

# How America Must Respond to ASEAN

*U.S.-ASEAN conference will challenge U.S. development leadership*

This week's ministerial conference in Washington, D.C. between the United States and the five nations of the Association of Southeast Asian Nations (ASEAN) presents another opportunity for the U.S. to demonstrate the leadership that the nations of ASEAN have looked to

raised by a closer relativity with the Occidental West. . . . There must be such a development opportunity that the requirements for a better life in the Oriental East may be filled from the almost unlimited industrial potential of the Occidental West.

## SOUTHEAST ASIA

for the last three decades since their hard-fought independence—that is, the scientific and technical knowledge needed for the industrialization and progress of their still-underdeveloped economies. Despite an agenda packed with discussions of new committees, exchange programs and aid, in reality the leaders of ASEAN fear that the U.S. has not yet the wherewithall to make real progress at this conference.

Scheduled for August 3-4, this is the second round of U.S.-ASEAN dialogue, the first held last fall in Manila, the Philippines. The U.S. will be represented by Secretary of State Cyrus Vance, Treasury Secretary Blumenthal, and Energy Secretary Schlesinger, in what is seen as a bid to upgrade the importance of the conference. However, a lack of any visible U.S. policy towards the region except for the Brzezinski-led "China option" and the provocative and destabilizing Korean troop withdrawal has prompted doubts among ASEAN leaders.

U.S. relations with Southeast Asia have been the subject of foreign policy debate dating from World War II. In a speech given in Seattle, Washington in 1951, General Douglas MacArthur expressed the importance of pursuing economic cooperation which resulted in the Japanese post-war "miracle":

To the early pioneer the Pacific marked the end of his courageous westerly advance. To us it should mark but the beginning. To him it delineated our western frontier. To us that frontier has been moved across the Pacific horizon. . . . Our economic frontier now embraces the trade potentialities of Asia itself; for with the gradual rotation of the epicenter of world trade back to the Far East whence it started many centuries ago, the next thousand years will find the main world problem of raising the subnormal standards of life of its more than a billion people. The opportunities for international trade then, if pursued with the vision and courage of the early pioneer, will be limitless. . . .

There should be no rivalry between our East or our West—no pitting of Atlantic interests against those of the Pacific. The problem is global not sectorial. Living standards of the people of the Oriental East must and will be

According to reports in the *Far Eastern Economic Review*, the Indonesians fear that President Carter's attempt to put on a big diplomatic show in Washington is merely to convince the Soviet Union that ASEAN is under the control of the United States, a suspicion not unfounded since the Soviet Union as well as Vietnam has dropped accusations that ASEAN is a disguised military alliance. Both countries have expressed support for ASEAN goals, particularly moves to establish a Zone of Peace, Freedom, and Neutrality. The Thais are said to have similar apprehensions of U.S. intent. Only the Philippines, the ASEAN contact country with the U.S., and perhaps Singapore, view the meeting as a real opportunity. Most have expressed ambivalence about

### ASEAN At a Glance

ASEAN was formed 11 years ago in Bangkok by the Foreign Ministers of Indonesia, Malaysia, Singapore, Thailand and the Philippines as a nonmilitary, politically and economically oriented regional organization.

In the past three years ASEAN has been working hard to enhance its regional orientation, particularly in the economic field. The present ASEAN-U.S. conference follows similar ASEAN-European Economic Community, ASEAN-Japan, ASEAN-Australia, and ASEAN-New Zealand Conferences. It has established ASEAN Chambers of Commerce and of Industry, as well as numerous committees dealing with matters ranging from industrial coordination to agriculture and banking to tourism.

In an effort to further industrialization in the region, the 1977 Summit Conference of ASEAN leaders decided to conduct feasibility studies for five industrial projects. At the time Japanese Prime Minister Fukuda pledged \$1 billion to finance these projects.

Politically the organization has been trying to promote stability in the region. In 1971 ASEAN adopted a proposal calling for the Southeast Asian region to be declared a Zone of Peace, Freedom, and Neutrality. In this effort it has moved to normalize relations with the Indochina states of Vietnam, Laos, and Cambodia.

sending their foreign or senior ministers since in the past the U.S. has seen fit to send only lesser officials.

The ASEAN-U.S. dialogue in Manila was attended by Undersecretary of State for Economic Affairs, Richard Cooper. This contrasts sharply with the Japanese and Australians who have sent Prime Minister Fukuda and Prime Minister Fraser respectively to meet with ASEAN leaders.

If ASEAN leaders are ambivalent, the American business community is despondent, at least as far as U.S. government policy is concerned. One observer with ties to the American business community in Asia says there is tremendous interest by U.S. business in ASEAN and in the upcoming dialogue, but complains that the government "doesn't have a policy." Despite this, representatives of the American Chambers of Commerce of Southeast Asia will be on hand at the meet, as well as, for the first time, the U.S. Chambers of Commerce. It is mooted that a U.S.-ASEAN businessmen's organization will be formed, as well as investment working groups.

#### *Southeast Asia: Lands of Opportunity*

The five ASEAN nations lie within a region whose population totals well over 300 million with the inclusion of the Indochinese states and Burma. Its archipelagic and continental states form a bridge to the west between Japan and the Middle East, Africa and Europe. To the south, it stretches to the industrialized Australian states and to the east, the great Pacific Basin and the west coast of the U.S. and Latin America.

These nations, with economic growth rates of from 6 to 11 percent, are perhaps more poised for economic takeoff than any other part of the developing world. Two-way trade between ASEAN and the U.S. totals over \$10 billion. The five nations possess rich mineral deposits including oil, natural gas, copper, zinc, tin, precious metals, palm oil, copra and timber. Their labor forces are comparatively more advanced than those of Africa and the Middle East. Including the rich and fertile river valleys of Indochina's Mekong River and Burma's Irrawaddy River, this region can indeed be called the lands of opportunity.

The ASEAN organization itself has the potential to become a vehicle for regional development as powerful as the European Economic Community (EEC). It is in a prime position to oversee development of the entire region, with the U.S., Japan, and Europe supplying the needed capital and technical know-how.

The potential of an ASEAN-Indochina "entente" also presents tremendous possibilities. The growing interest in ASEAN expressed by Vietnam and Laos could add to these countries' tremendous natural and human resources to the region's development capabilities. What is more, their special relationship with the Soviet Union and Eastern Europe, rather than serving as a point of suspicion, could in fact be used as the key conveyor of constructive contributions to development from the socialist sector. It is only in this cooperative atmosphere that the real destabilizing effect of Mainland China can be neutralized, if not tempered into constructive activity.

The critics of ASEAN are all too quick to point out that the organization has not reached nearly the level of

integration and cooperation that the EEC has and, in fact, is bogged down in petty differences. They point to failures to cut inter-ASEAN tariffs and achieve complementary industrialization programs. These harsh attacks fail to take into account the lack of available capital. In comparison, the EEC is composed of advanced industrial nations who are able to negotiate terms of integration concretely.

Despite differences and prejudices, all ASEAN leaders share a common commitment: the industrialization of their countries. It is this commitment that makes these leaders perhaps the most "pro-U.S." in the developing sector. Contrary to common belief, what has discouraged ASEAN countries about the U.S. is not the post-Vietnam military withdrawal from the region; most of these leaders, as nationalists, never really supported the U.S. military effort. The cause of criticism is the absence of the massive U.S. capital inflows that characterized the late 1960s, and, prior to that, the willingness on the part of leading Americans to help these nations cut themselves free from their colonialist past.

The problems facing the U.S.-ASEAN meet are formidable. North-South issues, commodities, the U.S. general system of preferences, multilateral trade negotiations, energy, and other issues will be discussed. The foremost question for conference participants will be the deplorable state of the U.S. economy, particularly the weak dollar. This is seriously undermining the region's economies since most of their external trade is denominated in U.S. dollars. The tendency toward protectionism in the U.S. as a solution to its economic problems is hurting the region's exports such as textiles and light manufacture. The second major consideration is U.S. development policy towards the region. When ASEAN met with Japanese Prime Minister Fukuda last year he promised ASEAN a billion dollars in funds for five industrial projects. Not only has there been no comparable aid package proposed by the United States, but U.S. direct investment in the region has tapered off in the past two years.

With a new European monetary system coming into being following the July 7 Bremen European Community conference and the productive proposals at Bonn, one would expect that the U.S. would have more to offer.

#### *IMF At The Door*

Indonesia is the most dramatic example of the effects of the U.S. policy vacuum in Southeast Asia. Here, the weakness of the U.S. dollar is tearing apart the fabric of the Indonesian economy. Indonesia, a country of over 130 million people and immensely rich in reserves of petroleum, natural gas as well as a vast array of mineral resources, is by far the key nation in ASEAN. Its leaders are grappling with the task of industrializing this still extremely underdeveloped country while burdened with a \$13 billion foreign debt.

The fact that Indonesian exports—dominated by \$4.5 billion in oil exports—are denominated in U.S. dollars is having a tremendous effect on the value of the Indonesian currency, the rupiah, as well as the entire development strategy of the country's planners. The rupiah's linkage to the faltering U.S. dollar is creating pressure for a change in its dollar parity, now at 415

## ASEAN Trade At A Glance

### MALAYSIA (PENINSULAR)

<i>Exports 1977</i>	<i>Including: (percentage)</i>	
\$2.807 billion	Rubber	28.9
	Tin	15.2
	Crude & Processed	
	Palm Oil	14.7
 <i>Imports 1977</i>	 <i>Machinery, Transport</i>	
\$2.472 billion	Equipment	32.0
	Food	14.0

### SINGAPORE

<i>Exports 1976</i>	<i>Including: (percentage)</i>	
\$4.316 billion	Machinery & Transport	23.7
	Fuels, Lubricants etc.	22.8
	Crude Materials	15.4
 <i>Imports 1976</i>	 <i>Minerals, fuels,</i>	
\$5.581 billion	Petroleum Products	27.3
	Machinery & Transport	26.0
	Manufactured Goods	15.0

### THAILAND

<i>Exports 1976</i>	<i>Including: (percentage)</i>	
\$3.04 billion	Rice	14.0
	Rubber	8.7
 <i>Imports 1976</i>	 (Not available)	
\$3.643 billion		

### INDONESIA

<i>Exports 1976</i>	<i>Including: (percentage)</i>	
\$8.546 billion	Oil	70.0
	Timber	9.0
	Rubber	6.0
	Coffee	3.0
 <i>Imports 1976</i>	 <i>Machinery</i>	
\$5.673 billion	Iron and Steel	30.0
	Transport	11.0
	Rice	10.0
		8.0

### PHILIPPINES

<i>Exports 1977</i>	<i>Including: (percentage)</i>	
\$3.1 billion	Sugar	16.0
	Coconut Oil	13.1
	Copper	8.5
	Logs	6.4
 <i>Imports</i>	 <i>Fuels</i>	
\$3.9 billion	Machinery	25.4
	Transport Equipment	14.6
		8.0

rupiahs. The International Monetary Fund, whose main concern is the continued servicing of the country's \$13 billion foreign debt, wants an incredible 50 percent devaluation. The effect would be wildly inflationary and shatter the country's development and industrialization policies.

Indonesian sources are said to be considering a revaluation of 20 percent which would be a more realistic parity change. De-linking the rupiah from the dollar is not out of the question and would follow a similar move made last year when Thailand uncoupled its currency, the baht, from the U.S. dollar.

The effect is serious. Indonesia has become more and more dependent on Japanese imports of capital-equipment and manufactured goods for its industries but because oil exports are pegged in U.S. dollars these imports are becoming more expensive. The pressure on the balance-of-payments and a 10 percent increase in the import bill could wipe out Indonesia's surplus of \$728 million, forcing the Indonesians to switch to countries where currencies are depreciating—like Britain and Sweden. Given the amount of integration with the Japanese economy such a move has severe limits.

Another problem is more fundamental. Repelita III, Indonesia's third five-year development plan, is scheduled to begin in April 1979, and for the first time the oil sector will be treated as a finite resource. Already the

potential of the oil sector as a foreign-exchange earner has leveled off at \$4.5 billion and could decline in the near future. What is immediately required is the industrialization of the country to enable Indonesia to phase out primary commodity exports and to develop manufactures as exports.

Concomitant is the need to develop new energy sources. The use of solar, bio-mass and other low-efficiency energy sources is absurd and considered so by Indonesian planners who are engaged in a race against time for industrialization.

The other problem is the question of Indonesia's \$13 billion foreign debt, the servicing of which is putting the brakes on development. This year alone Indonesia will pay between \$1.3 and \$1.4 billion in interest and principal payments and in two years, the debt service ratio will hit the danger point of 20 percent of export earnings. This debt service and precarious balance-of-payments situation will substantially eat into the \$2.5 billion in loans and aid committed by the World Bank-sponsored Intergovernmental Group on Indonesia this past spring. The leveling-off of oil exports at \$4.5 billion and other exports at \$3.5 billion and imports of \$8.5 billion—which could increase given a further decline in the dollar—makes the situation acute. With debt service cutting into available resources for development, additional revenue-producing sectors cannot be created.

For if debt servicing is to be honored then money can only come through the implementation of the most vicious and suicidal austerity policy.

How will the United States government address these questions at the ASEAN conference? The record is not encouraging. In fact, the U.S. is currently backing the policy of the IMF in respect to debt and monetary questions, and using the bogus "free enterprise" line toward the development question.

A viable policy can be developed upon the foundations laid at Bremen and Bonn. That is a Grand Design conception based upon rapid development of U.S. capital exports, particularly nuclear energy. Financing could easily be arranged through U.S. cooperation in the European Monetary system proposed at Bremen, in conjunction with rapidly expanded U.S. Export-Import Bank financing.

#### *U.S. Dirigist Leadership*

There is ample precedent for this Grand Design thinking. Prominent nuclear physicist Dr. Edward Teller, while holding a series of lectures in Indonesia in the fall of 1975, proposed that the U.S. design, construct, and provisionally operate an entire network of nuclear power plants in Indonesia. He proposed financing them through oil exports to the U.S. Such a proposal, he said, had been developed by the Atomic Energy Commission under the stewardship of Dixie Lee Ray, current governor of Washington state.

Prime Minister Fukuda of Japan also called for U.S. cooperation in the development of nuclear energy in third world countries while visiting the U.S. last spring. Also, the Japanese have called for reducing their trade surplus with the U.S. through the construction of floating power plants built in Japan, and utilizing U.S.-manufactured generating equipment. The units would then be sold to developing countries on easy terms.

The failure of the U.S. to think in these terms could very well result in what General MacArthur warned of in 1951. The U.S. "would in time surrender. . . the moral, if not political leadership of the eastern hemisphere."

MacArthur, following his dismissal by President Truman from the Korean Command in 1951, warned this country that mainland China and its British supporters posed a danger to world peace. The warning holds true today. If the U.S. continues to have no policy for the region, except the so-called "China option," then Southern Asia will be opened to destructive Chinese-orchestrated tensions, such as those built up now between Cambodia and Vietnam, and China and Vietnam. The ASEAN countries could be pushed toward an accommodation with mainland China and away from the type of cooperative development policies with Indochina, Japan, Europe, and the U.S., all of which are in global vital interests.

—Dean Andromidas

## Colombian Peasant Group Calls For High-Technology Development

Colombia's oldest and largest federation of small farmers, the National Agrarian Federation, has begun a campaign for advanced technology in agriculture and industry as the only way to pull the country out of economic misery and into the development policies

### LATIN AMERICA

flowing from the Bremen and Bonn economic summit meetings this month. In addition to opening up Colombia's vast market for farm-related machinery, the federation campaign focuses attention on Colombia's huge uranium reserves, and its industrial potential.

The federation, known as FANAL, called on the rest of the farm federations in the country to form a coordinating group that would fight for the development of nuclear energy, the mechanization of the countryside, the expansion of food production, and the education of the peasantry.

The FANAL program for the proposed Agrarian Council puts immediate pressure on the newly elected Colombian government of Julio Cesar Turbay to follow the path of Mexican development instead of World Bank austerity. The World Bank's focus in Colombia is on

appropriate technology—manual labor projects that keep unskilled labor unskilled and rule out high technology—such as tractors—as too costly.

At this point, Turbay backs the current agricultural policy, the Integrated Rural Development program, which is based on World Bank studies and suggestions. The World Bank forces are hoping that Turbay won't want to rock the boat, especially since he will be taking power August 7 in the midst of a very unstable situation. In particular, opposing domestic factions aligned with the World Bank are ready to use labor and peasant unrest over the decline in living standards to keep Turbay in line, and, if necessary, to overthrow him. Turbay's only road to a stable government is via the development programs outlined by FANAL.

#### *Nuclear Power Key*

The FANAL initiative is bound to have an impact throughout Latin America as well as the rest of the Third World because it puts the "appropriate technology" schemes on the line. The United Nations environment program has chosen a well-known Colombian agriculture project, Las Gaviotas, as the "appropriate technology" model for the development of tropical regions in the Third World. The Gaviotas program is funded by the Ford and Rockefeller foundations and calls for