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# Economic Interaction in the Pacific Basin

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should be studied as a "global phenomenon." They argue that only by understanding what the aims, motives, and plans of the belligerents were can the reader understand the war itself.

Whatever the merits of this interpretation, it may have been dealt a mortal blow by the authors. Most readers will resent their cavalier treatment of previous histories, especially because without a thorough grasp of conventional history this book would be indecipherable. Moreover, the classifications and groupings advocated by Jacobsen and Smith seem to offer a restricted view of policy and strategy. For all their talk of a "global perspective," the writers concentrate almost totally on the "Big Three," Germany, and Japan. Colonial and Dominion politics, partisan resistance, and the plans of Italy, China, or neutral nations are ignored. Jacobsen and Smith seem to believe that history is written by fiat and that policy equals implementation.

This is unfortunate because in many respects this could have been a useful and informative book. Stripped of its introduction and given a more thorough and detailed commentary, it would be a valuable source of original documents. There is a great deal of raw material here that is fascinating reading. The authors keep their commentary below the necessary minimum, seemingly content to have amassed a collection of documents in one book. A document, as a disgruntled ex-corporal once observed, may be merely a scrap of paper. It proves nothing in and of itself. Its significance lies more in how people interpret it, whether they follow its dictates, the circumstances involved in writing it, and the role it played in shaping events. These issues Jacobsen and Smith do not deal with.

Given the esoteric nature of this book, it is limited both in usefulness and appeal. Its price may discourage researchers and students from using it in a

university-level course on World War II. Its main function may be as a convenient reference for those who like to check their sources. If you have ever wondered what the "Arsenal of Democracy" speech actually said, or what were the provisions of Japan's *Sho* Plan, then this book may be worth it. Both these uses presuppose that the reader has a detailed and intimate knowledge of the military, political, and even global aspects of World War II. Without this background, the book remains a jumble of writings.

Given the peckish sniping of the introduction, one can't help wondering what Jacobsen and Smith really intended. It is hard to believe that two respected scholars would assert that there is only one way to understand and comprehend something as large as World War II. The fact that the war cannot be understood totally as a military or national phenomenon does not mean, as the authors' logic seems to argue, that it can be understood only as a global phenomenon. It may best be studied with an open mind as a combination of events and theories, from the individual (as in James Jones' *WWII*) to the global. To assert one and one only is to fail to see the forest for the tree.

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Krause, Lawrence B. and Sekiguchi, Sueo, eds. *Economic Interaction in the Pacific Basin*. Washington, D.C.: Brookings Institution, 1980. 269pp.

*Economic Interaction* uses the Pacific Basin as a microcosm of the global economy to explore the implications of the strikingly higher levels of economic interdependence experienced in recent years. Although written for and by Pacific Basin specialists, the concreteness of the discussion and the fact that the Pacific Basin is well suited to illustrate the issues involved recommend the work to a wider audience.

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The term "economic interactions" encompasses a variety of macroeconomic interdependencies, principally those caused by exchange rate changes, differing rates of inflation, commodity price changes and changes in business conditions in resource-consuming, "heartland" nations. The 1970s, in four successive "economic upheavals," saw radical changes occur in these areas, changes that taxed the understanding of specialist and generalist alike.

The Pacific Basin is, economically, the fastest growing region in the world and one whose growth has been conspicuously dependent on a rapid growth of international trade. Krause and Sekiguchi have chosen six nations—the United States, Japan, Australia, Korea, the Philippines, and Thailand—to illustrate its experience during 1970-1977. The core of the book is composed of six country chapters, each written by a national of that country. They describe how each country was affected by the four global upheavals and what policy choices were made in attempts to sustain their growth rates and minimize inflation. Krause and Sekiguchi mold these chapters into a whole with introductory and concluding chapters that define the nature of the economic interactions involved and assess the appropriateness of the national policymakers' responses to the "external impulses."

The four economic upheavals had relatively discrete effects. The first was the realignment in 1971 of the dollar/yen rate of exchange that changed trade patterns, depressing some sectors and stimulating others in each of the six nations. The second was the temporary boom in commodity prices in 1972-1974 that created trade surpluses and inflationary pressures in such raw material exporters as Australia, the Philippines, and Thailand. The third was the OPEC oil price increase of 1973. The last was the relatively severe global recession

recovery cycle of 1974-1976 that depressed all the nations of the region.

Krause and Sekiguchi are generally critical of the policy responses chosen by the Pacific Basin nations. For example, the United States often failed to appreciate the external ramifications of its policy choices. Japan opted for a slow recovery from the recession to minimize its inflation but in the process consigned her trading partners to a less-than-optimal recovery rate. In response to the OPEC price increase, Korea devalued her currency in order to sustain her growth rate through expanded exports but in the process further depressed the economies of some of her neighbors. The raw material exporting nations generally handled their 1972-1973 trade surpluses poorly, unnecessarily permitting inflations that had to be dealt with at greater cost later.

The book has a dual argument. First is a general argument that increasing interdependence in the world economy is producing gains in the form of more rapid economic growth. However, this growth is obtained at the cost of allowing the domestic economic conditions for which political leaders are held accountable—especially unemployment, the rate of growth, inflation and the money supply—to be powerfully influenced by external impulses over which they have no control. The second argument is that 1971 marked a decisive shift from a unipolar world in which the U.S. economy was dominant to a multipolar one in which all nations are now subject to a far larger number of external impulses than before. Krause and Sekiguchi conclude that in such an environment a considerably greater degree of international consultation is required if chaotic economic relations between states are to be avoided. To this end they propose the creation of an institution for the Pacific Basin analogous to the developed countries'

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Organization for Economic Cooperation and Development, an "Organization for Pacific Trade and Development."

Beyond its obvious value for the specialist in Pacific affairs, *Economic Interaction* can be recommended to the generalist involved in international affairs on two grounds. First, it provides a virtual primer on "international economic interactions" for those interested in acquiring a grasp of this increasingly important set of influences. For these purposes the introductory and concluding chapters will be of particular interest. Second, the focus on an economic basin in itself is enlightening. The Pacific Basin presents a model applicable to two other emerging economic regions of which we should be more aware, the South Atlantic and the Indian Ocean basins. Both Brazil and India are rapidly moving to the fore not merely as major industrial nations but also as heartland economies of their regions. An understanding of the experience of the Pacific Basin in the 1970s will be of value in understanding trends in the 1980s and 1990s in these key areas.

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Louis, Victor. *The Coming Decline of the Chinese Empire*. New York: Times Books, 1979. 198pp.

The author is a "journalist" resident in Moscow who is used occasionally by the Soviet Government to transmit information and disinformation. As his book's title suggests, Louis' principal theme is that China's communist leadership has assumed control over an empire that faces disintegration. Over half of China's current territory is destined to slip from its control, Louis says, and when this happens, it will be the rightful culmination of a long process of decolonization that has seen Burma, Vietnam, Korea, Nepal, and

domination. The specific regions Louis discusses as candidates for liberation are Manchuria, Nei Monggol (Inner Mongolia), Xinjiang (Sinkiang), and Xizang (Tibet). In all four of these regions Louis sees "an unrelenting struggle for their national self-determination and independence."

The Chinese have tried to suppress the independence struggle within these important minority regions, Louis contends, with a five-point system of repression: (1) "dismemberment of nationalities," i.e., their deportation and dispersal in areas of Chinese habitation; (2) "liquidation of national cadres and the intelligentsia," including their replacement by Han Chinese in key party and government positions; (3) reprisals, with estimates of 300,000 killed in Xinjiang from 1949 to 1969, and 10 to 12 million minority individuals killed in all of China in this period; (4) mass Chinese resettlement of the minority areas; and (5) exploiting a "fifth column" of minority individuals willing to betray their people by imitating and serving Chinese colonizers. (It should be noted that these are techniques pioneered and developed by the Soviet Union, although to be fair, they seem to appear whenever an ethnic majority feels the need to oppress a minority.)

Manchuria's fate, Louis says, is the Chinese leadership's prototype for resolving the nationalities problem and arresting centrifugal forces. Deliberate "extermination of the Manchu" people and culture, together with Chinese settlement, have enabled Han Chinese to claim with some credibility that no Manchu ethnic nationality exists. The underlying falsehood of these claims was demonstrated in the Manchukuo episode, Louis asserts, when the Japanese were able to "exploit the already existing tendencies toward independence and secession from China." When the Chinese Communists and Kuomintang fought to expel the