Changing Trade Patterns of the West Pacific

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Abstract: In the enormous expansion of world trade in the quarter century after 1950, the share generated by countries of the Western Pacific remained remarkably constant. This relationship primarily reflected the rise of Japan as a major force in the international economy. Whereas Japan's own trade grew more widely oriented and the Western Pacific margins relatively less important as trading partners than before WW II, to the states of the Western Pacific Japan's status both as a supplier of imports and as an export market greatly enlarged — only rarely is Japan not the leading trading partner. The Japanese strategy of 'export-led' growth has been replicated by South Korea, Taiwan, Hong Kong, and Singapore. All of these countries, as well as Japan itself, depend overwhelmingly on imports for their raw materials and energy supplies. Elsewhere trade patterns have been greatly modified by a rising spirit of nationalism that has emphasized development of manufacturing industries in Australia and New Zealand no less than in the states of SE Asia.

Introduction

By the mid-1970s the remarkable post-WW II expansion of the world economy and of international trade came to a halt in the face of rampant inflation, the collapse of the international 'Bretton-Woods' monetary system, and escalating energy costs, particular for petroleum. Prospects for a resumption of growth in the 1980s generate little optimism. OPEC urges other 'Third World' countries to emulate its success by establishing similar cartels to confirm the power of producing countries over commodity prices. These may well rise though the United Nations Council on Trade and Development's (UNCTAD) scheme, launched in 1977, for a series of international commodity agreements linked to a Common Fund, expressly intended to help create a 'New Economic Order' (NEO), i.e., a greater measure of equality between the industrialized and the developing countries. Although agreed to in principle by USA, the European Economic Community (EEC), and Japan, the details of organization and operation of the scheme, termed by one news-magazine Creeping Cartellization 1), seem certain to generate fierce controversy. Cries for enhanced protection resound on both sides of the Atlantic and, at their Belgrade meeting in 1979, the IMF and IBRD deplored the dangers of a retreat to protectionism. The world's central bankers and finance ministers, unmoved by arguments for continued economic growth, care only for containing inflation even at the expense of employment and are determined that their own national currencies shall not become a reserve unit to aid the beleaguered US dollar. But their hindsight is greater than their prescience and perhaps the world should take comfort from the knowledge that the great post-1945 resurgence of world trade after the prolonged interwar stagnation was almost totally unforeseen; it prominently involved certain nations of the Pacific.

Change is the natural order of the world economy. This paper examines the changing trade patterns since 1950 of an area of the world perhaps unequalled in the violence of its sociopolitical and economic upheavals since the outbreak of WW II. That area constituted a major theater of operations where, in a real sense, the conflict began. On the basis of that examination, the paper suggests possibilities of future development.

The E and S margins of Asia together with the adjacent SW Pacific, extending nearly over one-third of the globe although only accounting for some 13.5 % of its land area, contain almost 30 % of world population. This enormous land area embraces a multiplicity of natural environments supporting a great variety of cultures and sociopolitical
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In 1975 Japan's GNP was the third largest in the world, and the country appeared likely in the not-distant future to displace the USSR from its present ranking behind USA. Japan's rise as a major 'engine' of the world economy was perhaps foreshadowed by its virtual immunity to the Great Depression when, with its depreciated currency and commercial policies that admittedly served imperial ambition, that nation greatly enlarged its exports to what was then collectively termed 'Monsoon Asia'. Ironically it was the attempt by the United Nations to thwart another imperial ambition, the Korean war, that provided the decisive stimulus for Japan's impetuous economic development. It followed shortly after the 'German miracle' sparked by the currency reform of 1948, and stimulated a period of global economic prosperity that lasted for more than two decades.

In this hectic expansion, Japanese trade underwent a profound reorientation both in direction and in composition that represented a sharp breach with all its past commercial tradition. In 1975 Japan was the principal trading partner of all W Pacific margin countries except Taiwan, Hong Kong, New Zealand, and the war-disrupted Indo-Chinese states; yet together the successor states to the Chinese states; yet together the successor states to the actual and intended Japanese empire were far less important in Japan's overall trade pattern than was the Co-prosperity Sphere in Japanese foreign trade on the eve of WW II. Thus, although W Pacific margins absorbed almost 30% of Japan's exports and provided a quarter of its imports in 1974, Japan's most important trading partner, USA, alone took a little over 20% of its exports in that year and supplied over 18% of its imports (Tab 1). Growing American irritation at the large adverse balance of trade with Japan and the threat of quantitative restrictions on exports to USA had already prompted a switch to W Europe. There, the rapid market penetration of Japanese products soon led Europeans to press for quantitative restrictions on imports of Japanese products, particularly motor vehicles. But, in taking but some 14% of Japan's export in 1975, W Europe was merely a significant, not a major market for Japanese products: what infuriated the Europeans was that in many lines the Japanese market was firmly closed to their manufacturers by ad hoc restrictions in plain violation of the spirit of the General Agreement on Tariffs and Trade (GATT).

The directional changes have been accompanied by and in large part have rested on basic changes in the composition of trade in Japan's frenzied pursuit of an 'export-led' economic growth strategy. The interwar image of Japan as primarily an exporter of silk and cotton textiles and of cheap 'bazaar' goods is quite alien to the postwar world. Japan is now primarily an exporter of highly sophisticated, high quality machinery and manufactured goods at very competitive prices. Only in aircraft is Japan still outclassed — a consequence of the 1945 embargo on