outside the area. How can national governments successfully promote economic development and, in the case of the already developed countries such as the United States, industrial revitalization in an increasingly competitive environment? What are the most effective strategies for stimulating rapid economic growth, and is this rapid growth compatible with the maintenance of political order and stability (both domestically and internationally)? And to the extent that differential economic growth rates imply upward or downward mobility for individual countries in the international system, what implications does this mobility have for the pursuit of national security and the preservation of regional peace?

The following chapters will address the cardinal policy values of economic growth, political order, and military security. The discussion will address in particular the policy challenges stemming from the pursuit of these values at both the national and the regional levels. The thematic focus will be on alternative perspectives on how these values can be most effectively achieved and on the trade-offs or incompatibilities sometimes posed by these values. There will not be any simple solution or magic formula for explicating or prescribing the management of growth, order, and security in the Pacific region. Instead, the accent will be on the policy dilemmas suggested by a complex and evolving reality. Indeed, for many of the topics to be discussed in the subsequent chapters, major differences of opinion exist among the relevant scholarly and policy communities.
THE BOOK'S PURPOSE AND ARCHITECTURE

Naturally, it would be impossible to compress a discussion of the entire complex and evolving reality of the Pacific region into a short book. As a result, I have been selective. Some countries and topics are deemphasized and even bypassed in favor of others. My intent is not to offer a text on physical or cultural geography. Nor do I intend to provide country-specific accounts as if writing a tour guide. Rather, I hope to apply certain contemporary social science perspectives and concepts to the Pacific reality in order to illuminate some salient policy problems and empirical patterns suggested by this reality. A conscientious effort is made to balance historical description with analytic explanation. I try in this book not only to account for the past but also to look into the future.

The book's organization is straightforward. Chapter 2 gives a brief history of Asia Pacific. It highlights some of the more important legacies of the Chinese, Japanese, and American cultures, as well as those left by the armed conflicts and strategic policies of these countries. Chapter 3 outlines the policy dilemma posed by the pursuit of economic growth, political order, and military security. It reviews the competing perspectives and practices pertaining to each member of this triptych of values and uses the experiences of individual Pacific Rim countries to highlight these differences. Chapter 4 focuses on the policy tension among the three values of growth, order, and security and explores why it may be difficult to pursue them concurrently. It also considers the implications of government policies and historical legacies for income equality and social equity. Again, case materials are used to show the possible trade-offs among these values. Chapter 5 borrows several models of regional structure from the general literature of international political economy and, with a view to the future, tries to assess their applicability to the evolving Pacific region. The book concludes with discussion questions, a short list of recommended readings for students interested in deepening and extending further their understanding of Asia Pacific, and a glossary of key concepts presented in this text.
Notes

CHAPTER ONE

2. Ibid.

CHAPTER TWO

2. Ibid.


20. The idea of asymmetric attention was discussed by A. D. Hopfstein, National Power and the Structure of Foreign Trade (Berkley: University of California Press, 1986).
Notes to Chapter Four


CHAPTER FOUR

5. M. Olson, Jr., The Rise and Decline of Nations (New Haven, Conn.: Yale University Press, 1982).


31. Ibid., p. 218.

32. Ibid., p. 231.
Notes to Chapter Five

3. Strange, "The Persistent Myth of Lost Hegemony."

Suggested Readings


Suggested Readings


Suggested Readings

Suggested Readings


