Pacific Asia?S Economic Development, Essay, Research Paper

Pacific Asia?s Economic Development,

Crisis, and Recovery

All the Pacific Asian countries have a long history of economic involvement with the United States. Lately the region has been going through a few economic problems. The United States is clearly the only country that will assist the region in overcoming this crisis. Pacific Asia has proved itself to be a break through region in achieving great financial and industrial success in such a short period of time. What went wrong? How will this crisis be resolved?

Although the Pacific Asian region is facing troubling security issues and financial problems, for some reason China isn?t at all being affected. China is becoming even stronger and is seen as a possible competitor to the United States in world affairs. ?Japan?s apparent loss of stature in the wake of an arguably ineffective to Asia?s economic difficulties and its own persistent recession have further accentuated China?s rise.? Japan, being the other reputable country of northern Pacific Asia is in no condition to assist in the crisis. This leave?s Southeast- Asia with great reliance on the United States.

There are three main factors why the United States is prone to strategic drift in Asia:

1. The current roster of key decision makers in U.S. foreign policy is

bereft of anyone with sustained in-depth expertise on Asia. The incumbent Secretary of Defense come the closest to being an exception. It is difficult to watch contemporary American foreign policy without concluding that most planning, thinking, and effort goes into policy toward Europe and the Balkans, Russia, and the East?not Asia.

2. The in-built emphasis within Pacific defense structure on Northeast Asia. The loss of Clark and Subic as military installations in the Philippines simply reinforced a natural tendency to focus attention on the northern portion of the Pacific Command?s area of responsibility.

3. Involving the uniquely emotive quality in American perceptions of China. To a remarkable degree, U.S.-China relations have escalated between extremes of amity and enmity. ?The explanation for such dramatic swings in public (and elite) attitudes is found in the peculiar emotional investment Americans have made in China.? The early origin of U.S. investments in China began with the Christian missionaries in the early nineteenth century. Coupled with Washington?s ?Open Door? policy, China is viewed upon as an American Prot?g?. It was clear the U.S. would protect, foster, and ultimately convert China into America?s mirror image in Asia.

4. The profound ambiguities of the Southeast Asian strategic environment. In Southeast Asia, there are no clear threats, no defined

adversary, and no specific territorial boundaries to defend.

Southeast Asia is unclear on what to or not to expect from U.S. security presence. ??it is clear that America is carrying a big stick in Asia, but it is not all clear why. It goes without saying that U.S. security planners must be clear in their own minds as to U.S. interest in Asia and how those interests are rank-ordered in terms of plausibility and lethality; what assets the U.S. has (both its own and those of allies) to control those threats; and hat specific policies can be implemented at what cost to maximize assets and minimize threats.

Southeast Asia?s remarkable economic growth throughout the 80?s and 90?s is summed up in two words, the ?Asian Miracle?. The growth rates on countries such as: Japan, Malaysia, South Korea, Indonesia, and other countries was at about 8% per year and surprisingly there was little unemployment and virtually no wealth gap between the rich and the poor. All was good until about July of 1997. Southeast Asia was plagued by an economic crisis of formidable proportions.

?At first, the economic crisis was limited to Thailand?s financial sectors, but it quickly grew to engulf Malaysia, Indonesia, and South Korea as well.? Economists feel the ?Asian Contagion? will infect the stronger economies of Japan and China and ultimately dampen worldwide economic growth. The predicament of Southeast began with the

devaluation of currencies throughout the region. The loss of worth of the Asia currencies made it difficult for businesses and banks to pay back money they owed in foreign denominations. Loan defaults and financial sectors bankruptcy resulted from the drop. Asian government were unable to raise capital to regain their crumbling economies and were forced to ask for international help. More loans have been taken out to pay backed loans.

Many feel Southeast Asia will bounce back and reclaim their comfortable economic status. In the 80?s U.S. observers witnessed fear and awe as these Asian countries became formidable U.S. competitors. At one point Japan (the world?s second most powerful economy) along with other Asian countries made sharp inroads into U.S. domestic market causing a U. S trade deficit, which fueled a wave of protectionist sentiment in Congress. Many Asian countries have become successful due to government intervention in business. They have been condemned for their willingness to suppress human rights for the sake of economic growth.

?There is general consensus that Asia?s crisis largely stems from overzealous domestic investment. Optimistic that Southeast Asia?s remarkable economic growth would continue, companies in the region borrowed huge amounts of money and poured it into investments such as real estate. When those investments did not make a profit, companies

simply borrowed more money or extended their loans to cover outstanding debt. ?Since profits weren?t being turned over quick enough the borrowing only became more debt. Richard Idornik, European business editor for Time magazine, writes: The financial crisis facing Asia today is merely a symptom of a much deeper problem the social and political assumptions on which the Asian model was founded are terribly outdated. The global economy is far to complex and fast paced for any control. The only miracle in Asia is that this worked as long as it did.

Japan?s economic system is criticized as an economic model for other countries in the region. Analysts believe Japan?s ?command-and-control capitalism? is a disaster due to investment decisions determined by government officials instead of the free market. They believe that the disaster could have been avoided if the region operated by the guideline of a free market.

On April 14 ASEAN Secretariat Jakarta stated, ?The Association of Southeast Asia?s Nations is in the final stages of preparations to send top-level investment missions to the United States and Europe-two of the biggest sources of foreign direct investment in the ASEAN region. The invest drive in the U.S. will be held from 15 to 20 of May to be followed by

the European campaigns from 22 to 26 of the same month.

The ASEAN investment missions are part of ASEANS efforts to inform the international community of investment opportunities in Southeast Asia now on the road to full recovery from the financial crisis. ?The recently released World Economic Outlook by the International Monetary Fund forecasts and economic growth of 6.2% in 2000 for Asia, excluding Japan. ASEAN economies are expected to grow by an average of 5%.

In the U.S., investment seminars will be held in New York, Minneapolis, and San Jose. While in Europe, the ASEAN mission is scheduled to hold business meetings in London, Paris and Munich. The seminars will focus an business opportunities and incentives provided under several regional schemes, such as ASEAN Investment Area (AIA), ASEAN Free Trade Area (AFTA) and the ASEAN Industrial cooperation Scheme (AICO). The ASEAN delegation to the United States will be led by Singapore Trade Minister, George Yeo, while minister Abhisit Vejjajiva of Thailand will lead the ASEAN team going to Europe. They will be accompanied by representatives of investment agendas of all ASEAN member countries, namely , Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam. The investment missions to the United States and Europe would complete the round of

global campaign, which started in Japan in February this year.

The first meeting of the ASEAN Economic Ministers and Minister of the People?s Republic of China, Japan, and the Republic of Korea was held in Yang on, Myanmar on May 2, 2000. (The ASEAN + 3 Economic Ministers Meeting). The Ministers recognized the importance of cooperation and collaboration in industry, trade, investment , and other economic areas among ASEAN, People?s Republic of China, Japan, and Republic of Korea against the background of the deepened economic interdependence in the region spurred by globalization and the rapid development Information and Communications Technology.

Among the major areas of cooperation discussed and agreed to at the meeting were:

1.Strengthening efforts in accelerating trade, investment, and technology transfer.

2.Encouraging technical cooperation in information technology and e-commerce

3. Encouraging active participation in the development of growth areas involving ASEAN

4.Heightening cooperative efforts on Human Resources

Development

5.Promoting broader private sector participation through networking initiatives such as East Asia Business Council and Industries specific business

6.Promotion of agriculture, industrial cooperation and tourism.

7.Strenthening small medium enterprises and supporting industries

8.Cooperation in scientific and technological development

9.Coordination and cooperation is various international an regional fora