This report was prepared for the Trilateral Commission and is distributed under its auspices. A draft was discussed at the Trilateral Commission annual meeting in Tokyo on March 22-24, 1997. The authors—from Europe, Japan and North America—have been free to present their own views. The opinions expressed are put forward in a personal capacity and do not purport to represent those of the Commission or of any organization with which the authors are associated.

The Trilateral Commission warmly thanks the many generous financial supporters of its work, support which has made this report possible.
COMMUNITY-BUILDING
WITH PACIFIC ASIA

A Report to
The Trilateral Commission

Authors:

CHARLES E. MORRISON
Director, APEC Study Center,
East-West Center, Honolulu

AKIRA KOJIMA
Chief Editorial Writer,
Nihon Keizai Shimbum

HANNS W. MAULL
Professor of International Relations,
University of Trier

published by
The Trilateral Commission
New York, Paris and Tokyo
1997
The Trilateral Commission was formed in 1973 by private citizens of Western Europe, Japan, and North America to foster closer cooperation among these three democratic industrialized areas on common problems. It seeks to improve public understanding of such problems, to support proposals for handling them jointly, and to nurture habits and practices of working together among the three areas.

© Copyright, 1997. The Trilateral Commission
All Rights Reserved.

Library of Congress Cataloging-in-Publication Data

Morrison, Charles Edward, 1944-
Community-Building with Pacific Asia/Charles E. Morrison,
Akira Kojima, Hanns W. Maull.
  p.cm.—(A report to the Trilateral Commission: 51)

Includes bibliographical references.
ISBN 0-930503-75-9

1. East Asia—Foreign economic relations. 2. Asia,
Southeastern—Foreign economic relations. 3. East Asia—Foreign
relations. 4. Asia, Southeastern—Foreign relations. 5. National
I. Kojima, Akira, 1942—. II. Maull, Hanns, 1947—. III. Trilateral
Commission. IV. Title. V. Series: Triangle papers: 51.
HF1600.5M67  1997
337.59—dc21

Manufactured in the United States of America

THE TRILATERAL COMMISSION

345 East 46th Street  c/o Japan Center for
New York, NY 10017  International Exchange
4-9-17 Minami-Azabu  3, rue de Treilhard
Minato-ku  75008 Paris, France
Tokyo, Japan
The Authors

CHARLES E. MORRISON is an international relations specialist at the East-West Center in Honolulu and a research affiliate of the Japan Center for International Exchange (JCIE) in Tokyo. He is Director of the APEC Study Center at the East-West Center and currently serves as Chair of the U.S. Consortium of APEC Study Centers. Earlier he headed the East-West Center's International Relations Program and then its Program on International Economics and Politics. Dr. Morrison has a long association with the Trilateral Commission, having assisted with several task force projects over the years. He received his Ph.D. from the John Hopkins School of Advanced International Studies (SAIS) in Washington, D.C., specializing in the international relations of Southeast Asia. He taught at SAIS and served as a Legislative Assistant to Senator William V. Roth, Jr. He has been a research advisor to two U.S.-Japan binational commissions.

AKIRA KOJIMA is Chief Editorial Writer of the Nihon Keizai Shimbun (Nikkei). He joined the Nikkei staff in 1965 after graduating from Waseda University, and later studied at the Graduate School of Manchester University as a British Council Fellow (in 1969). He became a Nikkei New York correspondent in 1978, returning to Tokyo as an Editorial Writer and Editor in 1982. He became Chief Editorial Writer in 1997. Mr. Kojima has been a part-time lecturer at the Tokyo Institute of Technology since 1989, and since 1991 has been Vice President of the National Institute for Research Advancement (NIRA).

HANNS W. MAULL is Professor of International Relations at the University of Trier and European Representative of the Japan Center for International Exchange (JCIE). In 1991-93 he also served as Co-Director of the Research Institute of the German Society for Foreign Affairs (DGAP) in Bonn, alongside Karl Kaiser. His research interests in recent years have concentrated on Germany and Japan, and Europe and East Asia more generally. Educated at the University of Munich (doctoral degree, 1974), Dr. Maull was at the International Institute for Strategic Studies in London in 1973-74 and the Sussex European Research Centre in 1975-76. He was European Secretary of the Trilateral Commission in 1976-79. His publications include a 1978 report to the Commission, Energy: Managing the Transition (with John Sawhill and Keichi Oshima), and “Civilian Power: The Concept and Its Relevance for Security Issues” in Working Group Papers 1991-92.
The Trilateral Process

The report which follows is the responsibility of the three authors. While each author prepared draft sections along the way, Charles Morrison served as the principal author, drawing together and reworking the many elements of the overall report. Hanns Maull gratefully acknowledges the research assistance provided by Karsten Triphaus and Susanne Aschi.

The authors met five times in the course of their work, first in Indonesia in May 1996 alongside a wider Asia-Europe meeting. The next two meetings were in Japan, in September and December of 1996. In January 1997 the authors met in Indonesia and consulted with many of the participants in a wider Asia Pacific meeting underway then. The next authors' meeting was in Tokyo in late March of 1997, just after the annual meeting of the Trilateral Commission at which a draft of this report served as a background paper. Hanns Maull consulted with Trilateral members, government officials and other experts in Brussels, Paris, Rome, Bonn and London. Charles Morrison did the same in Washington, Ottawa and New York. Final revisions were completed in October 1997.

The persons consulted spoke as individuals and not for any institutions with which they are associated. Those consulted include:

Laurence Argimon Pistre, DG1B C (South and Southeast Asia), European Commission, Brussels
Charles K. Armstrong, Assistant Professor, Department of History, Columbia University
Bernard Asher, Chairman, H.S.B.C. Investment Bank, London
François Asselineau, Cabinet of the French Minister of Foreign Affairs (in Charge of Asian Affairs)
Richard Baker, Senior Fellow, East-West Center, Hawaii
Julia Chang Bloch, President, U.S.-Japan Foundation
Dan Bob, Special Assistant for Asia and Pacific Affairs, Office of U.S. Senator William V. Roth, Jr.
Frédéric Bobin, Asia Desk, Le Monde
Peter T.R. Brookes, Professional Staff Member, Committee on International Relations, U.S. House of Representatives
Suchit Bunbongkan, Director, Institute of Security and International Studies and Professor and Dean, Faculty of Political Science, Chulalongkorn University, Thailand
Kurt M. Campbell, Deputy Assistant Secretary for Asian and Pacific Affairs, International Security Affairs, U.S. Department of Defense
Umberto Cappuzzo, Member of the Defense Committee, Italian Senate
Fausto Cereti, Chairman, Alitalia
Ronnie C. Chan, Chairman, Hang Lung Development Company Ltd., Hong Kong
Raymond Chan, Secretary of State (Asia-Pacific), Canadian Department of Foreign Affairs and International Trade
Nicolas Chapuis, Asia Department, French Ministry of Foreign Affairs
Chia Siow Yue, Director, Institute of Southeast Asian Studies
André Chieng, President, Asiaticque Européenne de Commerce; Vice President, Comité France-Chine
Peter Cleveland, Legislative Assistant, Office of U.S. Senator Charles S. Robb
Umberto Colombo, Chairman, Fondation LEAD (Leadership for Environment and Development); Former Italian Government Minister
Alberto Corrias, International Affairs Department, IRI, Rome
Gerald L. Curtis, Professor of Political Science, East Asian Institute, Columbia University
Susan E. Davies, Director, ASEAN/APEC/Regional Institutions (BSY), Asia Branch, Canadian International Development Agency
Marta Dassu, Professor and Director, CESPI, Rome
Heinrich Diekmann, Ambassador of Germany to Japan
Ding Jing-Ping, Deputy Director, Foreign Affairs Bureau, Chinese Academy of Social Sciences (CASS), Beijing
Peter C. Dobell, Director, Parliamentary Centre for Foreign Affairs and Foreign Trade, Ottawa
Jean-Luc Domenach, Scientific Director, CERI, National Foundation of Political Sciences; Director of Studies, Institut d'Etudes Politiques de Paris
François Dopffer, Director of Asia Department, French Ministry of Foreign Affairs
Baroness Lydia Dunn, Executive Director, John Swire & Sons Ltd., London
Carlo Filippini, Director, East Asia Institute, Bocconi University, Milan
The Trilateral Process

Emiliano Fossati, Director, DG1B C (South and Southeast Asia), European Commission, Brussels
Ellen L. Frost, Senior Fellow, Institute for International Economics, Washington, D.C.
Tristan Garel-Jones, Adviser to Union Bank of Switzerland, London; former Member of British Parliament and Minister of State at the Foreign Office
François Gipouloux, Senior Researcher, CNRS (French National Research Centre), Paris
Laurette A. Glasgow, Director, International Economic Relations and Summit Division (EER), Canadian Department of Foreign Affairs and International Trade
Edward M. Graham, Senior Fellow, Institute for International Economics, Washington, D.C.
William C. Graham, Member of Canadian Parliament and Chairman, House of Commons Standing Committee on Foreign Affairs and International Trade
Marius R. Grinius, Director, Southeast Asia Division (PSE), Canadian Department of Foreign Affairs and International Trade
Paolo Guerrieri, University of Rome
Ingrid M. Hall, Director General, South and Southeast Asia Bureau, Canadian Department of Foreign Affairs and International Trade
Stuart Harris, Department of International Relations, Australia National University
David Howell, SBC Warburg, London; former Member of British Parliament and Chairman of Foreign Affairs Committee
Mohamed Jawhar Hassan, Deputy Director-General, Institute of Strategic and International Studies, Kuala Lumpur
Charles B. Heck, North American Director, Trilateral Commission
François Heisbourg, Director of Strategic Development, Matra Défense Espace; former Director, International Institute for Strategic Studies (IISS)
Carolina Hernandez, President, Institute of Strategic and Development Studies, Philippines
Guillaume Hofmann, DG1A F, External Trade Relations, European Commission, Brussels
Gary C. Hufbauer, Reginald Jones Senior Fellow, Institute for International Economics, Washington, D.C.
Brian Hunter, Chief Economist, Strategic Planning and Policy Division, Asia Branch, Canadian International Development Agency
Thomas Jansen, Forward Studies Unit, European Commission, Brussels
Community-Building with Pacific Asia

Sir Michael Jenkins, Vice Chairman, Kleinwort Benson Group, London; former British Ambassador
Clara Joewono, Assistant Director, Centre for Strategic and International Studies, Jakarta
John Klassen, Director General, APEC (PGD), Canadian Department of Foreign Affairs and International Trade
Tarja Laitiainen, Japan Unit, DG I, European Commission, Brussels
Arrigo Levi, Senior Columnist, Rome
Lu Jianren, Assistant Director, Institute of Asia-Pacific Studies, Chinese Academy of Social Sciences (CASS), Beijing
Simon Lunn, Deputy Secretary General, North Atlantic Assembly, Brussels
Ron MacIntosh, Special Policy Adviser and Coordinator, Regional Planning and Coordination Unit (PGBA), Canadian Department of Foreign Affairs and International Trade
Ralf Mafael, DG1A F, External Trade Relations Asia, European Commission, Brussels
Michele Miari Fulcis, International Affairs, Pirelli SpA, Milan
Randolph Mank, Deputy Director, Japan Division (PJF), Canadian Department of Foreign Affairs and International Trade
Ted McWhinney, Member of Canadian Parliament
Ozay Mehmet, Professor of International Affairs, Norman Paterson School of International Affairs, Carleton University, Ottawa
Laure Mellerio, Secretary General, Comité France-Chine (French Business Council)
Cesare Merlini, Chairman of the Executive Committee, Council for the United States and Italy; Chairman, Italian Institute for International Affairs (IAI)
Gérard Moatti, Editorial Editor, L’Expansion, Paris
Jiro Murase, Managing Partner, Marks & Murase, New York
Nguyen Hong Ha, Acting Head, Research Coordinating Office, Institute of International Relations, Vietnam
Makito Noda, Senior Program Officer, Japan Center for International Exchange
Simon Nuttall, London School of Economics, London
Michel Oksenberg, Senior Fellow, Asia Pacific Research Center, Stanford University; former Staff Member (China), U.S. National Security Council
George Ordonnaud, President, Institut Européen du Pacifique, Paris
The Trilateral Process

Agne Pantelouri, Forward Studies Unit, European Commission, Brussels
Lucio Pench, Forward Studies Unit, European Commission, Brussels
Nicholas Platt, President, Asia Society
Paul Révay, European Director, Trilateral Commission
Charles S. Robb, Member of United States Senate; former Governor of Virginia
Gianfelice Rocca, Chairman, Techint, Milan
John Roper, Associate Fellow, The Royal Institute of International Affairs, London
Stanley Roth, Director of Research and Studies Program, United States Institute of Peace, Washington, D.C.
William V. Roth, Jr., Member of United States Senate
Martin Rudner, Professor of International Affairs, Norman Paterson School of International Affairs, Carleton University, Ottawa
Mark Runacre, Director, Asia Department, Foreign and Commonwealth Office, London
Giuseppe Sacco, Free University of Rome (LUISS)
William Saywell, President and CEO, Asia Pacific Foundation of Canada, Vancouver
Gerald Segal, Director of Studies, International Institute for Strategic Studies (IISS), London
Stefano Silvestri, Director, Italian Institute for International Affairs (IAI); former Italian Secretary of State for Defense
Jürgen Staks, German Foreign Office, Bonn
Ernest E. Stempel, Senior Advisor, American International Group
Jean-Jacques Subrenat, Ambassador of France to the Western European Union
Akihiko Tanaka, Associate Professor, University of Tokyo
Elliot L. Tepper, Associate Professor of Political Science, Carleton University, Ottawa; President, Canadian Asian Studies Association
David Ting, Political Advisor (Asia), DG1A 1 External Trade Relations, European Commission, Brussels
Ko-Yung Tung, Senior Partner, O'Melveny & Myers, New York; Chairman, Board of Governors, East-West Center, Hawaii
Ernesto Vellano, Secretary Treasurer of the Italian Group, Trilateral Commission
Jérôme Vignon, Director, Forward Studies Unit, European Commission, Brussels
Marc M. Wall, Deputy Director, Office of Economic Policy, Bureau of East Asian and Pacific Affairs, U.S. Department of State
Jusuf Wanandi, Chairman, Supervisory Board, Centre for Strategic and International Studies, Jakarta
Community-Building with Pacific Asia

Heinrich Weiss, Chairman, SMS Company, Düsseldorf
Peter Witte, Assistant to the North American Director, Trilateral Commission
John S. Wolf, Coordinator for Asia Pacific Cooperation, Bureau of East Asian and Pacific Affairs, U.S. Department of State
Paul D. Wolfowitz, Dean, Nitze School of Advanced International Studies, Johns Hopkins University; former U.S. Undersecretary of Defense for Policy
Tadashi Yamamoto, Japanese Director, Trilateral Commission; President, Japan Center for International Exchange
Donald S. Zagoria, Professor of Political Science, Hunter College
Robert B. Zoellick, Executive Vice-President, General Counsel and Secretary, Federal National Mortgage Association; former U.S. Under Secretary of State for Economic Affairs
# Table of Contents

1. Introduction .................................................. 1

*Part I: The Setting*

2. The Legacy of History ........................................ 9
3. The Economic and Political Setting ......................... 13
4. Efforts at Regional Cooperation .......................... 24

*Part II: Trilateral Relations with Pacific Asia*

5. Japan .......................................................... 39
6. North America ............................................... 46
7. Europe ............................................................ 54

*Part III: Challenges and Trilateral Responses*

8. Enhancing International Security .......................... 65
9. Regional and Global Economic Progress .................. 77
10. Enhancing Domestic Political Stability ................... 86

*Part IV: Partners in a Global Community*

11. Partners in a Global Community .......................... 97

* * *

Appendix Tables ............................................... 107
Suggestions for Further Reading ............................ 123
1. Introduction

The modern era is a phase of the continuing global spread of the industrial revolution. Starting in northern Europe at the end of the 18th century, spreading to the Americas and Australia through migration, and then to Japan, this revolution brought a remarkable series of inventions and transformed the way people work, live, and travel. Higher economic growth, increased mobility, a tremendous appetite for resources, and sharply reduced birth rates are among its major effects. As the industrial era spread laterally into new areas, latecomers could absorb the lessons and developed technologies of the earlier countries, and thus global industrialization seemed to move ahead at an accelerating pace. While many of the newest technologies are still developing in and around the core (the areas we call the Trilateral countries—Western Europe, North America, and Japan), the impacts quickly pulse out from this core, often bringing the sharpest economic, political and social transformations along the frontier.

This revolution has affected political life and international relations, sometimes traumatically. In the core areas, modernization was eventually accompanied by democratic forms of government and the creation of international “security communities,” that is, groups of countries so closely tied by bonds of economic interdependence and a sense of common values and destiny that war among them has become virtually unimaginable. Even where democracy came after severe internal strife or defeat in war, it has almost always proved an enduring political system, acquiring a degree of public acceptance that no other system has achieved.

In the past three decades, the frontier of the accelerating late industrial revolution has moved beyond Japan to the rest of East and Southeast Asia. The economic take-off of this region (which we call Pacific Asia\(^1\) to

---

\(^1\)Pacific Asia refers to countries of East and Southeast Asia that border on the Pacific or its attached seas and which have ethnic Asian populations. It thus does not include countries with a dominant non-Asian population, such as Russia, Australia, or Papua New Guinea. We also include Laos and Myanmar, because of their Southeast Asian location. Myanmar is the name given to Burma by its current military government. Its use or non-use in some contexts has political connotations, but in this report, the name is used simply in recognition that it is what the ruling authorities call their country.
distinguish it from the larger Asia Pacific region that includes Oceania and the Americas) is of historic significance for several reasons:

- With 1.8 billion people (excluding Japan), the countries of Pacific Asia are much more populous than the original core areas. Of these 1.2 billion are in China alone, which as a single political unit has considerably more people than all the Trilateral countries put together. This gives it the potential to become once again the world’s leading country.

- In the developing countries of Pacific Asia, modernization is taking place in societies which have long historical traditions and cultures quite different from those of the West. Most of these countries also suffered sharp political and social discontinuities as a result of colonialism, giving them again very different recent histories from those of the European countries or their North American offshoots. In Japan’s case, economic modernization and political and social fragility combined in the prewar era in a manner that proved explosive to the region. In developing Asia, economic dynamism is frequently combined with political fragility.

- The pace of economic and social change is faster than for any previous area or era. For example, the Southeast Asian countries and China are going through demographic change in the course of two or three decades that took a half century in Japan and up to a century in a much earlier era in Europe.

Those forces of rapid change place tremendous stress on Pacific Asian societies. They create an enormous opportunity. The challenge for the Trilateral countries is to assist the nations of the region in joining the Trilateral world as a new area of economic prosperity, security, and good government. Should this happen, the international “zone of peace” will be dramatically extended.

COMMUNITY-BUILDING

To achieve this goal, this report advocates “community-building” as the basic concept underlying Trilateral approaches to Pacific Asia. Communities are groups of people, countries or states linked by close ties of interdependence and a sense of shared destiny through mutual vulnerabilities. Communities must have some shared interests and values, some sense of common identity, and a capability and will to cooperate in managing common concerns. Since divergent interests are found within all communities, frameworks of
norms, rules and procedures are needed for regulating interaction and resolving conflict. A community punishes those who violate its basic rules.

Communities may be imagined, incipient, weak or strong. They may exist at many different levels. For example, nations are almost continuously engaged in internal "community-building," that is, developing and reformulating a consensus around the basic values and procedures that define a national society. This report is primarily concerned with international communities and particularly with efforts to develop a framework for cooperation and ultimately a security community among the states of Pacific Asia and between them and the Trilateral world.

No security community currently exists among the Pacific Asian countries as a whole. For this reason, the balance of power remains an essential element in the regional order, as we elaborate in Chapter 8. Maintaining a balance, however, is not a sufficient strategy for building peace and stability over the longer term. In itself it can be misleading, elusive and even dangerous as one country's search for a "balance" can become a serious security concern for its neighbors. Nor does it offer guidance for building a more stable order by addressing the causes of conflict, which are often internal.

Community-building is a broader strategy that encompasses the maintenance of the balance of power but simultaneously seeks to deepen interdependencies, identify shared interests, develop norms and rules, and change the perceptions of people and societies towards each other so as to eliminate violence as an option for resolving disputes. The history of Western Europe illustrates that politics based on power balances can eventually be transformed with the growth of a sense of community. Open communities at the local and national levels facilitate the building of broader communities among nations, thus serving as building blocks of an international order based on communities within communities.

It is our view that the Trilateral countries should be facilitating community-building within Pacific Asia and seeking to erect broader communities to connect the Trilateral world with Pacific Asia. Despite the great diversity of Asia, we believe that the historical, economic, and political preconditions for successful community-building exist. These are described over the course of the following three chapters. The difficulties of the challenge, however, should not be underestimated. There is no guarantee of success. For this reason, community-building and the maintenance of the balance of power
must be pursued as simultaneous and reinforcing strategies. This is based on the hope that community-building can help compensate for the deficiencies and dangers of a pure balance-of-power approach and the calculation that a balance will remain should community-building fail.

THE CRUCIAL ROLE OF POLITICAL LEADERSHIP

Some might imagine that the integrative forces of economic interdependence in and of themselves might magically although slowly transform Pacific Asia into a community. Regionalism around the Pacific is often contrasted with European regionalism as being driven mainly by the bottom-up forces of the market rather than top-down government-negotiated plans for community-building. It is certainly true that economics is a driving force that is globalizing the societies of Pacific Asia and creating many reinforcing links among them. In our view, however, economic growth is a necessary but not sufficient condition for community-building. Politics shape the uses of the power acquired through economic modernization. Pacific Asia’s ability to sustain growth, to protect its natural environment, to achieve “good government,” and to attain a security community will ultimately depend upon the quality of its political leadership.

WHY THIS REPORT?

Although Japan is the only Asian country currently represented in the membership of the Trilateral Commission, the Commission has historically recognized the importance of Pacific Asia to the trilateral world. No geographical region has received more attention from the Commission over the years. In 1985, a Commission report examined East Asian Security, and in 1988 another looked at East Asia in Transition. The 1994 report An Emerging China in a World of Interdependence addressed the challenges associated with the rise of Pacific Asia’s dominant country.

Why this report now? Our report reviews many of the issues examined in earlier reports, but in a rapidly evolving context. In contrast with the 1994 China report, this report returns to the broader region—the developing Asian countries from China and Korea in the north to Indonesia in the South. There have been many changes in this region since the 1988 East Asian report, among them a sustained level of higher growth in China, the economic recovery of the
Introduction

Philippines, the economic stagnation and food emergency in North Korea, and the consolidation of civilian-led democracies in South Korea and Taiwan, not to speak of the end of the Cold War. Hong Kong has been reunited with China, a country with new political leadership. Some of the major premises of earlier years—that Russia would continue to be a major strategic threat, that Japan would continue to grow faster than other trilateral countries and might have a GNP equal to that the United States in the early 21st century—now seem remote.

The remarkable progress of Pacific Asia, albeit not without setbacks, brings into focus the task to which this 1997 report is devoted. The future of the region, of course, depends largely on the peoples of the region. The questions for the Trilateral countries are: What are our interests in the region and how best can we pursue them? In what ways can we best assist Pacific Asia in its push for greater economic prosperity, security and domestic stability? How should we promote our further engagement with the region and encourage the emergence of interconnected communities tying together Pacific Asia and the Trilateral world?
Part I:
THE SETTING
2. THE LEGACY OF HISTORY

Today’s Pacific Asia presents two faces, one of great diversity and the other of the shared features of history, culture, and growing economic integration that give it meaning as a region. Diversity can be found in virtually every feature of the region. Its populations range from giant China (at 1.2 billion) to miniscule Brunei (at 300,000). Its economies include very rich Japan, Hong Kong, Singapore, and Brunei; but Myanmar, Vietnam, Cambodia, and Laos are among the world’s poorest economies and do not have strong growth records. Some Pacific Asian countries—such as China, Japan, Korea, Vietnam, Cambodia, and Thailand—have long and continuous histories. The current contours of others—such as Indonesia, Malaysia, and the Philippines—are based on colonial empires that reached beyond the historical kingdoms and sultanates in the same areas. Some of the societies of Pacific Asia are among the world’s most ethnically homogenous (Japan, Korea), in part because of long periods of isolation. On the other hand, parts of Southeast Asia have always been commercial crossroads and are mixing bowls of cultures and peoples. The Malaysia-Singapore area astride the Straits of Malacca probably best typifies the ethnic and cultural diversity of this part of Pacific Asia.

Like all regions, Pacific Asia has been fractured by traditional rivalries, such as those between China and Vietnam or Vietnam and Cambodia. Wars between and within countries are a part of history. Some of these rivalries continue to play a prominent part in group or national attitudes and identities. Such diversity and rivalries often create challenges for the architects of Asian or Asia Pacific communities. But diversity can also be a basis for community-building when combined with common features and interests.

The historical and contemporary forces of community should not be overlooked. One is a long history of interaction. Trade and population movements within Pacific Asia and between it and other regions (particularly Central and South Asia) are not new. Long before the coming of Europeans, the spread of religions from the
Indian subcontinent established links across the region and stimulated pilgrimages to foreign religious sites. Some of our earliest accounts of Southeast Asia, for example, came from Chinese monks travelling to India. Moreover, a vibrant maritime trade connected East and Southeast Asia. From the time of the Song dynasty (established in 960) until the early Ming (to 1433), China and Chinese ocean shipping were central to this trade. Marco Polo described China’s chief port of this time (Zaitun, today’s Quanzhou) as having a hundred shiploads of pepper for every one that “goes to Alexandria or elsewhere to be taken to Christian lands.” Chinese trading communities began to be established in Southeast Asia in the 14th century. Thus, while the Chinese community in Malaysia expanded rapidly in the late 19th and early 20th centuries, its origins can be traced to a much earlier period. Japanese were also active in the region as traders and “pirates.” Ayuthaya, an ancient capital of Siam, hosted a Japanese community in the early part of the 17th century. Japanese pirates were a perennial headache for Korea and China. Other maritime peoples ranged extensively in the region, notably the Sulawesi-based Bugis.

A second notable feature of Pacific Asia is the centrality of China. This is, in the first instance, a matter of China’s geography and size. Irrespective of whether China is “open” or “closed,” for the rest of Pacific Asia, China as a physical and population mass stands in the heart of eastern Asia. With the exception of Cambodia and Thailand, every other Pacific Asian country has some land or maritime border with China. Historically China’s impact has been mainly through the movement of culture, goods, and people. Culturally the strongest impact was in Vietnam (once a Chinese province), the Korean peninsula (which long recognized Chinese suzerainty), and Japan. The Chinese diaspora had the biggest impact in Southeast Asia, where the colonial powers welcomed Chinese traders and laborers. The Chinese population in Southeast Asia grew rapidly in the early 20th century. Today, ethnic Chinese account for 75 percent of the population of Singapore, about 30 percent of that of Malaysia, and 15 percent of that of Thailand. Even where they are much smaller in number, as in Vietnam, Indonesia, and the Philippines, they exercise enormously disproportionate influence in the commercial and financial spheres. The ties among the overseas Chinese communities helped knit together the countries of Southeast Asia. Today they have global economic significance, but provide special links to the

The Legacy of History

economies of mainland China and Taiwan. With the end of travel and trade restrictions that limited China's economic contacts with many of the non-communist countries in the early Cold War period and with the openness and privatization of the Chinese economy, the historically important economic ties that made China pivotal to the region are being rapidly restored.

A third common feature is the region's experience with imperialism, although this experience varied from place to place. The West first appeared in the form of conquerors in Asia in the 15th and 16th centuries, occupying key ports particularly along the spice trade route to Southeast Asia. In Northeast Asia the governments reacted to the European presence by trying to shut out foreign influences and control interaction. Korea prohibited all interaction, while Japan provided an extremely narrow window through the Dutch trading post at Deshima island in Nagasaki harbor, and China limited trade to selected ports. These policies were difficult to enforce and broke down completely in the 19th century. By the end of the 19th century, virtually all the countries of Pacific Asia had either lost sovereignty or were subject to unequal treaties and de facto foreign control in commercial areas. Japan joined the Western powers as Asian imperialists, taking over Taiwan, the Korean peninsula, Sakhalin and Manchuria prior to launching a more general war of aggression against China (1937) and in Southeast Asia (1941).

The loss of sovereignty and its restoration in years following World War II are among the most important experiences shaping the modern histories of Pacific Asian nations. The mistakes and weaknesses of the traditional leaders who lost sovereignty, the motives and machinations of the colonial powers, and the heroism of various reform or independence leaders and movements are enshrined in folklore and contemporary cinema and comprise a large part of the formal history curriculum from elementary school onward. It is important for those in Trilateral countries to remember that the legacy of colonialism is a relatively recent one, and that suspicion of foreign motives runs deep. "Freedom" is often defined in the region in terms of the right to independent nationhood rather than in terms of individual rights in society.

A widespread preoccupation with the protection of sovereignty is one consequence of this legacy. The disparity in resources between developing Asia and the Trilateral countries accentuates the fear of renewed domination. While the intensity differs from country to country, there is general caution in developing Asia toward proposals
of “deep” integration whether on the regional or global level. Thus virtually all forms of Pacific Asian regional cooperation, including such indigenous forms as the Association of Southeast Asian Nations (ASEAN), are entered with the intention of strengthening rather than weakening national sovereignty. But gradually, as experience with regionalism accumulates, the fear of regional cooperation is decreasing. We will return to the theme of community-building, but let us first look more closely at the contemporary setting in Pacific Asia.
3. THE ECONOMIC AND POLITICAL SETTING

THE ECONOMIC SETTING

The story of Pacific Asian "miracle economies" is well-known and needs not be repeated at length here. The widespread use of the term "miracle" reflects a development record that economists of, say, 1960 would have found unbelievable. It was then that Gunnar Myrdal published his comprehensive and essentially pessimistic Asian Drama, covering Pacific Asia as well as South Asia. In the intervening years the average annual per capita rates of growth of South Korea, Taiwan, Hong Kong, and Singapore exceeded 6 percent, while those of China, Indonesia, Malaysia and Thailand have been only slightly less. Moreover, these average growth rates were sustained with only minor cyclical fluctuations, and tended to rise over time for many countries and the region as a whole. The countries of the region also excelled in other basic measures of macroeconomic performance: low inflation, relatively low unemployment, high savings and investment rates, and fiscal integrity.

Despite the very recent currency and financial difficulties in Southeast Asia, Pacific Asia's economic performance over many years has given the region a sense of self-confidence and pride. It has encouraged the poor performers and stimulated startling changes in economic policy in such countries as the Philippines and Vietnam in the hope that they too will become high-performance economies. The causes of Pacific Asia's impressive economic performance and its long-term outlook remain debated. We attribute this performance to three basic factors:

- Individual motivation. Whether a result of Confucian values or not, the determination of the people of the region to work, save and invest (often at considerable short-term personal sacrifice), their emphasis on education for themselves and their children, and their success in identifying and exploiting commercial opportunities all played a large part in Pacific Asia's success story.
• **Favorable environment.** The relatively open international economic system and political stability provided a favorable environment for economic growth. The region has been one of the major beneficiaries of the GATT and Bretton Woods systems. Despite the Cold War and local conflicts, the risks of region-wide conflict were limited. The relative stability of the region continues, and Pacific Asia has shown in the early 1990s that it can sustain growth despite recessions in Japan, North America and Europe. This points to strengthened domestic and intra-regional sources of growth.

• **Good economic governance.** Governments have encouraged and facilitated economic growth and social equity in a variety of ways. The extent of government intervention has varied, from a relatively high degree of intervention in Korea to very little in Hong Kong. But in all the success cases, government basically provided a stable and relatively predictable policy framework that sought to utilize and work with market forces. The importance of changes in government policy are well-illustrated by the difference in economic performance between pre-1966 and post-1966 Indonesia or between pre-Deng and Deng-led China.

At the time of this writing, some Pacific Asian high-growth economies are experiencing currency instability and downturns in their export and overall growth rates. Most professional economic analysis sees this as a temporary phenomena which will be overcome with the correct policy prescriptions. However, the region’s longer-term growth prospects cannot be taken for granted.

**Potential Failure to Shift from Input-led to Productivity-led Growth**

Some economists argue that most of the growth in Pacific Asia can be accounted for by additional inputs of labor and capital rather than by increased efficiency or “total factor productivity” (TFP). Their critics question the methodologies used to measure TFP in Pacific Asia (e.g., new technologies improving productivity may be imbedded in additional capital inputs). This debate over productivity does call attention to a basic condition—that the mobilization of inputs alone is subject to the law of diminishing returns. Without productivity gains, growth will slow.

Despite cyclical factors that have aggravated Japan’s recession, there is clearly a long-term slow-down in its growth from its
breakneck pace from the late 1950s to early 1970s and its still strong growth as a more advanced nation in the 1970s and 1980s. The other Pacific Asian countries will face similar adjustments as their economies come closer to the frontier of input-led growth. New policies in the public and private sectors will be needed that discourage government micro-management of the economy and encourage corporate flexibility and more emphasis on research and development and innovation. Some Asian businessmen and economists worry that this will be very difficult for most of the region—that Asian bureaucracies and political systems have difficulty making definitive policy reforms, that there is a lack of attention to cutting edge technology, or that Chinese family enterprises are too personalistically managed or over-emphasize trade as compared to manufacturing.¹

**Resource Vulnerabilities**

Pacific Asia is often described as "resource rich." This is more true of some parts of the region than others. Indonesia, Malaysia, Myanmar, and Brunei are petroleum exporters; China has huge coal deposits; and Thailand’s bountiful central valley is among the world’s most productive agricultural lands. But when considering the region’s population, the natural resource base is much less impressive, a fact which becomes increasingly apparent as living standards rise. In some cases, notably petroleum, regional supply does not begin to meet regional demand, and in other cases, the infrastructure is not there to bring the supply to the demand. Several features stand out.

First, most of the region’s energy will come from outside the region, much of it in the form of petroleum from the Middle East. Pacific Asia’s hydrocarbon reserves are small; in 1995 they accounted for about 3.5 percent of proven world oil reserves and 4.6 percent of proven world natural gas reserves. Currently, 60 percent of the petroleum consumed in East and Southeast Asia is imported, and this share is anticipated to rise to more than 70 percent by the turn of the century and almost 80 percent a decade later. China has recently become an oil importer, and Indonesia and Malaysia will soon follow.

The change in energy supply and demand patterns could constrain future growth in three ways. First, the growth in energy demand and shift to imports will require enormous infrastructure investments and steeply increased import bills. Second, Pacific Asia’s economies are

¹For example, see the comments of Hong Kong businessman Ronnie Chan to a Los Angeles Town Hall meeting: "Why the Next Century May Not Be Asian," *Town Hall* (19 November 1996), p. 99.
becoming increasingly vulnerable to oil market disruptions arising from Middle East political conditions. Finally, the expansion of energy consumption, primarily from burning coal (much of it with a high sulfur content) and oil, will substantially increase the emission of greenhouse gases and accentuate local and transborder problems of acid rain.

**Environment, Health and Infrastructure**

Pacific Asia will need to devote an increasing share of its resources to the environment, traditionally under heavy stress from the sheer magnitude of its population and relatively small areas of arable land. Modernization has greatly increased this stress. The run-off from pesticides and fertilizers fouls rivers and coasts. China's cities have five-to-ten times the level of particulates and sulfur dioxide found in most cities in the Trilateral areas, and only an estimated 4.5 percent of the municipal waste water flows of Chinese cities receive any treatment before being poured into rivers and lakes. World Bank estimates of the costs of pollution in lost production and health care expenses are up to $3 billion a year in Thailand and $6 billion in South Korea. Some believe that the combined impact from environmental degradation, population growth, and a dietary shift toward foods requiring higher inputs per calorie consumed will lead to a serious imbalance in food supply and demand.

The rise of HIV infections in the region is another growing health care challenge that, unless checked, could have a noticeable impact on economic growth. It is notoriously difficult to secure reliable data on the spread of this disease. Other diseases, including penicillin-resistant strains of malaria, may also take a toll.

All of the above suggest Pacific Asia's enormous and growing infrastructure needs: power generating equipment, pollution abatement devices, modern water and sewer systems and medical treatment facilities, not to speak of ports, roads, and communications systems. It has been estimated that the region will need to spend more than $200 billion annually by the end of the century to build and maintain the infrastructure needed to sustain the present levels of development. At the present time, only a small fraction of infrastructural financing comes from private sector resources. The mobilization of the financial assets for infrastructural investments will remain one of the region's pressing needs.
THE SOCIO-POLITICAL SETTING

Concomitant with economic dynamism, the region is experiencing tremendous socio-cultural changes and challenges. These are difficult to summarize in a short space, but the most important include the demographic revolution, the educational revolution, changing social composition, and the rise of new social and political values. These changes have implications for domestic politics.

Demographic Change

The countries of Pacific Asia are experiencing rates of demographic change unprecedented in human history. Over the past 20-30 years fertility rates have dropped dramatically, as a consequence both of economic forces and strong birth control efforts, while life expectancy has grown to levels almost comparable to those in the Trilateral countries. Reduced fertility reduces the pressure to create jobs and the number of dependent children. But in future years there will be an aging of the population as Pacific Asia follows the current example of Japan. This aging process, which in some countries will occur even more rapidly than in Japan, has multiple dimensions affecting the economics and politics of the region. At the least, it will put tremendous stress on generational relations as smaller proportions of working Asians support larger shares of the old and very old.

Not entirely unrelated are large-scale movements of people. Within countries, the major trend is the rapid growth of urban centers in a region that has hitherto had one of the lowest rates of urbanization among world regions. Urban population growth is particularly prominent in China, where population movement was long restricted by government policy. Today it is estimated that as many as 100 million persons are a "floating" mass in China, moving from rural areas to urban centers in what must be history’s largest migration. In much of Pacific Asia, the population is becoming concentrated in gigantic cities, which sometimes dominate the country. Seoul, with 12 million inhabitants, accounts for a quarter of South Korea's population. Manila, Bangkok, Rangoon, and Phnom Penh are all several times the size of the next largest cities in their respective countries.

There are also population movements across international boundaries, stimulated by differential rates of growth and the permeability of borders and societies. Malaysia, long a cultural melting pot, has the highest rate of inflow (excepting Brunei),
depending upon legal and illegal migrants for 15 or more percent of its workforce. Other richer or more rapidly growing countries—such as South Korea, Taiwan, Singapore, and Thailand—also receive foreign workers. These flows can be a source of domestic and international tension, as witnessed by a temporary recall of ambassadors between Singapore and the Philippines following Singapore’s 1994 execution of a Filipino maid convicted of murder, or recent Malaysian complaints that lax Thai immigration procedures are facilitating illegal migration of Bangladeshis to Malaysia. These flows also raise important humanitarian and legal issues; in the absence of formal guest-worker programs or effective legal protection of non-citizens, migrants are vulnerable to persecution and abuse.

Education
The educational revolution is almost as dramatic as the demographic one. Throughout the region, education is seen as a key to improved personal circumstances and this is reflected in rapidly rising rates of educational attainment. In most countries, primary education is close to universal. Secondary enrollments rates have reached 85-90 percent in South Korea and Taiwan, and average about 40 percent across still quite rural Southeast Asia (see Appendix Table A-1). Another important development is the rise of female education levels, in some instances near to those of males. Enhanced education (or “human resource development”) is essential to increased productivity and the adaptability of Asian societies to rapid technological change. It has obvious political implications as a highly educated population is less tolerant of corrupt government. The implications for international relations are less clear. More educated populations are more likely to be involved in transnational society. But it seems increasingly likely that a higher proportion of the Pacific Asian elites will be educated in the many fine educational institutions within the region itself rather than traditional centers such as Europe and North America, over time reducing the influence of the Trilateral countries.

Restructuring of Society
The final and related social phenomenon is the restructuring of society as urban workers and middle-class professionals rise in number compared to traditional elites and the once vast rural populations. These major changes in social composition are occurring with remarkably little overt political and social unrest, particularly when compared with European history or the history of labor strife in
North America and Japan. This is probably a consequence of the economic development of the region combined with the relatively strong traditional emphasis on social obligations to family, company, and nation.

The pluralization of society, declining birthrates and smaller families, the massive movements to the cities, transnational migration, and the shifts in values all create issues of individual and group identity. Some find solace amidst rapid change in old or new religions. The majority of these offer beneficial and benevolent support, often of an almost purely cultural nature with few political overtones. But some, mostly very small groups, have fanned the flames of racism, provincialism, or religious prejudice. Such groups can become significant threats to law and order despite their small size.

Implications for Politics

These dynamic economic and social changes place heavy pressure on Pacific Asia’s political institutions. Yet in recent years, there has been a remarkable level of political stability, if measured in terms of the continuity of regimes and the success of evolutionary change. Several societies have shifted from authoritarian to democratic governments—South Korea, Taiwan, the Philippines, and Thailand. Most of the socialist countries have maintained their leadership structures while decentralizing economic decision-making. These changes have occurred with a minimum of bloodshed.

Yet, it is probably at the domestic political level that current institutions are the most fragile. Many constitutional and political arrangements in the region have weak legitimacy, whether actively challenged or not. The challenges vary country by country, but some generalizations can be made.

First, despite the absence of overt challenge, none of the communist governments can be described as highly legitimate. Virtually all these governments have jettisoned socialism while seeking to maintain the monopoly of the communist party. Although the Tiananmen Square demonstration has been the only prominent overt challenge so far, it remains to be seen whether the hegemony of the communist parties can long survive the death of socialist economic systems. A widespread feature is the use of remaining controls for private advantage by those in a political position to benefit; and the growth of such corruption further undermines the moral authority of the communist governments.
Second is the lack in many systems of a rejuvenation of top-level leadership. This problem is clearest in Indonesia, which has had only two presidents in a half century of independence. Rather than a mark of stability, the non-transfer of leadership illustrates a deficiency in the system.

Third, although they are usually not a significant threat to central authority, many of the countries face continuing challenges of communal or ethnic tensions. Ethnic pluralism is a characteristic of almost all the countries of the region (see Appendix Table A-4). Even in China and Vietnam, where more than 90 percent of the people are Chinese or Vietnamese, large areas of the hinterland are traditionally dominated by minorities, occasionally with histories of independence or a high degree of autonomy. Ethnic conflicts can be a serious drain on resources, result in open rebellion or terrorism, and become a political issue among majority populations.

Fourth, the shift toward democratic systems in some countries is still highly conditional. It appears that the basic notion of democracy—that governance is based on popular will as expressed in periodic elections—has been well-established in South Korea and Taiwan in a relatively short period of time. Only in Singapore and Malaysia have there been periodic and regular elections since independence, and in both cases, particularly the former, there are strict curbs on freedom of expression and other political practices that sharply contradict the understanding of fair play in democratic systems as understood in the Trilateral world.

THE INTERNATIONAL SETTING

The international relations of Pacific Asia are more positive than at any time in recent decades. In Asia, the latter half of the Cold War era was characterized by two polarizing conflicts, the U.S.-Soviet one and the Sino-Soviet one. The impact of the end of the Cold War in Asia is often overlooked by those who focus on its European dimensions. In Asia, the impact was not as significant as in Europe, but still very important. Consequences included the virtual end of Russia as a perceived active military threat in the region; substantial reduction of forces on both sides of the Sino-Russian border; the withdrawal of Russian forces from Mongolia and the establishment of a competitive political system there; the end of Russian use of naval and air facilities in Vietnam; and the political settlement in Cambodia. The establishment of South Korean diplomatic relations with Russia and
China, and the willingness of those two permanent UN Security Council members to permit South Korea to join the UN (thus forcing North Korea to agree to joint membership) were also related to policy shifts consequent upon or coincident with the end of the Cold War.

The growth of the region’s economies has generally stabilized and strengthened national governments as well as increased the costs of international conflict. All of the major powers involved in the region—China, Japan, the United States, and Russia—currently enjoy normalized diplomatic relations with each other, and the economic interdependence among the first three has deepened significantly. Moreover, there are no serious internal wars in the region, and the fledgling regional institutions, discussed in the next chapter, are taking root.

**Uncertainties in Large-Power Relations**

Despite this favorable picture, there is considerable anxiety about the future, which is reflected in the regionwide phenomenon of military modernization. The biggest source of anxiety is uncertainty about the roles of and relations among the larger powers. All these relations mix elements of cooperation and tension and have a fluid quality that makes the longer-term direction difficult to discern. The United States and Japan are security allies but often trade adversaries. Japan is China’s largest source of bilateral foreign assistance, but the two countries often appear to be rivals. Sino-American relations are especially volatile, swinging between romanticism and disillusionment.

Moreover, there appear to be significant domestic pressures that could affect and change government policies, reducing their credibility. Thus, noting U.S. budget pressures, many Asians continue to doubt U.S. government affirmations that the United States will stand by its security commitments in the region. Chinese government assertions that China wishes only a peaceful environment and will never be an aggressor are belied by incidents of political and military heavy-handedness and a nationalistic drift in domestic politics. Japan’s statements that it will never become a regional military power are questioned by those who look at the size of its defense spending in foreign exchange terms (one of the world’s largest), the sophistication of its weaponry, its increased willingness to take on defense responsibilities within the context of U.S.-Japan security treaty, or the political rhetoric of Japan becoming “a normal country.” We do not mean to exaggerate the likelihood of policy reversals, but
merely note there is sufficient evidence of pressure or contradiction to cause nervousness in the region about the future security equation.

Finally, differential rates of economic growth add to the uncertainties. China is widely perceived as a rising superpower currently dissatisfied with its position in the region. As the 1994 Trilateral Commission report on a rising China pointed out, China’s rise is accompanied by many distinctive elements relating to the amorphous nature of China’s boundaries, its traditions, its domestic uncertainties, and its international environment that make its accommodation into the regional and global system especially challenging.²

Local Conflicts
Unresolved and remarkably durable civil conflicts and territorial disputes are other features of the contemporary international relations of Pacific Asia. These are important because relations among the larger powers frequently turn on local conflicts that escalate, assuming larger dimensions. The civil conflicts in China and the Korean Peninsula in the aftermath of World War II were congealed by the Cold War. Separate and well-armed territorial governments exist in both China and Korea, in each case dividing the nation. These two situations differ in many respects, but they are alike in that the divisions have lasted almost a century and in that any resumption of armed conflict would have devastating effects on local populations and could bring in outside powers.

The territorial disputes of Pacific Asia mainly involve small and remote border areas and uninhabited islets that are the basis of large maritime claims. China has land and maritime borders with more foreign nations than any other country in the world (it added several more when the Soviet Union broke up) and many of these have been disputed. In the past two years, it has made a determined effort to settle many of its land borders, although the large territorial disputes with India remain as a likely long-term problem.

Pacific Asian countries have typically found their maritime disputes politically unresolvable, a rare exception being the 1996 decision by Malaysian Prime Minister Mahathir and Indonesian President Suharto to refer a boundary issue involving two small islands to the International Court of Justice.³ The more typical “solution” is to agree to put a dispute on ice while such issues as

---
³Malaysia and Singapore have also sent a dispute over a small rocky islet to the World Court.
marine conservation and the joint exploration of resources are discussed. Countries even have difficulty with these topics for fear of appearing to acknowledge the legitimacy of another country's claim. Thus many small maritime issues remain unresolved. In themselves they may not be very contentious, but in an environment of other concerns and conflicts, they may be seized upon by nationalistic groups or dissatisfied governments.

Pacific Asia's Importance in Global Regimes

Pacific Asia's economic and political rise means that the region has become essential for the full and proper functioning of global institutions and rules in virtually all fields—trade, finance, species protection, the control of greenhouse gases, human rights, missile controls, international peacekeeping, and nuclear nonproliferation. Global regimes are also important for Pacific Asian countries. This raises two issues. First, many of the international institutions were constructed principally by trilateral countries and are based on norms or interests more generally accepted or entrenched in these countries than in Pacific Asian countries. Second, because the countries of Pacific Asia have focused on their own economic development and national security, they have usually been less involved in international regime-building or reacted defensively to suggestions of new regimes.

Some in Asia have argued that differences between "Western" and "Asian" values will make it very difficult to develop regimes in areas where values are central, such as human rights. Samuel Huntington's argument that the 21st century fault lines of international conflict may lie in broad cultural or civilizational rather than national differences has a similar basis. However, differences in interpretation of values (which are broadly similar in many cultures and religions) and their incorporation into international rules are as likely to be controversial within and among Pacific Asian nations as between Asia and the West.
4. EFFORTS AT REGIONAL COOPERATION

Increased efforts at regional cooperation and community-building, both within Pacific Asia and between Pacific Asia and other areas, are a final important aspect of the setting. For a variety of reasons, regional cooperation came late to Asia. First, there were no natural leaders. During the Cold War years, neither the United States nor the Soviet Union was in a position to push Asian regional cooperation, although each made proposals. Such efforts were inevitably seen as efforts to advance their own political interests in a region where nonaligned countries were regarded as essential participants in any credible regional schemes. Nor were the two leading indigenous powers, China or Japan, willing or able to advance regional institutional schemes. The Cold War and some of China's own policies (economic self-sufficiency, support for communist insurgents in some neighboring countries, and the Cultural Revolution) separated it from the countries whose economies and elites were closely linked with the Trilateral countries. Japan's prewar promotion of a perverted form of Asian regionalism left regionalism in bad odor in Japan and made Japan suspect elsewhere in Asia as a regional leader.

Yet the countries of the region were linked by a variety of transnational forces including commerce, religious connections, links within the Chinese ethnic diaspora, and a growing number of private professional associations. The private sector has been the driving force behind much of the de facto regional interdependence, fostering integration through flows of capital, goods, services, technology, people and ideas. Governmental and quasi-governmental institution-building followed, beginning in Southeast Asia in the late 1950s. It has accelerated in recent years, creating a veritable alphabet soup of regional organizations that differ on the basis of geographical scope of membership and function (see Figure 1 on pages 26-27). As highlighted below, two geographical regions have been particularly important venues of intergovernmental institution-building:
Efforts at Regional Cooperation

Southeast Asia and Asia-Pacific (including Oceania and the Americas). Some organizations, like ASEAN, have broad economic and political functions; while others, such as the Asian Development Bank, are confined to a relatively specialized set of activities.

FORCES OF REGIONAL INTEGRATION

It is useful to distinguish several forces for increased regional integration.

First, as noted, has been the growth in economic interdependence. In the 1970s and early 1980s, trans-Pacific trade grew rapidly, stimulated by the rise in the U.S. appetite for Asian-manufactured consumer products. But from the mid-1980s, the cutting edge of economic integration has been in Pacific Asia itself. Direct investment played a leading role. The explosion of Japanese investment in Asia with the rapid rise of the yen following the September 1985 Plaza Accords and a second spurt of investment following another yen appreciation in 1992 were geared toward the development of regional manufacturing. Overseas Chinese capital and Korean chaebols have also increased their regional investment activity. By concentrating more labor-intensive manufacturing in off-shore facilities in lower wage countries, this investment began to change trade patterns, stimulating the growth of intra-industry and intra-firm trade within the region. Between 1985 and 1994, intra-Pacific Asian trade rose from 7 to 12 percent of world trade and from 37 to 47 percent of Asia Pacific trade.

Economic interdependence does not necessarily translate into regional cooperation nor does regional cooperation require a high level of interdependence. For example, ASEAN has been the region's most successful regional organization even though intra-ASEAN trade has hovered around or below a relatively low 20 percent of the members' total trade. Economic interdependence, however, establishes constituencies and incentives for regional cooperation. Much of the rationale for the establishment of APEC was based on taking advantage of the opportunities associated with economic integration and giving it further impetus. Moreover, some of the individual governments hoped that multilateral regional cooperation would help ameliorate bilateral trade tensions associated with deepening integration. Finally, the demonstrable success of outward-oriented economic development strategies in some Asian countries led to policy changes in the countries pursuing more domestically oriented strategies.
Notes:

Italics indicate nongovernmental organizations.

ASEAN, the Association of Southeast Asian Nations launched in 1967, is discussed in the text.
The EAEC or East Asian Economic Caucus (originally Group), as discussed in the text, was suggested by Malaysian Prime Minister Mahathir in 1990.
The Asian Summit, mentioned in the text, is to take place in December 1997, and may become a regular event.
EMEAP is the Executive Meeting of East Asian and Pacific central bank governors. It met for the first time in 1996, following earlier consultations below the governor level.
APEC, the Asia Pacific Economic Cooperation forum launched in 1989, is discussed in the text.
PECC, the Pacific Economic Cooperation Council (originally Conferences), was launched in 1980. The PECC holds a major conference every two years, sponsors the Trade Policy Forum and several other fora and working groups, and supports the APEC process through its research and policy ideas.
ASEM (Asia-Europe Meeting) was launched in 1996 and is discussed in the text.
CAEC, the nongovernmental Council on Asia-Europe Cooperation, was created alongside of and in support of the ASEM process.
ARF, the ASEAN Regional Forum launched in 1994, is discussed in the text.
CSCAP, the nongovernmental Council for Security Cooperation in the Asia Pacific founded in 1993, focuses primarily on providing support to the ASEAN Post-Ministerial Conference (ASEAN PMC) and the ARF, while also pursuing other unofficial efforts. CSCAP links regional security-oriented institutes and, through them, member committees comprised of academics, security specialists, and former and current foreign ministry and defense officials.
KEDO, the Korean Peninsula Energy Development Organization, is discussed in the text.
ADB, the Asian Development Bank, was founded in 1966.
The G-7+1 annual summits began in 1975.
The Trilateral Commission was launched in 1973.
Br=Brunei, My=Myanmar, NK=North Korea, SK=South Korea, J=Japan, H=Hong Kong, M=Macau, No=Norway, A=Australia, NZ=New Zealand, P=Papua New Guinea, S=South Pacific Forum, M=Mexico, Ch=Chile, Co=Colombia, P=Peru.
SEA-5 includes Indonesia, Malaysia, the Philippines, Singapore and Thailand. SEA-6 adds Brunei. SEA-7 adds Vietnam. SEA-9 adds Laos and Myanmar. SEA-10 includes Cambodia.
NEA-3 includes Japan, China and South Korea. NEA-4 adds Hong Kong. NEA-5 adds Taiwan.
Papua New Guinea has observer status in ASEAN.
The South Pacific Forum has observer status in APEC.
The four French Pacific territories are an associate member of the PECC.
The CAEC network includes a number of European and Pacific Asian think tanks, as well as one from Australia.
A European Community consortium and an Indian institute have joined CSCAP as associate members.
The “regional” members of the ADB are those in Pacific Asia, South Asia, Central Asia, and Oceania. The South Asian membership is very broad. Alongside India, Pakistan and Sri Lanka, it includes Afghanistan, Bhutan, Nepal and The Maldives. The membership is very broad in Oceania, including eleven island states alongside Australia, New Zealand and Papua New Guinea. The Central Asian members include Mongolia, Kazakhstan, Uzbekistan and the Kyrgyz Republic. The member countries in Europe and North America (United States and Canada) are “non-regional” members. The Europeans include EU members (all except Ireland, Portugal, Luxembourg and Greece) plus Switzerland, Norway and Turkey.
The WTO, IMF, IBRD and UN have very broad memberships across all regions. For purposes of this report, only the Pacific Asian membership is presented in detail.
Politics has been equally or more important as an impetus for community-building in Pacific Asia. The ASEAN group was formed in response to the political uncertainties in Southeast Asia during the Vietnam War and the desire of the other members to consolidate their relations with subregional giant Indonesia following an internal change of politics in that country. In the case of APEC, the end of the Cold War helped remove some remaining political constraints on institutionalized cooperation at the Asia Pacific level. At the same time, uncertainties about the future shape of the region’s international relations gave some of the Asian countries an incentive to try to bind the United States in a continuing special relationship with Asia through Asia Pacific multilateral cooperation. Also, as earlier with ASEAN and Indonesia, there was a strong interest on the part of other APEC members to bring China into this multilateral framework as a form of constructive engagement.

Third, social and political change in the region, particularly the development of civil society, has encouraged regional community-building. In recent years there has been an expansion of business and professional associations and nongovernmental organizations (NGOs) around the region, which is part of a global explosion of such activities. A growing number of sister-city and -province relationships as well as student training and exchange activities promote grassroots interaction within the region as well as provide linkages to the Trilateral countries. Tourism within Pacific Asia has also rapidly expanded with the rise of income levels in the region.

Asia’s independent and semi-independent research institutions have played an important role as agents of new thinking about international affairs and advocates of international cooperation. Regional networks of research institutions and individual analysts were the originators of the concepts of Asia Pacific economic and security organizations and, once these institutions were established, continue to be sources of ideas and analysis that help shape their evolution.

OVERLAPPING CIRCLES OF COOPERATION

Transnational community-building in Asia Pacific takes place in a number of distinctive geographical settings, ranging from “Growth Triangles” involving adjacent provinces or states to far-flung international organizations such as the APEC forum involving economies located on four continents. If compatible with each other,
Efforts at Regional Cooperation

such varied regional arrangements can provide overlapping and reinforcing communities, encourage deeper integration and establish the basis for a true security community for the region.

Growth Triangles
Over the past decade the notion of growth triangles has become popular in Pacific Asia. All the frontier regions of Malaysia, for example, are linked to adjacent regions in local development schemes. The oldest and most substantive of these is Sijori, which combines Johor in southern Malaya with Singapore and Indonesia’s Riau Archipelago. Northern Malaysia is linked with Thailand and northern Sumatra in another growth triangle, and yet a third area links Sabah and Sarawak in eastern Malaysia with Brunei, the southern Philippines and adjacent areas of Indonesia.

Some of the growth triangles, such as Sijori and the Hong Kong-Guangdong area of southern China, hope to minimize the impact of political barriers to what otherwise would be a natural pattern of economic growth around a key international city (in these cases Singapore and Hong Kong). Other growth triangles, including those centered on eastern Malaysia, northern Thailand, and the Tumen Delta (at the junction of the borders of Russia, China and North Korea), seek to stimulate investment and economic development in relatively underdeveloped frontier areas.

Since the political units involved are typically local and provincial authorities, they do not have full policy autonomy and thus the scope for both economic cooperation and political identification is quite limited. However, by giving a name to transborder cooperation and working to reduce barriers to economic exchange, growth triangles are agents of community-building at the local level.

Southeast Asia
Compared to Northeast Asia or Pacific Asia as a whole, Southeast Asia has witnessed the oldest and most successful efforts of intergovernmental cooperation. In contrast, in Northeast Asia the presence of divided countries and other political factors have been a strong deterrent to formal multilateral cooperation even though there has been a rapid expansion of bilateral and nongovernmental interactions involving all parts of that subregion except North Korea.

The Association of Southeast Asian Nations (ASEAN), created in 1967, was the first major indigenous cooperation arrangement in Pacific Asia. Established by Indonesia, Malaysia, the Philippines,
Singapore and Thailand, ASEAN was explicitly designed for economic, social, and cultural cooperation although politics was always at the heart of the enterprise. Within or outside the official ASEAN context, the member-countries pursued a variety of activities including the management of periodic tensions between themselves, dialogue with outside countries (bilaterally in individual dialogues and multilaterally through the ASEAN Postministerial Conference), and a variety of political initiatives (such as peace plans in Cambodia, a Zone of Peace, Freedom and Neutrality and a Southeast Asia Nuclear-Weapons-Free Zone). The organization also developed low-key and limited schemes for preferential trade treatment and promoting industrial complementarity.

In 1992, ASEAN launched a major effort to both deepen cooperation through the establishment of an ASEAN Free Trade Area (AFTA) and widen membership by encompassing all ten Southeast Asian countries. As broader Asia Pacific cooperation has proceeded, ASEAN has accelerated its own economic efforts and now plans to complete the free trade agreement by 2003. Its membership expanded to include Brunei (1984) and Vietnam (1995), and Laos and Myanmar (both July 1997). Cambodia was also to have been admitted in July 1997, but this was deferred when second prime minister Hun Sen launched a coup against first prime minister Prince Norodom Ranariddh, triggering instead an ASEAN inquiry and mediation effort. The expansion of the membership to countries at much lower stages of modernization and with autocratic or unstable political systems has been controversial, but the ASEAN governments have argued that membership was never based on political criteria and that expansion will contribute positively to political change and stability in the newer member-countries.

The original members of ASEAN have developed a sense of community, although largely at the elite level. While protecting national autonomy, the members consult each other on issues of mutual interest, generally seek to develop more or less common approaches, and usually strongly back each other on issues of special importance to any member of the group. Contentious issues are deferred. Some analysts within the region believe that ASEAN has already become a security community in which war is virtually impossible.

Asia-Pacific
In the broader geographical arenas of cooperation, the past decade has witnessed the strong development of institutions based on
cooperation beyond Pacific Asia. The best-defined "mega-region" is Asia-Pacific, a region comprised of the countries bordering on or within the Pacific Ocean, of which the APEC includes a major subset.

Economics was at the root of Asia Pacific community-building, with the idea of a regional free trade arrangement mooted as early as 1965. A group of economists from around the region continued to study the idea, and it gained further momentum when the Japanese and Australian governments sponsored a meeting to examine the idea in Canberra in 1980. This led to the establishment of a private group, the Pacific Economic Cooperation Council, involving key figures from business and academia as well as government officials acting in their private capacities. The PECC conferences provided a second-track model of cooperation until an Australian initiative in 1989 led to the establishment of the Asia Pacific Economic Cooperation (APEC) forum on an intergovernmental basis.

Several important developments have pushed forward the APEC process in the intervening years. First, there has been a geographical widening of the APEC, which initially involved the then six ASEAN countries, Australia, New Zealand, Japan, South Korea, Canada, and the United States. The three Chinese economies (People’s Republic of China, Chinese Taipei, and Hong Kong) became members in 1991; Mexico and Papua New Guinea followed in 1993; and Chile joined in 1994. A moratorium was then declared, and APEC is currently discussing possible criteria for deciding which of many countries that desire membership should be admitted.

Second, an Eminent Persons Group, chaired by American economist C. Fred Bergsten, played an instrumental role in establishing an APEC vision of "free trade and investment in the region," a goal to be achieved by 2010 for developed countries and 2020 for developing countries. Adopted at the APEC Economic Leaders Meeting in Bogor in 1994, there remain a number of ambiguities both with respect to the goal and how it is to be achieved, but the vision has been the basis for continued progress in defining principles and guidelines for cooperation and for the beginning of the implementation process.

In 1993, at the initiative of President Bill Clinton, an APEC "Economic Leaders Meeting" was established. The Leaders meeting meant a substantial upgrading of APEC, which previously involved principally foreign and economic ministers, and will keep the pressure on the forum to have a dynamic program justifying highest-level involvement. The host government of each successive leaders'
meeting has wanted some major statement or event ("announceables" in cynical circles) to draw attention to the meeting.

With its Manila ministerial and Subic Bay leaders' meetings in November 1996, APEC moved into the implementation stage of its broad vision. Under the APEC framework the member-economies present individual action plans for trade and investment liberalization and facilitation. There are also collective actions and schemes of economic and technical cooperation, now to focus on human capital development, capital markets, economic infrastructure, future technologies, sustainable development, and small and medium-sized enterprises.

APEC is the most developed of the new Asia-Pacific institutions, and it is a framework in which many forms of cooperation can be pursued. A less developed and lower-level counterpart, the ASEAN Regional Forum, was established in 1994 by foreign ministries for consultation on security issues. Proposed and led by the ASEAN group, the 21-party ARF is distinguished by its inclusiveness. Although not including Taiwan and Hong Kong, it does include all the major countries of Northeast and Southeast Asia as well as the outside countries with security interests in the region: Australia, New Zealand, Canada, the United States, the European Union, India, and Russia. Some Asia-Pacific countries which have not yet joined, like North Korea, would presumably be welcomed. The ARF seeks to build confidence in the region through exchanges and work in practical but noncontroversial areas such as search-and-rescue operations.

**Pacific Asia**

While APEC links Pacific Asia with the Southwest Pacific and the Americas, ASEM, established at the summit level in March 1996, links the region with Europe. Unlike APEC, the ASEM essentially involves inter-regional cooperation. It has a larger agenda, including political and security dialogue as well as economic discussions and projects. The February 1997 ASEM foreign ministers meeting established an Asia-Europe Foundation to support intellectual research and exchange. Summit meetings will take place every two years, the next in London in 1998.

ASEM may prove significant as an incubator for formal intergovernmental cooperation at the Pacific Asia level. The roots of Pacific Asian cooperation can be traced to pan-Asian sentiments among anti-colonial and nationalist movements in the region in the early part of this century. Japan's leadership tried to lead and exploit
Efforts at Regional Cooperation

these to support its own imperialist efforts in the region in the years before World War II.

Since that war, the articulation of a Pacific Asian political identity remained something of a taboo. It found its first serious political expression in the 1990 East Asia Economic Caucus (originally Group) proposal of Malaysian Prime Minister Mohamad Mahathir. Mahathir was motivated by what he perceived to be a dangerous trend toward the formation of regional trade blocs in Europe (EC “Single Market”) and North America (NAFTA), and by stalled efforts to complete the Uruguay Round. The EAEC attracted considerable attention and some support in the region, including endorsements by ASEAN and China as well as considerable sympathy in some government and business circles in Japan. But it also met strong opposition from the United States which was concerned that it would undercut APEC, create additional domestic difficulties for the U.S. administration in containing Congressional protectionism targeted toward Asia, and potentially lead to the expansion of Japanese economic influence and institutions in the region.

Although EAEC failed to gain momentum, a second lease on life for a political identity for Pacific Asia may have come with the advent of ASEM. As an inter-regional dialogue, ASEM from the beginning required consultations to coordinate positions. The European Union performed this function for Europe, but Asia required a new mechanism. Eventually Japan and Singapore assumed this task for the first phase of ASEM, to be followed by South Korea and Thailand. The Asian composition of ASEM corresponds to the proposed membership of the EAEC. Another base for an exclusively Asian group recently arose when ASEAN responded to a proposal by Japanese Prime Minister Hashimoto for an ASEAN-Japan summit by insisting that China and South Korea also be invited. The Asian summit is expected to take place in December 1997.

Whether such summits and ASEM-related coordination will have important implications for political community-building in Pacific Asia remains to be seen. For the time being, economic interdependence rather than political effort remains the main driving force of integration in Pacific Asia. But the countries of this geographical region do have shared interests, and cooperation is as logical as European or Western Hemispheric cooperation. As long as such regionalism has an open character and is compatible with and supportive of broader cooperative efforts such as the APEC and the ASEM, the Trilateral countries should welcome it.
A DISTINCTIVE APPROACH TO REGIONALISM

The emerging regional cooperation involving Pacific Asia has its own distinctive features, quite different from those in Europe. First, as pointed out, it has been basically driven by markets and business, not politics. Second, the central purpose has been to consolidate the stability, security, and prosperity of the present states and state system, not to subsume sovereignty in larger entities. Third, there has been a strong emphasis on informal, process-oriented forms of cooperation rather than on heavily institutionalized structures. Functions have been very decentralized, with heavy reliance for institutional support on national governments rather than on central secretariats. Much emphasis is placed on building personal relationships and every effort is made to avoid, at least in the formal agenda, issues that might offend one or more governments or otherwise disrupt a harmonious atmosphere.

Another feature of Asian regionalism is the strong emphasis on "open regionalism." This concept, which some regard as an oxymoron, has not been clearly defined and operationalized. It has been used by some to emphasize compatibility with the WTO and other global processes, by others to oppose what they regard as too rapid institutionalization, and by others to urge membership expansion.

The essential quality is that regionalism and community-building should proceed at a comfortable pace as consensus for various forms of cooperation emerges. "Consensus" does not necessarily imply unanimity; institutionalization has proceeded when a sufficient weight of opinion has supported it.

It is easy to deride regional cooperation involving Pacific Asia for its lack of institutionalization and concrete results to date. We believe the accomplishments have been quite significant. Enjoying its 30th anniversary this year, ASEAN is clearly the most successful experiment in regional cooperation in the developing world. It has demonstrably transformed the international relations landscape in Southeast Asia and perhaps in Asia Pacific more generally. The frequent ASEAN meetings—about 300 per year at all levels—have created a cadre of Southeast Asians in government ministries with intimate knowledge of their counterparts in the other governments. This has resulted in specific projects that would not have otherwise occurred, but most importantly shaped a political environment conducive to continued peace, stability, and economic growth. The
member-nations have used ASEAN meetings to advertise their ability to hang together and strengthen their bargaining leverage with other nations. Moreover, ASEAN has generated a large number of counterpart business and voluntary associations, spreading regional efforts well beyond the government bureaucracies initially involved. This process has resulted in a demonstrable sense of community, making open conflict among the member-nations almost unthinkable.

With its much larger and more diverse membership scattered on four continents, APEC has a much larger challenge in establishing any real sense of community. But the benefits of APEC are real:

- Its leaders meetings provide regular contact among the major countries of the Asia Pacific region. Leaders want these meetings to be productive, which puts a premium on trying to maintain good relations. Moreover, APEC (and ASEM) gatherings involve many side-meetings at which bilateral issues can be taken up and handled. For example, APEC meetings proved to be a critical venue for the leaders of China and the United States to meet each other regularly at a time when bilateral tensions prevented an exchange of visits.

- APEC provides opportunities for developing Pacific Asian countries to become more aware of global economic issues and regimes. Many APEC meetings involve exchanges of information about what members are doing in areas where there are WTO or other international commitments. These activities are particularly valuable for economies not yet in the WTO, such as China and Taiwan.

- The APEC “locks in” a process of liberalization and deregulation. Although not formally negotiated or legally binding, APEC has established a sense of direction and process that makes it very difficult for any government to back up. Whether the broad vision will be achieved in the 2010/2020 time period envisioned is less important than that the momentum continues toward a more open regional economy.

Overall, political integration—as measured in terms of regional institution-building and the development of subregional and regional multilateralism—has advanced remarkably over the past decade or more. But the results must still be judged as limited and fragile. Thus, a number of important, contentious security and economic issues remain essentially outside the scope of multilateral institutions and mechanisms. And while the institutions have helped to develop
norms and principles for the conduct of international relations in the region, these have not yet been sufficiently translated into concrete rules or policy guidelines. Thus, despite encouraging developments, Pacific Asia still has a long way to go to achieve free trade and investment in the region or to become a regional zone of peace.
Part II:
TRILATERAL RELATIONS
WITH PACIFIC ASIA

Pacific Asia's new importance on the global scene is having a profound impact on all the Trilateral regions. Each Trilateral country is adjusting its thinking about and approaches to the region, with private sectors generally ahead of governments and publics in coming to grips with the new realities of Pacific Asia. The region's dizzying changes, particularly in China, have generated waves of new interest in Asia, at times highly romanticized or wildly unrealistic. In this section, we review current Trilateral involvements with Pacific Asia beginning with Japan, the Trilateral country in the region.
5. JAPAN

THE "ASIA SHIFT"

Japan’s relations with the other countries of Pacific Asia are rapidly growing closer. Expanded direct investment by Japanese corporations and increased trade are driving an "Asia shift" in Japan’s outward orientation. Economic liberalization and vigorous growth in Pacific Asia encourage this new Japanese interest. Japan’s economic activity in the region has significantly contributed to Asian growth that in a virtuous circle now attracts increased Japanese interaction. Over the past decade or more, slower growth in the West and persistent and highly visible trade frictions with the United States and, to a lesser extent, with Europe have also contributed to Japan’s new interest in Pacific Asia.

A symbolic milestone was reached in 1991 when Japan’s exports to Pacific Asia exceeded those to the United States for the first time in many years. Only four years later, exports to Asia were over $180 million compared to only $120 million for exports to the United States, or half again as much. Yet even as Japan rushed to embrace Asia economically, it is clear that there are many difficulties in Japan’s Asian relationships. The pre-World War II and wartime legacies still deeply affect relations with some countries. Japan itself is having to adjust patterns of thinking that reach back into the previous century.

BETWEEN ASIA AND THE WEST

Japan owes a huge debt to Asia. From or through China and Korea came much of its traditional culture including its writing system, main religious movements, and early forms of political organization. But Japan made a conscious strategic decision in the early years after the 1868 Meiji Restoration to link itself to the West and "distance" itself from Asia. This choice was based on strategic necessity. As Japan turned outward after two centuries of isolation, the ascendant
West (notably Britain and Germany) was etched in sharp contrast to the decaying Qing empire in China. To the progressive Japanese intellectuals and policymakers of the time, the implications were clear. If Japan were to avoid China's fate, it needed to adopt the tools of the West to prevent domination by the West. Thus for the first time in more than a thousand years, Asia was overshadowed by a new fascination with the West. It did not take Japan long to join the West as one of Pacific Asia's exploiters and conquerors. Later Japan reached for grander ambitions; while mouthing the rhetoric of an East Asian "Coprosperity Sphere," it sought to replace Western domination with its own.

The Pacific War chastised Japan for its aggression, but only reinforced its dependency on the West. Postwar Japan had little choice but to coordinate its policies with those of the United States and had virtually no independent foreign policy toward Asia. The first official postwar statement of foreign policy, published in 1957, defined the "three pillars" of Japanese foreign policy as cooperating with the free world, supporting the United Nations, and maintaining (emphasis added) its position as an Asian nation. The last was not a government priority but was a watered-down concession to public and intellectual interest in the emerging Afro-Asian movement, made over considerable resistance within the Foreign Ministry. Central government figures attached primary importance to cooperation with the United States and other democracies.

In the 1950s and 1960s, Japanese government officials hesitated to make mention of any "Asia policy" for fear of offending the countries so recently victimized by Japanese aggression. But as Japan's economy recovered and its economic relations with Southeast Asian countries expanded rapidly, Asian fears of a new and more effective non-military form of Japanese exploitation arose. Following the anti-Japanese demonstrations that accompanied Prime Minister Kakuei Tanaka's January 1974 Southeast Asian trip, Japan realized it needed to define and develop a new approach to Asia. Two responses were the 1977 Fukuda Doctrine, stressing Japan's position as an "equal partner and part of Asia" able and willing to foster cooperation between ASEAN and Indochina, and the 1980 Ohira Plan which foresaw Asia-Pacific economic cooperation anchored by U.S.-Japan partnership. These two approaches, with their differing Asian and Pacific centers of political gravity, illustrated the options for Japan's Asian policy at the time. They continue to be in contention today.
Japan’s economic relations with Pacific Asia went into over-drive after the mid-1980s. Investment has been the leading force. The initial response of Japanese corporations to the appreciation of the yen following the 1985 Plaza Accord was to streamline domestic operations and increase offshore production in the United States and Europe. But the yen’s upward climb was so steep that this was not enough to remain competitive. This led some companies to make tentative ventures into manufacturing in Asia for export. A more welcoming investment climate in developing Asia also helped give the initial impetus to increased Japanese foreign direct investment. And since Japanese companies, like Japanese people, tend to follow the example of those around them, once one company had committed to Asian production, its competitors and suppliers were quick to follow. The Japanese corporate “Asia shift” shot forward with dramatic speed. Japanese companies found that Asian investments were more profitable and generally less problematic than other investments abroad. By the mid-1990s, more Japanese direct foreign investment in manufacturing was going to Asia (38 percent in FY94) than to North America and Europe combined (35 percent). By the end of FY94, of the 11,443 Japanese companies operating overseas, 50 percent were in manufacturing and 54 percent of those were in Asia.

Japan’s initial direct investments were concentrated in the Newly Industrialized Economies (NIEs). As these countries’ wage levels rose, NIE corporations themselves began to invest in lower-wage countries. Japanese corporations followed suit and attention shifted to the ASEAN group and then to China. This spread economic development through a chain reaction of investment and trade, deepening the interdependence of Japanese corporations and Asian nations, particularly in the manufacturing sector. As a result, Japanese imports from East Asian countries grew, to about $120 billion in 1995, mostly manufactured goods. In that year, 42.6 percent of Japanese manufactured imports originated in Asia, compared to 26.3 percent in the United States and 20.9 percent in the European Union. As a new more horizontal division of labor replaces the old vertical pattern, Japan is no longer primarily an importer of food, fuels, and raw materials from its Asian neighbors.

Although the bursting of Japan’s “bubble” economy of the late 1980s somewhat slowed the pace of economic integration with Asia,
the Asia shift is a long-term secular trend—related to the high growth of Pacific Asia itself—and not a cyclical phenomenon. Nor is it confined to manufacturing. Japanese banks have recently begun to give Pacific Asia a clear priority in their business and are investing managerial resources in the region. Major banks have promoted the heads of local and regional branches in the region to director status, and there are more instances of personnel with Asian experience being appointed as directors at headquarters.

PERCEPTIONS OF ASIA

The Asia shift in Japan’s international economic engagement has its counterpart in public perceptions of Asia. The growth of ties with Asia, combined with dissatisfaction with America, gave rise to the “re-Asianization of Japan” phenomenon, which sought to reverse the long priority given to ties with the West in favor of a rediscovery of Japan’s roots in Asia. Re-Asianization reached its height in the early 1990s. Those who might be regarded as part of the re-Asianization movement can be divided into several categories, the first two of which focus on agendas that have little to do with a real attachment to Asia:

- “Convert Asianists” are internationalists whose original orientation was toward the West. Fed up with continuous economic friction with the West and disgusted by “Japan-bashing” in the United States, they have turned their backs on the West in favor of Asia. Their numbers have been increasing in some business and government circles, particularly among younger officials directly involved in trade negotiations with the West. This group has grown especially quickly in recent years. Inclined toward emotionalism, their anti-West bias makes them dangerous to Trilateral cooperation while their pro-Asian orientation is not founded on a sober assessment of Asian realities.

- “False Asianists” are inward-looking disguised nationalists. Since fervent nationalism is unfashionable, they conceal it behind the more acceptable mask of Asianism.

- “Pragmatic Asianists” are predominantly found in the business world. Growing in number, this group believes that the greatest economic opportunities for Japan in the future are to be found in Asia rather than the West. Pragmatists do not necessarily reject the West, but devote an increasing share of their time and effort to Asia.
"Genuine Asianists" believe that Japan has intrinsic common interests with Asia based on geography and cultural ties. Their numbers are not large. They often agonize over Japan's position, since they do not feel that contemporary Japan really belongs to either Asia or the West. One of the original Asianists was Tenshin Okakura (1862-1913), but the famous opening line of his *Ideals of the East* (1903)—"Asia is one"—referred to the common humiliation cast by the glories of Europe rather than to a common Asian civilization.

All these groups suffer from a proclivity to cast Japan's choices in terms of an Asia-versus-the-West dichotomy. The re-Asianization orientation confronts two sobering realities: The first is a growing realization that the Japanese Asianists' affection for Asia is a self-centered, one-way affair, rarely if ever reciprocated in kind by Asians. The second is the reality of Japan's global role and interests that make Asianism unrealistic as an exclusive choice.

Some Asian leaders, such as Singapore's Senior Minister Lee Kuan Yew and Philippine President Fidel Ramos, have been forthright in welcoming increased Japanese interest in Asia, but not at the expense of its relations with the West. They and other Asian leaders imply that a Japan cut adrift from its security alliance and broader relationship with the United States would be a problematic rather than positive element in building an Asian community. Many Japanese intellectuals, including intellectuals in the government, have also pointed to the difficulties with the more romantic or emotional versions of Asianism. These include Japan's failure to overcome all the unsettled issues of the past and the lack of a shared vision or common framework for cooperation among the Asian countries themselves.

The growing note of caution in Japan's relations with China in the mid-1990s attests to these weaknesses. The Japanese government has given great emphasis to China since 1972, which is reflected in China's position as the largest recipient of Japanese bilateral assistance. In the past two years, however, relations have deteriorated for several reasons: China's nuclear testing and Japan's subsequent temporary cut-off of grant aid; Prime Minister Hashimoto's visit to the Yasukuni Shrine, which angered China; and thoughtless remarks of high-level Japanese officials and former officials that excused or minimized Japan's aggression. Japan is apprehensive about the future course of Chinese nationalism.

Despite the Asianist approaches described above, the dominant form of Japan's involvement in Asia is through the Ohira approach
mentioned above—one that seeks to combine a renewed interest in Asia with a continuing strong relationship with the West. This Asia-Pacific approach, and the newer Asia-Europe approach, favor open forms of regional dialogue, consistent with globalism, that cut across Asia-West and North-South divisions. This pragmatic approach sees Japan’s economic future in global rather than regional markets, and points to the key role of advanced technologies in ties to the West. Japanese business is leading the way. For business, the Asia shift marks a redistribution of corporate resources away from an over-concentration on Europe and the United States but not a turning away from these important markets. The irrefutable reality is that Japan is a global economic power. In the words of political scientist Takashi Inoguchi, “Asia is too small for both Asia and for Japan.” For many mainstream Japanese internationalists the true foreign relations challenges are those of making Japan more genuinely open to the world and making Japan a more comfortable player not just in the West or just in Asia, but in international society in general.

MULTILATERAL COOPERATION

The Japanese government has emphasized multilateral cooperation as an appropriate framework for Japan’s reassociation with Asia. Japanese interest in an Asia-Pacific economic cooperation framework dates from at least the 1960s, when it was first given prominence by economist Kiyoshi Kojima and politician Takeo Miki. Broad Asia Pacific cooperation was embraced as a serious governmental initiative in the late 1970s by Prime Minister Masayoshi Ohira and his foreign minister, Saburo Okita, but failed to win crucial ASEAN support for fear of domination by the larger powers. Almost a decade later when APEC was first proposed by the Australian government in early 1989, the Japanese government found itself split between the Ministry of International Trade and Industry which embraced it and the Foreign Ministry which opposed it in favor of a non-governmental approach. This split reflected not just bureaucratic jockeying but still differing assessments of Japan’s acceptability in a formal intergovernmental framework for regional cooperation.

Today, however, the Japanese government as a whole sees APEC in the economic realm, the ASEAN Regional Forum in the security realm, and ASEM for dialogue with Europe as desirable vehicles for Japan’s association with Asia in the context of broader multilateral frameworks. Japan’s 1996 Foreign Affairs Blue Book describes APEC
as one of the most important pillars of Japan's Asia Pacific policy. It cites its significance for economic growth, improved relations with Asia, regional political stability, active U.S. involvement with Asia, the smooth participation of China in international cooperation, improved relations between Asia and Australia/New Zealand, and increased ties with Latin America. The ARF is considered "epochal."

* * *

The tendency toward division and tension between the West-first and Asia-first approaches remains alive and could reassert itself as a result of developments either in the West or in Asia. In this regard, Western approaches that seek to glorify Atlantic "civilization" as opposed to a broader notion of industrialized democracies, even if representing the opinion of only a small minority, may be given undue prominence in Japan and exploited by those who want to argue that Japan is not and never will be accepted as a genuine part of the West. On the other hand, continued demands in Asia for Japan to make amends for the prewar and World War II period produce a weariness that younger Japanese in particular have difficulty in accepting. Underlying the Japanese dilemma is that having once rejected and then victimized Pacific Asia, then having long been a lonely outpost of advanced, democratic society in Asia while intellectually promoting the unique nature of Japan, the Japanese have not established a true international identity with either the West or Asia. A Japanese identity within the framework of a broader Asia Pacific identity may be an ultimate answer to this, but at the present time the term Asia Pacific encompasses rather than eliminates the conflicts to which Japan feels subject.
North American involvement in Asia began with Yankee traders at the beginning of the 19th century. As the American and British American (Canadian) dominion reached across the North American continent to the Pacific, commercial interaction and migration increased between the two continents. Chinese and later Japanese immigrants helped service the frontier camps and develop the rail infrastructure of the North American West. The 1853 appearance of Commodore Matthew C. Perry’s “black ships”—which forced open Tokugawa Japan—was a foreshadowing of the later prominence the United States was to acquire in the region. At the end of the 19th century, as the United States extended its dominions to Hawaii, Guam, and the Philippines, it became one of the colonial powers, although it competed in China for an “open door” rather than exclusive concessions. Prior to World War II, the United States continued to play a relatively prominent diplomatic role in the region—negotiating an end to the Russo-Japanese War of 1904-05, and being one of the principal parties to the 1922 Washington Naval Conference regulating the relative sizes of the American, British, and Japanese navies in the Pacific. The United States sought unsuccessfully to stall Japan’s thrusts into China and then into Indochina just prior to the Pearl Harbor attack.

The Second World War left the United States as the principal military power in the region which, after the communist conquest in China and outbreak of war on the Korean Peninsula, Washington saw as one of the principal Cold War theaters. It fought two major Asian land wars between 1950 and 1973 and still maintains 100,000 military personnel in the region in bases in Japan and Korea and afloat. It regards itself as the leader or at least a key player on a wide variety of Asian security and diplomatic issues, including the future of North Korea, relations with the People’s Republic of China and Taiwan, and various territorial issues. The United States and Canada are charter members of the major Asia Pacific regional organizations, including the Asia Pacific Economic Cooperation forum (whose annual leaders’
meetings were initiated by President Clinton in 1993) and the ASEAN Regional Forum. The United States has extensive trade and investment relations with Pacific Asia, which is both a major source of imports (40 percent in 1995, 23 percent excluding Japan) and its biggest and most rapidly growing export market (30 percent in 1995, 19 percent excluding Japan). Hosting about 8 percent of the total stock of outward U.S. foreign direct investment to 1995, investment in Pacific Asia is low compared to U.S. investment in Canada and Mexico (18 percent together) and in Western Europe (51 percent), but it is growing substantially, more than doubling in the first half of the 1990s. Canada’s economic ties, described below, represent a smaller share of Canadian foreign trade and investment, but are of growing importance to Canada. North American ties with the region are also being constantly reinforced by substantial immigration. At 7 million, almost a third of whom are first-generation immigrants, Asian-Americans are the fastest growing segment of the U.S. population, having increased 110 percent in the 1980s. The 2-million-strong Canadian Asian minority is a proportionately larger share of the 29 million Canadians, and Asians are a substantial proportion of new migrants. The number of citizens from Pacific Asian countries temporarily residing in North America has also grown enormously, including about 200,000 university students (see Appendix Table A-10).

**U.S. PERCEPTIONS OF ASIA**

Despite the increased interaction with Asia, U.S. relationships with Asia have a fragile quality in comparison to trans-Atlantic ties. Trans-Pacific relations are unbalanced, not just in the sense that the United States sells so little to Pacific Asia in comparison to what it buys, but because the cultural dimension of its relationship remains so shallow compared to the military, political, and economic dimensions. Moreover, it is decidedly one-sided. If student and migrant flows are any indication, Asians are more attracted to the United States than the other way around. Asians generally are much more knowledgeable about the United States than Americans are about Asia.

From what most Americans do know of Asia, they remain deeply ambivalent. They recognize its growing importance and like the notion of linking to booming export markets, but they remain unsure whether Asia’s development is a boon or a threat. Asia, especially China, may represent future challenges to the United States and its global position, with which Americans are not at ease, in part because
American stereotypes of Asia present a way of life that often emphasizes negative or alien features, particularly an uncomfortable level of paternalism and hierarchical authority in family life, education, the work place, and government. Sustained interest in the region is limited to small elite groups and confined mainly to Japan and China. In this sense, civilizational issues do matter. The United States can be disappointed with and disagree violently with its trans-Atlantic partners, even to the point of seeking to ally with Asians against Europe on some economic issues. But at the same time, conflicts with Europe largely focus on concrete political and economic issues. In contrast, conflicts with Asia can quickly escalate on one or both sides from the level of petty commercial disputes to fundamental issues of values and respect.

POLITICO-SECURITY INTERESTS

At the broadest level, U.S. fundamental interests in Pacific Asia are three: to prevent any single other power from dominating the region, to ensure access to the region for its economic interests, and to promote values preferred by Americans. These basic interests are not challenged in American debate, but the strategies and the level of resources to be used to pursue them are contested. As a global power, both U.S.-policymaker attention and the physical and financial resources for Asia policies are also claimed by priorities outside the region as well as by domestic interests. Moreover, in the post-Cold War period, there are no overarching foreign policy and security needs against which to order U.S. policy priorities. This, combined with the fragmented nature of the many disparate U.S. interests and the Washington policy process itself, presents an often confusing, chaotic picture of U.S. policy goals below the level of broad interests.

Despite the lack of coherence, there are basic directions derived from the interests above. The United States is relatively comfortable with the politico-military status quo. Its military and diplomatic involvement in the region supports that status quo, which makes it a "benign" presence, welcomed by other nations that favor the status quo. During the early years of the Clinton Administration, the basic U.S. security commitments and its intention to maintain a 100,000-person military presence were reaffirmed. They were again reconfirmed by the 1997 Quadrennial Defense Review. But the current U.S. military posture should not be assumed to be fixed. There are at least three sources of challenge.
The first could come from redefined U.S. priorities. Current defense strategy supports a global capability to fight simultaneously two major regional conflicts. This is an unlikely scenario that exaggerates U.S. defense needs, and balancing the budget by the year 2002 is a current political imperative. Current plans and rhetoric notwithstanding, there may be some cuts in U.S. weapon systems and manpower in the region. In the near term, however, the need for capability on the part of the United States to respond to any serious regional military challenge in Asia seems widely accepted.

A second challenge could come from the absence of U.S. political and public support for use of the presence in any serious crisis situation. The existence of the U.S. forward presence (as distinct from its size) is currently noncontroversial precisely because the chances of its being tested are relatively remote to most Americans. It remains to be seen under what circumstances the United States would regard a security problem in the region to be sufficiently vital to its own security interests to require military action.

Finally, the presence of U.S. bases overseas creates a host of problems with local communities that were very evident in Okinawa during 1995-96. Similar though less visible problems exist in South Korea. While central decisionmakers in Japan, South Korea, and the United States seek to maintain the U.S. facilities, it may be increasingly difficult politically to do so in a post-Cold War environment.

China and North Korea head the list of politico-security questions in which Americans are interested. North Korea is generally regarded as a failed state from which the main threat lies in its weakness rather than its strength. China holds a special and very important place in current American perceptions as perhaps the only country that could conceivably threaten the U.S. sole superpower status in the foreseeable future. Promoting China's constructive engagement with global and regional systems during what may be a relatively short window of opportunity has a very high priority for the U.S. policy elite. Whereas in the early 1990s there was a tendency to treat China policy as an extension of domestic politics, there appears to be some growing awareness that China is too important and potentially volatile to treat in so cavalier and dangerous a manner. However, the 1997 debate over continuation of China's most-favored-nation trade status illustrated that China policy remains subject to U.S. domestic political debate.
ECONOMIC DIMENSIONS

Americans are less satisfied with the terms of their economic relationships with Asian countries than the security relationships. The huge trade deficits with Pacific Asia, about $67 billion in 1995 (much more with Japan added), symbolize the problem. At least three issues are prominent: First, it is frequently alleged that with lower labor costs Asian goods unfairly compete in the U.S. market, privileging imports or encouraging U.S. firms to move production facilities to Asia. Second, it is taken almost as an article of faith that Asian countries are generally more protectionist than the United States—restricting U.S. economic access or inhibiting it by failing to provide proper intellectual property protection or a transparent investment environment, or by condoning cozy insider business relationships. Finally, technology competition has been prominent with Japan and may become so with other Asian countries.

In the 1960s and 1970s, the major issue was low-cost Asian labor; and in the 1980s, technology competition with Japan became prominent. In the 1990s, the most visible complaints have centered on U.S. access to Asian markets, although neither of the other issues has disappeared, and low-cost labor will remain a continuing issue as long as there are differential wage rates and labor conditions. The shift in emphasis toward market access is a healthy development in that it suggests that American firms have become much more serious in marketing their products in Asian markets. The American elite has also become more confident of U.S. competitive abilities in the 1990s, although politicians such as Ross Perot and Pat Buchanan have played on the fears of a large minority of Americans who have neither the capital nor the skills to adjust flexibly to changing forces of global competition.

Widespread Asian perceptions to the contrary, there is relatively little new actual protectionism in the U.S. market as opposed to threats of protectionism. What is new is the vengeance with which the United States has taken up export promotion. There is debate over how the United States should pursue its market access objectives. Continuous pressure in all available fora and the aggressive use of both domestic legislation and international dispute-settlement mechanisms have been in vogue, particularly during the first three years of the Clinton Administration. Critics complain that these policies have catered to politically powerful industries rather than targeted the areas most likely to be productive of results or significant
North America

for the economy—and that overly confrontational tactics can backfire, force foreign political leaders to take nationalistic stances on behalf of their protectionist groups, and harm other U.S. foreign policy objectives.

CULTURE

Culture brings forth a series of complex and difficult issues that are tied to basic questions of identity, authority, and mutual respect. Americans would prefer an Asia that is “more like us,” to use James Fallows’ intriguing phrase. Of all the more-like-us issues, American human rights pressures are probably the most controversial in the region because they support individuals or groups (dissidents, Tibetans, East Timorese) that are usually regarded by their own governments as deadly enemies seeking to destroy national unity or bring down the regime in power. Moreover, human rights issues are often exploited by Americans with other, more selfish interests. These may be trade-related (labor rights issues, efforts to link human rights to nondiscriminatory trade treatment in the case of China) or more purely ideological. To outsiders, and to Americans, it is often not clear why policy targets one set of human rights concerns and not others. Since it is difficult to establish a consistent set of criteria, Asian governments tend to search for conspiracies, hidden agendas and/or cultural explanations.

Regionalism was a leading theme of the first Clinton Administration’s Asia policy and it will continue to be emphasized during the second term. The Reagan and Bush Administrations had also supported economic regionalism, but had been skeptical of multilateral security discussions, fearing that such forums could be exploited to undermine U.S. Cold War positions. The United States is now an enthusiastic supporter of regionalism, which it sees as particularly important for engaging China and promoting more transparent economic rules of the game. This rhetorical emphasis is likely to continue, but without the financial resources to support a position of leadership in many APEC and ARF endeavors.

CANADA AND PACIFIC ASIA

Canada shares with the United States some general characteristics in its interaction with the region—it receives significant Asian immigration and investment and it projects and defends broadly
similar political, economic, and humanitarian values. It also shares some of the same characteristics of relative ignorance of Pacific Asia and concerns about the implications of the region’s rise for Canadian jobs, values and ways of life. Despite such similarities, Canada’s size, resource-based exports, and distinctive political and cultural make-up give it significantly different interests, policies and roles. While its smaller economy and population compared to Japan, the United States, and the European Union are a constraint on Canada’s individual role, its less threatening size and demeanor give Canada an advantage over its Trilateral partners in pursuing some politically sensitive areas of cooperation.

During much of the post-World War II period, Canada projected itself in the region as a middle-sized power with an agenda distinguished by humanitarian and economic rather than Cold War political concerns. Despite its traditionally strong human rights concerns, the Canadian government was less inclined than the United States to mix human rights, economics, and politics by withholding diplomatic recognition or foreign assistance or threatening economic sanctions. In the 1960s and 1970s, Canada’s proportionately large aid programs in Asia were focused on poverty alleviation and meeting basic human needs. In recent years, facing a declining aid budget and graduating Asian economies, the emphasis has shifted to supporting indigenous economic policy reform and capacity to identify and deal with rapid social changes. Canada has also underwritten security-related dialogues, notably the Indonesian-sponsored conferences among the claimants in the South China Sea.

Asia’s rapid development has encouraged a recent shift away from what Canada can do for the region toward an approach that emphasizes Canada’s commercial interests. The recent “Team Canada” missions of political and business leaders to the leading economies of Pacific Asia are the hallmarks of this approach. While some Canadians decry these as presenting an overly commercial picture of Canadian interests, others note that it is part of generally increased Canadian emphasis on the region. The 1993 appointment by the then new Chrétien government of a minister of state for Asia Pacific, Raymond Chan, underscored this upgraded interest.

These economic interests are reinforced by Canada’s traditional interest in diversifying its trade and investment relationships. With a natural complementarity between Canada’s land- and resource-intensive economy and Pacific Asia’s labor-intensive economies, there appears to be considerable scope for expanding the economic
North America

relationship. Pacific Asia (including Japan) accounts for a much lower share of total trade and investment for Canada than it does for the United States—in 1994, it supplied only 13 percent of Canada’s imports and took 8 percent of its exports. Per capita consumption of Asian goods, however, is the same or higher in Canada as in the United States as trade as a percentage of GDP in Canada is about triple that of its southern neighbor.

NAFTA membership does not contradict Canada’s interest in economic diversification. As well as helping to alleviate persistent, unilateral trade actions by American interests, Canada hopes that NAFTA will make it a more competitive exporter and more attractive market for manufacturing investment from outside North America.

Canada has a strong interest in strengthening Asia Pacific multilateral cooperation, a venue that maximizes the influence of smaller and medium-sized countries. The 1997 host for APEC, Canada has participated in the development of Asia Pacific economic cooperation from its outset.

Canada’s engagement with Pacific Asia owes much to the strong economic and cultural ties with the region of its western provinces, particularly British Columbia. The Asian ethnic population has grown rapidly, and Vancouver is now ethnically the most Asian city on the North American mainland. Asians comprise about half of all immigrants to Canada, many of them ethnic Chinese. (In West Coast U.S. cities, Asian immigration is often overshadowed in size by continuing Hispanic immigration). However, the interest in Canada’s Asia Pacific role goes beyond its west. In sheer numbers (but not share of population) the largest Asian ethnic community in Canada is found in Toronto, and Ontario and Quebec have significant export interests in Pacific Asia. This broader base of interest ensures that Canada will continue to strengthen its involvement with the western part of the Pacific.
7. Europe

Marco Polo may or may not have been to China. But other Europeans of his age were, and Europe’s involvement with what is today Pacific Asia has been deep and long-lasting. “Asia” in more than one way is a European invention. Europe’s expansion from the beginning of the 16th century onward subjected the people of Asia and their old civilizations to often brutally destructive exploitation and subjugation, yet it also brought to the region the achievements of the Enlightenment: modern technology, the spirit of scientific inquiry, and the notion (often abused by those who carried it) of universal equality and liberty of men. Eventually, the people of Pacific Asia turned Western achievements against the European powers, holding their own against the imperial ambitions of the European powers or freeing themselves from their colonial control.

Mutual Perceptions

The colonial period left many scars and a profound ambivalence in Asia. Asians are still sensitive about being lectured and hectored by Europeans. Nevertheless, Pacific Asia’s economic successes and political emancipation from European colonialism have re-equilibrated the relationship psychologically, creating a sense of curiosity and opportunity on both sides.

With the rise in its self-confidence and justified pride in its economic achievements, Pacific Asia seems willing to look at Europe with a fresh eye, to focus on the future and to develop a balanced, mutually beneficial relationship. For its part, Europe has rediscovered Asia. It stands in awe of its economic achievements, coupled with a sense of vulnerability to Asian competition widely seen as contributing to high unemployment in Europe. Some in the European elites still appreciate the rich cultural heritage of Pacific Asia, an awareness strengthened in recent years by a number of major exhibitions. Yet Europeans generally are poorly informed about Pacific Asia and hold many stereotypes. The economic dimension
dominates images of contemporary Asia to an unhealthy extent, while broader social and cultural relations continue to be very thin.

ECONOMIC RELATIONS

Europe's economic involvement in Pacific Asia is often underestimated. European trade with Pacific Asia now easily surpasses its trade with the United States and represents more than three times the value of its trade with Eastern Europe. Moreover, the view that Europe has fallen behind the United States and Japan in trading with Pacific Asia does not hold up against the facts.

- While in 1980, the European Union's total exports to the region (excluding Japan) were only two-thirds of U.S. exports, they slightly exceeded those of America in 1995, with $117 billion of EU exports against US exports of about $110 billion. Both were, however, far behind Japan's $188 billion. (See Appendix Table A-5a.)

- European imports from Pacific Asia (again, excluding Japan) have been lower than those of America, but during the 1990s they have matched Japan's. In 1995, European imports reached $118.6 billion, exactly the same as for Japan. In 1980, Japan had imported about 60 percent more than the EU from the region (cf. Appendix Table A-6a).

- With the growth of intra-regional trade, Europe's relative importance as a trading partner of Pacific Asia has declined slightly, but the same is true for America and Japan. In 1980, the EU and EFTA took about 17 percent of Pacific Asia's exports, while the United States bought 18 percent and Japan 21 percent. By 1994, Europe's share had declined to 15 percent and Japan's had plummeted to 13 percent, while the U.S. share increased slightly to 20 percent. Comparing 1980 and 1994, Pacific Asia's purchases from Europe remained around 15 percent of its total imports, while the U.S. share declined from 16 percent to 13 percent. Japan's 22 percent share in 1994 was roughly the same as in 1980.

- European trade with the region has also been much more balanced than that of the United States or Japan (see Appendix Table A-7). While America has a huge and growing deficit (which from 1990 to 1995 grew by more than two-thirds, from $39 billion to $67 billion), and Japan has an equally persistent and growing surplus
(which tripled between 1990 and 1995, from $22 billion to $69 billion). European trade with Pacific Asia (excluding Japan) during the first half of the 1990s has produced a European deficit hovering between $1 billion and $15 billion, with a downward trend.

- European transnational corporations have long been present and generally quite successful in Pacific Asia markets. To cite a particularly dramatic example, Volkswagen supplies about half of total Chinese automotive demand. Its deliveries in 1995 rose by about 50 percent. European companies have also been quite successful in chemicals, machinery, aircraft and telecommunications. Europe's large transnational corporations are aware of the opportunities in Pacific Asia, and the challenge to catch up with American and Japanese competitors.

- Dramatically increased European business activities in Pacific Asia are reflected in foreign direct investment data. The foreign direct investment stocks in Pacific Asia of European companies are considerably lower than those of Japan-based and U.S.-based firms, both in absolute terms and as a share of total outward foreign direct investments. But since the mid-1980s, annual flows of European foreign direct investment in Pacific Asia have been roughly comparable with those of America, though clearly lower than those of Japan (see Appendix Table A-8). Of estimated total FDI flows to Pacific Asia of $146 billion between 1986 and 1994, Europe accounted for 10 percent, America for 11 percent, Japan for 18 percent and the NIEs for 49 percent.¹ On the basis of data for 1994/5, the share of European investments in the total FDI stock of Pacific Asia was one-third in Korea, 26 percent in the Philippines, 22 percent in Hong Kong and Singapore, 19 percent in Indonesia, 14 percent in Taiwan, 7 percent in Malaysia, and 6 percent in Thailand. For China, according to data for 1993, the European share then was below 3 percent.²

- Europe also is an important supplier of official development assistance to Asia (see Appendix Table A-9). After Japan, it is the second largest supplier to developing East Asia, with a total flow about half that of Japan but many times that of North America (of which Canada now contributes more than the United States). From 1990 to 1995, European ODA to Pacific Asia amounted to $12 billion,

¹The Economist, 2 March 1996, p. 52.
that of Japan to $22.1 billion, and that of the United States to $1.2 billion. About 30 percent of total Trilateral ODA went to China.

In sum, Europe's economic involvement in Pacific Asia is substantial, broad-based and roughly comparable with that of the United States and Japan. But European companies were late in recognizing the importance of the region. On average, major transnational corporations sell about one-quarter of their production in Asia—but few Europe-based companies achieve this ratio. Nor are European companies conspicuous in the high-growth high-tech sectors.

POLITICAL RELATIONS

Europe's direct political presence in Pacific Asia largely ended decades ago (the last vestige will be removed in 1999, when Macao will revert to China). Nevertheless, Europe continues to have political interests and an important stake in the region's stability. First of all, Europe's economic interests—the center of relations between Europe and Pacific Asia—have important political dimensions and ramifications. War, serious tensions or major domestic upheavals in Pacific Asia would reverberate throughout the world economy, including Europe. Moreover, if Europe wants to be taken seriously as an economic partner, it must be willing and able to discuss political and security issues. Second and more directly, many global problems—such as proliferation of weapons of mass destruction, energy and food constraints, and the protection of the global environment—have an important Pacific Asian dimension, and thus must be addressed in cooperation with the region. Third, Europe has important partners in the region, and shares some of the region's security concerns out of a sense of solidarity with those partners. Such solidarity has clear political limits, but it should not be dismissed. The very early contribution by the United Kingdom to the Korean Peninsula Energy Development Organization (KEDO), for example, is probably best understood in terms of the close political relationship of Britain and Japan. Fourth, Europe's great experiment in community-building ultimately depends on a congenial external environment. The trans-Atlantic security community and the protection provided by the United States during the Cold War were vital ingredients for Europe's

---

successful community-building. In the future, the zone of peace and prosperity uniting the Trilateral regions will need to be extended further in the Asia Pacific. The fabric of international relations will increasingly be shaped by this part of the world, and if it were to shift towards great power rivalry and confrontation, Europe would suffer important consequences.

Germany, France, and the United Kingdom have all been upgrading their economic and political ties with Pacific Asia. In Germany, the government formally established an "Asia Concept" as the framework for closer relations with the region—the only such regional policy framework ever passed. The commitments expressed in this document have been given substance by a number of high-level visits in the region by the President, the Chancellor, the Foreign Minister, and the Minister of Defense (as well as other key ministers). France in recent years has fundamentally restructured its policies towards China and Japan. Under intense pressure from mainland China, Paris had to accept an end to arms sales to Taiwan and has since tried to regain its share in the lucrative mainland markets. President Jacques Chirac has given French relations with Pacific Asia high priority. While his presidency in this regard was off to a bad start with the decision to resume nuclear testing in the South Pacific, France has since succeeded in upgrading both bilateral relations and relations between the region and the European Union. The United Kingdom has been trying to fulfill both its commitments under the agreement which returned Hong Kong to Chinese sovereignty in 1997 and its obligations towards the people of Hong Kong and their future. This has greatly complicated its relationship with China. Its relations with Japan, however, probably are the best of any European country, and the United Kingdom now is also working hard on upgrading relations with South Korea.

At the multilateral level, the European Union has long had a region-to-region relationship with ASEAN. Established in 1972, this dialogue gained momentum with an unprecedented Cooperation Agreement which continues to form the framework for the relationship. From the side of ASEAN, the principal objectives in this dialogue were economic, specifically trade, investment and development aid. For the European side, the purpose was primarily political—in the view of its principal European proponent, then German Foreign Minister Genscher, to demonstrate the European Community's capacity for contributing to regional and global order through inter-regional multilateralism. An updated and broadened EU-ASEAN Cooperation Agreement was negotiated in 1991, but its implementation has been held up by
disagreements about the East Timor issue. In 1994, the European Council adopted “Towards a New Asia Strategy” (a document prepared by the Commission); and at a ministerial conference in Karlsruhe in that same year, a determined effort was made by both sides to upgrade the EU-ASEAN relationship.

The result was ASEM—the Asia Europe Meeting—initiated in Bangkok in 1996. While the Bangkok meeting (involving heads of state or government from the fifteen EU member states and from ten Asian states, as well as the President of the European Commission) first and foremost reflected newly awakened European interest in Asia, it also turned into a powerful stimulus for closer cooperation in its own right. Convened at the initiative of the government of Singapore, the first ASEM meeting produced a flurry of follow-up activities, including several meetings at ministerial and senior officials levels. The leaders agreed on further summits in 1998 (in London) and 2000 (in Seoul), thus already giving ASEM a degree of institutionalization. In the wake of the Bangkok summit, ASEM quickly developed into a broad-based process of cooperation between EU and Asian countries, not only at the level of governments but also beyond. While the core of future ASEM activities clearly will deal with economic cooperation and better mutual understanding through cultural exchanges, the agenda set out in Bangkok also includes political and security issues.

It is too early to judge how important ASEM will become, but the process clearly encapsulates a renaissance of mutual interest in Pacific Asia and Europe. Building on that historic opportunity, ASEM already has succeeded in transforming the atmosphere of relations between Pacific Asia and Europe, and thus has created an opportunity to develop a mutually beneficial inter-regional relationship with its own characteristics.

SECURITY RELATIONS

While Europe has no vital security stakes in the Asia Pacific, there are a number of important European security concerns. First, Europe’s important economic ties with the region mean that turmoil in Pacific Asia would have serious implications for European prosperity. This

---

establishes a clear European interest in the security and stability of Pacific Asia. Second, Europe must be concerned about threats to its social cohesion perceived to be emanating from the region (e.g., drugs, global environmental degradation, low-wage labor). Third, Europe—perhaps more than any other region—depends on a vibrant, open and multilateral international order, and thus has a high stake in healthy international institutions such as the UN and the WTO. Two European countries—France and Britain—have permanent seats with veto power in the UN Security Council; a third—Germany—may soon join. This implies global responsibilities. Fourth, there are a number of bilateral and multilateral security and defense cooperation agreements, primarily between the United Kingdom and France and Southeast Asian countries, as well as bilateral security dialogues between several European countries and Japan. Moreover, Europe is closely allied to the United States, and would be expected to come to its support in a serious crisis in Pacific Asia.

Europe has not only interests, it also has modest but real capabilities and involvements in Pacific Asia’s security. Although the stationing of European troops in Pacific Asia came to an end in June 1997, after almost five hundred years, with the British withdrawal from Hong Kong, both the United Kingdom and France will retain some residual security commitments and a small but significant maritime presence in Pacific Asia. Europe’s main involvement in Pacific Asia’s defense, however, will likely be as a major supplier of arms. As indicated in the table on the facing page, from 1992 to 1994 arms sales from Western Europe accounted for one-third of ASEAN’s total arms imports and more than half of South Korea’s arms imports. These arms sales are overwhelmingly motivated by commercial considerations. Good or bad, European arms sales have an impact on regional security. Through its arms sales, Europe has leverage, but also responsibilities.

Europe has also contributed to the region’s stability through humanitarian aid (such as the EU’s $69 million of food aid to North Korea, which was explicitly justified as a contribution to regional stability) and peacekeeping operations. France, in particular, played a significant role in efforts to settle the civil war in Cambodia, and contributed an important contingent to UNTAC. Seven other European countries also participated with military and/or civilian personnel in UNTAC. Five European states (France, the United Kingdom, Sweden, Poland and the Czech Republic) participate in the armistice regime on the Korean peninsula.
<table>
<thead>
<tr>
<th>Recipient:</th>
<th>Japan</th>
<th>South Korea</th>
<th>China</th>
<th>Taiwan</th>
<th>Indonesia</th>
<th>Philippines</th>
<th>Thailand</th>
<th>Malaysia</th>
<th>Singapore</th>
<th>ASEAN Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Supplier:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>United States</td>
<td>1900</td>
<td>1300</td>
<td>30</td>
<td>2400</td>
<td>90</td>
<td>200</td>
<td>400</td>
<td>20</td>
<td>240</td>
<td>950</td>
</tr>
<tr>
<td>Western Europe</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>UK</td>
<td>30</td>
<td>270</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>20</td>
<td>20</td>
<td>450</td>
<td>10</td>
<td>500</td>
</tr>
<tr>
<td>France</td>
<td>0</td>
<td>60</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>90</td>
<td>90</td>
</tr>
<tr>
<td>Germany</td>
<td>30</td>
<td>1200</td>
<td>0</td>
<td>0</td>
<td>80</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>80</td>
</tr>
<tr>
<td>Other</td>
<td>0</td>
<td>120</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>60</td>
<td>60</td>
<td>0</td>
<td>80</td>
<td>200</td>
</tr>
<tr>
<td><strong>WE Total</strong></td>
<td>60</td>
<td>1650</td>
<td>0</td>
<td>0</td>
<td>80</td>
<td>80</td>
<td>80</td>
<td>450</td>
<td>180</td>
<td>870</td>
</tr>
</tbody>
</table>

**Shares in Total Arms Imports**

<table>
<thead>
<tr>
<th></th>
<th>United States</th>
<th>Western Europe</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>97%</td>
<td>3%</td>
</tr>
<tr>
<td>Western Europe</td>
<td>44%</td>
<td>56%</td>
</tr>
</tbody>
</table>

*Source: Dong-Ik Shin and Gerald Segal, “Getting Serious About Asia-Europe Security Cooperation,” in *Survival* 39:1 (Spring 1997), pp. 138-55. This table is taken from page 146.*
Lastly, Europe has also been involved in multilateral regional security dialogues at both the official and the NGO levels. The long-standing bilateral relationship between the European Union and ASEAN made the EU almost automatically a dialogue partner in the ASEAN-PMC. When the PMC started to discuss security issues and set up the ARF, Europe was included. It is represented by the Presidency of the EU and a member of the European Commission. France and the United Kingdom have also tried to secure separate participation in the ARF. Several European countries and now the European Union have joined the Korean Peninsula Energy Development Organization (KEDO), set up to implement the framework agreement between North Korea and the United States under which North Korea's nuclear program is to be dismantled in exchange for the construction of two modern light-water reactors (and heavy fuel oil supplies in the interim). European participation in KEDO reflects recognition that Europe has a stake in preventing nuclear proliferation in Northeast Asia.

* * *

In sum, European involvement in Pacific Asia is substantial—more than is often assumed. This gives Europe important economic, political, and security interests in the region. Moreover, Europe has the opportunities and the resources—and therefore also the responsibility—to contribute to community-building in and with the region. Its own experiences in that regard, while clearly not directly transferable to Pacific Asia, can nevertheless be useful to that region. For all those reasons, Pacific Asia by and large welcomes European involvement.

Yet Europe's political role in Pacific Asia is still woefully inadequate. Europe's principal weakness is its lack of policy cohesion and coordination and the tendency of European countries to act at cross-purposes. None of the European countries individually represents a player of significance in the Pacific Asian region. But the European Union has been unable to pursue a common strategy towards the region even within the context of the UN Human Rights Commission in Geneva, let alone in the region itself. Neither have European countries individually been able to coordinate their policies and pool their resources. By allowing themselves to be divided by short-sighted commercial considerations, European countries not only risk Europe's chance to assume a new role, but also their own credibility as partners.
Part III: 
CHALLENGES AND 
TRILATERAL RESPONSES

A striking feature of Japanese, North American, and Europe engagement with and policies toward the Pacific Asia region is how little formal cooperation there is among the three Trilateral regions. To some extent this is desirable. Frequent consultations and tight policy coordination would suggest a degree of intervention and an appearance of “ganging up” that could be counterproductive in encouraging the interaction of Pacific Asia with the Trilateral regions on a basis of equality and mutual benefit. Too little consultation and cooperation, however, prevents the Trilateral countries from pursuing a strategic approach toward the region in collaboration with each other. We believe that the Trilateral world has a truly strategic interest in Pacific Asia—building a sense of community between Pacific Asia and the Trilateral countries. Such a strategy includes helping the region maintain its international security while developing collaborative security institutions, strengthening liberal economic institutions and the effective operation of international economic rules and procedures in Pacific Asia, assisting the consolidation of a system of strong and well-governed states, and promoting cooperation between the Trilateral countries and Pacific Asia on global issues. We explore these issues in the remainder of this report.
8. Enhancing International Security

The Challenge

No other objective—economic prosperity, good governance, respect for human rights, or expanded Asian contributions to global welfare—can be achieved in the absence of security. Earlier we pointed out the significant recent improvement in the international relations of the region. With the end of the Sino-Soviet and American-Soviet cold wars, none of the major powers is in open or sustained conflict with another major power. Regional confidence-building measures and consultative security institutions have been initiated, although they remain in nascent form. Yet there are many underlying sources of tension that affect the security of the region, including a legacy of divided countries (China, Korea), undefined boundaries and territorial conflicts, tensions associated with power transitions, and internal tensions and social movements that can affect international security.

The security of the region is increasingly dependent upon the countries of eastern Asia, particularly China and Japan. By its size and propinquity, Russia is also an important actor. The United States, however, continues to play a leading and vitally important security role. Western Europe’s diplomatic and economic involvement in Asia is also part of the region’s security equation. The challenge for the Trilateral world is to work with the countries of Pacific Asia to reduce sources of tensions, establish norms for resolving differences peacefully, and construct new institutions to enhance common security. The long-term goal is an Asia that has become part of the Trilateral “security community,” in which interstate military conflict has become virtually unimaginable.

Trilateral Responses

At the end of this chapter we turn again to the goal of a security community, which is far from being realized. In the intervening
sections we discuss more specific security goals—maintaining the U.S. security presence, peaceful processes of reunification in Korea and China, peaceful settlement of maritime territorial disputes and dampening rising arms spending.

Maintaining the U.S. Security Presence

For at least the medium-term future, the U.S. forward military presence is an integral element in the security structure in Pacific Asia and cannot be significantly changed without affecting other elements in the regional order. A reduction in this presence would increase uncertainty and augment suspicions among countries in the region of each other’s objectives. It would increase pressures for arms procurements, particularly by those U.S. allies and friends for whom the reduction in the U.S. military presence would be regarded as a net loss of security. Thus the maintenance of a credible American presence remains essential in the foreseeable future while longer-term regional structures and norms are developed.

In the last two decades of the Cold War, there was basic agreement in Washington, Tokyo, and Beijing over the value of the U.S. presence and the essential role of the U.S.-Japan alliance in backstopping that presence. Throughout the 1970s and 1980s, the American forces were seen in all three capitals as a balance to Soviet military might. The U.S. presence relieved Japan from pressure to develop an autonomous military capability. There were many indications that China appreciated these attributes of the U.S. presence and valued the U.S.-Japan Security Treaty as a contribution to the security of China.

In the 1990s, some of these basic premises are being questioned. In the United States budgetary pressures have been the main stimulus for a reduced forward security presence in Asia. Small groups also question the need for a continuation of this presence 50 years after the end of World War II and in the post-Cold War era. In Japan, active opposition to the U.S. presence comes principally from Okinawan resentment—some of which is directed toward Tokyo—in having to bear so disproportionately a burden for the foreign presence. This resentment, catalyzed by a vicious 1995 rape involving three U.S. servicemen, evolved into a well-orchestrated prefectural campaign to reduce and eventually eliminate the U.S. bases. While efforts by the Japanese and American governments to accommodate Okinawan sentiment have temporarily placed this campaign on hold, no one should think that it has ended. Despite such elements of opposition, U.S. and Japanese central decisionmakers strongly uphold the need
for the U.S. security presence and the U.S.-Japanese treaty that makes it possible.

The biggest shift in sentiment has come in Beijing. The setting for this, of course, has been a serious deterioration in China's relations with the West, especially the United States, since the 1989 Tiananmen Square incident. Less than two years later the decisive victory by U.S. and allied forces in the Persian Gulf war shocked the Chinese military, which realized how far its military lagged technologically behind the West. Since then a series of confrontations over human rights, trade, Chinese weapons sales, nuclear testing, and Taiwan have bedeviled Sino-American relations. At the same time, more muscular Chinese foreign policy and China's military modernization efforts, although still in their early stages, have occasioned far more negative comment in the United States and in much of Asia.

These confrontations and criticisms have in turn fed growing nationalistic sentiment in China. Many Chinese saw in them a pattern of opposition to their nation's economic development, territorial integrity, political and economic system, or assumption of its rightful place in Asia and the world. From this perspective, American forward forces—especially after the April 1996 declaration by the United States and Japan strengthening their security alliance and the subsequent updating of the U.S.-Japan Defense Guidelines—are increasingly seen by Chinese as part and parcel of an anti-Chinese strategy. Chinese analysts were quick to seize on references to "containment" by a small minority of American and Japanese analysts and journalists as further evidence of such a strategy. In response the United States government has sought to reassure Chinese leaders that its policy of "constructive engagement" is intended to develop an effective modus vivendi, in which the two countries can talk frankly about differences of views but within an atmosphere of mutual respect.

We review this history because it illustrates the difficult balances and challenges ahead in maintaining the U.S. military presence. Maintaining U.S. domestic support for the U.S. position in Asia, particularly in the face of local sentiments against this presence, requires increased burden-sharing by U.S. allies, Japan and South Korea. To gain support for increased burden-sharing in these host countries requires that they have increased alliance responsibilities. The U.S.-Japanese declaration in April 1996 incorporated both burden- and responsibility-sharing in a substantial upgrading of the alliance. This made eminent sense in terms of U.S.-Japan
alliance management, but fed Chinese fears about the ultimate aim of the alliance.

The challenge for Japan and the United States is to strengthen their security relationship while simultaneously strengthening their relations with China. The success of such a strategy depends in large part on internal developments in China. The post-Deng leadership's lack of revolutionary credentials does not bode well, since this gives an incentive for current powerholders and aspirants to make up the legitimacy deficit by emphasizing nationalism.

Proper presentation of their goals and interests by leaders in the United States and Japan and a sustained effort at security dialogue with China are essential, irrespective of other issues in their relations with that country. The United States should reaffirm its commitment to its forward presence in Asia. This presence should be defended primarily on the basis of its long-term importance to the overall regional order (and the competitive dynamic a hasty withdrawal could precipitate) rather than on the basis of any specific threat.

It is tempting for American policymakers to focus their public statements on North Korea, a country whose behavior makes it an obvious threat to regional peace. This would be a mistake. Certainly a key function of the U.S. presence is to prevent an outbreak of violence in the Korean Peninsula, but an early termination of the North Korean threat through a collapse and change of regime or reunification (as discussed below) would not significantly lessen the need for a forward-based U.S. presence in Asia. Too great an emphasis on North Korea, like the previous emphasis on the Soviet threat, detracts attention from the broader functions of the U.S. alliance system and creates problems of public support when that threat disappears.

It does not follow that the U.S. military presence in East Asia should be immutable or eternal. Both the Bush and Clinton Administrations reaffirmed U.S. commitments and explained their post-Cold War importance. The Bush Administration called for a gradual reduction in U.S. forces depending upon an improving security environment and the assumption of leadership roles by allies. The Clinton Administration hopes to maintain a forward personnel level of about 100,000 in Asia. Since technology, alliance arrangements and other factors also determine the effectiveness of the presence, this manpower figure should not be given undue significance. Like in Europe (where a forward personnel level of about 100,000 is also to be maintained), the American military presence in Pacific Asia should be
viewed as a contribution to the general maintenance of order, rather than as directed against any specific threat.

Commitment to Peaceful Processes of Reunification
The most difficult and dangerous international issues in Pacific Asia relate to future political arrangements in two divided countries—China and Korea. The Trilateral countries have acknowledged that these arrangements are up to the people of these countries themselves to determine. The Trilateral interests are that such future arrangements be decided peacefully and not abridge the right of the peoples involved to engage in friendly relations and commerce with the outside world, or other internationally recognized rights.

Despite regional variations within the peninsula, the Korean people have a relatively homogeneous culture and a long history of nationhood. The current division of the peninsula is a congealed Cold War artifact, as artificial as the previous separation of East and West Germany. During the Cold War there were no serious prospects for reunification, but now future political arrangements on the Korean peninsula are once again largely in local hands. The economic and food crises in the North, a product of both autarkic policy and natural forces, seem to be undermining political support for the regime and compelling policy changes that will make that regime’s survival more difficult.

Political forecasts about isolated North Korea are hard to make with any degree of confidence. The North may be able to maintain a separate existence for many years or it may be headed toward an early collapse. Since the latter possibility certainly cannot be discounted, the Trilateral countries and their Pacific Asian partners, especially South Korea and China, need to be prepared. A North Korean collapse might include any or all of the following elements: a desperate military lunge against the South, civil conflict, large-scale refugee flows, and enormous international relief requirements. Although individual governments apparently have considered some of these aspects, there appears to be little coordinated effort by the governments most involved to discuss possible scenarios and their implications together. Instead, most of the attention is given to more immediate issues—the North’s nuclear program, the September 1996 grounding of a North Korean submarine off the South Korean coast, the February 1997 defection in China of a high-ranking North Korea official, and emergency food needs and relief.

A possible Korean reunification raises important issues. With almost 70 million people, a reunited Korea would be a relatively large...
country by European standards, but it would still be dwarfed by its large and powerful neighbors and has traditionally been a cockpit for conflict among them. Therefore, a strong and resilient Korea is a key to regional stability. In this regard, the Trilateral countries need to consider two important factors.

First, the economic and social costs of reunification for South Korea will be proportionately considerably greater than for West Germany. This reflects the lower state of North Korean development and its higher share of the total Korean population, as well as the smaller resource base of the Seoul government in comparison to its Bonn counterpart. For these reasons, the concept of maintaining a separate North Korean state even if the Pyongyang regime collapses appeals to some economists and politicians in the South, but it is unlikely to be politically viable. Therefore there will need to be a considerable international effort to support the reunification process.

Second, as implied earlier, reunification will have implications for the U.S. military presence, not just in Korea but in the region. A withdrawal of U.S. forces from Korea would leave Japan as the only Asian host country. This could subtly undermine political support for this presence in Japan. Thus Washington, Tokyo, and Seoul need to be thinking about the post-Korean reunification deployment of U.S. forces and share this thinking with Beijing and Moscow.

Taiwan presents the international community with a complex and potentially very dangerous anomaly. The successors of the defeated Kuomintang forces on the mainland, originally protected in Taiwan by American power, have built one of Asia’s most successful and vibrant economies while undertaking a transition from authoritarian to democratic rule with a minimum of political upheaval. The 22 million inhabitants of the island have many of the attributes of independence, including a broad set of diplomatic ties with only the barest of non-official disguises and membership in some international organizations like the Asian Development Bank and the APEC. However, the Taiwanese population is the largest block of people to have no UN representation, nor is Taiwan represented in many other world organizations. Taiwanese leaders cannot make normal state visits to most other countries, and other restrictions prevent Taiwan from assuming the usual international obligations or engaging in normal political and military relations with other countries.

From Beijing’s perspective, Taiwan’s separate existence represents not only the incomplete communist victory but the historically most
recent example of foreign interference with China’s territorial integrity. Beijing believes that, in comparison to other civil war situations, it has made remarkable offers of accommodation to Taiwan—including permitting its membership as Chinese Taipei in APEC; allowing Taiwanese to travel to, invest in and trade with the mainland; and offering a formula for reunification under which Taiwan would maintain its separate political system and even military. Beijing is unwilling, however, to rule out what it regards as its right to intervene militarily, especially if Taiwan tries to move toward de jure independence.

There is "no exit" from this situation until change has occurred in either the mainland or the island permitting a consensus to be reached on Taiwan's future status. For the time being, the Trilateral countries should maintain their strong position that the Taiwan situation can only be resolved through peaceful means, without physical coercion or its threat. Since Beijing does not rule out coercion, Taipei will need weapons to defend itself. At the same time, the Trilateral governments need to make it crystal clear to Taiwan that they will not support Taiwan's independence in the absence of consensus on this matter within the Chinese political community as a whole. However, they do encourage the further development of means by which the people of Taiwan can be appropriately involved with and represented in the international community. This includes visits by democratically elected Taiwanese leaders to the Trilateral countries, although not in their official capacities.

This approach faces major problems. First, it is oriented toward the status quo, while conditions are changing in both the mainland and Taiwan. But this basic policy approach has worked relatively successfully through the changes of the past twenty-five years, and what is permitted within its general parameters may change over time. We see no other viable basic approach.

Second, inevitably there will be tensions with both the mainland and Taiwan over this approach, as it denies the full aspirations of either side. Chinese missile tests in the Taiwan Straits in 1995-96 and the U.S. movement of its fleet toward the area in February-March 1996 were reminders by these governments of their policy markers. Such situations are likely to arise again, which calls for sustained dialogue on the Taiwan situation. It is important that the Japanese and European governments be actively involved to make the point that a peaceful resolution regarding Taiwan is of international (and not just American) interest.
Finally, such clear-cut positions are often hard to maintain in the Trilateral democracies, where private organizations and parliamentarians can freely advocate their own positions. This can be confusing to Chinese on both sides of the Taiwan Straits and create room for them to seek to bolster their position through international allies. For this reason, those representing official policy must constantly strive to maintain their leadership in domestic policy debates and communicate their positions frequently and authoritatively to Beijing and Taipei.

Commitment to the Peaceful Settlement of Territorial Disputes

Most of the maritime territorial disputes involve small islets that confer potentially large resource claims or whose protection has been linked to national status. The resolution of most of these claims is politically beyond the capacity of the leaders in the region at present. In the absence of resolution, these disputes remain hidden (or not so hidden) bombs that, if activated, can affect the international relations of the region. Within the past two years, three such disputes captured regional headlines and created challenges for bilateral relations: China's building of structures on Mischief Reef, an islet in the Spratlys close to and claimed by the Philippines; the Tokdo/Takeshima dispute between South Korea and Japan; and the Senkakus/Diaoyutai dispute between Japan and China. The dispute between Japan and Russia over the Northern Territories continues unresolved. (See map on facing page.)

The interests of the Trilateral countries are affected by disputes that may threaten the freedom of maritime passage, the safe exploitation of resources, or regional peace more generally. Japan is a party to conflicting island and maritime claims with Russia, Korea, and China. The United States may be directly affected through its security partnerships with Japan, South Korea, and the Philippines.

The Trilateral countries should reaffirm their commitment to the peaceful settlement of territorial disputes in the region, free from exercise or threat of coercion, and to the principle of freedom of navigation. They may also be in a position to support useful dialogue, as the Canadian government has done in underwriting an Indonesian-sponsored dialogue among claimants in the South China Sea.

The Trilateral countries themselves cannot be expected to take positions on the merits of individual cases, which are best left to international courts and negotiations among the countries involved. For example, its Asian allies should not expect the United States
Source: Adapted from a map appearing with Michael J. Green and Benjamin L. Self, "Japan's Changing China Policy: From Commercial Liberalism to Reluctant Realism" in *Survival* 38:2 (Summer 1996). The map is on page 34.
diplomatically or militarily to support all their claims to territory, especially where there are competing claims between these allies themselves. The Trilateral countries should beware of lending legitimacy to new claims. The Chinese-Taiwanese claim to the Senkaku Islands, for example, has been actively asserted rather recently. The United States used these islands for target practice during its administration of the Ryukyu islands without complaint from China or Taiwan.

**Dampening Arms Spending**

Unlike many regions of the world, defense spending in Pacific Asia has generally increased during the post-Cold War era. The importance of this trend should not be exaggerated. Defense modernization efforts often reflect a shift from manpower- to technology-based defense strategies. Military manpower is declining in most countries, including in China. Defense as a share of GDP has also declined in much of the region. Increased spending also reflects new defense needs, including the protection of the extended exclusive economic zones conferred by the Law of the Sea Convention. Richer Asian countries are also taking advantage of their increased purchasing power and the oversupply of weapons and arms technologies in the market. In general, the increased arms spending in the region is not driven by concerns about enemies and in this sense does not now resemble a “race.” The competitive purchases of Taiwan and the People’s Republic of China are an exception, although even here it can be argued that existing equipment is often obsolete and that modernization is in order.

The rise in military spending, however, is worrisome in the longer term. Some spending seems to make little sense in terms of actual defense needs. Thailand, with one of the smaller maritime zones of the larger Southeast Asian countries, is the first nation in Pacific Asia to acquire an aircraft carrier (built in Spain), albeit a pocket-sized one. Tiny Brunei has concluded a major arms deal with the United Kingdom under which it reportedly is acquiring as many as 30 jet fighters. Malaysia has been one of the region’s most voracious procurers of advanced weaponry despite the excellent relations it enjoys with its neighbors. In recent years China’s defense expenditures have increased despite the reduction of tension along China’s borders. Such spending does increase pressures in neighboring countries to make competitive purchases and may fuel mutual suspicions over the longer term. It certainly increases the need
for and the challenges of developing confidence-building measures among Pacific Asian states.

The United States and several Western European countries are major military suppliers to the region. In a time of defense budget constraints, the arms industries in these countries have been increasingly aggressive arms vendors on international markets. This has undermined the legitimacy of efforts by these countries to curtail arms sales by Pacific Asian countries, especially China. We believe that the principal Trilateral countries involved should quietly examine their arms sales policies with a view to encouraging greater restraint.

Building a Security Community

Security community-building in East and Southeast Asia is still in its infancy. The most significant development so far took place in Southeast Asia with the consolidation of the ASEAN group. Through extensive elite contact and a growing sense of solidarity, ASEAN has had a significant impact in building what some believe is almost a security community in the heart of a region once thought of as the Balkans of Asia. ASEAN is seeking to apply the same formula on a broader basis through its sponsorship of the ASEAN Regional Forum and the expansion of ASEAN membership to encompass all ten countries of Southeast Asia.

There are mixed assessments of the ARF. Optimists point out that it has developed an annual ministerial dialogue and several working groups on noncontroversial issues. They also note that ARF is only three years old. Pessimists note that the ARF agenda is controlled by Southeast Asian countries while the region's most pressing security issues are found in Northeast Asia. The ASEAN initiative to expand the ARF to Myanmar and India (at the 1996 ministerial meeting) occurred with almost no consultation with the other members and angered some of them. Moreover, the most sensitive issues are not on the formal ARF agenda, although they can be discussed informally and in side meetings.

Despite these limitations, the ARF is the most promising general consultative security institution in the region, and it involves all of the Trilateral regions, including Europe. The Trilateral countries should place a high priority on working with the ASEAN group to make the ARF a success.

The ARF will need to be supplemented by other security-related institutions. A Northeast Asia or North Pacific consultative dialogue
has long been proposed, but so far such dialogues exist only in "track two" or non-governmental modes and have not made much progress. The Korean Peninsula Energy Development Organization (KEDO), which is providing light water reactors to North Korea in exchange for that country's abandonment of its earlier nuclear efforts, does provide a forum for exchanges among the two Koreas and Trilateral and other countries with a strong interest in the Korean peninsula. Perhaps these KEDO exchanges can eventually be broadened into a wider Northeast Asian dialogue.

Two other confidence- and community-building proposals bear attention. One is the periodic call for multilateral defense ministers' consultations, at least among the larger powers. The other is to include discussion of political-security issues in the APEC Economic Leaders meetings. Neither of these is likely to happen soon, but both have merit and should remain on the table.

Bilateral exchanges and consultation among defense ministry officials and the uniformed military have increased substantially. This helps develop a better understanding of each other's positions and interests and should be encouraged. A multilateral dialogue among defense ministers in Northeast Asia would be an important additional step. Broader Asia-Pacific dialogue can be achieved through the ARF process.

Political-security issues are already on the agenda in Economic Leaders meetings in the sense that they are a large part of the substance of the many bilateral and other side meetings that occur alongside the formal meetings. For example, the leaders of the United States, Japan, and South Korea met on the side of the 1994 APEC Bogor meeting and issued a rare joint statement directed toward North Korea. The history of leaders meetings connected with the G-7 and ASEAN suggests that it is inevitable and logical that the leaders will use such venues to address the issues of greatest national and international importance, whether in the economic, political, or security domains. Special membership problems exist in the APEC, which includes "economies" not recognized by the others as sovereign countries. But this was once thought to prevent summit meetings, and the group creatively found a way around this problem.
9. REGIONAL AND GLOBAL ECONOMIC PROGRESS

THE CHALLENGE

The nature of the economic challenge for Trilateral countries in Pacific Asia has changed over time. In earlier years, the main challenge was to help these countries toward self-sustaining growth, through foreign aid programs (particularly from the United States in the early postwar years and from Japan in the past two decades) and by opening markets to Pacific Asian products. In the early 1980s, two-thirds of the region's manufactured exports went to the United States. Today's Pacific Asian economies have achieved self-sustaining growth, to the extent that the downturns in the Japanese, North American and European economies early in this decade hardly caused a blip on the Pacific Asian growth charts. Even though the region still needs Trilateral goods, capital, markets, and technology, its dependence on the Trilateral world is decreasing as intra-Pacific Asian trade and investment grows. At the same time, the region's importance for the Trilateral economies is increasing—as indicated in the desire of Trilateral business firms to increase their presence in the region and of Trilateral governments to associate themselves with Pacific Asia in institutional networks.

The pell-mell pace of economic development in Pacific Asia, however, creates many imbalances and may be more fragile than commonly believed. The region's institutional and physical infrastructure is inadequate. Corruption has grown phenomenally in some countries. Regional, urban-rural, and social class inequities have increased in many countries. The agenda of the region is thus changing—from launching economic growth to stabilizing and consolidating the growth process, removing bottlenecks, and dealing with the consequences of rapid modernization and globalization processes.

Economic activity benefits from a rule of law that introduces transparency, certainty, consistency, and the potential for redress against wrongs. It also benefits from a macroeconomic policy
environment and the deepening of financial institutions that encourage stable expansion and discourage overheating, speculative bubbles, and inflation. Implementation of international standards at the national level encourages trade and investment. Some Pacific Asian countries have been very successful on these fronts; others are far behind, especially those which have only begun to institute market reforms in the past fifteen-to-twenty years. Moreover, open capital markets and huge flows of global speculative capital increase the need for sound macroeconomic policies and a well-regulated financial system.

Part of the challenge for Trilateral governments and private institutions—particularly for foreign assistance efforts—is to work with Pacific Asian governments in developing and embedding appropriate institutions and policy instruments, and in helping train the human resources needed for the sustained economic modernization of the region.

Much of the challenge in Pacific Asia is for Trilateral companies. Despite growing awareness of Pacific Asia, many firms in the Trilateral world remain relatively poorly informed about the region. Investment often lags behind trade. Small and medium-sized businesses have more difficulty in approaching Pacific Asia than large multinationals. Trilateral governments can help encourage an economic environment in which private business can flourish and have access to markets of the region on a nondiscriminatory basis. While governments can also help alert the private sector to market opportunities and assist them in strengthening their capabilities to take advantage of these opportunities, Trilateral governments should not be seeking guarantees of sales.

THE TRILATERAL RESPONSE

The main elements of the Trilateral response should be to:

- Encourage the development of liberal economic institutions in the region. This should be done in cooperation with Pacific Asian countries through assistance programs and, where possible, through multilateral cooperation.

- Maintain and promote an open international economic environment. The strengthening of the World Trade Organization (WTO) system in the region is critical. APEC and ASEM are complementary to the WTO system.
Encourage private sector trade and investment participation in the Pacific Asian economies through appropriate means.

Encourage and assist responsible policies to protect the environment, improve income distribution and meet other important socio-economic needs.

Improve awareness in the Trilateral countries of the sources of growth in Pacific Asia and the mutual benefits of Pacific Asian growth.

The Trilateral countries' contribution to security and stability, of course, also facilitates Pacific Asian economic development and economic interaction with the Trilateral countries. For example, as Pacific Asia becomes increasingly dependent on the Middle East for energy resources, the Trilateral countries' security involvement in the Middle East is a significant contribution to Pacific Asia's economic stability.

Embedding Liberal Economic Institutions

The success of the region in export markets has created tremendous strains in trade relations with Trilateral countries. Some Trilateral countries have been quite successful in unilateral efforts to compel Pacific Asian countries to change laws or practices that affect market access; the United States, for example, successfully forced many countries to adopt stronger intellectual property protection, although enforcement remains spotty. However, because of the growing economic power of Pacific Asia, the bargaining power of the Trilateral world, even the United States, is beginning to decline. Popular books in both Korea and China now advise the respective governments to say "no" to U.S. pressures, following an earlier literature of the same sort in Japan.

The Trilateral countries, therefore, have a tremendous stake and perhaps a relatively short window of opportunity to use their influence to help Pacific Asian countries develop economic institutions that are compatible with the international market economy. To be successful, outside pressures must be compatible with and reinforce forces for change within Pacific Asian economies. (In the case of intellectual property protection, for instance, a growing number of region-based manufacturers or licensees and distributors of foreign intellectual property have lobbied for strengthened legislation.) Outside pressures are also more acceptable if they are mediated through international organizations. For this reason, the present international economic order and its principal institutions
(such as the WTO, the Bretton Woods institutions, and international environment regimes) need to be strengthened and adjusted for a broader participation by Pacific Asia. In this context, the WTO, APEC and ASEM are especially important as they embody international standards for domestic trade and investment-related legislation.

The currency crisis that swept Southeast Asia in mid-1997 may provide a basis for Trilateral-Pacific Asian collaboration to strengthen the region’s financial institutions and markets on a longer-term basis. While there are many reasons for the turbulence, basic problems are the weakness of domestic financial institutions, lax prudential standards, political interference and favoritism made possible by the lack of transparency, and the absence of more sophisticated financial instruments, such as a developed bond market, to intermediate between the region’s savers and investors. While reactions to the financial instability in some Southeast Asian countries were initially counter-productive, a more considered response would be to learn from the crisis and use it as an opportunity to make reforms. In Thailand’s case, reform is required under an agreement with the IMF. Financial reform and efficiency is all the more essential given the tremendous infrastructural investments required throughout Pacific Asia as it continues to develop.

Because of the relatively small size of the Southeast Asian economies, foreign participation is essential in both intermediation and development functions. Pacific Asian developing economies also can learn from the variety of regulatory experiences in the Trilateral countries. APEC, with its annual finance ministers meeting, is an appropriate institution in which a mutually beneficial financial package could be developed involving both individual action plans and collective action. Elements of such a package might include the completion of the WTO Financial Services agreement and domestic deregulation combined with the development of sound regulatory practices, insulated from political favoritism.

**Promoting the WTO System**

Most Pacific Asian economies are members of the WTO—China and Taiwan are the major exceptions. However, the experience of some countries with the WTO is limited and full implementation of WTO disciplines is wanting. Since the WTO is the main institution embodying liberal trade rules, the Trilateral countries have a strong interest in improving conformance with the WTO disciplines in Pacific Asia and in seeking WTO admission of China and Taiwan.
The Trilateral countries reinforce the legitimacy of the WTO system through their own use of and respect for that system. As a result of the Uruguay Round, the WTO system has been greatly strengthened with respect to both its coverage of trade-related issues and its relevance to dispute settlement. There are still many areas, however, where rules are vague or non-existent. There is no authoritative interpretation, for example, of the rules covering regional trade agreements, nor much enforcement. Labor and environmental standards are very controversial areas on which there is little or no international guidance. The Trilateral countries, working with interested Pacific Asian countries, should continue their efforts to strengthen and extend the WTO trade disciplines. Such issues are often best approached through low-key, technically competent working groups and special committees. As discussed below, regional institutions may be good vehicles for the Pacific Asian countries to explore such issues with Trilateral partners. They provide a relatively non-threatening environment given their limited membership and the absence, for the most part, of formal negotiations or legal commitments.

China and Taiwan are two of the world’s largest trading countries. Their non-membership in the WTO is an anomaly which should be corrected as quickly as possible. The Trilateral world, however, faces a dilemma with respect to China’s membership. On the one hand, the WTO is a club with rules. China must provide adequate assurance that it understands those rules and will progressively implement them. To not require such assurance would undermine the WTO itself and set a bad precedent for other countries (including Russia and Ukraine) that are also prospective members. On the other hand, too rigid a position could discourage China from making sufficient efforts to liberalize its system and join the WTO. China may come to believe that it does not need the WTO and can continue to deal with trade pressures on an ad hoc basis as they arise.

This would not be in the long-term interest of either China or the Trilateral countries. As China’s weight in the world economy increases, it will have many trade disputes with its partners. These can be enormously costly to China’s economy unless there are relatively well-defined rules according to which such disputes are resolved; otherwise their resolution depends on transient and often unpredictable political factors, which instills uncertainty and deters longer-term investment.

Some in the Trilateral countries fear that once agreement is reached on China’s admission to the WTO, the Trilateral world will have lost
its bargaining leverage with China. However, the complex process of accession, once begun in earnest, should maximize the bargaining power of WTO members. Moreover, China’s participation will oblige it to progressively meet WTO standards and give the Trilateral countries a legal basis for asking for reform in China’s practices that do not meet these standards. In other words, it is through membership that China’s trade regimes are most likely to change in a direction that conforms with international standards. China’s membership also gives both it and the Trilateral countries access to the recognized international dispute-settlement process, thus depoliticizing and reducing the burden on bilateral relationships of issues that inevitably will arise in the course of China’s deeper engagement in global commerce. This is a win-win situation for China and its trading partners.

During part of last year, it appeared that China was losing interest in the WTO, but more recently progress has resumed. The Trilateral countries should try to accelerate the talks, accentuating the positive aspects of China’s accession. The Trilateral countries need to stress the importance of participation in the international trade system for China’s future international economic relationships. While China’s willingness to make concrete commitments on WTO disciplines, procedures and standards is essential, accession should not be used for bargaining on bilateral trade issues.

The path toward accession of the People’s Republic has important implications for Taiwan. Taiwan is further advanced in the accession process, and hopes to finish its bilateral negotiations soon. Legislation has been introduced to undertake many of the obligations required of Taiwan, and passage will require tough political decisions from Taiwan. If the Taiwanese legislators believe that the People’s Republic is unlikely to be admitted and that Taiwan’s membership will be held up, they may be unwilling to pass this legislation.

**Supporting APEC**

The Trilateral APEC member-economies (Canada, Japan, and the United States) should make every effort to ensure this new institution’s success. APEC may have multiple purposes, but the ultimate one is to build a sense of community across the Pacific. To achieve this purpose, APEC promotes trade and investment liberalization and facilitation, and economic and technical cooperation. APEC has no pretenses to become a common market or even a trade agreement like NAFTA.
APEC supports the WTO system and the development of liberal economic institutions in several important ways. First, because APEC involves intensive discussions and comparisons of national efforts in areas covered by international codes, it promotes awareness of these codes at the national level. In virtually all areas of APEC trade-related cooperation, a key objective of the APEC is to improve application of WTO rules. APEC thus intensifies the WTO effort and helps make it more meaningful to the APEC members. This is particularly important for APEC members that are not members of the WTO, such as China and Taiwan. It helps familiarize them with the WTO system prior to joining.

Second, APEC's own efforts help maintain the momentum of liberalization in the APEC region. APEC is proud of its unique process, which exploits the existing unilateral liberalization efforts of many economies in the region. Under a process initiated at its ministerial and leaders meetings in the November 1996 in the Philippines, the APEC member-economies exchange individual action plans to achieve the 2010/2020 vision of free trade and investment in the region. The initial plans were not particularly impressive, especially when it comes to spelling out longer-term steps. The Trilateral member-economies could take stronger leadership in this regard. The United States is particularly disadvantaged because of its current lack of "fast-track" trade negotiating authority, which prevents it from making an impressive individual action plan. A resumption of this authority is essential for effective U.S. policy and leadership in the WTO, APEC, NAFTA expansion, and proposed Free Trade Agreement of the Americas.

APEC liberalization is also governed by a number of important principles agreed to in Osaka in 1995. These include comprehensiveness, WTO consistency, comparability of effort, comprehensiveness, non-discrimination, transparency, and flexibility. These principles can become contentious in the future as APEC proceeds to implement liberalization. For example, it is agreed that comparability should take into account how open an economy is already. Some economists who have closely followed APEC argue that because the United States is already quite open, the burden of market-opening in the early years should be taken by developing Asian countries. Japan and other Northeast Asian economies, using the principle of flexibility, are likely to delay agricultural liberalization. In order to support and sustain the APEC process, and to ensure that the principles do not become excuses for delay, greater definition will
have to be given to the concepts of flexibility, transparency, and comparability.

Third, APEC can be used as a caucus to discuss future directions of the WTO and occasionally operate as a pressure group. For example, APEC’s support for an information technology agreement (ITA) at its meetings in the Philippines in November 1996 paved the way for the WTO’s first ministerial meeting in Singapore the next month to reach consensus on the need for this global agreement. (The ITA, finally agreed in March 1997, will eliminate tariffs on as much as $500 billion of trade in information technology products.) There may be other areas where APEC members account for a large enough share of world trade and have similar enough interests that their combined weight can move forward the global liberalization process.

Finally, because APEC does not involve legally binding commitments, it provides member-economies with opportunities to explore trade liberalization without losing their bargaining leverage in the WTO.

In furthering APEC, it is essential for the Trilateral member-economies to keep in mind that the underlying and central purpose of APEC is community-building, and that trade and investment liberalization, and technical and economic cooperation, are means to this end. APEC seeks to avoid rancorous negotiations and operates on the basis of each economy putting forth its own proposals, subject to a review process involving the others. This process may not achieve the 2010/2020 vision, but that timetable is not especially important if through working together on a broad range of issues, APEC member-economies develop a sense of shared vulnerabilities and destiny and strengthen elite ties.

Developing ASEM
The ASEM process is strategically important as it strengthens the weakest leg of the triangle linking the three great industrialized regions—Europe, North America, and Pacific Asia. The United States and Canada should welcome and support the ASEM process as a community-building process complementary to the APEC and to the many links that connect the North Atlantic nations. While ASEM’s principal role will be to facilitate the further expansion of economic relations between Europe and Pacific Asia and raise mutual awareness about the importance and characteristics of each region, over time ASEM could also become a critical element in sustaining an open international economic order. By introducing a third major
relationship and thus “completing the triangle,” the three regions should be better able to check temptations of economic unilateralism, mercantilism or bloc-building in any of them and promote the enhancement of a rules-based international economic order.

ASEM also represents an important opportunity to promote community-building at the global level. The dialogue and cooperation between Europe and Pacific Asia within ASEM clearly is inter-regional; to the extent it succeeds in contributing to international order beyond the strengthening of bilateral relations, it will help the evolution of a global community.

**Strengthening Awareness in Trilateral Countries of the Benefits of Pacific Asian Growth**

The underlying dynamics of Pacific Asia’s economic growth and its implications for the Trilateral world are inadequately understood in our countries. There are growing fears in all three Trilateral areas about Pacific Asia’s economic achievements. It is true that the rise of Pacific Asia means that the share of the world economy accounted for by today’s Trilateral countries is reduced. But the more efficient international division of labor that results from the development of Pacific Asia helps increase the standard of living in the Trilateral world. Pacific Asia is a source of efficiently produced imports (lower costs for Trilateral consumers) and the Trilateral world’s fastest growing export market.
10. Enhancing Domestic Political Stability

The Challenge

Political stability over time is essential for peace and prosperity. In a changing world, "stability" over time must be a dynamic concept. Political stability in this sense requires (1) basic continuity in the present state system and (2) legitimate political order within the states of the system. The first requirement reflects the contemporary international status quo, although basic continuity does not preclude peaceful, mutually agreed revisions. The second test is not yet met by some of today's domestic arrangements in Pacific Asia. Political arrangements must be broadly acceptable to the citizenry if they are to be resilient. Rule without the general support of the governed or without institutionalized rules for political succession cannot be stable and cope with pressures for change over time.

Political stability is a requirement of community-building. Despite the rise of other actors in international affairs, states remain the essential vehicles through which norms are established and authoritative international rules are negotiated, implemented, and adjudicated. In the absence of legitimate states and a secure state system, the prospects for international cooperation and community-building are seriously compromised. In this sense, politics hold the key to the future of peace and stability in Pacific Asia.

In Chapter 3, we discussed the continuing nation-building tasks that engage the countries of Pacific Asia. Here we summarize them broadly:

- Developing a sense of national identity and loyalty among often far-flung and ethnically and culturally diverse populations. The territorial integrity of some Pacific Asian states is questioned by groups which owe primary loyalty to a smaller political community, as in parts of Myanmar, China, Indonesia, and the Philippines.
• Institutionalizing governing arrangements that major social groups accept as authoritative and fair in establishing governments, determining leadership transitions, and creating law and policy. In much of the region, political institutions are actively or latently contested by significant groups that regard them as the instruments of contemporary powerholders rather than of the political community as a whole.

• Coping with the many stresses of underdevelopment and rapid modernization, including poverty, widening income inequality, rapid rural to urban migration, the rise of new social classes, the collapse of traditional authority, and growing environmental pollution.

One should not under-estimate the enormity of these central political tasks or the significant strides that many Pacific Asian states have made toward their achievement. In most countries a sense of nationhood and national unity has developed among the vast majority of the population. In general, the fabric of society has proved remarkably resilient despite the tremendous stresses of modernization. But these achievements are nonetheless precarious. The weakest elements lie in the establishment of legitimate and lasting constitutional arrangements, strong political institutions, and the rule of law.

TRILATERAL RESPONSES

Supporting Good Governance
It is easy to recommend that Trilateral countries support “good governance,” but difficult to operationalize such advice. In an interdependent world, the Trilateral countries have a major stake in good and stable governance in the region. But the role that outsiders can legitimately and effectively play in encouraging good governance is quite circumscribed. Unwelcome outside pressure not consistent with and supportive of the forces for change within the society in question can be counterproductive.

It is important to develop a broadly accepted understanding of what good governance means and of the limits of outside encouragement. To us, essential elements of good governance include: (a) the rule of law—decisions by those in authority need to be subject to clear and legally enforceable standards and rules; (b) transparency—the locus and mode of exercising political authority
should be clear; (c) accountability—those taking public decisions should be responsible for their decisions; (d) participation—citizens need to have opportunities to express their preferences and freely select their political representatives, which may require a considerable devolution of political power to local and regional governments; and (e) the promotion of well-being—this includes the protection of basic human rights as well as the pursuit of social justice.

Good governance in Asia should not be equated with current North American or European models of democracy. These models generally involve intense political competition. In most Asian nations, political competition has traditionally been regarded as destructive of the higher purpose of governance in maintaining an orderly and harmonious society. Moreover, many Asian leaders argue that intense political competition in the early stages of nation-building—in the absence of a strong sense of national unity, firmly established rule of law and civil rights, and agreed upon rules for peaceful political competition—can too easily degenerate into chaos, ineffective government, or persecution of minorities. Such arguments are more persuasive in some contexts than others.

It is important to remember that the ideals and institutions of governance now prevailing in particular Trilateral countries typically evolved over long periods of political experimentation, and are still changing. Similarly, the political institutions of Pacific Asia are evolving through a process of “learning by doing.” While we anticipate that the political institutions of modern society will eventually converge upon the features required for good governance, including democracy, the basis of convergence will be through national processes of trial and error with inevitable failures along the way. Notions of good government are necessarily to some extent culture-bound and basically the responsibility of those in question. Rarely, except in the aftermath of war, can political institutions be imposed from without and even then they will not become legitimate without developing strong domestic roots.

This said, the Trilateral countries nonetheless can play roles in the evolution of good governance and domestic political stability. Trilateral countries provide varied models of political, judicial, legal and other institutions of good governance; they are training grounds for many young men and women who eventually take on leading roles in the governments and civil societies of Pacific Asia; Trilateral NGOs can work with Pacific Asian governments and nongovernmental organizations in helping shape new institutions;
and the Trilateral countries assist by helping provide a supportive economic and security environment.

**Building Institutions**

Alongside the region's tremendous need for physical infrastructure are some gaping holes in institutional infrastructure. This is particularly evident in transition economies such as China and Vietnam. Institutional weaknesses feed growing social problems such as corruption, arbitrary exercise of authority, income inequalities, disregard for consumer or worker safety, and environmental abuses. Governments in Pacific Asia commonly recognize such problems as dangerous and have a strong interest in extending effective policy regimes. They are often interested in adapting the experiences of the Trilateral countries to their own circumstances.

The Trilateral countries should work with governments and other local partners to help develop modern legal and judiciary systems, appropriate regulation of the economy (including health and safety standards), environmental assessment methodologies, and so forth. Policies and programs to help Pacific Asian countries strengthen their capacity in such areas of governance are generally welcomed throughout the region. There are a surprising number of opportunities for nongovernmental organizations to work with Pacific Asian governments on sensitive issues such as the development of labor rights and protection, the establishment of grassroots electoral systems, the strengthening of the media, and the improvement of human rights bodies.

In increasingly pluralistic countries, a thriving civil society strengthens the foundation for good governance. In Pacific Asia, civil society is still relatively weak and constrained by governments, when compared to North America or Europe. However, it is evolving rapidly across the region, particularly in urban centers. Many of the founders of the institutions of modern civil society were educated in the Trilateral countries and drew their models in part from Trilateral societies. Foundations and sometimes governments in Trilateral countries have provided critical financial support for institutions for which there was little initial local support. The driving forces behind the broadening and deepening of civil society in Pacific Asia are now indigenous, but the Trilateral countries remain sources of ideas, training, and finance. Joint activities involving Pacific Asian and Trilateral institutions are among the principal mechanisms of international community-building.
Distinguishing Between Democracy and Human Rights

In much of the public rhetoric about good governance in Trilateral countries, democracy and human rights are conflated as synonymous. There needs to be a clear conceptual and political separation between the two. Democracy is a political system, and a political community's choice for democracy is a matter of self-determination. In contrast, human rights largely concern individuals, and the protection of a number of those rights is a matter of legitimate international concern under international law. Governments have an obligation to the international community to respect these rights.

Mature democracies are generally respectful of basic human rights, and free media and independent judicial processes expose and redress abuses. Human rights abuses are more likely in non-democratic countries. Where there is no free press, victims of human rights abuses have little alternative but to seek attention in the international community. As responsible members of this community, Trilateral and Pacific Asian countries have the responsibility to call attention to egregious violations. Moreover, Trilateral countries must remain faithful to their convictions, and Trilateral governments have to reflect those convictions in their policies to maintain their own credibility and legitimacy.

Trilateral government actions on human rights issues are more likely to be effective if done consistently and firmly and with a minimum of publicity. Constructive dialogue with the government in question is better than figure-pointing. The UN Human Rights Commission is a good venue for addressing these issues multilaterally, in their own framework rather than tagging them onto other political issues whenever domestic pressures demand this. Trilateral governments need to make clear that in supporting basic human rights for minority communities, they do not condone militant separatism.

Sanctions

Over time, deeper involvement in the international economy is likely to support the evolution towards more open and pluralistic forms of government. For this reason, economic sanctions may be counterproductive from a human rights perspective. They can, however, be appropriate as expressions of concern and disapproval in cases of extreme violations of human rights.

Trilateral countries should avoid sanctions not agreed among them. There are practical reasons for this. First, the political and
symbolic impact of the sanctions is weakened. Second, the economic impact is greatly reduced if the prohibited transactions can be diverted through countries not participating in the sanctions. Finally, the application/nonapplication of sanctions may become an issue among the Trilateral partners. Intra-Trilateral squabbles divert attention from the violator and violations.

We believe that the U.S. Administration appropriately broke the link between China’s human rights behavior and most-favored-nation (MFN) trade treatment. As disturbing as China’s human rights record is, the proposed sanctions fail to meet several important tests of effective policy. They are not consistent with U.S. policy toward several other countries with equal or worse human rights violations. They result in annual debates whose effect has been to seriously undermine Sino-American relations, preventing positive dialogue between the two countries on human rights issues. Since the proposed sanctions have never been applied, even their threat increasingly loses effectiveness while raising questions about the seriousness with which the United States is pursuing human rights issues. Finally the proposed sanctions, a loss of nondiscriminatory trade treatment, are not consistent with international trade practice as codified in the World Trade Organization, a regime the United States wants China to join.

The United States and Canada have adopted unilateral economic sanctions against Myanmar, whose military rulers set aside the 1990 election that resulted in an overwhelming vote against that regime. There have been numerous violations of political freedoms and human rights directed against the opposition movement which won the elections. At the same time, ASEAN is pursuing “constructive engagement,” resulting in Myanmar’s admission to the ASEAN Regional Forum in 1996 and to ASEAN (along with Laos) in 1997. ASEAN leaders argue that engagement is more likely to modify the behavior of the ruling group, and they are also anxious to bind all ten countries of Southeast Asia into a more or less united ASEAN.

The differences of approach toward the Myanmar regime are not just between ASEAN and the United States/Canada, but among the Trilateral countries as well. If there is no international agreement on how Myanmar should be approached, the Trilateral countries should make every effort to respect their differences of approach and not allow these differences to become an issue between them or with the Pacific Asian countries.
Hong Kong

One specific area of broad Trilateral concern is the future of Hong Kong. During the coming half century, under the formula of "one country, two systems," China has agreed to respect the integrity of Hong Kong as a Special Administrative Region (SAR) with its own chief executive, laws, court and administrative systems, freedom of speech, elected legislature, and trade and immigration policies—in other words, autonomy in virtually all areas except foreign policy and defense. This system was established under the 1990 Basic Law, Beijing's mini-constitution to govern Hong Kong following the transfer, pursuant to the 1984 Joint Declaration between the United Kingdom and China. The latter, a recognized international agreement under the United Nations, gives the Trilateral countries legitimate legal interests in the rights guaranteed to Hong Kong. This supplements existing historical, economic, and moral interests.

The last years of British rule in Hong Kong were marred by disputes between the British and Chinese governments over the interpretation of the letter and spirit of the agreement, particularly over former Governor Chris Patten's efforts to expand the electoral franchise. China insisted on reversing Patten's reforms, disbanding a democratically elected legislative council, and calling for new elections under a much more restrictive formula in accordance with China's interpretation of the Basic Law. There will inevitably be continuing differences among various factions in both Hong Kong and China over rights and guarantees accorded to Hong Kong as well as differences over how the Hong Kong system should evolve in the future.

Despite the disputes, the reversion of Hong Kong occurred remarkably smoothly. The new system is no less democratic or protective of basic human rights than during most of Britain's rule. China itself has a strong interest in ensuring that the "one country, two systems" formula works, not only because it protects the economic vitality of Hong Kong but also because China hopes that it may prove attractive in the future to Taiwan. This, and the fact that the formula is of Chinese origin rather than imposed from the outside, give hope for the continued evolution of Hong Kong's system in a more democratic direction as envisioned in the Basic Law, albeit not on the schedule previously adopted under Patten. The Trilateral countries should remain strongly interested in Hong Kong's future and continue to insist on the protection of the basic rights guaranteed to its people. A solid Trilateral consensus on this matter is
the best protection the outside world can give to Hong Kong’s six million citizens.

The Importance of the Security and Economic Environment
We have emphasized the importance of political stability for achieving security and prosperity. The reverse is also true. States that are internationally secure and prospering are more likely to develop more representative, pluralistic and open systems of government. Authoritarian governments commonly justify their preservation on the basis of pressing national security problems or the need to maintain tight control to push economic development. Societies that are prospering and relatively secure have more leeway for the consolidation of good governance. Thus the actions recommended in Chapters 8 and 9 that promote security and economic growth also promote domestic stability.

Moral Authority
The ability of Trilateral countries to speak persuasively on issues involving human rights or good governance outside their borders is greatly affected by their moral authority in the areas concerned. In this respect the Trilateral countries are often found wanting. Japan’s moral authority has been undermined by its difficulties in facing up to its past behavior in Asia. (This has encouraged an unhealthy degree of self-restraint in Japan toward making any comments on domestic order in other Asian countries, to the point where Japanese silence can be misconstrued as acceptance or even approval by other governments.) The moral authority of some North American and European countries is undermined by the host of social problems these nations face within their own societies and by policy judgments based more on strategic, economic, and domestic political calculations than on true moral judgments. In such conditions, the natural inclination of those criticized by Americans or Europeans is to retort by attacking the failure of the industrial democracies themselves to deal with issues such as high unemployment, social inequalities, drug abuse and crime. The better the record of governance in Trilateral countries, the greater the positive impact they will have on Pacific Asia.
Part IV:
PARTNERS IN A
GLOBAL COMMUNITY
11. Partners in a Global Community

So far this report has focused on issues in developing Pacific Asia—its security, its economic progress and the political stability of its nations. For the present, the countries of Pacific Asia are principally engaged in national and regional endeavors and face many challenges close to home. At the same time, economic growth and increasing technological sophistication have given the region global significance. And the countries of the region are acquiring global interests.

No contemporary world problem—from preventing nuclear proliferation to establishing new trade rules, from protecting species diversity to restricting illegal drug trade or promoting respect for human rights—can be effectively addressed without the active participation and cooperation of the major Pacific Asian countries. The Pacific Asian countries are large exporters of manufactured goods. Their consumption of petroleum and natural gas is rising more rapidly than any other broad region, as is their production of greenhouse gases. They are producers, exporters and importers of sophisticated arms. In short, they are needed as global and not just regional partners.

Developing a global partnership with Pacific Asia requires a corresponding set of adjustments in outlooks. One is in the outlooks of the countries in the region, which have hitherto given relatively little attention to global issues. The second is in the outlooks of the Trilateral countries, which have been accustomed to dominating the discussion of global issues. Another kind of adjustment must come in the structure of international institutions which evolved in the period of Trilateral dominance and often discriminate against rising powers, such as those of Pacific Asia.

Preparing for Global Partnership

The attitudinal adjustments are much more difficult than usually realized because they involve a fundamental reorientation in
mainstream thinking about national interests and purpose. It took the trauma of the Great Depression, World War II and the onset of the Cold War to shock the United States into assuming global responsibilities even though it had become the world’s greatest economic power several decades earlier. In the absence of shocks of this magnitude, Japan has been only slowly coming to grips with its global role.

In addressing global issues, Pacific Asian countries have generally been reactive rather than active, defending themselves against perceived threats to their national interests and flexibility. Many of them, having recently reacquired sovereignty, have been suspicious of arrangements that seem dominated by the concerns and values of the Trilateral countries. They have tended to look at accords in such areas as the environment, arms transfers, or human rights as potential limitations on their development, defense, or political sovereignty.

The Trilateral countries can contribute to changing perspectives in Pacific Asia by their own efforts to treat the countries of the region as global partners. It is imperative that the Trilateral countries seek to engage Pacific Asia in world order tasks so that global partnership becomes the natural approach for both Trilateral and Pacific Asian countries. In our judgment, three kinds of changes are needed in Trilateral countries: improvements in our knowledge of Pacific Asia, increased efforts to adjust to the rise of the region, and a willingness to work together in making adjustments in international institutions as indicated earlier.

The basis of any genuine partnership lies in mutual understanding. In general, the societies of Pacific Asia pay much more attention to the Trilateral world than the other way around. Systematic efforts are needed in all the Trilateral countries to deepen and broaden their understanding of contemporary Pacific Asia. All too often, our knowledge of the region is clouded by stereotypes, images of the past, or an excessively narrow focus on single aspects, such as business opportunities or human rights. Our educational systems and media have both failed us in this regard, and both need to make major efforts to address the deficiencies.

This is a complex issue that deserves deeper analysis than we can provide in this brief report. Suffice it to say that while highly sophisticated studies exist in all three Trilateral regions on Pacific Asia, such studies traditionally cater to a small coterie of specialists. Basic educational systems in most Trilateral countries give relatively little attention to the Pacific Asian region and public resources for
education relating to Asia appear to be declining in several countries despite the growth in the relative importance of the region. Similarly, the Western media are quite thinly represented in Pacific Asia, often covering major economies and population centers from a regional base, such as Hong Kong, rather than a resident office.

The second task calls for a profound transformation in the dominant thinking in the Trilateral world about global governance. The Trilateral countries cannot expect to dominate international relations as in the past, but will have to cooperate with Pacific Asia on the basis of partnership. The alleged differences between Western and Asian values have been highly exaggerated, but the assertion of such differences clearly reflects the dissatisfaction in much of Asia with the culturally-biased tone of many statements on their region emanating from the Trilateral world. The lack of respect implicit in this tone has contributed to an excessive level of discord in dialogue about global issues. This second task involves listening, learning, and adjusting our interests and approaches to achieve accommodation with our partners.

Finally, the governing structures of many organizations—from the United Nations to the Group of Seven to the IMF and World Bank—reflect constellations of economic power and political influence from the past. Some Trilateral countries are accustomed to voting shares or veto power that their relative power positions no longer justify. It is, of course, not easy politically for the leaders of any country to permit a downsizing of its position at a time when international institutions are becoming more relevant in global governance. But it is also clear that the Trilateral countries have a large stake in effective international institutions and these institutions cannot be truly effective if they do not better mirror power in the real world. The alternative to gradual adjustments to reflect the changes in relative power will be eventual destruction.

SUMMARY OF RECOMMENDATIONS

In the early pages of this report we drew a portrait of a region undergoing massive and rapid change. There are many positive elements: rapid economic growth in many countries sustained over several decades, low fertility rates, improving international relations, and the development of civil society and elements of good governance. On the other hand, there are also weaknesses and question marks in the region's economic and social development, its
political life, and its international relations. These include growing income inequalities, serious resource challenges, weak political institutionalization, and a number of potential security issues. Some weaknesses were illustrated in mid-1997 by the collapse of a real estate bubble in Thailand followed by currency and financial market turbulence in a number of Southeast Asian countries. We believe this is a temporary phenomenon offset by the basic economic progress in these nations, but it has reduced near- and medium-term growth and demonstrates the pitfalls of overly rosy linear forecasts. Another recent sobering reminder of the region's fragility was the July 1997 coup of second Cambodian prime minister Hun Sen against first prime minister Prince Norodom Ranarridh, including the cold-blooded murder of a number of first prime minister's supporters. Despite these weaknesses, there is no other region in the developing world more likely to join the Trilateral countries as a prosperous grouping enjoying peace and good governance. This report is based on the belief that the Trilateral countries should help achieve this objective through a vigorous effort to develop communities with and within Pacific Asia.

To this end, we have offered a number of suggestions, and now recap the key points. In the security arena, we maintain that:

- Given the political and security uncertainties in the region, the United States should continue its forward security presence based on a strong U.S.-Japan security relationship. The aim of this alliance is to promote stability during a period in which longer-term regional structures and norms are being developed. Like in Europe (where a forward personnel level of about 100,000 is also to be maintained), the American military presence in Pacific Asia should be viewed as a contribution to the general maintenance of order, rather than as directed against any specific threat.

- While strengthening their security relationship, Japan and the United States should strive to enhance their security dialogues and relations with China. China and the Trilateral countries will have continuing differences on Taiwan until such time as a change occurs in either the mainland or Taiwan permitting a political consensus to be reached on Taiwan’s future status. In the meantime, the Trilateral countries should maintain their strong position that the Taiwan situation can only be resolved through peaceful means, and that they will not support Taiwan’s independence in the absence of a consensus on this within the
Chinese political community as a whole. Japan and European governments should be actively involved in sustained dialogue with Beijing and Taipei to make clear that the United States does not bear the political burden alone of defending Taiwan’s right to a peaceful solution and warning Taiwan not to provoke China by seeking independent status.

- A near-term North Korean collapse is not inevitable, but cannot be dismissed. The Trilateral countries and their Pacific Asian partners, especially South Korea and China, need to discuss possible scenarios and their implications together. Trilateral policies should support a strong and resilient united Korea embedded in a sound framework of sub-regional cooperation.

- Given a plethora of territorial disputes in the region and continuing arms modernization efforts there, the Trilateral governments should reaffirm their commitment to the peaceful settlement of territorial disputes and quietly reexamine their arms sales policies with a view to encouraging greater restraint.

- Our governments should place a high priority on working with the ASEAN countries to strengthen the ASEAN Regional Forum as a consultative security institution. The ARF should be supplemented by other multilateral security institutions, including a Northeast Asia or North Pacific consultative dialogue and multilateral defense ministers’ consultations. In the longer run, the inclusion of political-security issues on the agenda of the APEC Economic Leaders Meetings should be considered.

In the economic arena, the private sector will continue to lead the way in engaging Pacific Asia and building a dense web of economic and business relationships. Trilateral government policies can help provide a supportive environment for hastening mutually beneficial forms of economic interaction. We recommend the following:

- The Trilateral governments should work with the Pacific Asian governments in developing and embedding liberal economic institutions and policy instruments and in training the human resources needed for sustained economic modernization of the region. Pressures for change should be compatible with and reinforce internal forces for change.

- The Trilateral countries can work together with developing Pacific Asian nations in overcoming the current financial instability in the region. The completion of the World Trade Organization financial
services agreement and the deepening of financial institutions in Pacific Asia through deregulation and integration with global financial markets should be mutually beneficial. Such steps can make financial markets in Pacific Asia more efficient, increase access of Pacific Asian governments and companies to international capital, and reduce the dependency of some Pacific Asian economies on less stable forms of capital inflows.

- The Trilateral countries should accelerate their efforts to bring China and Taiwan into the World Trade Organization. To receive the benefits of membership, China and Taiwan must agree to meet WTO disciplines and standards within a realistic time frame. This creates an international legal obligation on their part to reform those practices that do not meet these standards. Contrary to the perception in some Trilateral countries, Chinese membership in the WTO should enhance the influence of the WTO partners on the future of China’s trade policies rather than undercut it.

- The Trilateral members of APEC and ASEM should make every effort to strengthen these institutions as building blocks of the broader Trilateral-Pacific Asia community. APEC seeks to develop free trade and investment in the Asia Pacific region, while ASEM promotes collaborative activity between Europe and Asia. The renewal of “fast-track” trade negotiating authority in the United States is essential to effective leadership of that country in APEC and in other international trade fora.

Successful international community-building requires stable and effective national states. The countries of Pacific Asia continue to face enormous challenges in establishing their national identities, institutionalizing governing arrangements, and coping with social problems. While the influence of the Trilateral countries on domestic political development in Pacific Asia has limits, it should not be discounted. We advocate a number of steps:

- The Trilateral countries should help strengthen good governance in Pacific Asia by assisting in shaping new institutions and providing ideas, training, and finance. The many nongovernmental connections between the Trilateral countries and Pacific Asia—including educational, training, and professional relationships—have spurred the emergence of civil society across Pacific Asia. A vibrant civil society generally demands more transparent and accountable governance.
• The Trilateral governments should firmly uphold internationally recognized human rights while making a clear distinction between such rights (which involve legal obligations) and democracy (which as a political system is a matter of self-determination for every national community). Trilateral governmental actions on human rights issues are more likely to be effective if done consistently, firmly, and through recognized channels.

• Insofar as possible, the Trilateral countries should avoid sanctions that are not agreed among themselves. Unilateral sanctions have little practical impact and can become an issue among the Trilateral countries themselves, diverting attention from the original target of the sanctions. However where sanctions are applied unilaterally, the Trilateral countries should make every effort to respect their differences of approach and not allow these to become an issue between them or with friendly Pacific Asian countries.

• The Trilateral countries should strive to strengthen their claim to moral authority through good and effective governance in their own societies. They will then have more influence on moral issues outside their borders.

Overarching these several arenas, we stress the importance for Trilateral countries of increased knowledge of the region and its societies and of a willingness to treat the countries of Pacific Asia as global partners.

* * *

These recommendations are made at a very general level and are not intended, of course, to provide detailed operational guidance for the many specific issues that arise in Trilateral relations with Pacific Asia. We believe, however, that the thrust of these recommendations provides the basis for developing a strong community of interests with the countries of Pacific Asia. Just as the emergence of a community across the trans-Atlantic world and Japan was one of the historic accomplishments of recent decades, successful community-building with Pacific Asia would be an enormous step toward world peace and prosperity in the 21st century.
Appendix:

Tables

Table A-1: Economic Indicators
Table A-2: Population, Life Expectancy, Education, HDI
Table A-3: Political Profiles
Table A-4: Ethnic and Religious Composition
Tables A-5a, A-5b: Trilateral Exports to Developing Pacific Asia
Tables A-6a, A-6b: Trilateral Imports from Developing Pacific Asia
Table A-7: Trilateral Trade Balances with Developing Pacific Asia
Table A-8: Direct Investment Flows
Table A-9: Trilateral Net ODA to Developing Pacific Asia
Table A-10: Pacific Asian University Students Abroad in Trilateral Countries and Australia

Suggestions for Further Reading
# TABLE A-1

## Economic Indicators

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>South Korea</td>
<td>376.5</td>
<td>6.6%</td>
<td>8,260</td>
<td>10,330</td>
<td>96.0</td>
<td>7.4%</td>
<td>102.3</td>
<td>-4.3</td>
<td>25.8</td>
</tr>
<tr>
<td>North Korea</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>China</td>
<td>522.2</td>
<td>12.9%</td>
<td>530</td>
<td>2,510</td>
<td>121.0</td>
<td>14.3%</td>
<td>115.7</td>
<td>24.8%</td>
<td>7.2</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>131.9</td>
<td>5.7%</td>
<td>21,650</td>
<td></td>
<td>151.4</td>
<td>15.3%</td>
<td>162.0</td>
<td>15.8%</td>
<td></td>
</tr>
<tr>
<td>Taiwan</td>
<td>241.0</td>
<td>11.0%</td>
<td>11,597</td>
<td></td>
<td>92.8</td>
<td>5.9%</td>
<td>85.5</td>
<td>14.2%</td>
<td>6.2</td>
</tr>
<tr>
<td>Indonesia</td>
<td>174.6</td>
<td>7.6%</td>
<td>880</td>
<td>3,600</td>
<td>40.1</td>
<td>21.3%</td>
<td>32.0</td>
<td>9.1%</td>
<td>-3.0</td>
</tr>
<tr>
<td>Vietnam</td>
<td>15.6</td>
<td>8.0%</td>
<td>200</td>
<td></td>
<td>3.8</td>
<td></td>
<td>4.4</td>
<td>-1.1</td>
<td></td>
</tr>
<tr>
<td>Philippines</td>
<td>64.2</td>
<td>1.6%</td>
<td>950</td>
<td>2,740</td>
<td>13.3</td>
<td>10.2%</td>
<td>22.5</td>
<td>15.2%</td>
<td>-3.3</td>
</tr>
<tr>
<td>Thailand</td>
<td>143.2</td>
<td>8.2%</td>
<td>2,410</td>
<td>6,970</td>
<td>45.3</td>
<td>21.6%</td>
<td>54.5</td>
<td>12.7%</td>
<td>-8.3</td>
</tr>
<tr>
<td>Malaysia</td>
<td>70.6</td>
<td>8.4%</td>
<td>3,480</td>
<td>8,440</td>
<td>58.8</td>
<td>17.8%</td>
<td>59.6</td>
<td>15.7%</td>
<td>-4.3</td>
</tr>
<tr>
<td>Singapore</td>
<td>68.9</td>
<td>8.3%</td>
<td>22,500</td>
<td>21,900</td>
<td>96.8</td>
<td>16.1%</td>
<td>103.0</td>
<td>12.1%</td>
<td>2.3</td>
</tr>
<tr>
<td>Brunei</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Myanmar</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cambodia</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Laos</td>
<td>1.5</td>
<td>6.2%</td>
<td>320</td>
<td></td>
<td>0.3</td>
<td></td>
<td>0.6</td>
<td>-0.1</td>
<td>0.1</td>
</tr>
</tbody>
</table>


*a before official transfers*
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>South Korea</td>
<td>47.1</td>
<td>0.9%</td>
<td>71</td>
<td>12</td>
<td>105 90 42</td>
<td>0.886 29</td>
</tr>
<tr>
<td>North Korea</td>
<td>26.0</td>
<td></td>
<td></td>
<td></td>
<td>108 20</td>
<td>0.714 83</td>
</tr>
<tr>
<td>China</td>
<td>1,284.6</td>
<td>1.2%</td>
<td>69</td>
<td>30</td>
<td>121 51 2</td>
<td>0.609 108</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>6.0</td>
<td>1.5%</td>
<td>78</td>
<td>5</td>
<td>108 20</td>
<td>0.909 22</td>
</tr>
<tr>
<td>Taiwan</td>
<td>21e</td>
<td>0.9%</td>
<td>72f</td>
<td>5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indonesia</td>
<td>212.7</td>
<td>1.6%</td>
<td>63</td>
<td>53</td>
<td>115 38 10</td>
<td>0.641 102</td>
</tr>
<tr>
<td>Vietnam</td>
<td>82.6</td>
<td>2.1%</td>
<td>68</td>
<td>42</td>
<td>108 33 2</td>
<td>0.540 121</td>
</tr>
<tr>
<td>Philippines</td>
<td>74.6</td>
<td>2.2%</td>
<td>65</td>
<td>40</td>
<td>109 74 28</td>
<td>0.666 95</td>
</tr>
<tr>
<td>Thailand</td>
<td>61.9</td>
<td>1.0%</td>
<td>69</td>
<td>36</td>
<td>97 33 19</td>
<td>0.832 52</td>
</tr>
<tr>
<td>Malaysia</td>
<td>22.3</td>
<td>2.4%</td>
<td>71</td>
<td>12</td>
<td>93 58 7</td>
<td>0.826 53</td>
</tr>
<tr>
<td>Singapore</td>
<td>3.0</td>
<td>2.0%</td>
<td>75</td>
<td>5</td>
<td>107 708</td>
<td>0.881 34</td>
</tr>
<tr>
<td>Brunei</td>
<td>0.3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.872 36</td>
</tr>
<tr>
<td>Myanmar</td>
<td>51.5</td>
<td>3.1%</td>
<td>52</td>
<td>92</td>
<td>105 208</td>
<td>0.451 133</td>
</tr>
<tr>
<td>Cambodia</td>
<td>11.6</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.325 156</td>
</tr>
<tr>
<td>Laos</td>
<td>5.6</td>
<td></td>
<td></td>
<td></td>
<td>98 22 5h</td>
<td>0.400 138</td>
</tr>
<tr>
<td>low-income economies (except China and India)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>56 86</td>
<td>74 26 5</td>
</tr>
<tr>
<td>middle-income economies</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>67 40</td>
<td>104 55 182</td>
</tr>
<tr>
<td>high-income economies</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>77 7</td>
<td>103 93 51</td>
</tr>
</tbody>
</table>
Sources: The UNDP's Human Development Report 1996 is the source for estimated population (except Taiwan) and HDI values and ranks. Population growth rates (and Taiwan's population) are from the Far Eastern Economic Review's Asia 1997 Yearbook. Life expectancy, infant mortality, and education are from the World Bank's annual World Development Report, except for the Taiwan figures, from its Government Publication Office's The Republic of China Yearbook. A blank space indicates data not available.

at birth in years

bdeaths of infants under one year of age per thousand live births

cPrimary enrollments may exceed 100 percent because some pupils are younger or older than the country's standard primary school age.

dThe HDI, as the Human Development Report 1996 puts it, "is a composite index of achievements in basic human capabilities in three fundamental dimensions—a long and healthy life, knowledge and a decent standard of living. Three variables have been chosen to represent these three dimensions—life expectancy, educational attainment and income....The HDI reduces all three basic indicators to a common measuring rod by measuring achievement in each indicator as the relative distance from the desirable goal. The maximum and minimum values for each variable, which are fixed, are reduced to a scale between 0 and 1, with each country at some point on the scale. The HDI is constructed by measuring a country's relative achievement in each of the three basic variables and taking a simple average of the three indicators" (pp. 28-30).

1994
fmales only
81991
h1993
<table>
<thead>
<tr>
<th>Country</th>
<th>History as State in roughly present borders</th>
<th>Political System</th>
<th>Party System</th>
<th>Effective Ruler, Since</th>
<th>Selection of Ruler</th>
</tr>
</thead>
<tbody>
<tr>
<td>North Korea</td>
<td>1948, post-World-War-II settlement, civil war</td>
<td>communist, with hereditary leadership</td>
<td>one-party state</td>
<td>Kim Jong Il, 1994</td>
<td>successor of his father</td>
</tr>
<tr>
<td>South Korea</td>
<td>1948, post-World-War-II settlement, civil war</td>
<td>presidential democracy</td>
<td>multi-party system</td>
<td>Kim Young Sam, 1993 (new President to be elected in Dec. 1997)</td>
<td>direct popular election</td>
</tr>
<tr>
<td>China</td>
<td>ancient</td>
<td>communist</td>
<td>one-party state</td>
<td>Jiang Zemin, 1989 (President and Chairman of Communist Party); Li Peng, 1988 (Prime Minister)</td>
<td>elected by ruling party</td>
</tr>
<tr>
<td>Taiwan</td>
<td>1949, product of civil war</td>
<td>presidential democracy</td>
<td>multi-party system</td>
<td>Lee Teng Hui, 1988</td>
<td>elected by dominant party, re-elected by direct popular vote in 1996</td>
</tr>
<tr>
<td>Indonesia</td>
<td>colonial</td>
<td>presidential system</td>
<td>three-party system effectively dominated by government party</td>
<td>Mohammed Suharto, 1968</td>
<td>support of military, elected by controlled popular vote</td>
</tr>
<tr>
<td>Thailand</td>
<td>ancient</td>
<td>parliamentary democracy, monarchy, strong military influence</td>
<td>multi-party system</td>
<td>Gen. Chavalit Yongchaiyudh, 1996 (Prime Minister)</td>
<td>elected by parliament</td>
</tr>
<tr>
<td>Country</td>
<td>Type</td>
<td>Regime</td>
<td>Government</td>
<td>Leader(s)</td>
<td>Election Method</td>
</tr>
<tr>
<td>-------------</td>
<td>---------------</td>
<td>-----------------------------</td>
<td>----------------------------------------------</td>
<td>---------------------------------------------------------------------------</td>
<td>--------------------------------------</td>
</tr>
<tr>
<td>Malaysia</td>
<td>colonial</td>
<td>parliamentary democracy, monarchy</td>
<td>multi-party system dominated by government party</td>
<td>Dato' Seri Mahathir bin Mohammed, 1981 (Prime Minister)</td>
<td>elected by dominant party</td>
</tr>
<tr>
<td>Singapore</td>
<td>colonial, secession from Malaya in 1965</td>
<td>parliamentary democracy dominated by government party and bureaucracy</td>
<td>multi-party system dominated by government party</td>
<td>Goh Chok Tong, 1990 (Prime Minister); Lee Kuan Yew (Senior Minister)</td>
<td>elected by parliament/dominant party</td>
</tr>
<tr>
<td>Vietnam</td>
<td>ancient</td>
<td>communist</td>
<td>one-party state</td>
<td>Do Muoi (General Secretary of Communist Party); Phan Van Khai, 1997 (Prime Minister); Tran Duc Luong, 1997 (President)</td>
<td>elected by dominant party</td>
</tr>
<tr>
<td>Philippines</td>
<td>colonial</td>
<td>presidential democracy</td>
<td>multi-party system</td>
<td>Fidel V. Ramos, 1992</td>
<td>direct popular election</td>
</tr>
<tr>
<td>Brunei</td>
<td>ancient</td>
<td>absolute Islamic monarchy</td>
<td>no parties permitted</td>
<td>Sultan Hassan al-Bolkiah, 1967</td>
<td>hereditary</td>
</tr>
<tr>
<td>Myanmar</td>
<td>ancient</td>
<td>military junta</td>
<td>de facto one-party state</td>
<td>General Tan Shwe</td>
<td>selected by ruling military junta</td>
</tr>
<tr>
<td>Cambodia</td>
<td>ancient</td>
<td>parliamentary system with monarchy</td>
<td>multi-party system (but effective control presently exercised by Cambodian People’s Party leadership)</td>
<td>King Norodom Sihanouk (Head of State); Hun Sen, 1997 (Prime Minister)</td>
<td>succession/coup</td>
</tr>
<tr>
<td>Laos</td>
<td>ancient</td>
<td>communist</td>
<td>one-party state</td>
<td>Khamtay Siphandone, 1992 (Prime Minister and President of Central Committee of Ruling Party)</td>
<td>elected by dominant party</td>
</tr>
<tr>
<td>Country</td>
<td>Ethnic Composition</td>
<td>Religious Composition</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>------------</td>
<td>--------------------</td>
<td>-----------------------</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>North Korea</td>
<td>Korean 99.8%</td>
<td>Shamanist 16</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Chinese 0.2%</td>
<td>Chundo Kyo 14%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Buddhist 2%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Christian 1%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>South Korea</td>
<td>Korean 99.9%</td>
<td>Buddhist 37%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Chinese 0.1%</td>
<td>Christian 30%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Confucian 17%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Ch'ondo gyo 4%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>China</td>
<td>Han 91.8%</td>
<td>Confucian 20%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><em>56 ethnic minorities, among which:</em></td>
<td>Buddhist 6%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>15 million Zhuang</td>
<td>Taoist 2%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>10 million Manchu</td>
<td>Muslim 2%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>8 million Hui</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>7 million Miao</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>7 million Uygur</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(46% of Xinjiang pop.)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>4 million Mongols</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(19% of Inner Mongolia pop.)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>4.2 million Tibetans</td>
<td>(95% of Tibet pop.)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taiwan</td>
<td>Taiwanese 84%</td>
<td>Buddhist 27%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Mainland Chinese 14%</td>
<td>Taoist 21%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Christian 7%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indonesia</td>
<td>Javanese 40%</td>
<td>Muslim 87%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sundanese 15%</td>
<td>Christian 10%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Machirese 7%</td>
<td>Hindus 2%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Coastal Malay 7%</td>
<td>Buddhist/Confucian 1%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Chinese 3%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>over 150 other</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>ethnic groups 26%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vietnam</td>
<td>Vietnamese 90%</td>
<td>Buddhists 55%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Chinese 3%</td>
<td>Catholics 5%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>about 60 other</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>ethnic groups</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## TABLE A-4 (continued)

### Ethnic and Religious Composition

<table>
<thead>
<tr>
<th>Country</th>
<th>Ethnic Composition</th>
<th>Religious Composition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Philippines</td>
<td>Philippinos 40%&lt;br&gt;Indonesian,&lt;br&gt;Polynesian 30%&lt;br&gt;Chinese 10%&lt;br&gt;Indian 5%</td>
<td>Catholics 84%&lt;br&gt;Protestants 4%&lt;br&gt;Muslim 5%</td>
</tr>
<tr>
<td>Thailand</td>
<td>Thai 84%&lt;br&gt;Chinese 12%&lt;br&gt;Malay 4%&lt;br&gt;Khmer 3%</td>
<td>Buddhism 94%&lt;br&gt;Muslim 4%</td>
</tr>
<tr>
<td>Malaysia</td>
<td>Malay 64%&lt;br&gt;Chinese 28%&lt;br&gt;Indian/Pakistani 8%</td>
<td>Muslim 53%&lt;br&gt;Buddhism 17%&lt;br&gt;Chinese religions 12%&lt;br&gt;Hindu 7%&lt;br&gt;Christian 7%</td>
</tr>
<tr>
<td>Singapore</td>
<td>Chinese 77%&lt;br&gt;Malay 14%&lt;br&gt;Indian/Pakistani 7%</td>
<td>Buddhism/Taoism 54%&lt;br&gt;Muslim 15%&lt;br&gt;Christian 13%&lt;br&gt;Hindu 4%</td>
</tr>
<tr>
<td>Brunei</td>
<td>Malay 64%&lt;br&gt;Chinese 20%</td>
<td>Muslim 63%&lt;br&gt;Buddhist/Confucian 15%&lt;br&gt;Christian 10%</td>
</tr>
<tr>
<td>Myanmar</td>
<td>Burman 69%&lt;br&gt;Shan 9%&lt;br&gt;Karen 6%&lt;br&gt;Chinese 3%&lt;br&gt;Indian 2%</td>
<td>Buddhism 87%&lt;br&gt;Christian 6%&lt;br&gt;Muslim 4%</td>
</tr>
<tr>
<td>Cambodia</td>
<td>Khmer 92%&lt;br&gt;Vietnamese 5%</td>
<td>Buddhism 88.4%&lt;br&gt;Muslim 2%</td>
</tr>
<tr>
<td>Laos</td>
<td>Lao-Lum 55%&lt;br&gt;Lao-Theung 27%&lt;br&gt;Lao-Soung 15%&lt;br&gt;Chinese, Thai and&lt;br&gt;mountain group minorities</td>
<td>Buddhism 58%&lt;br&gt;Christian 2%&lt;br&gt;tribal religions,&lt;br&gt;animism 34%</td>
</tr>
</tbody>
</table>

TABLE A-5a  
(US$billions)

<table>
<thead>
<tr>
<th></th>
<th>ASEAN 7</th>
<th>China</th>
<th>Hong Kong</th>
<th>Taiwan</th>
<th>South Korea</th>
<th>Region Total</th>
<th>World Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Exports to:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Japan</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1980</td>
<td>13.2</td>
<td>5.1</td>
<td>4.8</td>
<td>5.4</td>
<td>28.5</td>
<td>129.8</td>
<td></td>
</tr>
<tr>
<td>1985</td>
<td>11.4</td>
<td>12.6</td>
<td>6.6</td>
<td>7.2</td>
<td>37.7</td>
<td>177.2</td>
<td></td>
</tr>
<tr>
<td>1990</td>
<td>33.0</td>
<td>6.1</td>
<td>13.1</td>
<td>16.0</td>
<td>17.4</td>
<td>85.7</td>
<td>287.7</td>
</tr>
<tr>
<td>1995</td>
<td>77.6</td>
<td>21.9</td>
<td>27.8</td>
<td>29.0</td>
<td>31.3</td>
<td>187.7</td>
<td>443.0</td>
</tr>
<tr>
<td>EU</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1980</td>
<td>7.9</td>
<td>2.5</td>
<td>3.0</td>
<td>1.3</td>
<td>14.7</td>
<td>685.6</td>
<td></td>
</tr>
<tr>
<td>1985</td>
<td>7.7</td>
<td>5.5</td>
<td>3.5</td>
<td>2.1</td>
<td>18.8</td>
<td>642.2</td>
<td></td>
</tr>
<tr>
<td>1990</td>
<td>20.5</td>
<td>6.7</td>
<td>8.4</td>
<td>6.1</td>
<td>7.7</td>
<td>49.3</td>
<td>1,366.1</td>
</tr>
<tr>
<td>1995 b</td>
<td>48.2</td>
<td>19.1</td>
<td>20.7</td>
<td>13.2</td>
<td>16.1</td>
<td>117.3</td>
<td>2,055.5</td>
</tr>
</tbody>
</table>

| **Exports from:** |         |       |           |        |             |              |             |
| US              |         |       |           |        |             |              |             |
| 1980            | 9.2     | 3.8   | 2.7       | 4.7    | 20.4        | 216.9        |             |
| 1985            | 8.1     | 3.9   | 2.8       | 6.0    | 20.7        | 211.4        |             |
| 1990            | 18.8    | 4.8   | 6.5       | 12.6   | 14.4        | 57.1         | 389.9       |
| 1995            | 39.2    | 11.7  | 14.2      | 19.3   | 25.4        | 109.9        | 577.9       |

| Canada          |         |       |           |        |             |              |             |
| 1980            | 0.6     | 0.7   | 0.2       | 0.4    | 1.9         | 67.7         |             |
| 1985            | 0.6     | 0.9   | 0.2       | 0.6    | 2.3         | 90.8         |             |
| 1990            | 1.4     | 1.4   | 0.4       | 1.3    | 4.5         | 125.1        |             |
| 1995            | 1.8     | 2.3   | 1.2       | 1.9    | 7.3         | 190.2        |             |


*aASEAN-7 includes Thailand, Malaysia, Singapore, Vietnam, Indonesia, Brunei and the Philippines.

bEU-15 (including new members Austria, Sweden and Finland excluded in the earlier years)*
<table>
<thead>
<tr>
<th>exports to:</th>
<th>ASEAN 7</th>
<th>China</th>
<th>Hong Kong</th>
<th>Taiwan</th>
<th>South Korea</th>
<th>Region Total</th>
<th>US</th>
<th>EU</th>
<th>World Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1980</td>
<td>10.2</td>
<td>3.9</td>
<td>3.7</td>
<td>4.2</td>
<td>21.9</td>
<td>24.4</td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1985</td>
<td>6.4</td>
<td>7.1</td>
<td>3.7</td>
<td>4.0</td>
<td>21.3</td>
<td>37.6</td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1990</td>
<td>11.5</td>
<td>2.1</td>
<td>4.5</td>
<td>5.6</td>
<td>6.1</td>
<td>29.8</td>
<td>31.7</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>1995</td>
<td>17.5</td>
<td>5.0</td>
<td>6.3</td>
<td>6.5</td>
<td>7.1</td>
<td>42.4</td>
<td>27.6</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>EU</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1980</td>
<td>1.1</td>
<td>0.4</td>
<td>0.4</td>
<td>0.2</td>
<td>2.1</td>
<td>5.5</td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1985</td>
<td>1.2</td>
<td>0.9</td>
<td>0.5</td>
<td>0.3</td>
<td>2.9</td>
<td>10.1</td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1990</td>
<td>1.5</td>
<td>0.5</td>
<td>0.6</td>
<td>0.4</td>
<td>3.6</td>
<td>7.0</td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1995 c</td>
<td>2.3</td>
<td>0.9</td>
<td>1.0</td>
<td>0.6</td>
<td>5.7</td>
<td>6.5</td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>US</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1980</td>
<td>3.2</td>
<td>1.3</td>
<td>0.9</td>
<td>1.6</td>
<td>7.1</td>
<td>26.2</td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1985</td>
<td>2.7</td>
<td>1.3</td>
<td>0.9</td>
<td>2.0</td>
<td>6.9</td>
<td>22.7</td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1990</td>
<td>3.8</td>
<td>1.0</td>
<td>1.3</td>
<td>2.5</td>
<td>2.9</td>
<td>11.5</td>
<td>26.2</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>1995</td>
<td>6.7</td>
<td>2.0</td>
<td>2.4</td>
<td>3.3</td>
<td>4.4</td>
<td>18.9</td>
<td>21.1</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Canada</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1980</td>
<td>0.9</td>
<td>1.1</td>
<td>0.2</td>
<td>0.5</td>
<td>2.8</td>
<td>13.1</td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1985</td>
<td>0.6</td>
<td>1.0</td>
<td>0.3</td>
<td>0.6</td>
<td>2.5</td>
<td>5.6</td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1990</td>
<td>1.1</td>
<td>1.1</td>
<td>0.3</td>
<td>1.1</td>
<td>3.6</td>
<td>8.4</td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1995</td>
<td>0.9</td>
<td>1.2</td>
<td>0.6</td>
<td>1.0</td>
<td>3.8</td>
<td>6.3</td>
<td>100</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Calculated from Table A-5a, using somewhat more precise underlying numbers.

aASEAN-7 includes Thailand, Malaysia, Singapore, Vietnam, Indonesia, Brunei and the Philippines.  
These columns added to compare developing Pacific Asia to a major overseas Trilateral trading partner—the United States for Japan and EU countries, and EU countries for the United States and Canada.  
EU-15 (including new members Austria, Sweden and Finland excluded in the earlier years)
TABLE A-6a
(US$billions)

<table>
<thead>
<tr>
<th>imports from:</th>
<th>ASEAN 7</th>
<th>China</th>
<th>Hong Kong</th>
<th>Taiwan</th>
<th>South Korea</th>
<th>Region Total</th>
<th>World Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>imports to:</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1980</td>
<td>24.6</td>
<td>4.3</td>
<td>0.8</td>
<td>3.0</td>
<td>32.8</td>
<td>140.5</td>
<td></td>
</tr>
<tr>
<td>1985</td>
<td>20.7</td>
<td>6.5</td>
<td>2.2</td>
<td>4.1</td>
<td>33.6</td>
<td>130.5</td>
<td></td>
</tr>
<tr>
<td>1990</td>
<td>29.8</td>
<td>12.1</td>
<td>2.1</td>
<td>8.3</td>
<td>11.6</td>
<td>63.9</td>
<td>235.4</td>
</tr>
<tr>
<td>1995</td>
<td>48.3</td>
<td>35.9</td>
<td>2.7</td>
<td>14.4</td>
<td>17.3</td>
<td>118.6</td>
<td>335.9</td>
</tr>
<tr>
<td>EU</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1980</td>
<td>9.5</td>
<td>2.8</td>
<td>5.3</td>
<td>2.9</td>
<td>20.4</td>
<td>766.3</td>
<td></td>
</tr>
<tr>
<td>1985</td>
<td>8.2</td>
<td>3.0</td>
<td>4.0</td>
<td>2.6</td>
<td>17.7</td>
<td>656.1</td>
<td></td>
</tr>
<tr>
<td>1990</td>
<td>22.3</td>
<td>12.3</td>
<td>9.7</td>
<td>11.9</td>
<td>8.4</td>
<td>64.6</td>
<td>1,417.8</td>
</tr>
<tr>
<td>1995</td>
<td>45.1</td>
<td>34.4</td>
<td>9.4</td>
<td>15.4</td>
<td>14.3</td>
<td>118.6</td>
<td>1,958.3</td>
</tr>
<tr>
<td>US</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1980</td>
<td>13.0</td>
<td>1.2</td>
<td>5.0</td>
<td>4.4</td>
<td>23.6</td>
<td>250.3</td>
<td></td>
</tr>
<tr>
<td>1985</td>
<td>15.6</td>
<td>4.2</td>
<td>9.0</td>
<td>10.7</td>
<td>39.6</td>
<td>358.7</td>
<td></td>
</tr>
<tr>
<td>1990</td>
<td>28.6</td>
<td>16.3</td>
<td>9.9</td>
<td>21.7</td>
<td>19.3</td>
<td>95.8</td>
<td>516.4</td>
</tr>
<tr>
<td>1995</td>
<td>64.1</td>
<td>48.5</td>
<td>10.7</td>
<td>29.0</td>
<td>24.9</td>
<td>177.2</td>
<td>768.7</td>
</tr>
<tr>
<td>Canada</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1980</td>
<td>0.3</td>
<td>0.1</td>
<td>0.5</td>
<td>0.4</td>
<td>1.3</td>
<td>61.0</td>
<td></td>
</tr>
<tr>
<td>1985</td>
<td>0.5</td>
<td>0.3</td>
<td>0.7</td>
<td>1.2</td>
<td>2.6</td>
<td>79.1</td>
<td></td>
</tr>
<tr>
<td>1990</td>
<td>1.5</td>
<td>1.2</td>
<td>0.9</td>
<td>1.9</td>
<td>5.5</td>
<td>115.9</td>
<td></td>
</tr>
<tr>
<td>1995</td>
<td>3.6</td>
<td>3.4</td>
<td>1.0</td>
<td>2.3</td>
<td>10.3</td>
<td>163.3</td>
<td></td>
</tr>
</tbody>
</table>


aASEAN-7 includes Thailand, Malaysia, Singapore, Vietnam, Indonesia, Brunei and the Philippines.
bEU-15 (including new members Austria, Sweden and Finland excluded in the earlier years)
<table>
<thead>
<tr>
<th>imports from:</th>
<th>ASEAN 7</th>
<th>China</th>
<th>Hong Kong</th>
<th>Taiwan</th>
<th>South Korea</th>
<th>Region Total</th>
<th>US b</th>
<th>EU b</th>
<th>World Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan 1980</td>
<td>17.5</td>
<td>3.1</td>
<td>0.6</td>
<td>2.2</td>
<td>23.3</td>
<td>17.5</td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1985</td>
<td>15.9</td>
<td>5.0</td>
<td>1.7</td>
<td>3.2</td>
<td>25.7</td>
<td>20.5</td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1990</td>
<td>12.6</td>
<td>5.1</td>
<td>0.9</td>
<td>3.5</td>
<td>4.9</td>
<td>27.2</td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1995</td>
<td>14.4</td>
<td>10.7</td>
<td>0.8</td>
<td>4.3</td>
<td>5.2</td>
<td>35.3</td>
<td>22.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EU 1980</td>
<td>1.2</td>
<td>0.4</td>
<td>0.7</td>
<td>0.4</td>
<td>2.7</td>
<td>8.6</td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1985</td>
<td>1.2</td>
<td>0.5</td>
<td>0.6</td>
<td>0.4</td>
<td>2.7</td>
<td>8.0</td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1990</td>
<td>1.6</td>
<td>0.9</td>
<td>0.7</td>
<td>0.8</td>
<td>4.6</td>
<td>8.0</td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1995 c</td>
<td>2.3</td>
<td>1.8</td>
<td>0.5</td>
<td>0.8</td>
<td>6.1</td>
<td>7.5</td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>US 1980</td>
<td>5.2</td>
<td>0.5</td>
<td>2.0</td>
<td>1.8</td>
<td>9.4</td>
<td>15.2</td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1985</td>
<td>4.3</td>
<td>1.2</td>
<td>2.5</td>
<td>3.0</td>
<td>11.0</td>
<td>19.9</td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1990</td>
<td>5.5</td>
<td>3.1</td>
<td>1.9</td>
<td>4.4</td>
<td>3.7</td>
<td>18.6</td>
<td>20.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1995</td>
<td>8.3</td>
<td>6.3</td>
<td>1.4</td>
<td>3.8</td>
<td>3.2</td>
<td>23.0</td>
<td>17.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Canada 1980</td>
<td>0.5</td>
<td>0.2</td>
<td>0.8</td>
<td>0.6</td>
<td>2.1</td>
<td>8.6</td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1985</td>
<td>0.6</td>
<td>0.4</td>
<td>0.8</td>
<td>1.5</td>
<td>3.3</td>
<td>10.5</td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1990</td>
<td>1.3</td>
<td>1.0</td>
<td>0.8</td>
<td>1.7</td>
<td>4.8</td>
<td>12.7</td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1995</td>
<td>2.2</td>
<td>2.1</td>
<td>0.6</td>
<td>1.4</td>
<td>6.3</td>
<td>10.0</td>
<td>100</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Calculated from Table A-6a, using somewhat more precise underlying numbers.

aASEAN-7 includes Thailand, Malaysia, Singapore, Vietnam, Indonesia, Brunei and the Philippines.  bThese columns added to compare developing Pacific Asia to a major overseas Trilateral trading partner—the United States for Japan and EU countries, and EU countries for the United States and Canada.  cEU-15 (including new members Austria, Sweden and Finland excluded in the earlier years)
<table>
<thead>
<tr>
<th></th>
<th>Brunei</th>
<th>Indonesia</th>
<th>Philippines</th>
<th>Thailand</th>
<th>Malaysia</th>
<th>Singapore</th>
<th>Vietnam</th>
<th>China</th>
<th>Hong Kong</th>
<th>Taiwan</th>
<th>South Korea</th>
<th>Total 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1980</td>
<td>-3.2</td>
<td>-9.8</td>
<td>-0.3</td>
<td>+0.8</td>
<td>-0.8</td>
<td>+2.4</td>
<td>+0.8</td>
<td>+4.0</td>
<td>+2.6</td>
<td>+3.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1985</td>
<td>-1.8</td>
<td>-8.0</td>
<td>-0.3</td>
<td>+0.6</td>
<td>-2.2</td>
<td>+2.3</td>
<td>+6.0</td>
<td>+4.4</td>
<td>+3.0</td>
<td>+4.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1990</td>
<td>-1.1</td>
<td>-7.7</td>
<td>+0.4</td>
<td>+5.0</td>
<td>+0.1</td>
<td>+7.1</td>
<td>-0.5</td>
<td>-5.9</td>
<td>+10.9</td>
<td>+7.7</td>
<td>+5.8</td>
<td>+21.7</td>
</tr>
<tr>
<td>1995</td>
<td>-1.2</td>
<td>-4.2</td>
<td>+3.6</td>
<td>+9.6</td>
<td>+6.3</td>
<td>+16.2</td>
<td>-0.8</td>
<td>-14.0</td>
<td>+25.0</td>
<td>+14.3</td>
<td>+14.0</td>
<td>+68.7</td>
</tr>
<tr>
<td>EU</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1980</td>
<td>+0.1</td>
<td>0.0</td>
<td>-0.4</td>
<td>-0.8</td>
<td>-1.2</td>
<td>+0.4</td>
<td>+0.2</td>
<td>-0.3</td>
<td>-2.3</td>
<td>-1.6</td>
<td>-5.7</td>
<td></td>
</tr>
<tr>
<td>1985</td>
<td>+0.1</td>
<td>+0.3</td>
<td>-0.1</td>
<td>-0.4</td>
<td>-1.1</td>
<td>+1.1</td>
<td>0.0</td>
<td>+2.5</td>
<td>-0.5</td>
<td>-0.5</td>
<td>+1.4</td>
<td></td>
</tr>
<tr>
<td>1990</td>
<td>+0.2</td>
<td>0.0</td>
<td>-0.1</td>
<td>-0.7</td>
<td>-1.8</td>
<td>+0.4</td>
<td>+0.2</td>
<td>-5.6</td>
<td>-1.4</td>
<td>-0.7</td>
<td>-15.3</td>
<td>+15.3</td>
</tr>
<tr>
<td>1995</td>
<td>+0.5</td>
<td>-0.3</td>
<td>-0.2</td>
<td>+2.4</td>
<td>-1.6</td>
<td>+2.8</td>
<td>-0.5</td>
<td>-15.3</td>
<td>+11.3</td>
<td>-2.2</td>
<td>+1.8</td>
<td>-1.2</td>
</tr>
<tr>
<td>US</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1980</td>
<td>0.0</td>
<td>-4.0</td>
<td>+0.1</td>
<td>+0.4</td>
<td>-1.4</td>
<td>+1.0</td>
<td>+2.6</td>
<td>-2.3</td>
<td></td>
<td>+0.3</td>
<td>-3.3</td>
<td></td>
</tr>
<tr>
<td>1985</td>
<td>0.0</td>
<td>-4.1</td>
<td>-1.0</td>
<td>-0.7</td>
<td>-0.9</td>
<td>-0.9</td>
<td>-0.4</td>
<td>-6.2</td>
<td>-4.8</td>
<td>-18.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1990</td>
<td>0.0</td>
<td>-1.8</td>
<td>-1.2</td>
<td>-2.6</td>
<td>-2.1</td>
<td>-2.2</td>
<td>-11.5</td>
<td>-3.5</td>
<td>-9.1</td>
<td>-4.9</td>
<td>-38.7</td>
<td></td>
</tr>
<tr>
<td>1995</td>
<td>-4.6</td>
<td>-2.1</td>
<td>-5.5</td>
<td>-9.2</td>
<td>-3.6</td>
<td></td>
<td>-36.8</td>
<td>+3.5</td>
<td>-9.7</td>
<td>+0.5</td>
<td>-67.3</td>
<td></td>
</tr>
<tr>
<td>Canada</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1980</td>
<td>+0.1</td>
<td>0.0</td>
<td>+0.1</td>
<td>0.0</td>
<td>0.0</td>
<td>+0.6</td>
<td>-0.3</td>
<td>+0.6</td>
<td>-0.3</td>
<td>+0.0</td>
<td>+0.6</td>
<td></td>
</tr>
<tr>
<td>1985</td>
<td>+0.1</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>+0.6</td>
<td>-0.4</td>
<td>+0.6</td>
<td>-0.4</td>
<td>-0.6</td>
<td>-0.3</td>
<td></td>
</tr>
<tr>
<td>1990</td>
<td>+0.1</td>
<td>0.0</td>
<td>+0.1</td>
<td>-0.1</td>
<td>-0.2</td>
<td>+0.2</td>
<td>-0.5</td>
<td>+0.6</td>
<td>-0.5</td>
<td>-0.6</td>
<td>-1.0</td>
<td></td>
</tr>
<tr>
<td>1995</td>
<td>0.0</td>
<td>-0.1</td>
<td>-0.4</td>
<td>-0.7</td>
<td>-0.6</td>
<td>-1.1</td>
<td>+0.3</td>
<td>-0.4</td>
<td>-0.3</td>
<td>-0.4</td>
<td>-3.0</td>
<td></td>
</tr>
</tbody>
</table>


1Due to rounding in the figures for individual countries, some totals are slightly more or less than the sum of the numbers to their left.
### TABLE A-8
(percentage shares of total inflows)

<table>
<thead>
<tr>
<th>inflows to:</th>
<th>ASEAN-4 (A)</th>
<th>China (B)</th>
<th>Asian NIEs (C)</th>
<th>Developing Pacific Asia (A+B+C)</th>
<th>Japan</th>
<th>United States</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>30.3</td>
<td>10.7</td>
<td>35.8</td>
<td>25.8</td>
<td>21.3</td>
<td></td>
</tr>
<tr>
<td></td>
<td>28.1</td>
<td>14.4</td>
<td>34.2</td>
<td>27.5</td>
<td>38.7</td>
<td></td>
</tr>
<tr>
<td></td>
<td>20.4</td>
<td>8.3</td>
<td>24.1</td>
<td>16.5</td>
<td>8.6</td>
<td></td>
</tr>
<tr>
<td>European Union</td>
<td>11.8</td>
<td>6.9</td>
<td>15.4</td>
<td>11.4</td>
<td>12.5</td>
<td>60.1</td>
</tr>
<tr>
<td></td>
<td>10.9</td>
<td>4.2</td>
<td>14.7</td>
<td>10.8</td>
<td>41.0</td>
<td>45.2</td>
</tr>
<tr>
<td></td>
<td>15.7</td>
<td>5.7</td>
<td>21.8</td>
<td>12.7</td>
<td>31.2</td>
<td>71.6</td>
</tr>
<tr>
<td>United States</td>
<td>11.1</td>
<td>16.8</td>
<td>29.6</td>
<td>18.8</td>
<td>51.9</td>
<td></td>
</tr>
<tr>
<td></td>
<td>5.2</td>
<td>13.1</td>
<td>32.7</td>
<td>10.8</td>
<td>23.9</td>
<td></td>
</tr>
<tr>
<td></td>
<td>10.9</td>
<td>8.2</td>
<td>38.8</td>
<td>12.2</td>
<td>48.0</td>
<td></td>
</tr>
<tr>
<td>Asian NIEs (A)</td>
<td>15.8</td>
<td>61.1</td>
<td>26.6</td>
<td>6.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>36.0</td>
<td>55.4</td>
<td>33.0</td>
<td>2.2</td>
<td>0.6</td>
<td></td>
</tr>
<tr>
<td></td>
<td>17.9</td>
<td>69.6</td>
<td>34.6</td>
<td>6.0</td>
<td>2.0</td>
<td></td>
</tr>
<tr>
<td>ASEAN-4 (B)</td>
<td>0.6</td>
<td>0.5</td>
<td>0.8</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>0.3</td>
<td>0.0</td>
<td>2.4</td>
<td>0.0</td>
<td>0.1</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2.0</td>
<td>2.2</td>
<td>2.4</td>
<td>0.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>China (C)</td>
<td>0.1</td>
<td>0.8</td>
<td>0.3</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>0.6</td>
<td>0.1</td>
<td>0.5</td>
<td>-</td>
<td>0.1</td>
<td></td>
</tr>
<tr>
<td></td>
<td>0.1</td>
<td>0.6</td>
<td>0.1</td>
<td>0.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Developing Pacific Asia (A+B+C)</td>
<td>17.2</td>
<td>61.7</td>
<td>5.9</td>
<td>6.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>39.7</td>
<td>55.0</td>
<td>6.1</td>
<td>2.2</td>
<td>0.8</td>
<td></td>
</tr>
<tr>
<td></td>
<td>20.6</td>
<td>71.6</td>
<td>6.3</td>
<td>6.4</td>
<td>2.0</td>
<td></td>
</tr>
<tr>
<td>World</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>


*Note: Substantial uncertainties and inaccuracies generally surround FDI data.*
<table>
<thead>
<tr>
<th></th>
<th>China</th>
<th>Indonesia</th>
<th>Philippines</th>
<th>Thailand</th>
<th>Malaysia</th>
<th>Vietnam</th>
<th>Cambodia</th>
<th>Laos</th>
<th>Myanmar</th>
<th>Others(^1)</th>
<th>Total(^2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1980</td>
<td>4</td>
<td>350</td>
<td>94</td>
<td>190</td>
<td>66</td>
<td>4</td>
<td>0</td>
<td>1</td>
<td>153</td>
<td>81</td>
<td>943</td>
</tr>
<tr>
<td>1986</td>
<td>497</td>
<td>161</td>
<td>438</td>
<td>260</td>
<td>38</td>
<td>6</td>
<td>5</td>
<td>244</td>
<td>3</td>
<td>1,652</td>
<td></td>
</tr>
<tr>
<td>1994</td>
<td>1,479</td>
<td>886</td>
<td>592</td>
<td>383</td>
<td>5</td>
<td>80</td>
<td>65</td>
<td>61</td>
<td>134</td>
<td>-77</td>
<td>3,607</td>
</tr>
<tr>
<td>EU(^3)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1980</td>
<td>17</td>
<td>237</td>
<td>47</td>
<td>76</td>
<td>30</td>
<td>37</td>
<td>32</td>
<td>3</td>
<td>57</td>
<td>29</td>
<td>566</td>
</tr>
<tr>
<td>1986</td>
<td>120</td>
<td>286</td>
<td>57</td>
<td>57</td>
<td>93</td>
<td>8</td>
<td>1</td>
<td>1</td>
<td>39</td>
<td>26</td>
<td>689</td>
</tr>
<tr>
<td>1994</td>
<td>526</td>
<td>406</td>
<td>111</td>
<td>92</td>
<td>29</td>
<td>410</td>
<td>64</td>
<td>26</td>
<td>5</td>
<td>41</td>
<td>1,712</td>
</tr>
<tr>
<td>US</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1980</td>
<td>117</td>
<td>50</td>
<td>16</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>13</td>
<td>197</td>
</tr>
<tr>
<td>1986</td>
<td>46</td>
<td>367</td>
<td>32</td>
<td>-1</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td>-28</td>
<td>426</td>
<td></td>
</tr>
<tr>
<td>1994</td>
<td>-17</td>
<td>116</td>
<td>9</td>
<td>10</td>
<td>16</td>
<td></td>
<td></td>
<td></td>
<td>-50</td>
<td>84</td>
<td></td>
</tr>
<tr>
<td>Canada</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1980</td>
<td>14</td>
<td>0</td>
<td>8</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>4</td>
<td>0</td>
</tr>
<tr>
<td>1986</td>
<td>18</td>
<td>52</td>
<td>6</td>
<td>17</td>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>1994</td>
<td>69</td>
<td>24</td>
<td>24</td>
<td>14</td>
<td>6</td>
<td>7</td>
<td>3</td>
<td>0</td>
<td>3</td>
<td>1</td>
<td>150</td>
</tr>
</tbody>
</table>


\(^1\)Others include South Korea, Taiwan, Hong Kong and Singapore. These NIEs are no longer significant ODA recipients. In some cases in recent years, the net flow of ODA funds has been negative.  
\(^2\)Due to rounding in the figures for individual countries, some totals are slightly more or less than the sum of the numbers to their left.  
\(^3\)EU figures do not include Greece, Luxembourg, Portugal and Spain.
<table>
<thead>
<tr>
<th></th>
<th>South Korea</th>
<th>Hong Kong</th>
<th>China ¹</th>
<th>Indonesia</th>
<th>Philippines</th>
<th>Thailand</th>
<th>Malaysia</th>
<th>Singapore</th>
<th>Brunei</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1986</td>
<td>3,155</td>
<td>163</td>
<td>6,988</td>
<td>344</td>
<td>200</td>
<td>539</td>
<td>678</td>
<td>88</td>
<td>2</td>
<td>12,157</td>
</tr>
<tr>
<td>1991</td>
<td>9,843</td>
<td>455</td>
<td>25,697</td>
<td>1,032</td>
<td>477</td>
<td>898</td>
<td>1,742</td>
<td>103</td>
<td>4</td>
<td>40,251</td>
</tr>
<tr>
<td>EU ²</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1986/87</td>
<td>4,728</td>
<td>6,383</td>
<td>4,426</td>
<td>3,883</td>
<td>240</td>
<td>764</td>
<td>6,629</td>
<td>1,993</td>
<td>761</td>
<td>29,807</td>
</tr>
<tr>
<td>1990/91</td>
<td>7,054</td>
<td>6,801</td>
<td>10,959</td>
<td>3,563</td>
<td>312</td>
<td>1,006</td>
<td>7,968</td>
<td>2,910</td>
<td>696</td>
<td>41,269</td>
</tr>
<tr>
<td>US</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1987</td>
<td>20,520</td>
<td>10,650</td>
<td>51,830</td>
<td>9,010</td>
<td>4,420</td>
<td>6,430</td>
<td>19,480</td>
<td>4,870</td>
<td>30</td>
<td>127,240</td>
</tr>
<tr>
<td>1993</td>
<td>31,076</td>
<td>13,752</td>
<td>81,962</td>
<td>11,744</td>
<td>3,528</td>
<td>9,537</td>
<td>13,718</td>
<td>4,823</td>
<td>26</td>
<td>170,166</td>
</tr>
<tr>
<td>Canada</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1987</td>
<td>168</td>
<td>6,145</td>
<td>1,978</td>
<td>349</td>
<td>82</td>
<td>85</td>
<td>1,359</td>
<td>1,101</td>
<td>26</td>
<td>11,293</td>
</tr>
<tr>
<td>1991</td>
<td>227</td>
<td>6,893</td>
<td>3,570</td>
<td>590</td>
<td>128</td>
<td>190</td>
<td>1,565</td>
<td>1,216</td>
<td>21</td>
<td>14,400</td>
</tr>
<tr>
<td>1993</td>
<td>252</td>
<td>5,735</td>
<td>3,241</td>
<td>502</td>
<td>124</td>
<td>180</td>
<td>1,407</td>
<td>973</td>
<td>25</td>
<td>12,439</td>
</tr>
<tr>
<td>Australia</td>
<td>1985</td>
<td>114</td>
<td>1,687</td>
<td>177</td>
<td>1,083</td>
<td>130</td>
<td>270</td>
<td>7,652</td>
<td>895</td>
<td>12,033</td>
</tr>
<tr>
<td></td>
<td>1991</td>
<td>533</td>
<td>5,137</td>
<td>1,558</td>
<td>2,270</td>
<td>340</td>
<td>695</td>
<td>7,294</td>
<td>3,542</td>
<td>21,541</td>
</tr>
<tr>
<td></td>
<td>1993</td>
<td>704</td>
<td>6,778</td>
<td>2,657</td>
<td>2,716</td>
<td>357</td>
<td>870</td>
<td>7,849</td>
<td>5,374</td>
<td>27,472</td>
</tr>
</tbody>
</table>


¹China figures here include both the People's Republic of China and Taiwan. ²EU figures include the Federal Republic of Germany, United Kingdom, France, Italy, Belgium and the Netherlands. The 1986/87 figures include 1986 figures for the Federal Republic of Germany and 1987 figures for the other five. The 1990/91 figures include 1990 figures for Belgium and 1991 figures for the other five.
Appendix

SUGGESTIONS FOR FURTHER READING


Recent Reports to
The Trilateral Commission

Authors: John Roper, Masashi Nishihara, Olara A. Otunnu, Enid C.B. Schoettle

44. *International Migration Challenges in a New Era* (1993)
Authors: Doris M. Meissner, Robert D. Hormats, Antonio Garrigues Walker, Shijuro Ogata

45. *An Emerging China in a World of Interdependence* (1994)
Authors: Yoichi Funabashi, Michel Oksenberg, Heinrich Weiss

Authors: Robert D. Blackwill, Rodric Braithwaite, Akihiko Tanaka

47. *Revitalizing Trilateral Democracies* (1995 draft form)
Authors: Robert D. Putnam, Jean-Claude Casanova, Seizaburo Sato

Authors: William F. Martin, Ryukichi Imai, Helga Steeg

Authors: Niels Thygesen, Yutaka Kosai, Robert Z. Lawrence

Authors: Bill Emmott, Koji Watanabe, Paul Wolfowitz