

# Mexico: no to 'Pacific community'

by Valery Rush

The widespread reports that Japanese Prime Minister Masayoshi Ohira will discuss with Mexico the idea of forming a Pacific Basin Community, has raised a huge question mark as to the fate of his upcoming trip to Mexico City. If Ohira sticks to the fundamental issues of oil-for-technology accords between Mexico and Japan, there is little to block a successful outcome of his visit. Should he choose, however, to raise in a big way the Pacific Community idea, which is championed by Trilateral Commission leader and Foreign Minister Saburo Okita, a failure on the trip is guaranteed.

Mexican officials have been careful up to now not to publicly reject the Pacific Community idea, choosing instead to keep a polite "open mind."

In private, however, Mexican officials are strikingly direct in rejecting the Pacific Basin Community idea.

One Mexican source commented last week that "nobody here gives the proposal priority or viability." The major reason for this, the source said, is that it involves the participation of the United States, and appears aimed at forming a security pact in the Pacific with China.

This Trilateral Commission version of the plan hasn't always been the only one in existence.

## An old idea

The idea of a Pacific Basin Community has existed for many years and is an almost natural outgrowth of the geography of the resource-rich region. With the United States lining one side of the Pacific and Japan lining the other, the productive potential exists to develop the enormous human and material resources of the remaining nations of the region.

In the post-War period, the Pacific Basin concept has been a controversial subject, due largely to Japan's colonial conquest of the region in the 1930s and 1940s. Starting in the mid-1960s, however, influential Japanese policy makers—typified by the Industrial Structure Council of the Ministry of International Trade and Industry, and such private bankers as Mr. Schei Nakayama of the Industrial Bank of Japan—began to seriously discuss how Japan could "restructure" its domestic econ-

## A Pacific Basin 'community'?

*The following are excerpts from a document issued by the Pacific Basin Cooperation Study Group entitled "Interim Report on the Pacific Basin Cooperation Concept" and dated November 14, 1979.*

*Though the document is, for the most part, self-explanatory, readers should note especially the section dealing with industrial development of the developing countries. The wording is almost identical to that used by such groups as the Brandt Commission, which are seen in Mexico as simple rehashes of already rejected World Bank policies.*

"The Pacific Basin study group, established as a private consultative council to the prime minister, is a body to study how to enhance regional cooperation and harmonious relations within the Pacific Basin region. The group, chaired by Mr. Saburo Okita, then chairman of the Japan Economic Research Center, held its first plenary session in March of 1979. Mr. Okita resigned the chairmanship of the group upon

assuming the position of Minister for Foreign Affairs on November 9, 1979.

### "The Pacific Basin Cooperation Concept"

"For the first time in history, all the prerequisites are ripe for the creation of a true regional community in the Pacific Basin region. . . ."

"Such Pacific Basin cooperation should aim at a regional community composed of internationally open countries, but it is premised, needless to say, upon their cultural independence and political self-determination. Such independence and self-determination must be mutually respected, and therefore should not bring forth exclusionist nationalism and protectionism.

### Tasks for the Pacific Basin Cooperation

"... Since we live in the so-called resource-limited age today, there are a number of possible areas of strengthened international cooperation among the Pacific Basin countries in order to tackle the problems of energy, food and other resources." Although the solution of the energy problem requires global cooperation, and specially cooperation and self-restraint both by the oil-producing and oil consuming coun-

omy. They urged the export of heavy industries such as steel and petrochemicals to the developing countries of especially Asia, while raising Japan's economy to the "Knowledge Intensive" era of computers and other high technologies. This became the essential content of discussions for a "Pacific Basin Community."

Since that time, however, all talk in Japan of such large-scale transfers of industry has virtually stopped, and discussions of a Pacific Community now largely revolve around creating an OECD-style organization, in which member countries would be pressured and cajoled into tailoring their economic policies to the views of the American Treasury Department.

What remains of the Pacific Basin Community idea is typified by the report issued late last year by Japan's Pacific Basin Cooperation Study Group, chaired at that time by current Foreign Minister Okita. The report is filled with talk of the need for "free trade" and reductions of "nationalism and protectionism" throughout the Pacific region—precisely the concepts rejected by Mexico in the GATT treaty as harmful to the nation's nascent industrial sector.

Former Ambassador to Japan James Hodgson, was very explicit on this shift when he said in a recent interview that the old Japanese "grandiose schemes" for

Asia must change. There is no room for large industrial projects in the region, he said. A Pacific Community must be oriented around raw materials and energy resource development.

In the Mexican view, the versions of the Pacific Community concept now in circulation are little different from the so-called "North American Common Market" and "Western Hemisphere Strategic Reserve" strategies envisioned by many influential American policy-makers. Both the Common Market and Strategic Reserve ideas are seen in Mexico as attempts to gain control of the hemisphere's raw material wealth—above all Mexico's energy resources.

It should also be pointed out that Mexico, aside from seeing a U.S.-dominated Pacific Community as a direct threat to Mexico's national sovereignty, also rejects the broader American strategic goal of allying with the People's Republic of China. Officials note that many of the Americans involved in this effort, such as those organizing the new Security Conference on Asia and the Pacific, are also promoting the Pacific Community idea. This is also the case on the Japanese side. Nomura Research Institute head Saeki as one who is promoting increased security arrangements in the region led by the United States.

tries, it is extremely important for the region's future development that the Pacific Basin countries on their part work out a framework for regional cooperation, not only to advance the exploitation of petroleum resources and the utilization of coal, but also to promote expanded use of nuclear power and further research and development on such new energy resources as solar energy ..."

The advancement of modernization/industrialization of developing countries in the Pacific Basin region is an indispensable prerequisite for the prosperity and stability of a harmonious regional community within the Pacific Basin ...

Of course, modernization/industrialization of the developing countries could not be accomplished just by the emulation of the advanced industrial countries. Rather, it would be achieved in harmony with their unique historical, social and cultural systems, accompanied by balanced development" between the urban and rural areas. ...

The role of overseas investment in economic development of the Pacific Basin region will become more important in the future. ...

In order to further facilitate such capital flow among the countries of the region, it is imperative that

the investing countries aim such investment which would be welcomed by the recipient countries and that conclusion of investment protection agreements and other measures of improving in the investment environment be facilitated.

#### **Reviewing monetary problems and improving financial market conditions.**

The international and financial system has been maintained on a managed float system since the collapse of the Bretton Woods system. The IMF's concept of substitution account is one approach to this problem based on a medium- and long-term perspective. Whatever the ultimate approach would be, the Pacific Basin countries should make more realistic and overall review on the monetary problem in the Pacific Basin region not only from their respective positions but also from an international perspective.

At the same time, we must note that a major role can be played by financial capital markets. For example it is of great importance for facilitating the economic development of the Pacific Basin region that the Tokyo market be further internationalized and linked to other markets such as those in Hong Kong and Singapore.