

Towards Intensified Functional Cooperation in the Asia-Pacific Region*

Jun Nishikawa

The Asia and Pacific region is emerging as a new center of industrialization and development in the global economy. However, in this region, peace has yet to be attained. The superpowers always try to dominate regional small and middle-scale nations and hold military bases there. The Pacific is being turned into a theatre for nuclear arms. The unequal development among regional developed and developing countries always causes anti-hegemonic nationalist and people's movements. Even among developing countries, rivalries and conflicts are not rare phenomena.

On the economic plane, attempts at regional cooperation could help attain regional peace and security. The concept of a "Pacific cooperation" is now being discussed by many parties. The U.S.A., Japan and the ASEAN countries each seem to be concerned with this concept. In this paper, we will examine this concept and its implication on the existing regional cooperation bodies. We will also examine possible modalities of cooperation between countries of different levels of development in the region. The intensification of regional and functional cooperation among nations should contribute to the strengthening of regional peace and security. Therefore, we will first examine the theory of regional cooperation as the base for regional peace and security. Second, we will examine the meaning of the Pacific cooperation concept. Third, the possible relationship between the Pacific cooperation schemes and existing regional cooperation groupings will be discussed. Finally, we will see the role of Japan and NICs in intensifying regional cooperation and promoting regional peace and security.

* This paper is a revised version of the paper presented at the Sixth General Meeting of the Association of Development Institutes of the Pacific and Asia (ADIPA), held in Bangkok, 25-30 June, 1985.

1. Regional Cooperation as the Base for Regional Peace and Security

After the Second World War, regional cooperation movements began on two levels. First, in Europe, it took the form of a European Community movement. Among the proponents of this movement, the major concern was for a reconciliation of European countries that had been divided during the war (and in opposition for centuries). The regional cooperation and integration move was here conceived as an attempt at constructing a peaceful setting among European countries by means of regional cooperation. At the same time, this move was considered by some concerned members to be an effort in constructing a strong regional center extending "from the Atlantic to Oural" which would compete with two superpowers: the U.S.A. and the U.S.S.R. Here, the regional cooperation schemes were seen as an economic base for regional security vis-à-vis the dominating superpowers. From the movement to form the European Economic Community, many authors (i. e., Jean Monnet, François Perroux, Denis de Rougemont, etc.) have recognized the basic tendency in today's world towards the formation of federal or integrative bodies and have asserted that the regionalist trend would eventually progress to the ideal federal world. Such writers are rightly called of the normative or federalist school. The federalist approach remains one of the principal reasons for supporting regional cooperation.

Second, the regional cooperation movements took various forms in the developing world. In 1955, when the newly-independent nations of Asia and Africa gathered for the first time in Bandung, they adopted a declaration calling for "world peace and cooperation" (the Bandung Declaration). The meaning of the Afro-Asian Conference was twofold: (1) the newly-developing countries fixed the norms by which international relations among themselves would be regulated (five principles of peace); and (2) they demonstrated their solidarity vis-à-vis big western powers which had colonized them for a long time. However, after the Afro-Asian Conference, we saw many attempts at regional cooperation and security, most of which failed because of the cold war and/or rivalry among developing countries (including ASA or MAPHILINDO, the attempts of which preceded the formation of ASEAN). On the other hand, in Latin America, regional integration

movements were spectacularly promoted in the 1960s. Latin Americans, inspired by Raúl Prebisch and ECLA, pushed regional integration in order to explore possible economic benefits of the protected regional market. The Latin American Free Trade Association (LAFTA) and Central American Common Market (CACM) were products of a doctrine promoting industrialization in the so-called "peripheral area" by means of the formation of a regional free market. This approach gave birth to a functionalist school of regional and economic cooperation. Rejecting any normative approach, the authors of this school emphasized the instrumental motives of the regional integration movement. However, most of the integration moves in Latin America and the Caribbean (LAFTA, CACM, the Cartagena Agreement and the Caribbean Common Market) stagnated throughout the 1970s because they failed to equitably distribute the costs and benefits among the participating members. Nevertheless, one of the merits of the functional approach was that it pointed out the importance of industrialization and economic consolidation/strengthening by means of forming a wider regional market, thus emphasizing the necessity of South-South cooperation or ECDC/RCDC from the economic point of view.

Of course, we cannot entirely separate the federalist approach from the functional one since the EEC movement has been largely exploring the benefits that derive from economic integration and Latin American integration movements are not alien to normative or political concerns which rival the economically-dominating power of the northern hemisphere (in this last sense, we may call the Prebisch school a structuralist school). However, it is enough here to point out several different approaches to the regional cooperation/integration movement and to emphasize that these are mostly related to a concern with political security and economic resiliency.

Let us summarize the rationale of regional cooperation/integration movement in relation to peace and security issues.

First, it aims at forming a strong and larger regional entity that may rival stronger extra-regional power and in which participating members can cooperate. On the one hand, the group strengthens their bargaining power vis-à-vis big dominating powers. On the other hand, the cooperation deepens the mutual understandings which are a neces-

sary condition for regional peace and contributes to intensifying the moves of people, goods and capital which continually eliminate existing state borders which had been, historically speaking, related to the conflicts among the nation-states.

Second, it contributes to the exploration of economic benefits which may derive from trade transfer and/or trade creation, a larger scale of economy, optimum distribution of resources, utilization of larger external economies, propagation of new technology and know-how, etc. In particular, industrialization, which can be the economic basis for a country's security, can benefit largely from the creation of a wider regional market (however, we have to point out that it is often beneficial to larger industries in the region; smaller industries may be ruined because of an inflow of cheaper industrial goods produced by larger industrial enterprises). The economic development, which may be stimulated by regional integration, strengthening an industrial base and absorbing idle labor force, can be seen as a premise for regional peace.

Third, in a time when a world-wide globalist economic framework—the IMF-GATT system—is in decay, the regionalist developmental framework seems to open a new perspective in particular to newly-industrializing developing countries. The developing market is more adapted to products from them than the developed one. This is one of the reasons why developing countries are eager to promote the South-South cooperation or ECDC/TCDC. This historical reason further compels developing countries to explore the possible political and economic benefits of regional cooperation.

Having examined the principal factors which explain the cooperation movement on the regional level in relation to peace and security, let us now examine the meaning of the Pacific cooperation movement.

2. The Meaning of a Pacific Cooperation Movement

The history of a Pacific cooperation (PC—abbreviation) movement is associated with Japanese support, though in recent years the proponents of it include ASEAN countries and the U.S.A. Let us first see the short history of the Pacific cooperation concept.

In the mid-1960s, some Japanese scholars and politicians had pro-

posed an idea for a "Pacific Free Trade Area" or "Pacific Economic Community". This was a Japanese response to the formation and development of EEC. They proposed the establishment of a free trade area among five developed countries in the Pacific region: the U. S. A., Canada, Australia, New Zealand and Japan.

In 1968, two organizations concerned with Pacific regional cooperation were born. First, the Pacific Basin Economic Council (PBEC), which was formed by businessmen of the five developed countries mentioned above. This group proposed the concept of a "Pacific Economic Community" and has held annual conferences and seminars. A group of businessmen from Southeast Asia and Latin America later joined PBEC, so it now has regional offices in five developed Pacific countries, the Philippines and Peru. The second is the Pacific Trade and Development Conference (PAFTAD), organized in 1968 by the Japan Economic Research Center (an affiliate of the Nihon Keizai Shimbun, an economic and financial newspaper which keeps a close connection with the business world). PAFTAD, which gathers politicians, businessmen and intellectuals of the developed countries of the region, proposed the Organization of Pacific Trade and Development (OPTAD), an inter-governmental institutional framework for trade and investment promotion in the Pacific region conceived as a kind of Pacific OECD.

In the decade following 1970, the Pacific Cooperation movement was not a matter of priority in political and intellectual issues in Japan as this country was preoccupied with the reentry of China into the international scene, its own economic progress in Southeast Asia, the successive oil crises and the rising North-South issues.

However, in the beginning of the 1980s, after the decay of the IMF-GATT world order, Japan increasingly faced fierce economic conflicts with the U. S. A., its main post-war political and economic partner, as well as with Europe. The then Prime Minister Ōhira promoted the idea of "Pan-Pacific solidarity". To his thinking, the formation of a "Pacific OECD" could draw the U. S. A.'s attention from the Atlantic to the Pacific as well as form a multilateral institutional basis for resolving the economic conflicts between North America and Japan. It would also form a valuable forum in which the devel-

oped countries could coordinate their action towards the regional demands of the Southeast Asian and Latin American countries.

On the basis of this idea, a seminar on Pacific cooperation was held in 1980 in Canberra and, at the issuance of the seminar, the Pacific Cooperation Committee (PCC) was formed. PCC is a non-governmental group of business, academic/professional and governmental persons promoting the "Pacific Basin Cooperation Concept". PCC members include five developed countries of the Pacific rim, five ASEAN countries and South Korea (5+5+1 formula). PCC held its successive meetings in Bangkok in 1982, in Bali in 1983, in Seoul in 1985 and in Vancouver in 1986. After the Bali meeting, it changed its name to the Pacific Economic Cooperation Conference (PECC). In each country, a domestic committee was set up. In Japan, PAFTAD people headed by ex-Minister of Foreign Affairs Ōkita formed the core of PECC.

Until recently, however, the PECC has encountered rather cool reactions from neighboring countries. First, the U.S. government was not enthusiastic because the "free and open area" proposed by Japan would exacerbate U.S.-Japan trade conflicts and its foreign policy was based on an Atlantic and global concern. Second, ASEAN countries were suspicious as the formation of the Pacific regional organization would decrease their bargaining power vis-à-vis the developed countries of the region (actually, ASEAN holds bilateral negotiation meetings with each big country of the Rim-Pacific) and the inclusion of other developing countries of the region (Latin America and Pacific island countries) might decrease the flow of resources from Japan and other developed countries to them. Therefore, the Pacific cooperation idea was never put on the governmental agenda and both PBEC and PECC continued their activities as non-governmental bodies. However, the situation changed in 1984-85.

In July 1984, ASEAN countries set up a "six plus five" (six ASEAN countries and five rim-pacific developed countries) conference on Pacific regional cooperation. At the forum of the enlarged conference of Foreign Ministers of ASEAN, the EC foreign minister withdrew and the eleven above-mentioned countries began to talk about regional economic cooperation.

At the same time, the United States has also become interested in the Pacific cooperation idea. Together with Atlantic relations, its concern with Pacific relations has increased and, in September 1984, a domestic PECC committee supported by the White House was set up for the first time. Secretary of State Schulz pointed out the development of the regional cooperation movement in the Pacific area and its eventual development in the regional security organization.

Following his talk with President Reagan, Japanese Prime Minister Nakasone announced the so-called "Nakasone doctrine of Pacific Cooperation" before he visited four South Pacific countries in January 1985. This doctrine is composed of the following four items: First, respect for the initiatives made by the Oceania and ASEAN countries. Second, development of cooperation in non-military areas (economic cooperation, cultural exchange, education and training). Third, the cooperation is to be open and non-exclusive. Fourth, the cooperation will be developed using the existing non-governmental bodies (PBEC and PECC). This doctrine seemed to have U.S. accord. After Nakasone's visit to the South Pacific countries, it was decided to link PBEC and PECC and the talks between Ōkita Saburo, chairman of the Japanese committee for PECC, and Gotō Noboru, Japanese representative to PBEC, were made for this purpose. As well, various ministries proceeded to formulate concrete proposals for possible Pacific cooperation projects.

As for concrete steps towards Pacific economic cooperation, various ideas and projects have been studied by the various above-mentioned organizations.

At the end of 1984, the Japanese PBEC committee formulated a proposal toward the realization of a Pacific Economic Community, which was discussed in an international symposium held in Tokyo in March 1985. It consisted of various projects which aim at establishing: (1) a Pacific Information Network System, (2) a Pacific Cultural Exchange Organization, (3) a Pacific Cooperation Fund, and (4) an Institute for Ocean Development. In establishing this cooperation network, PBEC is aiming at materializing, step by step, an Economic Community of the Pacific Nations which would rival EEC or COMECON. PECC has also established several task-forces to study concrete proposals for regional cooperation: (1) agriculture, (2) energy and minerals, (3) trade

of industrial goods and industrial cooperation, and (4) direct investment and technology transfer. These task-forces are preparing reports. Also in March 1985, the Ministry of International Trade and Industry (MITI) of Japan formulated an intermediate report on the Pacific Cooperation concept. It names various moves toward regional cooperation as the Pacific Open Community. According to the MITI report, the Pacific solidarity should aim at strengthening economic and cultural relations among the regional countries. There are three characteristics of this Community. First, it is an open and non-exclusive body. Second, in this body, the economic cooperation of developed countries vis-à-vis developing countries is emphasized. Third, it is not a binding body of member countries since member countries can participate freely with various regional projects. Concrete proposals toward formation of the Community are the following: (1) the fixation of some year in the 1980s as the Pacific Year: the Pacific Conference will be held by concerned countries and the Pacific Declaration as well as the Programme for Action will be adopted, (2) a human training program, which would result in some 100,000 trainees by the year 2000, as well as regional technology transfer and exchange will be promoted, (3) regional energy information exchange and energy cooperation will be strengthened and a Pacific Energy Conference will be convened, (4) a regional information network, using satellite and common data-base, will be developed, and (5) various technological, transport, environmental or housing cooperation will be developed. In this regional framework, economic cooperation will be developed and the use of yen will be promoted.

Actually, it seems that the Pacific Cooperation concept is being developed mainly along the line proposed by ASEAN (6+5 formula) and, in materializing the ASEAN line, PBEC, PECC and MITI ideas will be used occasionally and step by step.

What are the reasons for this sudden fervor of both developed and developing countries for the Pacific cooperation concept? Each country has its own concern.

First, ASEAN countries changed their attitude because of their economic and social situations. ASEAN countries achieved high economic growth during the 1970s. However, with modernization and

growth of their economies, almost all of them confronted serious social problems (see my *ASEAN and the United Nations System*, United Nations Sales No. E. 83. XV. RS/9, 1983). Some of them have been suffering (or have begun to suffer) from the external debt problem. They also face the Indochina problem. They need an additional regional framework which would strengthen their resilience by the support from developed countries. The protectionism adopted by developed countries in recent years is the added reason for their interest to regional framework of free trade. The ESCAP seminar on "ASEAN and the Pacific Economic Cooperation", which was organized in June 1982 in Bangkok and financed by the Japanese Government, provided a theoretical basis for this move by ASEAN toward a closer connection with PC.

Second, the business communities of both North America and Japan are remarking on the growth potential of the Asia and Pacific region. Almost all East and South-East Asian nations are ranked as middle-income developing countries, including the four Newly-Industrializing Countries (NICs—South Korea, Taiwan, Hong Kong and Singapore). In 1983, three-quarters of the U.S. import increase was derived from these countries and Japan. Mutual investment between both developed and developing countries has been increasing rapidly. If the necessary infrastructure (communication, information, transport or human training) is developed by the public sector and resource flow is concentrated in this region, business and transnational enterprises will have an excellent environment in which to develop.

Third, for the U.S. A., the weight of the Pacific has changed. Traditionally, Atlantic trade had surpassed Pacific trade for the United States and the Pacific has somewhat been considered a backyard for this country. However, since 1979, Pacific trade has surpassed that of the Atlantic. In the United States too, the sun-belt of the Western and South-Western parts grew rapidly, shading the economic power of the Eastern Coast. At the same time, Japan, which has emerged as the second economic power of the world, is considered an excellent bridgehead for American transnational corporations in developing their strategies in this growing region. After the decay of the IMF-GATT globalist framework, in order to open the Japanese market, bilateral

pressure as well as a regional framework might be useful. Finally, a geo-political consideration vis-à-vis the so-called "Soviet threat" in the Pacific is important: the strengthening of the regional ties of the market-oriented countries of the region would be useful in counter-vailing the Soviet influence in the region.

Fourth, Japan confronts increasing conflicts with the U.S.A., together with rising North-South issues in the Asia and Pacific region. It also envisages political instability for developing countries of the region, as well as the rising energy and resource problem, in the long-run. The securing of overseas assets which have been rapidly accumulating in the developing countries is also of serious concern to this country. A formation of a regional body is considered an appropriate forum to resolve these problems and to coordinate actions of big countries toward developing countries which have modified both world and regional order.

Having considered all these reasons behind the move to the PC concept, we may say that the concept itself is the necessary result of the changing world and regional order.

3. The Pacific Cooperation Concept and Three Regional Organizations

The Pacific cooperation concept tries, though the intentions of the various parties engaged in it are different, to add vigor to the regional economy. This may be considered a positive move toward resolving the North-South issues as well as promoting good neighborhood in the region. However, the PC concept, being strongly inspired by the interests of big countries, might exacerbate contradictions and conflicts in the region as well as the world.

First, a regional grouping may always discriminate against extra-regional countries. In the case of the PC movement, the gulf between member countries (ASEAN, some South Pacific countries and the developed five) and non-members (in particular, Indochina, North Korea and South Asian countries) might be deepened through the progress of Pacific regional cooperation schemes. The possible discrimination effect might be harmful to regional peace and collective security. Rather, dialogue between countries of various regimes and ideologies should be promoted.

Second, the formation and development of a PC body may turn both attention as well as resources of Japan and other big countries of the region from other parts of the world (in particular, Africa and South Asia) to the Asia and Pacific region. It might also decrease their attention to the North-South issues and the realization of NIEO. In this case, the PC concept might increase world-wide conflicts between the North and the South.

Third, though the actual PC concept does not adopt the path of an integration movement, if the PC move serves mainly to give benefits to large transnational corporations originating from Japan and the U. S. A. and contributes to widening further the gaps between developed countries and developing countries or between regional centers and the peripheral area, social problems and conflicts might arise, thus harming regional peace and security.

In fact, stemming from all reasons, the PC move has been stagnating since the middle 1985. "ASEAN plus five" conference was not held in 1986. South Pacific countries were not added to the grouping, as it was forecast originally. The "human resources" project that Japan emphasized as the first concrete step of PCI was largely reduced in 1985 ASEAN Foreign Ministers' Meeting. A sort of cautious atmosphere prevails now on the region.

It is therefore advisable that the PC movement adopts a more flexible functional approach, opening its cooperation network to all the countries of Asia and the Pacific region. In this way, the PC concept could be resuscitated and serve to strengthen regional collective security. We will now examine the state of three regional cooperation bodies in order to elucidate possible modalities of cooperation in the Asia-Pacific setting.

First, let's see the case of ASEAN. ASEAN, composed of six South-East Asian countries (Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand—though Brunei's participation is still limited), experienced a tremendous development of its cooperation efforts, particularly in the period from 1976-81. In the 1970s, the ASEAN countries experienced a high rate of economic growth amounting to 7-8%. However, this was largely due to the huge inflow of foreign resources from transnational corporations as well as the firm

will of political leaders to modernize their economy rather than regional cooperation efforts. Certainly, the Preferential Trade Arrangements were concluded for over 12,000 items by March 1984. Two urea plants in Indonesia and Malaysia, though they took somewhat different forms from the original ideas, were constructed and started in the framework of the ASEAN Industrial Project. ASEAN Industrial Complementation covered the automotive industry. ASEAN Industrial Joint-Ventures started in 1983 to encourage joint-venture enterprises among member countries. The ASEAN Finance Corporation was also established to finance joint projects of the six countries. Certainly, the progress of regional cooperation increased the flow of people and goods inside the region and the percentage of intra-regional trade in total trade for five of the countries (excluding Brunei) increased from 13% in 1976 to 19% in 1980.

However, the benefits from the increase of intra-regional trade were largely monopolized by Singapore and the per capita income gap between, on the one hand, Singapore and Malaysia and, on the other, the remaining three (always excluding Brunei) widened considerably. At the same time, the debt and social problems of rapid modernization efforts have been more serious inside each nation (except Singapore). It seems that these two factors constitute the main reasons why cooperation efforts in ASEAN have been stagnating in recent years.

The PC concept might activate the ASEAN economy. However, if, at the same time, it afforded another channel of South-South cooperation with South Asian and Indochinese economies, it would further strengthen peace and security in the region.

In South Asia, since 1981, an attempt at promoting regional cooperation and ties has begun among seven countries of the region (Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka). They have held consultative meetings of Foreign Secretaries and then those of Foreign Ministers since 1983. These efforts culminated to conference of the Heads of State concerning regional cooperation in December 1985 in Dacca, which agreed to the formation of the South Asian Association of Regional Cooperation (SAARC). Since the countries of this sub-continent, especially big countries, have been divided by a history of suspicion, rivalry, conflict and even war, and since the

size of nations is extremely different (India has 700 million people and Maldives only 154,000), the integration approach was a difficult one. However, stimulated by the success of ASEAN, these countries prudently proceeded to establish a forum for functional cooperation, avoiding the sensitive area of trade. The areas of cooperation are mainly technical ones, covering agriculture, rural development, telecommunication, meteorology, health and population activities, transport, postal services, scientific and technological cooperation, sports, arts and culture, etc. In each area, a study group was set up which drew up work programmes. Then, the working group was mandated to establish, according to these programmes, comprehensive programmes of action. On an intellectual level, six regional institutes and the Asian and Pacific Development Centre formed the Committee on Studies for Cooperation in Development which has studied the cooperation problem in South Asia.

We may foresee that after the formation of SAARC, the regional cooperation will have new élan. The factors promoting this attempt in the 1980s were several. First, there was a growing concern with "collective self-reliance" in the late 1970s, when economies of developed and metropolitan countries became stagnant. Second, with the progress of manufacturing industries in the region, the countries which were divided and opposed through successive wars remarked on the necessity of assuring a wider regional market. Third, after the Soviet invasion of Afghanistan in late 1979, Pakistan and India proceeded toward a military build-up and international relations in the sub-continent worsened considerably. Bangladesh and other smaller nations could have begun working on cooperation movement in order to ease regional tensions and to strengthen the bargaining power of regional countries vis-à-vis the superpowers. Fourth, this move might have had the support of big dominating countries, the U. S. A., West Europe, Japan and China, which needed a regional framework of stability in the sub-continent in the light of Soviet advance.

In South Asia, two schemes of trade expansion have already operated since 1975. One is the Bangkok Agreement, in which three South Asian countries (Bangladesh, India, Sri Lanka) participated together with the Republic of Korea and Laos, resulting in a limited tariff

concession (a concession of 93 products with an import value of US\$ 298 million was exchanged at the end of 1978, average tariff preferences granted were a 33% cut). The Bangkok Agreement did not have much success since this Agreement contradicted the PTA of ASEAN and two signatories, Thailand and the Philippines, did not ratify it. However, this Agreement remains a unique framework for multilateral trade liberalization in the ESCAP region and it could be reorganized on a South Asian base, including NICs in East Asia (Laos is virtually absent from the Trade Negotiation Group).

Another scheme is the Asian Clearing Union (ACU) which is mainly composed of the central banks of South Asian countries (Bangladesh, Burma, India, Iran, Nepal, Pakistan and Sri Lanka). It aims at settling payments for current international transaction on a multilateral basis (except payments for petroleum and related products). Each central bank opens its account, which is kept in a common unit designated as the "Asian Monetary Unit" (AMU), the equivalent of SDR (Special Drawing Rights) allocated by IMF, at the Clearing House and settles transactions through these accounts using regional currencies. The settlement of balances takes place every two months by foreign exchange (US dollars or other convertible currencies). The debtor pays interest on the daily outstanding balance. The Bank Markazi of Iran assumes the role of the Clearing House.

In this way, this scheme can save foreign exchange for the participants since they use regional currencies for compensable transaction. The participants can benefit from some short-term credit during the clearing period. The use of AMU as an account unit can protect the participants from the fluctuations of the value of key currencies. From 1976, when the payments channelled through the system amounted to AMUs 22.3 million, to 1981, when AMUs 228.5 million were channelled, the use of this facility increased ninefold. The foreign currency saved amounted to 62% of the total settlement in 1981. Therefore, ACU has had considerable success. However, according to our calculation, less than 10% of the intra-regional trade settlement was covered by this facility (see my *Sub-regional Cooperation in the ESCAP Area. Part I: South Asia*. UNITAR Regional Study No. 10 (Part I), 1983). One of the reasons for this is the imbalance in the intra-re-

gional trade structure, India being by far a large creditor. Therefore, for the development of trade and settlement facilities, these two institutions should be coordinated in the future, together with the establishment of a credit institution such as a regional Reserve Bank, proposed by ESCAP in 1974. In any event, the Bangkok Agreement and ACU may serve as a trade and finance basis for regional cooperation in South Asia, together with the progress of functional technical cooperation schemes in the framework of SAARC.

Finally, let's see the cooperation body in the Pacific area.

There are many inter-governmental cooperation bodies in the Pacific, among which the two largest multi-purpose ones are the South Pacific Commission (SPC) and the South Pacific Forum (SPF). The fusion of these two organizations has been on the agenda for several years: in fact, though the nature, focus, functions and composition of the two bodies have been different since their inception, the areas of overlapping activities have tended to increase in recent years. Here we concentrate our analysis on SPF, since SPC is a rather technical cooperation body of 13 ex-metropolitan and island countries.

SPF was established in 1971. It is a regional organization composed, on the one hand, of the Cook Islands, Fiji, Kiribati, Nauru, Niue, Papua New Guinea, Solomon Islands, Tonga, Tuvalu, Vanuatu and Western Samoa, and, on the other hand, Australia and New Zealand. SPF set up the South Pacific Bureau for Economic Cooperation (SPEC), a research body, which acts as a secretariat of SPF. The areas of activities of SPEC cover intra-regional trade, cooperation in civil aviation, foreign investment and joint tourism promotion, the law of the sea, development of oceanic resources, education and training, telecommunications, environment, the natural disaster fund, disaster preparation and relief, bulk purchasing of imports, sugar agreement, energy, etc. SPF has established several regional organizations, including the Forum Fisheries Agency and the Pacific Forum Line, which can be noted as a major achievement of SPF/SPEC. It also succeeded in establishing the South Pacific Regional Trade and Economic Cooperation Agreement (SPARTECA), in effect since 1981. In this agreement, Australia and New Zealand provide unilateral tariff concessions to the island developing countries. This is an agreement

of the Lomé Convention-type concluded between EC and ACP countries.

SPF has categorically demonstrated its opposition against nuclear tests (executed by France) and dumping of nuclear wastes in the Pacific (intended by Japan). It adopted in August 1985 the agreement of Nuclear-Free Zone in the South-Pacific which defended any test, use, fabrication, production and installation of nuclear arms in the region. The agreement banned also the dump of nuclear wastes in the ocean. This agreement shows the will of regional small and middle-scale countries to strengthen their power and solidarity in front of big powers who menace regional peace and environment. SPF has also supported the independence of the territories in the Pacific, which are still under colonial rule (in particular New Caledonia). In this regard, SPF has shown more “political” character than SPC, the activities of which are mainly technically-oriented.

There have been discussions of a possible merging of SPC and SPF. The island governments have become aware of the high cost of maintaining two regional bodies. The merger would aim at rationalizing and streamlining cooperation efforts. However, they are not yet able to make any decision. Since the composition of SPC differs from SPF and the former includes the developed non-regional big countries (France, U. K. and U. S. A.), if these countries were excluded from the fused body, the new body would suffer from lack of resources. If they were included, the island countries would lose the valuable forum of closed discussion as well as of coordinating their policy and action vis-à-vis the big powers.

In the present author's view there might be a third way: restructuring the actual SPF and SPC organizations. For example, the members of SPF would be the decision body of the new organization (let's call it, for example, the Pacific Forum—PF in abbreviation). In this organization, the newly-free-associated states of the North-Western Pacific (the Federated States of Micronesia, Palau, Marshall Islands) and New Caledonia, which would become autonomous and independent, would join it. PF would organize an annual Pacific Conference, in which all island countries, self-governments, territories and developed countries participate. The actual membership of developed countries in SPC should be widened: together with the five existing members,

Japan and Canada, which are eager to promote a Pacific cooperation, could be added. These developed countries could constitute the extra-regional members of the Pacific Conference. The actual SPEC could be transformed into the secretariat of PF and SPC could be its technical cooperation division. In this way, the island countries could considerably widen the horizons of their activities from the South to the North of the whole Pacific, maintaining their autonomy at the same time. They would not only maintain the financial basis of activities but also enlarge it considerably, since two big economic powers, located in the north of the Pacific, would be associated with the organization.

The expanded Pacific organization would work as a multi-purpose regional body controlled by the island countries (developed big powers would only be associated with its technical cooperation activities), thus developing its activities in the whole Pacific area, enforcing its negotiating capacity with developed countries and coordinating the policies with neighboring regional organization, in particular ASEAN, SAARC and SELA (See the detail of discussion in my "Regional Cooperation in the Pacific Area", I and II, *Waseda Economic Papers*, Nos. 22 and 23, 1984-85).

We have seen that three regional cooperation bodies in Asia and the Pacific are concerned first with developing their own cooperation schemes; however, they may widen the horizon of cooperation among each other as the next stage.

4. Possible Modalities of Cooperation between Japan, NICs and Existing Regional Bodies

As already analyzed, Japan has been encountering difficulties in managing its domestic economy as well as international relations in the 1980s. It has an overcapacity of production for the heavy and chemical sectors which led high economic growth for a quarter of a century. Though it remains a principal supplier of capital goods for NICs and developing industrializing countries, in particular in Asia, the main targets of domestic investment in the leading sectors have recently been automation, robotization and electronization. It is rapidly developing service, informative and knowledge-intensive, and the so-

called "soft-economic" sectors. It has decided to export capital, accumulated through trade (the surplus of which came, on the one hand, from the advantages of being a late-starter in industrialization and, on the other, from the under-valued yen in relation with the over-valued dollar until 1985). Therefore, the economic role of Japan in the Asia-Pacific area up to the year 2000 could be conceived in four ways: (1) traditional buyer of raw materials and fuels, (2) supplier of capital goods, (3) developer of hi-technology, knowledge-intensive and soft-economic industries, and (4) exporter of capital.

Next, we will examine the role of NICs. NICs refer here to South Korea, Taiwan, Hong Kong and Singapore, which have attained a high level of industrialization and per capita income (the share of the manufacturing sector in GNP is between 23-40% and the GNP per capita is between US\$ 1,500 to 4,500 as of 1980). However, it seems that the export-led growth in Asian NICs reached a turning point at the beginning of the 1980s.

First, in the late 1970s, when the world-wide depression directly affected NICs, they realized that their economic growth was heavily dependent on the external business situation and, therefore, extremely unstable.

Second, through the period of high economic growth, the salaries and wages in NICs increased considerably. In 1982, the average wage level in Hong Kong was US\$ 400, and for those in Taiwan, Singapore and South Korea, it was US\$ 306, 295 and 270 respectively. In the same year, the wage level in Malaysia was US\$ 221 and US\$ 75 in the Philippines. So, a new flow of foreign investment, which has largely assured industrial growth in NICs has tended to go to other South-East Asian countries where the wage level is lower.

Third, the debt problem which has become serious in recent years has hit NICs. In South Korea, this problem has become serious. The total debt attained in this country was over US\$ 48 billion in 1985 and the debt-service ratio was 15%. This has somewhat hindered ambitious industrialization in NICs. In Hong Kong and Singapore, the debt problem is not in question because they are regional financial centers. However, the debt problem has affected other South-East Asian economies which have also realized ambitious industrialization and the tight-

ening of their imports should certainly affect Hong Kong and Singapore where the percentage of re-exports and regional brokerage is important.

Taking into account the limits of export-led light and labor-intensive industrialization, South Korea and Taiwan have made big efforts in developing basic industries, such as steel and iron, shipbuilding, petrochemical and automobile industries. Around 1980, the ratio of heavy and chemical industries in total industrial production accounted for 53–57% both in South Korea and Taiwan. (It is true that this aggressive heavy industrialization is one of the reasons, together with increasing imports of raw materials and parts in export-led sectors controlled by TNCs, for South Korea's debt problem.) Hong Kong, seizing the opportunity of China's open-door policy, proceeded to invest in its hinterland area in the mainland, thus deepening its economic structure (though much more capital escaped to North America and other areas). In the 1980s, Singapore, which does not have hinterland, deliberately moved towards a high-wage and technology/knowledge-intensive type of development. All these moves reflect the changing international and domestic circumstances surrounding NICs.

Today, NICs are not only an area where high economic growth is induced by exports of labor-intensive goods to developed metropolitan countries. They are also an area where the domestic market is being developed either by means of basic industrialization or by the development of finance, trade and other service sectors. The weight of the regional market which is industrializing is becoming more and more important to them: (1) as buyer of their products, (2) as importers of their re-exported products, (3) as supplier of food, materials and fuels, and (4) as clients for their service (brokerage, telecommunication and transports, finance, marketing information, etc.)

Having analyzed the role of Japan and NICs, let's now see the possible modalities of cooperation of Japan and NICs with developing countries of the region in the context of a Pacific regional cooperation.

First, the Asia and Pacific cooperation should be a functional one: it could be the cooperation network between regional developed countries (five), NICs (four, China and North Korea), ASEAN (six), the Pacific island countries (SPF-affiliated ten) and South Asian countries

(seven), The formation of a regional economic bloc which is exclusive by nature should be avoided as it would divide the world economy and could be harmful to the global prosperity.

Second, we can conceive several levels of cooperation in the Asia-Pacific region. One is the whole regional level: this applies to energy, telecommunication, information, ocean development, environment and other areas of the region-wide interest. The human training programme, proposed in the ASEAN-led PC initiative, could be extended to NICs, the Pacific islands and Oceania as well. There could be several types of human training programmes: (1) between developed and developing countries, (2) between developed countries and NICs, (3) between NICs and developing countries, and (4) between developing countries themselves. For the human training, the central fund should be established, to which all concerned members would contribute according to the economic capability of each. The unilateral relation of donor-recipient should be avoided. Another level is sub-regional. On this level, the cooperation between sub-regional bodies should be encouraged. The exchange of technology and market information, culture and people could be the first step towards more intense cooperation between sub-regional bodies.

Third, as Japan (and other developed countries), NICs (including China and North Korea) and developing countries in the region follow different levels of development, their economies can be complementary and they may cooperate in upgrading each economy. Industrial complementation projects could be studied between these three types of countries. As well, Japan and NICs should open their economy vis-à-vis regional developing countries. They could establish a SPARTECA-type agreement aiming at trade expansion. Japan and other developed countries should take the initiative of establishing a STABEX scheme in the region, as the main portion of the exports from developing countries is still raw materials and fuels.

Fourth, the five developed countries, NICs, ASEAN, SPF and South Asian countries form the core of a decision body in this cooperation scheme. However, they hold an annual conference of all the countries affiliated with some of the cooperation schemes. They might include Indochina and Latin American countries (and why not the European

countries and the U.S.S.R.?). Thus, the proposed Asia and Pacific cooperation could contribute to reconciling opposing countries, offering opportunities for economic, business, technological and cultural dialogues. There are three capital-surplus countries in this region: Japan, Hong Kong and Singapore. They could develop regional financial centers. Japan should internationalize and liberalize its financial market. Japan could take the initiative of starting the regional fund for development to be used to reduce the economic gaps between different countries of the Asia-Pacific region.

We have seen the possible modalities of a regional cooperation in the Asia-Pacific region and understand that this will contribute to increasing regional and sub-regional transaction and the flows of people, goods and capital, thus strengthening the resiliency of member economy as well as strengthening the regional peace and security.

Conclusion

A Pacific cooperation concept of various origins is emerging in Asia and the Pacific region. It has the value of developing regional order when the world-wide IMF-GATT order is confronting serious difficulty. However, it might be associated with the interests of big powers. It could also be a bloc that is purely a security organization supposing to have enemies outside and discriminating against extra-regional members. It also neglects the potential and capability of NICs in the region. In this way, the PC concept could be rather harmful in developing region-wide economic potential together with strengthening regional peace and security. However, we may develop positive aspects of the PC concept. We may conceivably extend this idea in the Asia-Pacific region where various attempts at sub-regional cooperation have been rapidly developing. The proposed Asia-Pacific cooperation idea is composed of the association of the PC concept with existing sub-regional cooperation bodies and NICs. Thus, it covers almost all areas of Asia and the Pacific region, associating countries of different levels of development: rim-Pacific developed countries, NICs, South-East Asia, South Asia and the Pacific Island countries. It also associates countries of different regimes and ideologies. Thus, it could be the first step toward constructing the federative and peaceful

regional order in the Asia-Pacific region, developing the economic base of each nation and strengthening regional and sub-regional interaction and ties between countries. In any event, the regional cooperation can be seen as one of the instruments in reducing regional gaps as well as decreasing animosity among nations, if it is carried out well by participating members. And when it shows some success in these targets, it could be legitimately called the best device in realizing peace and common security in Asia and the Pacific region.

Acronyms

| | |
|------------|---|
| ACP | Africa, Caribbean and Pacific Countries |
| ACU | Asian Clearing Union |
| AMU | Asian Monetary Unit |
| ASA | Association of South-East Asia |
| ASEAN | Association of South-East Asian Nations |
| CACM | Central American Common Market |
| COMECON | Communist Economic Conference |
| ECDE | Economic Cooperation among Developing Countries |
| ECLA | Economic Commission for Latin America |
| EEC | European Economic Community |
| ESCAP | Economic and Social Commission for Asia and the Pacific |
| GATT | General Agreement on Tariffs and Trade |
| GNP | Gross National Product |
| IMF | International Monetary Fund |
| LAFTA | Latin American Free Trade Association |
| MAPHILINDO | Association of Malaya, the Philippines and Indonesia |
| NICs | Newly-Industrializing Countries |
| OECD | Organization of Economic Cooperation and Development |
| OPTAD | Organization of Pacific Trade and Development |
| PBEC | Pacific Basin Economic Council |
| PC | Pacific Cooperation |
| PCC | Pacific Cooperation Committee |
| PECC | Pacific Economic Cooperation Conference |
| PF | Pacific Forum |
| PTA | Preferential Trading Arrangements |
| RCDC | Regional Cooperation among Developing Countries |
| SAARC | South Asia Association of Regional Cooperation |
| SELA | Sistema Economico Lation-Americano |
| SPARTECA | South Pacific Regional Trade and Economic Cooperation Agreement |
| SPC | South Pacific Commission |

| | |
|---------------|---|
| SPEC | South Pacific Bureau for Economic Cooperation |
| SPF | South Pacific Forum |
| STABEX | Stabilization of Exports Income Scheme |
| TCDC | Technical Cooperation among Developing Countries |