

Economic Cooperation in the Pacific Basin*

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I. Introduction

In the Pacific today there is a new reality, though the world may not yet fully comprehend it. In economic development, in the growth of free institutions, and in growing global influence, the Pacific region has rapidly emerged as a leading force on the world stage. Its economic dynamism has become a model for the developing world and offers a unique and attractive vision of the future.

Perhaps even more important, there is a new trend toward wider cooperation among many East Asian nations. A sense of Pacific community is emerging. We see an expanding practice of regional consultations, a developing sense of common interests, and a desire to cooperate on a widening range of economic issues.

And we in America share this new cooperative spirit. The United States has had a Pacific coast since 1819, and one of the strongest stimulants to our growth and prosperity has been a vision of the West as an area of rich opportunity, where individual enterprise and a commitment to freedom can accomplish great things for all mankind. Our vision today is no less bright and beckoning than when our forefathers embarked upon their manifest destiny. Pacific consciousness is rising in the United States — not just on the west coast but in Boston, New York, and in our nation's capital.

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throughout the region; the human suffering in Indochina drains the resources and energies of many Asian and Pacific nations; ethnic tensions, regional rivalries, and potential territorial disputes impede the search for lasting security. The slow growth of political liberalization could also set back Asia's hard-won successes.

Despite these challenges, the Pacific Basin enjoys a remarkable degree of stability — a stability that derives from a number of factors independent of a simple calculation of the balance of forces. Economic vitality, in particular, is an important factor in the regional equation. To maintain stability, cooperation among like-minded states — particularly those that share the common goals of peace and regional development — is indispensable.

The Pacific Basin is a region characterized by great diversity, for example:

- Populations range from the world's smallest independent state, Nauru, in the South Pacific, with 8 square miles and a population of 8,000, to the world's largest, China, with almost 4 billion square miles and over 1 billion people;
- Economic size and influence range from oil-rich Brunei with a per capita GNP (gross national product) of nearly \$18,000 to some of the island nations with per capita GNPs of less than \$350; and
- Cultural, religious, and philosophical traditions cover the spectrum of the world's heritage, ranging from Confucianism and Buddhism to Islam and Christianity.

But the Pacific nations also have much in common.

- With a few exceptions, countries in the region tend to share our interest in peace and a stable environment for growth and development.
- Most of the vibrant countries of the Pacific are market-oriented systems that recognize the vital role of individual entrepreneurship.
- Human resources are abundant in East Asia and the Pacific. Education levels are relatively high, and literacy (estimated at 75% in the developing Asian countries) is well ahead of other regions.

Japan's economy — literally shattered after the war — has, in less than 40 years, grown to become the free world's second largest. In the 1970s, the Japanese economy grew at an average annual real rate of 4.9% — almost two-thirds greater than that of the United States and about twice as fast as Germany and France. Since 1951, Japan's GNP and its exports have both grown by 100%.

Our permanent partnership with Japan is the keystone of American foreign policy in East Asia and the linchpin of our relationships in the region. But beyond that, the strong ties that have developed in the past 40 years between our two countries — in the political, economic, and security arenas — have provided the foundation upon which the Pacific cooperation and dynamism of which I speak today have been built. The stimulus and the role model that the world's two largest free market economies and technological leaders provide to the region cannot be denied. Official economic assistance and private capital flows from Japan and the United States have contributed to economic and social development in many Asian nations. And the close diplomatic relationship between the United States and Japan and our Treaty of Mutual Cooperation and Security, and the bases that it makes possible, have bolstered peace and stability in the region.

If Japan's economic performance and the close U.S.-Japan partnership have been nothing short of miraculous, however, much remains to be done. There remain serious impediments in Japan to competitive foreign exports. Japan has a responsibility to take concrete actions to fulfill its commitment to an open trade and investment system. The United States attaches great importance to the understanding reached by President Reagan and Prime Minister Nakasone in Los Angeles on January 2. With the full support of both leaders, we have begun intensive negotiations to identify and remove trade barriers in four key Japanese markets: telecommunications, electronics, forest products, and medical equipment and pharmaceuticals. Foreign Minister Abe and I have been directed to oversee these negotiations and to provide a progress report to Prime Minister Nakasone and President Reagan at the time of the Bonn economic summit meeting in early May. In the security area, the gap between Japan's publicly stated defense responsibilities and its ability to fulfill these responsibilities must be narrowed. In short, Japan, like all Pacific Basin

an increasingly important role in U.S. foreign policy.

For the past 5 years, total U.S. trade with East Asia and the Pacific has surpassed U.S. trade with any other region of the world. Moreover, East Asia's and the Pacific's share of total U.S. trade continues to rise — and rapidly. In 1982, our trade with this region was \$126.5 billion or 27.7% of total U.S. trade. In 1984, U.S. trade with the region was \$169 billion — almost 31% of total U.S. trade. During the recent recession, our overall world trade declined more than 5%, while that with East Asia and the Pacific was off by less than 1%. In 1983, total U.S. world trade rose 0.5% — but trade with the Pacific region grew by 8%.

Pacific trade is having a subtle and, I believe, positive influence on the way Americans do business both at home and abroad, and it is affecting the attitudes and broadening the perspectives of Americans generally, many of whom are just beginning to appreciate the significance of this trade. Economically as well as politically and strategically, the Pacific is crucial to America's future.

V. The Framework for Pacific Cooperation

Political maturation and economic expansion have set in motion a dynamic process that is already transforming the Pacific Basin into one of the most productive regions of the world. America stands ready to contribute to this process. In his State of the Union message, President Reagan said:

America's economic success in freedom's success; it can be repeated a hundred times in a hundred different nations. Many countries in East Asia and the Pacific have few resources other than the enterprise of their own people. But through low tax rates and free markets, they have soared ahead of centralized economies. And now China is opening up its economy to meet its needs.

When one looks ahead to the evolution of the Pacific region over the next 10 to 15 years, the stakes are high and the prospects exciting. Multilateral cooperation, built upon a sound network of bilateral relationships, is one promising means for Asian and Pacific nations to promote regional peace and an enduring pros-

Foremost among these has been the remarkable dynamism of the private sector, where individuals have taken the initiative to improve economic and commercial relationships among peoples of the region. For it is people who are the source of inspiration and progress. Governments respond, and then not always very well, to the aspirations of individuals.

In various areas of human endeavor — scientific, educational, and cultural — people of the Pacific are exchanging ideas and joining in cooperative enterprises. As economies begin to grow and continue to expand beyond their borders, and as entrepreneurs reach out for improved techniques and new opportunities, businessmen are forging new links with one another, based on human ingenuity and a determination to succeed.

These private trade and investment relationships are the key to the remarkable economic success of the region. Such organizations as the Asia Foundation, Pacific Science Association, the Pacific Forum, the ASEAN-U.S. Center for Technology Exchange, the Circum-Pacific Energy Resources Council, and the Pacific Basin Economic Council provide important momentum to this process; they reflect the growing sense of common identity and shared interest.

Another relatively recent and encouraging development has been the formation of the private sector Pacific Economic Cooperation Conference (PECC), in which this United States Committee for Pacific Economic Cooperation participates. From modest beginnings less than 5 years ago, the PECC movement has captured the spirit and has quickened the pace of Pacific cooperation. With each successive meeting, the PECC shows greater promise of helping to bring into focus the major economic issues of the region. I trust that the upcoming meeting in Seoul in April will build upon the progress made thus far.

With respect to the U.S. National Committee on the Pacific, let me say that your dedication and interest contribute vitally to a strong U.S. role not only in the PECC but in promoting regional cooperation more generally. In his remarks to this committee at the White House last September, President Reagan said:

I congratulate all of you on your foresight and commitment to recognizing the importance of the Pacific to our nation's future

ment and training programs in the Pacific. Three weeks ago, senior officials of all the governments met in Indonesia to review the results of that inventory. Participating governments have now moved closer to agreeing on the principles that will guide the Human Resources Development effort and have identified areas for both immediate and long-term cooperative projects. Over the next 4 months, our representatives will meet to work out specific steps for consideration at next July's postministerial Conference on Pacific Cooperation. For our part, we will make every effort to contribute to the success of this promising undertaking.

I am encouraged by the progress made to date in this field, and I look forward to meeting with the foreign ministers again in Kuala Lumpur this July to decide on further actions that all of the countries can take together.

VI. The Hopeful Prospects

The Pacific cooperative process is still in its infancy, and it is too early to predict its ultimate form or direction. Whatever arrangement ultimately evolves is likely to be unique to the Pacific, for the diversity, culture, heritage, and traditions of the Pacific states constitute a unique set of challenges.

As we prepare to mark the 40th anniversary of the end of the Pacific war, it is appropriate to reflect on what we have accomplished and to ponder the future. For if there have been moments of darkness in the history of Asia, there is also light in Asia's philosophical, esthetic, and cultural traditions. The tragedy that befell Angkor Wat symbolizes the ironic juxtaposition of Asia's turbulent history of conflict and its rich heritage of civilization. When we look back 40 years from now, I hope we will see this incipient process of Pacific cooperation as the beginning of a new era — an era of reconciliation, progress, and peace.