

EIR Special Report

A 50-year development policy for the Indian-Pacific Oceans Basin

by Lyndon H. LaRouche, Jr.

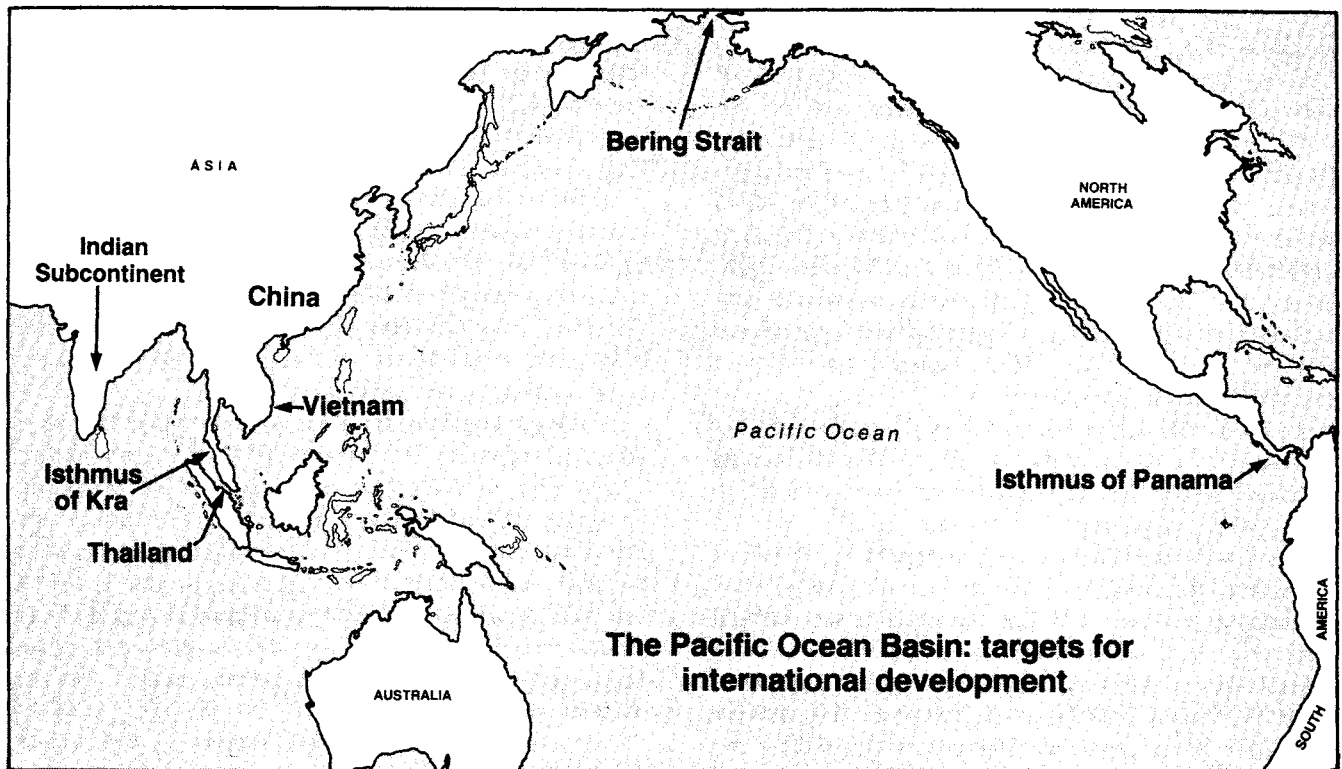
Lyndon H. LaRouche, Jr. drafted this policy document as the basis for deliberations at a series of EIR conferences to be held in several international locations shortly. We present here the foreword to Mr. LaRouche's book.

For close to 25 years, discussions have been under way concerning the desirability and possibility to establish some sort of association among the nations bordering the Pacific Ocean. The studies conducted, the conferences assembled, the speeches delivered, all on the subject of facilitating economic cooperation in this region, total to some large number. So far, nothing concrete has been accomplished.

The well-founded arguments suggesting close economic cooperation are well-known, and are usually listed in each new conference assembled on this matter. The combined Pacific and Indian oceans' basin contains more than one-and-a-half billion persons without including China, and more than half the total human population when China is included. Additionally, a statistic which usually escapes popular attention in the U.S.A., the United States now conducts a greater volume of trade within the Pacific basin than by way of the Atlantic.

The contrast between the importance of the subject, and the consistent impotence of endless policy-deliberations on the subject, reflects, most essentially, the fact that embedded in the idea of Pacific cooperation is a deep policy conflict which none so far have been willing to attempt to resolve directly, and which few specialists have so far dared even to publicly acknowledge to exist. The mere suggestion of integrating the Pacific region on the basis of economic cooperation, raises bitter and deep issues, issues touching the heart of post-World War II strategic policies. Any attempt at serious economic partnership among the nations of the combined Pacific and Indian oceans' basin would implicitly topple the existing structures of post-war North-South policy doctrine, and would require a radical adjustment of East-West policies of practice.

Although most of the nations of South and East Asia include elements of their economies and urban culture typical of OECD economies, the social composition



of the economies of most is that of "pre-industrial" society, dominated by masses of rural poor and the problems of assimilation of masses of rural poor spilling into urban regions. If development is actually to occur, there must be established a new kind of partnership. The industrialized nations of the basin, the U.S.A., Canada, Japan, Australia, and New Zealand, in particular, must accept a new basis for cooperation with the less-developed nations. Such cooperation would challenge the most fiercely defended past and present policies of international monetary institutions, including the International Monetary Fund, the World Bank, GATT, and the Bank for International Settlements.

As soon as the participants in deliberations on cooperation in this basin are aware of this matter of present monetary policies, the discussions of cooperation tend to retreat to the narrower framework of paeans to the glories of tourism.

The second principal cause of habituated impotence in deliberations is the simple fact that China and the Soviet Union are also economies of this region. It is impossible to exclude these two nations from economic cooperation in the region, and it has also been impossible to secure agreement among the other nations of the region on the matter of including them.

The progress of the deliberations up to this point has been chiefly the following.

The Pacific Basin debate has centered around two contrasted conceptions of a process of integration of the region, the one introduced from Japan, the opposing view advanced by U.S.-based proponents.

From Japan, the argument has been advanced that the

integration of the region must be premised upon a determination to develop the productive powers of labor of these nations, to increase the per-capita purchasing power of nations as an indispensable precondition for sustained growth of regional trade. The proponents of this view have recommended, as a first step, that the "Big Five" (U.S.A., Canada, Japan, Australia, New Zealand) should form a common-market-style arrangement, which would promote expanded trade among these nations. This proposal has come to be known as a possible "Pacific Free Trade Area" (PAFTA), a proposal prompted by, but not an exact copy of the European Common Market.

Unfortunately, such a PAFTA would not directly benefit the less-developed economies of the region. To correct that defect, the Big Five would be obliged to concentrate efforts among themselves on building up the levels and scale of industrial output and advanced technologies in the less-developed nations, permitting the latter nations—eventually—to participate as equal partners in an expanded "Pacific common market."

This is the regional correlative of Japan's "knowledge intensification" industrial strategy. This projects the transfer of "smokestack industries" to the developing economies, and Japan's concentration on upgrading its own industrial structures, to higher value-adding industries including specialty steel. Japanese sources propose, should the Big Five adopt such a "knowledge intensification" role, the Big Five would acquire the economic basis for coordinating their policies toward the region's developing economies; such coordination would, it is proposed, prompt a more rapid pace of

industrialization of the latter economies.

This proposal from Japan has been rejected by U.S. institutions actively participating in the debate. Japan's proposal is opposed by a proposal known as the "Organization of Pacific Trade and Development" (OPTAD). The proponents of OPTAD reject the PAFTA as inimical to Adam Smith's "free trade" doctrine. They recommend that their brain-child be a looser, regional "consultative" association. The OPTAD proposals flatly ignore all issues of the relationship between the developing and industrialized economies of the basin, at least all issues leading to questions of reform of present monetary institutions.

Such fundamental differences among the Big Five, aggravated by the intensity of the East-West issues overlapping the debate, have caused the discussions to tend to collapse to the level of a society for promotion of tourism.

Faced with this situation among the Big Five, the nations of ASEAN, for example, have become very wary of the discussion as a whole. They fear that anything which might be adopted among the Big Five would lead only to a diminished role for ASEAN itself, and thereby weaken the present, modest negotiating-positions of their nations. They fear entering more limited agreements among nations of the Asian side of the basin as the prospect of domination of their economies by Japan, a fear increased by U.S. demands that Japan undertake a qualitatively larger military responsibility. They fear that the U.S. intent is chiefly that of treating the region purely as an asset of U.S. military strategy.

At the same time, many of the U.S. proposals for the Pacific Basin have been in fact poorly disguised proposals for little more than U.S. security operations. All U.S. proposals thus far have had the associated, undisguised objective of preventing Japan from developing its position as a regional economic power. To the present point, U.S. foreign policy has been efficiently directed, in its effect, to excluding Japan from significant development of potentially expanded markets in Southeast Asia, Mexico, and the Indian Ocean Basin, forcing Japan to rely upon exports to the collapsing EC markets, the collapsing OPEC markets, and a U.S. internal market. Added to this, U.S. protectionist impulses, and efforts to create dumping-markets for U.S. goods in Japan, are pushing Japan's exporters to diminished roles in the U.S. internal market. Japan is recently offered leading roles in the markets of Chile and Argentina, markets which present international monetary institutions' "conditionalities" doctrines are in the process of collapsing absolutely!

The fruitless discussions of Pacific cooperation of nearly 25 years are now at the brink of being terminated by escalation of protectionist economic warfare among the discussion partners.

Origins of the debate

The best leading indications available to date, indicate that discussions of Pacific-basin cooperation began largely as bilateral talks between representatives of Australia and

Japan. As early as 1960, representatives of leading industrialists of Australia entered talks with Mr. Shigeo Nagano, then head of Nippon Steel. These discussions were the beginning of renewed relations between the two countries, ameliorating the strains in relations left over from World War II.

After Mr. Nagano visited Australia during 1961, a Japan-Australia cooperation committee was established. During an early meeting of this committee, the idea of integrating the region economically became a prominent point of discussion. The Japan Economic Research Center became involved in this discussion. Observers from the U.S.A. and New Zealand began attending these conferences.

The most important study completed so far on the possibility of cooperation in the Pacific Basin was accomplished during 1966, under the direction of the noted Japanese economist Kiyoshi Kojima. Mr. Kojima minted the term "Pacific Free Trade Area" (PAFTA), and presented the proposals for this identified above. It is notable that Mr. Kojima worked at that time for the Japan Economic Research Center, an institution which was also the primary think-tank developing for Japan the famous 1960s "income-developing plan," for the domestic economy of that nation.

Mr. Nagano, doubtless aware of the U.S. opposition to the PAFTA proposal, has stipulated points of disagreement with Mr. Kojima's views. Unfortunately, the authors of this present report have not yet had the opportunity to study Mr. Nagano's observations to this effect in full. It is known to us, however, that Mr. Nagano expressed concern that the common-market proposal associated with PAFTA not appear to be "exclusionist," and argued to that point that the idea of cooperation in the Pacific basin must be broad in scope.

However, it is our view that Mr. Nagano's critical observations are to be taken as a useful and necessary part of the dialogue of deliberations on this subject. He expressed agreement with the perspective toward the developing economies. He also posed the issue of including China and the Soviet Union in future arrangements for cooperation, identifying Siberia as part of the Pacific region.

The broader institutional framework of discussions to date was prompted by Mr. Takeo Miki, during the period he was Foreign Minister of Japan. Not long after Mr. Kojima's issuance of his study, Mr. Miki delivered an address of notable consequence, supporting the establishment of a "Pacific Community," to integrate the region. Thereafter, the foreign ministry of Japan acted in support of the proposals of both Mr. Miki and Mr. Kojima, promoting seminars and conferences on this subject. This series of sessions has become institutionalized as the "Pacific Trade and Development Conference Series," which has brought together specialists from all of the countries of the region for discussion of economic cooperation.

The role of Stanford Research

The Stanford Research Institute launched its first major move into discussions begun by Mr. Nagano and Australia

soon after those discussions began. During several years prior to that time, SRI had sponsored the activities of an organization known as the "Japan-California Association," which had assembled leading businessmen from Japan and leaders from the U.S.A.'s West Coast business community. The person most prominently associated with this organization, from that time to the present, has been Mr. Weldon Gibson. During 1965, Mr. Gibson began talks with Mr. Nagano on the subject of regional cooperation. In 1967, SRI sponsored a new venture, the Pacific Industrial Conference. This Pacific Industrial Conference led to the formation, that same year, of an organization known as the "Pacific Basin Economic Council" (PBEC).

The PBEC rallies approximately 400 companies from the Big Five nations, and holds regular annual conferences, in addition to activities of subsumed subcommittees' task-forces, and so forth. The secretariat for PBEC is provided by SRI. During 1968, PBEC held its first major conference in its series, a conference which drew over 100 participants from the region, including 14 from the U.S.A.

Despite PBEC's weighty public-relations credentials, its public conferences contain no addresses of much importance, except proceedings one may read at one's leisure from a distance—on the weighty subject of tourism! What may transpire outside the public proceedings is a matter of well-informed speculations.

In a probably related set of developments, the ideas of the West Coast U.S.A. institutions have had notable influence on U.S. policy toward the basin. Exemplary is a well-known 1967 item in the New York Council on Foreign Relations' journal, *Foreign Affairs*, under the by-line of U.S. presidential candidate Richard Nixon. That article, popularly reputed to reflect the work of Richard Allen, discusses the economic potential of the Pacific Basin, and suggests a possible U.S. opening to China.

It is notable, in that connection, that many of the U.S. public figures earlier involved in the Pacific Basin deliberations were brought into the Nixon administration. These included several among the fourteen U.S. figures who participated in the 1968 PBEC conference. These included David Kennedy, who became Treasury Secretary under Nixon, Roy Ash, who directed the OMB, and Henry Kearns, who became Director of the Export-Import Bank, and had been earlier a member of the Eisenhower administration.

Recent developments

During the period preceding his election as Japan's Prime Minister, the late Masayoshi Ohira delivered a number of addresses in which he proposed some sort of Pacific Basin community. After his election, he formed a task-force known as the "Pacific Basin Cooperation Study Group," which issued a report whose effect was to expand the work of the foreign ministry's continuing conference-series. Otherwise, Japan and the ASEAN countries now have numerous, different forums used as vehicles for discussion of cooperation.

Current proposals by the government of Japan to aid ASEAN nations to renovate their factories is the apparent outgrowth of these recent discussions, including the work of groups established under Prime Minister Ohira.

It is significant, to whatever undetermined effect, that Democratic presidential-nomination candidate and Senator John Glenn has enjoyed a very active part in treatment of the idea of development of the Pacific Basin, an activity stemming from his earlier position as Chairman of the Asia Subcommittee of the U.S. Senate Foreign Relations Committee. While he was Chairman of that Subcommittee, Glenn commissioned the Congressional Research Service to conduct a study on the subject of Pacific Basin cooperation. Two academics were contracted to conduct the study: Prof. Hugh Patrick of Yale University, a specialist on East Asian economies, and Dr. Peter Drysdale, of the Australian National University.

The distinctive feature of the EIR proposal as a whole is emphasis on the elemental point that the projected economic cooperation is unworkable unless the Pacific and Indian oceans' basin is treated as an indivisible unit of such cooperation. Under conditions of economic revival, the concentration of ocean-borne freight movements will make the combined Indian and Pacific oceans' basin the center of the world's economy.

Senator Glenn's leading role in repeatedly attempting to force the United States to break its solemn treaty-agreements with India on nuclear-energy projects, and Dr. Patrick's past performance, do not imply anything but worsening of U.S. relations with Japan and the developing-nations of Asia issuing from that quarter of U.S. policy-shaping. The foreign-policy record of Glenn's principal competitor for the Democratic presidential nomination is far more hostile to developing nations and Japan than that shown by Glenn, but per-

haps this is only because former Vice-President and Trilateral Commission protégé Walter Mondale has a much longer record on these matters. On the record of statements and performance to date, U.S. relations with Japan and the developing nations would become significantly worse under either a Glenn or Mondale presidency than they are at present.

Notably, Dr. Patrick, co-author of the Glenn report, is famous as a leading adversary of the "income-doubling plan" which was the basis for the recent Japanese "economic miracle." Also notable, it was the Glenn report, enthusiastically endorsed by Glenn, which proposed the establishment of OPTAD as a weapon of negotiations against PAFTA and other proposals from Japan and ASEAN nations.

The EIR proposal

EIR has prepared a preliminary study intended to provide the government of the United States, as well as governments and influential private circles of the proposed partner-nations, a new agenda for formulating policies of cooperation within the combined Indian and Pacific oceans' basin. The short-term purpose of composing and issuing this proposal in the present, preliminary form, is to provide President Ronald Reagan a fresh set of policy-options for his consideration, in connection with his planned visits to Japan and Southeast Asia during November 1983. The medium-term purpose is to set into motion a process of discussions intended to produce a more efficient consensus among the prospective partners of the proposed, early cooperation.

The preparation of this present report is an undertaking adopted during the course of Lyndon H. LaRouche, Jr.'s July 9-August 3, 1983 visits to India, Japan, and Southeast Asia, the occasion for an intense schedule of meetings with governmental and other public figures of that region on a variety of topics, of which the issue of economic cooperation and of the importance of economic cooperation for enhancing political stability were the leading topics.

During the course of discussions during the recent visits, it became clear to Mr. LaRouche and the companions of his party, that not only did *EIR* command the essential completed researches needed to produce a proposal of this type, but that it was a matter of urgency both to the United States and the nations of the region that a new proposal of this type be added, a proposal incorporating leading features of work already accomplished to similar purpose by others. This commitment was adopted, and its nature reported to discussion-partners of visits to Japan and Southeast Asia, and reported back to New Delhi as well as to relevant circles in Washington, D.C.

The short-term object of issuing this report at this time includes the intent to provoke and solicit comments, including critical observations, which help to set into motion the kind of discussions needed in search for an efficient consensus for action.

The distinctive feature of the present proposal as a whole is emphasis on the elementary point that the projected economic cooperation within the basin is economically unwork-

able unless the Pacific and Indian oceans' basin is treated as an indivisible unit of such cooperation. India's urban labor-force is approaching 60 million persons, and includes one of the largest pools of scientific and related professional manpower in the world today, a population adapted for rapid rates of assimilation of advanced technology, and, predominantly, with a cultural disposition for assimilation of both large-scale infrastructure-building projects and advanced technologies. India, Indonesia and Japan are the pivotal nations for the economic development of approximately one-and-a-half billions population on the southern and eastern rim of Asia, and thus key to development of the mass of economic power needed to provide China a reservoir of assistance for its own needs for trading partners and imports of technology.

Moreover, assuming that the world does not continue its presently accelerating descent into a new dark age, as the proponents of "post-industrial society" and neo-Malthusianism are, principally, efficiently causing to develop, the world will soon effect turnabouts, away from present directions in policy, unleashing potentially the greatest technology-driven economic boom in history, world-wide. Under such happy, and urgently required conditions, the concentration of ocean-borne freight movements in the world will make the combined Indian and Pacific oceans' basin the center of the world's economy, as the accompanying world-map illustrates our point. The other principal ocean-basins of commerce and economy, the Mediterranean, the North Atlantic, and South Atlantic, must necessarily feed into the center of world economy chiefly through the Suez Canal and augmentation of the present Panama Canal by the proposed new sea-level canal, plus a lesser but significant role for the Cape of Good Hope.

The single, most-crucial point of strategic weakness from this vantage-point is the constricted passage past Singapore through the Straits of Malacca. The obvious remedy for this is the development of a large, high-speed, sea-level canal through the Isthmus of Kra of Thailand—a well-researched project clearly to the long-term objective advantage of that and adjoining nations, but not without subjective and other causes for hesitation within Thailand itself. Those sensitive problems associated with the Kra canal, and with the aborted Mekong River Development project as well, typify the point of deliberations at which objective determinations of economic science must pass over into the more emphatically political domain of internal and combined deliberations among the nations most immediately affected by such projects.

It is the general view adopted for this report in that connection, that the cultural matrix of that region of Asia be efficiently respected, and that, rather than proposing each desirable project one at a time, a package of desirable such projects be adopted, to the effect that each nation obtain its share of the benefits provided by the combination of projects taken as a whole, the same principle of practice exemplified by the Great Infrastructure Fund (GIF) proposal submitted by Mr. M. Nakajima, founder of the Mitsubishi Research Institute.