

THE POLITICS OF THE UNITED STATES
AND ASEAN RELATIONS: WHEAT
TRADE, SECURITY, AND
PROTECTIONISM

By

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PREFACE

This thesis is concerned with the development of the United States and ASEAN relationship in wheat trade, security and protectionism in an interdependent world. Trade issues have become important phenomena in explaining future state relationships.

Limited information, except for security, was available for this study, because the issue of protectionism at the time of writing was an ongoing process within Congress. Materials were also sought from the libraries of the University of California at Berkeley and the National University of Singapore to supplement my work at Oklahoma State University.

I wish to acknowledge with gratitude all the people who have, in some way, contributed to the completion of this thesis and helped me during my stay at Oklahoma State University. Some special individuals deserve utmost gratitude because without their professional and personal support, this thesis would never have become a reality.

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CHAPTER I

INTRODUCTION

On Wednesday, October 9, 1985, the Honorable Lee Kuan Yew, Prime Minister of the Republic of Singapore, addressed the joint session of the House and Senate to speak out against protectionism and its consequences on economic development and stability of the free world and to remind legislators of the dangers inherent in the protectionism that led to the Depression of the 1930s and its consequences of a world war.¹ Such a statement by the Prime Minister reflects the growing trend of protectionism in the United States as a remedy to reduce U.S. trade deficits. It also reflects the growing level of interdependence that nations have reached over the years.

Since World War II, the world has witnessed gradual decolonization, increased efforts at regional cooperation and, lastly, interdependent relationships. The former European empire began to fade, giving rise to sovereign nations, each of which express policies independent of the other. In Southeast Asia - France, the Netherlands, the U.S. and Britain began to restore full sovereignty on their protectorates. During that period, the 1960s, there has been a marked tendency toward regional formation so as to pursue

a common objective and to increase the bargaining power of regional groupings in international relations.

In 1967, there was the successful formation of ASEAN, a regional organization bringing together Indonesia, the Philippines, Malaysia, Singapore and Thailand. (Brunei became a sixth member in January 1984. So that they could increase their economic development, these nations began to engage actively in international trade, especially with the U.S., so as to bring economic prosperity and political stability in the region.

Trade is one of the most important and dominant events of our time. World trade has progressed dramatically from a very old concept which has been in existence since the barter system was established. The exchange of goods for goods marked the beginning of specialization which, in turn, led to the development of comparative advantage. The idea of comparative advantage, as put forward by economist David Ricardo led to the production and trade of the commodity in which one nation has an edge in price and production cost over other nations, thereby resulting in economies of scale.

The colonial powers, especially Britain, pushed forward the idea of trade, the search for raw materials, and the opening up of the markets for her finished goods. At the beginning of the colonization era, the colonial powers could be regarded as trading societies in the sense that these trading nations sought to gain from the concept of comparative

advantage. The present degree of world trade is both very old and totally unprecedented because the global level of trade continues to rise rapidly.

As world trade progresses, it must have some profound social, political and economic consequences. It either benefits or, at times, hurts a nation. It has generally been accepted that the purpose of engaging in trade is to realize the fruits of prosperity through economic development and political stability, benefitting both buyer and seller.

By engaging in international trade, there is also the movement of political interest. Economic interest and political interests are complementary and not substitutes. That is, political and economic cooperation move in the same direction. Nations have an interest in what the author calls "tangible assets" (international trade) and "intangible assets" (security/political interest) in an interdependent world.

Focus of Research

The purpose of this thesis is to analyze U.S. and ASEAN relations since 1967 and to see whether or not ASEAN benefited from its economic and political relationship with the United States. Since 1967, there has been a marked increase in economic and political relations between the U.S. and ASEAN. Economic and political relations between them are characterized as a movement in the same direction. In international trade, U.S. exports to ASEAN in 1968 were \$942 million, and by 1983 U.S. exports increased to \$12 billion,

making ASEAN the fourth trading partner of the U.S.² At the same time, security interest to deter Soviet Union activities has brought both of them closer. However, measures are taking place in Congress to reduce U.S. trade deficits by passing a number of trade protectionist bills so as to bring about fair trading practices among nations

This thesis will focus on U.S. interest in ASEAN and ASEAN interest in the U.S. The U.S. interest can be seen in the desire to sell her agricultural products, to maintain security interest in the region as part of her containment policy of Soviet Union expansionism, and to bring about fair trading practices. ASEAN interest in the U.S. is the vast open market for her exportable items, the need for U.S. presence in the region to deter Soviet Union activities or its proxy's challenge and to respond to U.S. protectionism measures against their products.

Hypothesis

A common view espoused by many of the developing countries against developed countries is that the former do not benefit from the relationship because the developed nations are merely exploiting the developing ones, which are exporters of primary products and dependent industrially. Most of the scholars that advocate such a view are neo-Marxist oriented. The author calls this the trade pessimist view of international relations. Some of the scholars who advocate

that developing countries do not benefit are I.V. Lenin, Nikita Krushchev, Andre Gunder Frank, Paul Baran, Paul Sweezy and the leading critic, Raul Prebisch.

In carrying out this research, Prebisch's hypothesis will be used. In his thesis, "Secular Declining Terms of Trade," he advocated that a developing countries do not benefit from trade with the developed countries. He hypothesized that since developing countries are primary product exporters and have to import industrial goods from the developed countries, the developing countries, over time, will be receiving less and less for their exports.³ He views the developing countries as being exploited to the benefit of the developed countries, with the latter seeking to maximize their own benefits at the expense of the former.

This common Third World hypothesis will be used to analyze U.S. and ASEAN relations and to see whether ASEAN has been exploited or not in her relations with the United States, and how it balances out from the American viewpoint.

Source of Data

In order to carry out this thesis, data was obtained from sources such as the United Nations and its regional association, the U.S. Department of Commerce, the Food and Agricultural Organization and the U.S. Senate and House hearings on foreign trade. Both a qualitative and quantitative approach would be used to analyze the relationship between the U.S. and ASEAN.

Regarding trade figures, dollar amounts will be used to

analyze the overall trade pattern between the U.S. and ASEAN, including the textile trade. As for the wheat trade between ASEAN and the U.S., only quantity figures will be used because of price fluctuations in wheat products over time. As for the P.L. 480 program figures on the number of recipients, there was no data available to break down the percentage of wheat received by each individual. Nevertheless, wheat products have been the major component (80 percent) of P.L. 480 programs to the ASEAN countries.

Review of the Literature

Third World nations have often viewed economic imperialism and international trade as not benefitting them in their relations with the Western nations. As such, this section seeks to review the hypothesis and the literature of the pessimists' view along with the classical theories of international trade.

Raul Prebisch in his thesis "Secular Declining Terms of Trade" stated

. . . Developing countries will be receiving less and less for their exports and as such do not benefit in trade with the developed countries and, at the same time, the developing countries export primary products and import industrial goods, much to the disadvantage of developing countries.⁴

Prebisch was looking at the trade pattern between Latin America and the U.S. He noted that Latin American exports were receiving less and less revenue because the exports were primary goods, and Latin America had to import industrial

goods. This led to the reduction in natural resources within Latin America. In order to solve the disadvantage of developing countries, Prebisch advocated that government policies emphasize upon the establishment of import-substitution industries. This involves the setting up of industries locally in order to produce the same product that used to be imported. The views that Prebisch advocated was the establishment of an "inward looking strategy" as opposed to being isolated from international trade in order for the country to maximize her benefits.

Lewis, a development economist, classified north-south trade relations with the northern countries producing industrial goods and "exporting" the surplus to the southern countries which are primary producers only.⁵ He noted that such international structure was to the disadvantage of the south because the concentration of exports are in primary products. Lewis believed that international trade was to the disadvantage of the developing countries because their industries would only produce primary products and would not be able to export any industrial goods. Lewis failed to mention that the reason majority of the developing countries export primary goods is because of the need to acquire the necessary foreign exchange for economic development. This does not necessarily mean the developing countries are being exploited by the advanced countries.

Economists Baran and Sweezy classified the relations of the advanced and developing countries as exploitative. The

growth of capitalism in the developing countries is impossible because of the surplus drain, which results in the developing countries being continuously dependent on the developed countries.⁶ They view the world system as the continuous exploitation of the developing countries by the developed ones because the latter want to preserve their industrial base. As a result, developing countries would not be able to produce the industrial goods with which to compete with the developed countries. The views of Baran and Sweezy reflect the common vision of international imperialism that developing have concerning the activities of the developed countries.

Frank, another economist, discussed "independent development" in which Third World trade relations with the developed world leads to the economic development of the capitalists themselves and make developing countries worse off.⁷ He said that because of interdependence after World War II, the developing countries have become worse off through trade by the transfer of surplus value to the developed countries. Frank viewed Latin American trade with the developed countries as detrimental to Latin America because the benefits from trade only accrue to the developed countries which seek to maximize their benefits at the expense of the developing countries.

The work of Lenin has influenced the thinking of the Third World about their relations with the developed nations, especially since they were former colonies of western powers. According to Lenin, economic imperialism (interna-

tional trade) is an exploitation of less developed nations in which the developed countries participate in the "struggle for spheres of economic interest in which the richer and the most powerful nations exploit the weaker ones."⁸

Besides these pessimists' views of international trade relations, there are also advocates who point out that trade relations do benefit the nation. The person who pushed forward the idea of international trade is Adam Smith on the basis of Absolute Advantage and that it might benefit both nations. This involves a country's specialization on the commodity of its absolute advantage and to exchange a part of its output for the commodity in which it has an absolute disadvantage.⁹ Through this, buyer and seller benefit. However, in reality today, the absolute advantage principle only explains a very small portion of international trade relations.

Working on Adam Smith's idea, David Ricardo advocated the concept of "comparative advantage." It is based on the labor theory of value in which a nation, although less efficient than others in the production of commodities, can still benefit from trade by the less efficient nation specializing in the production and export of that good in which its disadvantage is the least.¹⁰ Although the idea of comparative advantage governs today's trade relations, Ricardo, however, emphasizes upon labor as the only cost factor in production. As such, this idea of labor is not acceptable, but the idea of comparative advantage still is valid today.

Trade relations among nations today are governed by the Heckscher-Ohlin Theory. Borrowing heavily upon Ricardo's comparative cost theory, but rejecting the labor theory of value, the Heckscher-Ohlin Theory, commonly known as the factor-endowment theory, states

. . . A nation will export the commodity intensive in its relatively abundant and cheap factor and import the commodity intensive in its relative scarce and expensive factor. This would bring about about equalization of relative and absolute returns to homogeneous factors across nations.¹¹

The Heckscher-Ohlin Theory shows the level of interdependent trade among nations. As such, each nation seeks to promote its national interest and to profit from trading with the other countries. Through trade, states are able to specialize and export those products in which it faces the least cost of production--manufacture and social factors--and import the goods for which the cost of local manufacture is greatest. The final result is that trading nations benefit mutually from the exchange and achieve their individual goals.

In subsequent chapters, this thesis will discuss the formation of ASEAN, U.S.-ASEAN trade since 1967, U.S. political interest in the region, and trade issues of mutual interest.

ENDNOTES

¹Prime Minister Lee Kuan Yew (Republic of Singapore). "Address to the Joint Meeting of the House and Senate." Congressional Record 131, pt 133 (October 9, 1985), pp. 8511-8514.

²Bernard K. Gordon, "Truth in Trading," Foreign Policy, 61 (Winter 1985-1986), pp. 94-108.

³J. Love, "External Market Conditions, Competitiveness, Diversification, and LDCs Exports," Journal of Development Economics 16 (December 1984), p. 279.

⁴Ibid., p. 280.

⁵James Riedel, "Trade as the Engine of Growth in Developing Countries, Revisited," Economic Journal 16 (December 1984), p. 57.

⁶Paul Baran, The Political Economy of Growth (New York, N.Y.: Monthly Review Press, 1968), p. 277.

⁷Andre Gunde Frank, Latin America: Underdevelopment or Revolution (New York, N.Y.: Monthly Review Press, 1969), p. 7.

⁸James E. Dougherty and Robert L. Pfaltzgraft, Contending Theories of International Relations (New York, N.Y.: Harper & Row Publishers, Inc., 1981), p. 222.

⁹Lorie Tarshis, International Trade and Finance (New York, N.Y.: John Wiley & Sons, Inc., 1955), p. 163.

¹⁰Ibid., pp. 134-136.

¹¹Dominick Salvatore, International Economics (New York, N.Y.: Macmillian Publishing Co., 1983), p. 110.

CHAPTER II

FORMATION AS A REGIONAL ORGANIZATION

Introduction

Under Article 51 of the United Nations Charter, states have the right to form regional organizations to decrease hostilities, increase cooperation, strengthen bargaining positions vis-a-vis the rest of the world, and promote political stability. Since World War II, various attempts at regional groupings have been made throughout the world. The most successful of these has been the European Economic Community (EEC) which was formed to rebuild Europe's war-torn economies, to increase interdependent trade among the nations of western Europe, and to promote political stability in the region.

With the idea of nationalism and to reduce feelings of insecurity among the newly independent nations of the Third World, various attempts have been made to form regional organizations in Southeast Asia. The complexity of the region with diverse economic, political and social structures made regional grouping a difficult task. Nationalism, ethnic groups, fear and suspicions of each other and boundary disputes are some of the problems faced by statesmen seeking

to establish a successful regional organization. In spite of the various problems among Southeast Asian countries, the drive to create a regional organization has been kept alive since the 1950s.

In January 1959, there was an attempt at regional organization by Burma, Cambodia, Indonesia, Laos, Malaya, the Philippines, South Vietnam and Thailand. The Premier Tunku Abdul Rahman sought to unite them under the banner of a "Southeast Asia Friendship and Economic Treaty" (SEAFET).¹ Such an idea did not appeal to the members. In July 1961, there was another attempt at regional organization by Malaya, the Philippines and Thailand under the banner of "Association of Southeast Asia" (ASA). This also failed, but each of the members had alliances with western powers in security matters. Malaya was under the Anglo-Malayan Defense Agreement with Great Britain, and the Philippines and Thailand were members of the Southeast Asia Treaty Organization (SEATO).² The third attempt was the creation of MAPHILINDO consisting of Malaysia, the Philippines and Indonesia.³

The failure of these regional organizations was due to differences in ideology, culture, and political ideas. Nevertheless, in spite of long-standing problems, differences have been kept at the lowest level in order to carry out a common objective under the umbrella of a successful ASEAN.

The Association of Southeast Asian Nations (ASEAN) came into existence as a result of the Bangkok Declaration which was signed on August 8, 1967. It is a regional organization

consisting of Indonesia, Malaysia, the Philippines, Singapore and Thailand, with Brunei joining in 1984.

Observers have argued that ASEAN would be another failed regional organization because of various problems among its members. Some of the problems are the boundary dispute between the Philippines and Malaysia; Indonesia's hostilities toward the creation of Malaysia; the mutual fear and suspicion of each other; and conflict on views on nationalism and interest.⁴ Despite these problems among the members, ASEAN has survived and at the same time prospered as one of the brightest markets in the world.

ASEAN's survival has been partly due to the fear of instability and insecurity that each member has felt since independence.

The original motivation behind the formation of ASEAN came from a unified effort to minimize feelings of insecurity and enhance national independence behind Indonesia's President Suharto's efforts to create a nonaligned Southeast Asian regional organization independent of great power domination.⁵

Thus, common interests and threats of hostility have created a bond among the members against growing fears of communism, especially the Soviet Union.

Regional cooperation has the best chance of survival when there has been an achievement of two goals: "the maximum contribution for the obvious economic and other advantages of the region, and a maximum of inter-regional political neutrality and colorlessness."⁶ The avoidance of political suspicions and mutual trust is a prerequisite for a successful

regional organization.

From ASEAN's formation until 1975, the performance of the organization was disappointing. It has been characterized as a loosely-knit community. The communist takeover of Indochina and the 1973/1974 world economic recession pushed ASEAN forward to establish its firm commitment to the fundamental principles of cooperation in the economic, social and political fields. This led to a need to establish a sense of interdependence upon each other, and to increase the group's bargaining power in the business world in order to realize economic and political survival in an uncertain future. Consequently, the ASEAN market has been regarded as the brightest prospect for international trade and development. ASEAN is regarded as the most important and promising effort of economic integration since the formation of the European Economic Community.⁷

The United States' interest in ASEAN goes way back, even before the creation of ASEAN in 1967. The United States participated in the colonization of the Philippines, was a member of the SEATO alliance, and was militarily active in the Indochina conflict. The interest of the United States was to promote democracy, and freedom, to establish markets for raw materials and finished products, and to carry out the policy of containment against communist expansion, especially the Soviet Union. The United States was out to win markets, alliances and to promote trade, especially in agricultural goods. At the same time, the United States also participated in the

promotion of economic development of ASEAN through various means, including food aid under P.L. 480 and foreign investment. Once, the American government under Johnson's administration, tried to use her aid to restrain then President Sukarno of Indonesia from carrying out his "Crush Malaysia" policy in September 1963. It was in the interest of the United States not to use aid as a political weapon against Indonesia, as it would increase the popularity of the communist movement, but by increasing aid the United States was able to reduce tension in Indonesia. As the political scientist Morgenthau once said, "The best political weapon that one state can use against the other is economics, as it will soften the minds of the receiver."⁹

As a result, the United States has taken a great interest in the ASEAN market to the benefit of both the United States and the ASEAN. ASEAN has become the fourth largest market for the United States' exports. Within the framework of international trade and the pursuit of political stability in the region, the United States is interested in selling her grains, especially wheat, in the market. Thus, markets for the agricultural products are found and, at the same time, its policy of containment against Soviet expansionism in the region is carried out. As a whole, the United States seeks to maximize its power through trade and security in Southeast Asia.

Not only does the United States seek to maximize its power, so do the ASEAN countries. Each nation seeks to survive and maximize its national interest. ASEAN views the

market potential of the United States and the need for American presence in the region to deter the Soviet Union's activities. As a result, each nation seeks to maximize its own national interest by the process of using a psychological relationship in which one state is able to control the minds and actions of the others.

Summary

This chapter seeks to establish the development of ASEAN and its interdependent relationship with the United States. Trade and security interest has been the binding factor among them, with each seeking to maximize its own benefits. As a regional group, ASEAN is able to increase its bargaining position with the United States and looks at the American market for her exportable goods. It also sees the need for American presence in the region to deter the Soviet Union's activities. Both ASEAN and the U.S., therefore, seek to maximize their trade and security relations. The United States is governed by the ideology of containment and constructive engagement. By containment, the United States seeks to deter Soviet expansionism in the region. Through trade, the United States seeks to influence the minds and hearts of the ASEAN people. Constructive engagement is a tool used by the United States to help build dynamic economies, which has been possible through trade relations.

Chapter III seeks to illustrate the development of the

trade between the U.S. and ASEAN since 1967. Specifically, it will focus on wheat imports by ASEAN and the implementation of P.L. 480 for the economic growth of developing countries.

ENDNOTES

¹Justus M. Van Der Kroef, "ASEAN and U.S. Security Interest," Strategic Review 6 (Spring 1978), p. 216.

²Vishal Singh, "ASEAN and the Security of South East Asia," Review of International Affairs 35 (January 1984), p. 19.

³The failure of the regional organization MAPHILINDO among the Malay populated countries of Southeast Asia was the result of Indonesian "konfrontasi" against the creation of the Federation of Malaysia consisting of Malaya, Singapore, Sabah and Sarawak.

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⁶Wu Ta-Yeh, ed., Economic Interdependence in Southeast Asia (Madison, Wisconsin: University of Wisconsin Press, 1969), p. 17.

⁷Lawrence B. Krause, U.S. Economic Policy Towards ASEAN (Washington, D.C.: Brookings Institution, 1982), p. 56.

⁸Jay Schreiner, "The United States and Indonesia: A Study of Economic Pressure - September 1963 - October 1965," in Weintraub, ed., Economic Coercion and U.S. Foreign Policy: Implications of Case Studies from the Johnson Administration (Boulder, Colo.: Westview Press, 1982), p. 73.

⁹Hans J. Morgenthau, Politics Among Nations (New York, N.Y.: Alfred Knopf, 1948), p. 63.

CHAPTER III

UNITED STATES AND ASEAN TRADE DEVELOPMENT SINCE 1967

Introduction

Implementing the concept of comparative advantage, nations have been engaging in trade for their benefit. As such, trade between the U.S. and ASEAN has grown tremendously since 1967. ASEAN has evolved to become the fourth largest trading partner of the U.S. as of 1984.¹ U.S. exports to ASEAN totalled \$16.9 billion after a two-way trade of \$26.4 billion and, at the same time, U.S. investments in the region by private firms totalled \$10 billion in 1983.² The changing priority in U.S. trade with various regions can be seen by changes in its international trade patterns. For example, during 1968, U.S. exports to ASEAN were \$942 million, while South America's was \$2.78 billion.³ However, ASEAN imports from the U.S. by 1983 increased up to \$12 billion, while South America's was \$10.6 billion for the same period.⁴ Evidently, the increase in trade with ASEAN is significant.

The economic relations of U.S. exports and imports with ASEAN, shown in Tables I and II, indicate the amount of commodity trade between ASEAN and the U.S. The U.S. has a

TABLE I
UNITED STATES-ASEAN TRADE, 1967-1985

Calendar Year	Exports to the United States						
	Brunei ¹	Indonesia	Malaysia	Philippines	Singapore	Thailand	ASEAN ²
-----Millions of U.S. Dollars-----							
1967	.335	182.0	195.6	350.7	15.7	95.8	759.8
1968	.042	112.7	210.4	383.3	107.6	86.0	900
1969	----	128.8	246.7	343.6	166.1	105.9	991.1
1970	----	144.3	219	433.3	172.3	95.5	1064.4
1971	----	192.4	208	452.9	207.4	108.9	1169.6
1972	14.7	265	237.8	434.2	332	136.4	1405.4
1973	20.8	465	323	686.7	623	158.4	2456.1
1974	50.8	1580	595	1133.1	863	193.7	4364.8
1975	74.4	1866	612	663.1	746	244.0	4131.1
1976	141.7	2452	826	926.3	965	299.1	5468.4
1977	148.8	3011	1105	1113.6	1279	340.2	6848.8
1978	165.5	2962	1379	1159.1	1626	450.5	7576.6
1979	210.8	3171	1913	1382.9	1967	593.8	9027.7
1980	394.6	4303	2119	1593.6	2424	823.1	11362.7
1981	427.8	4084	1166	1766.8	2770	905.5	10692.3
1982	199.1	3533	1266	1580.5	2612	863.6	9855.1
1983	274.4	4266.7	1863.8	2000.8	3961.0	952	12240.9
1984	90.1	31461.5	1720.6	2030.1	3979	1004	12285.3
1985	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Source: Department of Commerce, U.S. General Imports, various years

- Note: 1. Brunei became a member of ASEAN in 1984,
2. Total does not include Brunei, except from 1984.

TABLE II
UNITED STATES-ASEAN TRADE, 1967-1985

Calendar Year	Imports from the United States						
	Brunei ¹	Indonesia	Malaysia	Philippines	Singapore	Thailand	ASEAN ²
-----Millions of U.S. Dollars-----							
1967	3.9	75.2	54.1	402.3	72.1	176.4	780.1
1968	11.7	123.2	74.4	415.3	113.6	216.8	943.6
1969	10.5	154.2	73.8	357.9	161.5	188.5	935.9
1970	----	178.5	120.4	354.9	266.2	192.8	1112.8
1971	35.3	174.1	96.7	330.6	360.1	183.3	1144.8
1972	20.4	243	144.5	352.1	476	232.6	1448.2
1973	23.4	513	205	506.7	778	270.9	2273.6
1974	37.5	610	397	828.8	1174	424.2	3434.0
1975	61.8	670	377	816.6	1279	471.5	3614.1
1976	62.5	988	487	876.6	1198	480.8	4020.4
1977	58.2	777	560	880.7	1324	572	4113.7
1978	41.9	839	824	1079.9	1664	734.8	5141.7
1979	66.6	1053	1173	1508.2	2527	1122.6	7383.8
1980	114.9	1409	1632	1957.7	3389	1332.4	9720.1
1981	110.1	1795	1688	1925.6	3484	1296.5	10189.1
1982	86.8	2076	2141	1865.8	3632	1041.7	10756.5
1983	142	2533.7	2127.3	1788.2	4261.6	1295.1	12147.9
1984	134.3	3309.1	2841.9	2753.6	4602.3	1104	16745.2
1985	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Source: Department of Commerce, U.S. General Exports, various years

Note: 1. Brunei became a member of ASEAN in 1984

2. Total does not include Brunei, except from 1984.

trade surplus with ASEAN because ASEAN exports have generally been petroleum products, raw materials, and electronics, whereas imports from the U.S. have generally been agricultural products, technical products and professional services.

It has been realized that the U.S. has a growing trade deficit and Congress has voiced to reduce this imbalance by various means, such as engaging in protectionism. However, in the case of ASEAN, the U.S. has an advantage, not only in commodity trade, but also in her overall foreign policy objectives in the region of constructive engagement so as to carry out the containment of Soviet expansionism in the region. Therefore, trade with the community has a net benefit for the U.S.

The trade tables seem to support Prebisch's hypothesis that developing countries do not benefit from their trade relationship with developed nations because, as a group, ASEAN has a net deficit with the U.S. However, conclusions cannot be drawn from this observation because the tables show only the trade balance and not the categories that make up the tables. Each nation seeks to maximize its own benefit in international trade and seeks to export that product in which it has a comparative cost advantage. Therefore, Prebisch's hypothesis cannot be supported from observation of the data.

U.S. Wheat Trade with ASEAN

The ASEAN region has traditionally been a producer and

consumer of rice. Unlike rice, which is produced and mostly consumed locally by the majority of the people, wheat is a product which is traded internationally. Traditionally, wheat products were consumed by Europeans, Arabs and the people of northern India. This is no longer true because consumption of wheat products has grown in popularity as a result of changes in taste, improvement in living standards, and the convenience of preparation.

ASEAN, an area which consumes rice as a major staple food, has been increasing its imports of wheat to meet domestic demand. This is due to two reasons. First, as a society progresses, there will be pressure for quality food products such as wheat. Second, due to the rice shortage and the high price of rice imports, the more appealing commodity, wheat, a cheaper product, has been viewed as a substitute for rice. As a result, rice and wheat products have become interchangeable in the diets of ASEAN people.

Table III shows the wheat trade of ASEAN since 1967. There has been a general upward trend for the import of wheat. ASEAN's increasing demand for wheat is due to its inability to produce wheat domestically. Wheat imports are generally from Australia and the U.S. However, U.S. sales have greatly increased because of the high quality of the wheat it sells to the ASEAN importing countries. At the same time, the ASEAN imports of U.S. wheat is a sign of goodwill because of the latter's willingness to import ASEAN products.

Wheat could also be grown through laboratory methods

TABLE III
ASEAN WHEAT TRADE, 1967-1985

Calendar Year	Brunei l.		Indonesia		Malaysia		Philippines	
	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
-----Metric Tons-----								
1967	---	2152	---	252136	42275	304196	---	562484
1968	40	2365	---	530366	23329	388370	---	615414
1969	---	2522	---	438460	6606	324472	---	585920
1970	---	2565	---	466735	14911	349822	---	507689
1971	108	3006	---	712987	4575	327922	---	611159
1972	99	2893	---	501257	7800	404945	1	761261
1973	94	2902	---	880601	98017	429553	---	531771
1974	115	2717	---	784001	10682	421152	1	517362
1975	---	3295	6495	730021	12233	306618	---	541488
1976	---	3775	3	980683	6413	432898	1	722294
1977	---	3422	---	810049	7377	503097	---	670537
1978	111	1328	4167	843545	14910	528736	---	687793
1979	22	4542	5416	807303	9742	503364	---	732193
1980	7	2989	---	1488121	15526	487634	---	798428
1981	4	4131	---	1420880	30386	503397	1	874603
1982	---	7140	---	1489420	33150	543080	---	942715
1983	---	6950	---	1756760	13890	551390	---	870750
1984	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
1985	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Note: 1. Brunei became a member of ASEAN in 1984.

TABLE III (CONTINUED)

Calendar Year	Singapore		Thailand		ASEAN 2.	
	Exports	Imports	Exports	Imports	Exports	Imports
-----Metric Tons-----						
1967	55990	212142	15915	58156	114180	1389114
1968	41404	294673	18439	58423	83172	1887246
1969	51732	252227	18345	64449	76683	1665528
1970	97405	277739	2991	80665	115307	1682650
1971	95676	178976	2060	63706	102311	1894750
1972	57771	182652	2274	96753	67846	1946868
1973	117163	235728	5007	90574	220187	2168227
1974	121068	187318	2512	97087	134262	2006920
1975	96837	214057	328	62119	116343	1854303
1976	65683	162757	83	134262	72183	2435097
1977	154338	341294	681	89709	162396	2414686
1978	206209	268381	2322	128076	227608	2456531
1979	279147	407317	4293	168678	298598	2618855
1980	257901	379697	5089	211547	278516	3365427
1981	250518	347656	5638	203936	286543	3290472
1982	86846	212050	4862	132303	214858	3319568
1983	57680	207070	18060	221210	89630	3547180
1984	N/A	N/A	N/A	N/A	N/A	N/A
1985	N/A	N/A	N/A	N/A	N/A	N/A

Source: FAO Trade Yearbook, various years

Note: 2. Total does not include Brunei except from 1984.

within ASEAN, but the artificial method of production would cost more to produce than to import. Moreover, it is not feasible to produce through laboratory methods because there are areas in the world in which land still has not been put to cultivation. Thus, wheat has a great potential in the ASEAN market, especially the United States' wheat, which is of a very high quality, even though faced by average quality imports from Australia.

Table IV shows the role of the United States' wheat exports into ASEAN. American wheat exporters must realize that there are many competitors trying to get a share of the ASEAN wheat market. Not all the years show an upward trend. For example, during 1982, Singapore greatly reduced her imports from the U.S. because of re-exports by Malaysia.⁵ Overall, the region shows that wheat imports from the U.S. since 1967 have increased, although Australia has an advantage. Even Malaysia, which was once a strong importer of wheat from Australia, has, since the late 1970s, increased her wheat imports from the United States.

The weak performance by U.S. wheat in Malaysia and Singapore until the middle 1970s is due to the failure of the U.S. to recognize growing market potential. For example, Singapore, with a population of 2.5 million people, cannot be viewed as a small market, but rather should be viewed within the ASEAN framework as a whole. Secondly, the U.S. concentrated her exports primarily to the Philippines while neglecting the po-

TABLE IV
ASEAN WHEAT IMPORTS FROM THE UNITED STATES, 1967-1985

Calendar Year	Brunei ¹	Indonesia	Malaysia	Philippines	Singapore	Thailand	ASEAN ²
	-----Metric Tons-----						
1967	---	2151	8539	508204	9613	9367	537874
1968	---	110625	5694	588336	14469	9252	728376
1969	---	186707	4866	464127	21838	8535	686073
1970	---	353599	9869	501639	15450	13713	894270
1971	---	212763	5020	360440	211763	33288	824274
1972	---	321775	2991	503941	5992	22978	857657
1973	---	568699	16725	418816	49604	25196	1079040
1974	---	38255	18215	379007	1635	43402	450514
1975	---	330717	6453	365690	35445	55636	793941
1976	---	364768	17181	452754	41897	83840	960441
1977	---	456696	39244	406154	47560	51530	1001184
1978	---	536007	56413	746198	49747	6612	1390537
1979	---	597743	48378	904483	77004	98417	1726025
1980	---	789148	84370	767989	59135	73732	1774354
1981	---	724164	120665	851545	118598	127632	1942594
1982	---	968651	129752	923170	11040	84699	2117312
1983	---	959753	140074	854015	19778	131831	2105451
1984	---	817392	98214	719070	21270	88977	1756023
1985	---	N/A	N/A	N/A	N/A	N/A	N/A

Source: Department of Commerce, U.S. General Exports, various years

Note: 1. Brunei became a member of ASEAN in 1984.

2. Total does not include Brunei except from 1984.

tential of other ASEAN markets. It was not until the late 1970s that the U.S. established a U.S. Wheat Associate Office and the U.S. Agricultural Trade Office in Singapore in order to realize the benefit of trade with the region. By then, Australia had made inroads into the market for wheat products in ASEAN.

Third, ASEAN is very cautious about the reliability of U.S. supplies. For example, during 1973-74, Indonesia was having production shortfalls in her agricultural products and, thus, requested economic aid from the U.S. However, instead of supplying Indonesia where there was the greatest need, the U.S. used wheat as a political weapon in order to support and maintain regimes in South Korea, South Vietnam and Kampuchea in power, while foregoing Indonesia.⁶ As a result of this action, Indonesia's immediate purchase fell from about 60 percent to 5 percent U.S. wheat. However, over the period of time, the U.S. has been able to regain her lost market share in ASEAN.

Fourth, the earlier performance of U.S. wheat in Malaysia and Singapore was due to the fact that these two nations were generally trading within the British Commonwealth markets. Such trading practice benefits Australia, especially in wheat sales. There is a need for the U.S. to recognize, adopt and change her trading practice in order to find new markets. The world that we live in today is highly competitive and a nation needs to take this view into account when trading with other nations. The competitive market is very

true for wheat products which are traded internationally. In ASEAN, the U.S. is challenged by Australian wheat products which have a transportation cost advantage. Moreover, Australia's additional advantage is the old colonial relationship with the region.

One major factor that the United States has over her wheat competitors is the high quality of her product availability of credit and, most importantly, the technical assistance provided in wheat handling.⁷ For example, the United States has established the foreign office of the Wheat Association in Singapore and the Philippines, with the Singapore office playing a larger role in promoting wheat in ASEAN. In addition, a United States Agricultural Trade Office has been established in Singapore to serve the American agricultural interests in ASEAN. The basic objectives of these two U.S. agricultural offices in Singapore is to promote agricultural products, particularly wheat products. This is possible through the provision of professional technical personnel from the United States, along with local expertise employed by the wheat association.⁸ At times, even the government takes significant interest in promoting the use of wheat by shifting the demand from rice to wheat due to the quality and the availability of wheat.⁹

The United States' interest in promoting and exporting wheat to ASEAN is due to the large population of ASEAN (about 280 million). At the same time, due to the improvement in living standards and urbanization, there is a tendency for

the people to complement and, to a certain extent, substitute wheat for rice. Tourists visiting ASEAN countries also caused the promotion and the import of quality wheat. This is especially true for Singapore where the tourist trade generates considerable revenue for the country. In order to meet the demands of the tourists, Singapore has to import quality wheat and wheat products. All these work to the advantage of the United States because of the high quality of its wheat. The media also helps in the promotion of wheat products, and advertisements have become effective means of selling wheat products. Besides these factors, not all the ASEAN population consumes rice as their major staple food. Descendants from northern India and Europe in ASEAN tend to prefer wheat products to rice. Even in certain parts of the Philippines and Indonesia, some people eat little or no rice at all.¹⁰

However, the prospects for an increase in the United States wheat exports depends upon the economic health of the ASEAN community. The current debt problem in the Philippines and Indonesia may cause these nations to reduce foreign purchases. Indonesia and, in fact, several other ASEAN countries are becoming very price-conscious when importing wheat. Indonesia is facing revenue cuts from falling oil prices. The debt problem for the developing countries can cause nations to purchase less of American farm products, and particularly wheat.¹¹ However, the debt problem has not

caused any major substitutions of the high quality United States wheat for other average quality wheat. The prospects for the American wheat trade remains good in ASEAN.

About 60 percent of the United States' wheat harvest is exported to other countries.¹² The United States is faced domestically by an abundant wheat surplus and has to get rid of her wheat because of high storage costs. For the past 50 years, the American government's support of higher farm prices has focused the wheat policy upon "Supply Management and Demand Development."¹³ Programs are developed in which credit is made available to farmers who store their wheat until the price is high or to sell under support prices to the government.¹⁴ This led to a gradual increase in U.S. wheat surplus. This commodity oversupply causes the government to donate to other countries because of high storage costs. Therefore, the United States is forced, due to the cost of storage, to promote the development of "food aid" programs which are aimed at disposing of the accumulated wheat, rice, and other grain products through concessional sales to needy countries.¹⁵

Consequently, the promotion of American wheat in ASEAN is great because of availability. The United States has an advantage over her competitors because of the high quality of her wheat. At the same time, in Indonesia and Thailand, there has been special attention given to increase per capita consumption through promotion because wheat flour usage is still very low.¹⁶ Taste and improvement in living standards

cause an increase in wheat consumption and wheat imports. Indonesia shows the greatest potential for the United States' wheat imports because of the size of the population. About 70 percent of the wheat imports by Indonesia is from the United States.

Although U.S. wheat products have made inroads into the ASEAN markets, there is still great potential for demand in the region. This, therefore, calls for strong promotional efforts. With the ability of Australia to supply wheat products at a cheaper rate due to transportation cost advantage, the trade offices in Singapore have been establishing market recognition of the high quality U.S. wheat products relative to its high price. This is possible by engaging in various food promotion strategies such as the highly successful strategy in attracting consumers in Singapore under the banner "A Taste of America."¹⁷ With the success in Singapore, the promotional strategy was carried out with success in other ASEAN markets.

Besides promotions such as the banner strategy of "A Taste of America," U.S. wheat products have also been shown in various trade exhibitions in ASEAN cities. For example, the "Food and Hotel Asia" exhibition in 1982 and 1984 in Singapore was used as a tool for the promotional process.¹⁸ Advertisements, menu promotions of U.S. wheat products in restaurants and hotels, the knocking down of tariff barriers such as the high quality control of agricultural imports by

the Singapore government and the taste of the consumers' preferences are important implications for the promotion of U.S. wheat products in ASEAN.¹⁹

Besides the various promotional strategies, there are other ways in which the U.S. has been able to promote her wheat in ASEAN. The P.L. 480 programs have been the foundation upon which the U.S. promotes her wheat. The provision of technical assistance in wheat handling is yet another technique. Baking schools have been established in order to increase flour usage. By being an export base region, Singapore has been able to establish highly successful noodle factories.

The wheat trade between the U.S. and ASEAN has resulted in ASEAN dependence on the U.S. This seems to support Prebisch's hypothesis which says that developing countries do not benefit from trade with developing countries. However, conclusions cannot be drawn from this observation, and so we are able to reject Prebisch's hypothesis, because ASEAN still benefits in its wheat trade with the U.S. ASEAN's benefits lie in the changing taste preferences of its peoples and the availability of U.S. wheat and wheat technology to the region. At the same time, the U.S. has been able to carry out her foreign policy objective of constructive engagement in her trade relations with ASEAN. The U.S. has been able to maximize her interest by the ability to influence the minds and actions of the ASEAN people through her wheat sales while also getting rid of her surplus grains.

Due to these, the U.S. has been gaining sales momentum of about 56 percent of the ASEAN wheat imports as of 1983. However, the highly successful wheat share in the ASEAN markets could be lost, especially if there are trade protectionism measures against ASEAN products in the U.S.

Projected Wheat Requirements

by ASEAN by 1990

There has been much mention about the wheat trade in ASEAN. This region is basically a consumer and producer of rice and has to import wheat to meet domestic demand. There will be an increase in wheat imports by ASEAN, especially from the U.S., due to the high quality of the product and also as a sign of goodwill resulting from U.S. willingness to purchase imports from these nations. However, this can change if there are protectionist measures against ASEAN imports because the U.S. wheat must remain competitive, especially from Australia.

Tables V and VI show the projected requirements of wheat by ASEAN. ASEAN has to import wheat to meet domestic demands because of low rice supplies and the high cost of rice imports. Although rice is the most important cereal staple, people in Singapore and Malaysia prefer wheat to rice because of their changed tastes. With the exception of Thailand, ASEAN nations need to meet up to 40 percent of their food requirements with wheat, if they were to make do with the available rice supplies and not import the said commodity.²⁰ The greatest

TABLE V
PROJECTED WHEAT IMPORTS BY ASEAN (1990)

Country	Net Imports
-----Million tons-----	
Brunei	N/A
Indonesia	
1985	1.4
1990	1.7
Malaysia	
1985	0.58
1990	N/A
Philippines	
1985	0.80
1990	0.92
Singapore	
1985	0.14
1990	0.16
Thailand	
1985	0.20
1990	0.28
ASEAN	
1985	3.12
1990	3.74

Source: Adapted from Rodney Tyers, "Food Security in ASEAN" in U.N. Economic and Social Commission for Asia and the Pacific, eds., ASEAN and Pacific Economic Cooperation.

TABLE VI
PROJECTED BALANCE OF STAPLE CEREAL REQUIREMENTS
AND PRODUCTION POTENTIAL IN ASEAN (1990)

Region/Country	Population	(1) Projected Population (1,000)	(2) Requirements of Cereals for Staple Food		(3) Requirements of Staple Cereals Preferred			
			per capita KG/YR	(1,000 HT)	Kind (a)	per capita KG/YR (b)	requirements rice (c)	wheat (d)
Brunei	---	N/A	N/A	N/A	---	N/A	N/A	N/A
Indonesia	L	190722	150	28608	R	See(2)	See(2)	---
	M	196576		29489				
	H	205859		30879				
Malaysia	L	17308	140	2423	R	112	1938	485
	M	18260		2556	W	28	2045	511
	H	19133		2679		140	2143	536
Philippines	L	68610	150	10292	R	See(2)	See(2)	---
	M	70119		10518				
	H	74243		11136				
Singapore	L	2790	120	335	R	80	223	112
	M	2829		339	W	40	226	113
	H	2867		344		120	229	115
Thailand	L	65091	155	10089	R	See(2)	See(2)	---
	M	66752		10347				
	H	69926		10839				

TABLE VI (CONTINUED)

Region	Country	Population	(4) Production Potential of Rice			(5) Balance of Production Potential of Rice(4) and Requirements (3)(c)		(6) Balance of Projected Wheat Production and Requirements		(7) Balance of (2) and (4) (c)&(b)(d)
			Paddy (a)*	Milled Gross (b)	Net (c)**	Balance	Self-Sufficiency Ratio (%)	Wheat Prod. Projected (a)	Balance of (a)&(3)(d) (b)	
Brunei			----- NA -----							
Indonesia	L	29500	20060	18054	-10554	63.1	---	---	See(5)	
	M				-11432	61.2				
	H				-12825	58.5				
Malaysia	L	2493	1621	1572	-336	81.1	---	-485	-851	
	M				-473	76.9		-511	-984	
	H				-571	73.4		-536	-1107	
Philippines	L	13090	8509	7956	-2336	77.3	---	---	See(5)	
	M				-2562	75.6				
	H				-3180	71.4				
Singapore	L	---	---	---	-223	0	---	-112	-335	
	M				-226	0		-113	-339	
	H				-229	0		-115	-344	
Thailand	L	29185	18970	17225	+7136	170.7	---		See(5)	
	M				+6878	166.5				
	H				+6386	158.9				

Source: Adapted from Food Situation and Potential in the Asian and Pacific Region Food and Fertilizer Technology Center, Taiwan, June 1980

- Notes: 1) R=Rice, (2) W=Wheat
 2) L=Low Assumption, M=Medium Assumption, H=High Assumption for Population Projection and the Related Estimates.
 3) *=The Production Potential Means the Volume of Production That Would Be Achieved With Improvement of Production Infrastructure, Particularly Irrigation Facilities
 4) **=Estimated Basically By Extrapolation of the Past Trend

increase in wheat imports will be in Indonesia because of the large population and the government policies. The Indonesian government has provided to wheat importers subsidies so as to reduce the price charged to consumers.²¹ This increases the demand by consumers at the expense of government revenue. The purpose is to reduce the demand upon expensive rice imports and, at the same time, to increase the use of wheat from the United States, which have been obtained from concessional sales or from P.L. 480 programs. In degree of importance, Singapore will undertake changes because of equal importance of wheat with rice. Moreover, due to urbanization, advertisement influence, and the greater availability of wheat products, consumers in Singapore have, over the period of time, began to substitute wheat products for rice. Also, noodles made from wheat have become an increasingly important meal item among Singapore households.

Even though the prospect of wheat imports into ASEAN is good, the U.S. Agricultural Trade Office in Singapore has to gear up a promotional campaign in order to sell wheat to the domestic population in ASEAN. American wheat has to remain competitive against other wheat exporters, particularly Australia, in order to maintain a dominant role as a supplier in the ASEAN markets.

Public Law 480

Public Law 480 or Food for Peace is a specialized form of foreign economic aid. The nature of the food aid is that

it involves a donor country, that is, a country with excess supply, which sells on a concessional basis or gives as a gift to a food deficient country. This is to relieve the shortage of food in the recipient country and, at the same time, encourage economic development.

P.L. 480 is the U.S. version of the overall world community's effort to help food deficient countries. Other active parties are the European Economic Community and Japan. Even though the role of the U.S. in food aid has diminished since the 1950s, nevertheless, the U.S. still is regarded as the largest supporter.

Since the formation of food aid programs, the concept has changed over a period of 70 years. Food aid was first used as a weapon of war; next, it was seen as a humanitarian gesture to starving people caught in the aftermath of war; next, as a political weapon to minimize unrest; then, as a means of disposing of unwanted food surpluses, and then, as a resource for the support of economic development elsewhere.²² However, since 1971, with introduction of more strict terms on concessional sales of food which has reduced the volume of food aid sales, there has been a change in the emphasis of food aid policy from sales to grants of food aid.²³ With the introduction of the "Humphrey Amendment" to P.L. 480 in 1974, food aid was distributed for humanitarian purposes.²⁴

Various types of products are shipped under P.L. 480; for example, rice, wheat, corn, etc., However, the major portion of shipment is wheat because of abundance in supply

and, at the same time, its potential for the promotion of future wheat sales. P.L. 480 further fosters the foreign policy objectives of the United States. There are two major titles under which P.L. 480 is given to recipient countries. Under Title I, the "recipient government buys U.S. food on credit subsidized by the U.S. government, with the interest rate and payment terms negotiated separately in each bilateral sales agreement."²⁵ Title I makes up about 70 percent of the food aid programs and repayment period could be up to 40 years.²⁶ There are various ways in which the recipient government could make the food available to their people, such as through government subsidized prices or other types of governmental assistance programs. Under the other title, which is Title II, "the U.S. government donates food directly to the other country, through the food and agricultural agencies like CARE, which goes directly to recipients in school feeding programs, emergency or famine relief, and food-for-work development projects."²⁷

ASEAN, like any other developing nations, have been recipients of food aid, particularly wheat, under P.L. 480 from the U.S. Table VII shows the Title I of P.L. 480 since 1967, which is basically credit sales under low interest rates. The only major recipient under Title I is Indonesia, with Thailand and the Philippines receiving only in 1972 and 1978, respectively. Indonesia has been receiving food aid, especially in the form of wheat, every year since 1967, except during 1974 and 1975 because of changes that took place in the U.S.

TABLE VII
 TITLE I - P.L. 480 - QUANTITIES
 PROGRAMMED UNDER AGREEMENT,
 1967 - 1985

Calendar Year	Country	Wheat Wheat Products
In Thousand Bushels		
1967	Indonesia	10008
1968	"	15245
1969	"	5512
1970	"	10791
1971	"	16902
1972	"	8983
	Thailand	1102
1973	Indonesia	13135
1974	NIL	-----
1975	NIL	-----
1976	Indonesia	3674
1977	"	10839
1978	"	6689
	Philippines	2370
1979	Indonesia	9994
1980	"	4115
1981	"	1837
1982	"	1837
1983	"	3233
1984	N/A	N/A
1985	N/A	N/A

Source: U.S. Department of Agriculture,
 Food for Peace Program, various years.

administration of food aid.

Table VIII shows the total wheat and wheat products shipped to ASEAN under Title II since 1967. These are basically direct donations of food from the U.S. Wheat under Title II reached an all-time high in 1980 because of an influx of refugees from Indochina. Generally, there has been a decline in the amount of wheat products shipped to ASEAN since 1975, except from 1982 when there was a 50 percent increase as a result of an increase in school feeding programs in the Philippines.

Table IX shows the number of recipients within ASEAN. The food that is given to recipients are generally for maternal child feeding, school feeding, food for work, emergency, and general welfare. Since 1967, all the ASEAN members (except Brunei) were recipients, but since 1978 every ASEAN nation except the Philippines and Indonesia has been "disqualified."

The basic objective of the U.S. under P.L. 480 is for the promotion of her wheat, donation for humanitarian reasons and for economic development of the countries. Through the use of food aid, groundwork is laid for future wheat product sales. There are various ways in which the U.S. can channel her food aid, either directly between government to government or indirectly through voluntary agencies. Some of the voluntary organizations that are playing an important role in distributing food in ASEAN are Catholic Relief Services (CRS), Cooperative for American Relief Everywhere (CARE), World Food

TABLE VIII

TOTAL WHEAT AND WHEAT PRODUCTS SHIPPED TO ASEAN
 UNDER TITLE II OF PUBLIC LAW 480,
 1967 - 1985

Calendar Year	Brunei ¹	Indonesia	Malaysia	Philippines	Singapore	Thailand	ASEAN ²
-----In Metric Tons-----							
1967	---	574	----	----	--	---	574
1968	---	6154	----	----	--	---	6154
1969	---	8385	8270	1424	20	---	15099
1970	---	177412	4606	5706	126	---	187850
1971	---	44399	4541	20379	37	---	69356
1972	---	42392	1647	17912	51	---	62002
1973	---	49071	2882	35122	31	---	87106
1974	---	32976	426	29130	150	---	62682
1975	---	3950	162	11237	165	---	15514
1976	---	3610	----	10748	201	---	14559
1977	---	11075	----	13128	147	---	24350
1978	---	29483	----	20094	---	---	29577
1979	---	14236	----	21933	136	---	36305
1980	---	21172	----	17382	---	---	38554
1981	---	14745	----	21533	---	---	36278
1982	---	11798	----	52106	---	---	36814
1983	---	11286	----	13000	---	---	24286
1984	N/A	N/A	N/A	N/A	N/A	N/A	N/A
1985	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Source: U.S. Department of Agriculture, Food for Peace Program, various years.

- Notes: 1. Brunei became a member of ASEAN in 1984.
 2. Total does not include Brunei, except from 1984.

TABLE IX
 TITLE II - PUBLIC LAW 480 - NUMBER OF
 RECIPIENTS WITH ASEAN BY PROGRAM TYPE
 1967-1985

Calendar Year	Country	Total	Food for development			Emergency		Welfare (general relief)	
			Maternal Child Feeding	School Feed- ing	Other Child Feeding	Food for Work	Refuges		Disaster
1967	ASEAN	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
1968	ASEAN	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
1969	Indonesia	1346280	60000	500000	83500	620780	35000	---	47000
	Malaysia	454855	34875	174875	1220	240065	---	---	3820
	Philippines	1595016	460250	929100	17075	181525	---	---	7066
	Singapore	23429	12351	6400	4678	---	---	---	---
	Thailand	271600	62600	199000	10000	---	---	---	---
1970	Indonesia	1472680	60000	500000	83500	627180	95000	60000	47000
	Malaysia	454855	34875	174875	1200	240065	---	---	3820
	Philippines	1592516	460250	929100	17075	179025	---	---	7066
	Singapore	23429	12351	6400	4678	---	---	---	---
	Thailand	271600	62600	199000	10000	---	---	---	---
1971	Indonesia	1454180	64000	575000	83500	662180	30000	---	39500
	Malaysia	498282	39335	215308	2765	237590	---	---	3284
	Philippines	2561473	535900	1218500	15500	184507	---	60000	7066
	Singapore	29479	9077	11322	4693	---	---	---	4387
	Thailand	276600	66600	200000	10000	---	---	---	---
1972	Indonesia	2286010	312310	730000	20500	1174700	---	---	18500
	Malaysia	371839	39490	165563	10000	154125	---	---	2661
	Philippines	1648525	237550	1330900	20260	55182	---	---	4633
	Singapore	22451	3800	11727	4248	---	---	---	2676
	Thailand	198000	68000	120000	10000	---	---	---	---
1973	Indonesia	2077229	333810	361000	17000	1144919	---	212000	8500
	Malaysia	420004	48870	113845	17282	238677	---	---	1300
	Philippines	2916995	396796	1560000	21050	137684	---	800000	1465
	Singapore	27804	10000	12214	4248	---	---	---	1342
	Thailand	145600	75600	60000	10000	---	---	---	---
1974	Indonesia	175228	336684	295562	11257	1106355	---	2370	---
	Malaysia	77591	25640	47000	1451	3500	---	---	---
	Philippines	2129963	1430934	224752	10184	221887	---	239994	2212
	Singapore	55404	16000	26214	11848	---	---	---	1342

Source: U.S. Department of Agriculture, Food for Peace,
 Various years.

Program (WFP), and the United Nations International Children's Emergency Fund (UNICEF), to name a few.

From the 1960s to the 1970 enactment of the Humphrey Amendment, P.L. 480 has been used not only for the economic development of countries, but also as the U.S. government's political weapon; it was given to "client" states to maintain the regime in power against any popular uprising. For example, during 1973, Cambodia, South Vietnam and South Korea received 67 percent of all Title I aid, while Indonesia, where there was an urgent need, received only 8 percent.²⁸ Also, during 1963, under the Johnson Administration, the food aid was initiated as a political instrument against Sukarno's "Crush Malaysia" policy.²⁹ In the case of Sukarno, the U.S. believed that by increasing aid, tension could be reduced in Indonesia. This is part of the U.S. foreign policy of constructive engagement which seeks to increase instead of reduce aid to a regime so as to influence political reform through economics. Thus, the policy of softening the minds of the receivers is achieved.

As such, P.L. 480 seems to support the common view among Third World nations that trade relations benefit the U.S. and serves American interests at the expense of developing countries. However, even though the P.L. 480 program emphasizes the U.S. foreign policy objective of constructive engagement, it has benefitted ASEAN in terms of economic development and has also helped in bringing political stability

to the region.

Overall, the Food for Peace program has helped in the economic development of ASEAN and also has created a market for future exports of U.S. wheat and wheat products. Living standards have improved, nourishment intake has increased in school children, and life expectancy has grown in ASEAN since 1967.

Summary

This chapter shows the development of U.S. and ASEAN trade since 1967. It shows that both of them has benefitted in their trade relationship. Prebisch's hypothesis that developing countries do not benefit in their trade relations with developed countries cannot be accepted because ASEAN has been able to maximize its benefits from quality wheat imports, the technical provision that comes along with wheat handling, and concessional sales. As for the U.S., it has also benefitted from through 1) the implementation of its constructive engagement policy in ASEAN, 2) the increase in wheat sales, and 3) the establishment of U.S. political interest in the region. As such, the U.S. constructive engagement policy has set the ground for the achievement of the second U.S. foreign policy objective of containment of Soviet activities in the region. Chapter V will show the development of U.S. security interests in ASEAN vis-a-vis the challenges posed by the Soviet Union and China, its use of military installations in the Philippines, and reactions toward attempts at regional neutrality.

ENDNOTES

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- ²² Ibid.
- ²³ I.W. Dester, Making Foreign Economic Policy, (Washington, D.C.: Brookings Institution, 1980), p. 66.
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CHAPTER IV
UNITED STATES POLITICAL INTEREST
IN ASEAN

Introduction

The ASEAN states, except for Thailand, have been former colonies or protectorates of Western powers such as Great Britain, the Netherlands, and the United States. Brunei, Malaysia and Singapore were under the guidance of the British. Indonesia was under the influence of the Dutch, and the Philippines, under the guidance of the Americans. By January 1984, all the member states had regained full sovereignty.¹

The Western powers' contest in the ASEAN region was for the establishment of markets where they could trade and search for raw materials. Political scientist Alfred Thayer Mahan analyzed sea power as an important element in national power. He wrote, "Those who rule the seaways rule the world."² Great Britain, which was able to control the major straits, especially the Straits of Malacca at Singapore, was able to oversee trade, communication, and the provision of security in the region. The works of Mahan later influenced the development of the United States as a sea power as well.

The U.S. today is regarded as the sea power, instead of Great Britain, in the ASEAN region.

Mahan's contemporary scholar, Sir Halford Mackinder, had a different perspective. He discussed the relation of technology and geography. Mackinder viewed the idea of a land mass which he called as the Heartland. He envisioned the idea of a Heartland in which those who ruled the land mass of Eurasia ruled the world.³ He envisioned the Soviet Union as a great power on land. Traditionally, the Soviet Union has been a great land power, whereas the U.S. has been a sea power. But with the improvement in technology, the Soviet Union has also been able to become another sea power. This can be seen in Southeast Asia, where, over the past five years, Soviet naval activity has expanded to the South China Sea.

To counterbalance Mackinder's Heartland Theory, some scholars such as Nicholas J. Spykman and Stephen B. Jones suggested the idea of a "rimland" to contain the Soviet Union.⁴ This idea is based upon the concept that those who control the rimland around the Eurasian continent rule the world. The "rimland" concept motivated the United States after the second world war to advocate the idea of the containment of the Soviet Union. The policy of containment put forward by American statesman George F. Kennan became the ideology for the U.S. foreign policy of internationalism.⁵

Therefore, nations began to look at the sea as a frontier of mankind in which both the U.S. and the U.S.S.R. are flexing their muscles. As such, Southeast Asia has become a

stage for the rivalry between the two superpowers for the maintenance of the balance of power.

United States Interest

The role that the U.S. plays in the world is not only economic--the establishment of markets for its products and to undertake economic development of the Third World--but also a political one--the establishment of military bases and alliances and the promotion of democracy. It has been through the use of economics that the U.S. has been able to promote its political views in a loose bipolar world. In order for any relationship or alliance to be effective, there must be a meeting of minds between the parties.

At the end of World War II, the U.S. was regarded as a leader in economic power. But today, this is no longer true. The U.S. has reduced her economic power because there are other economic agents, notably Japan, that are able to deliver the same technology or guidance to the Third World. As such, in order to win confidence of the ASEAN members, the U.S. has to assure these countries of its genuine interest in the region. The U.S. has a strategic, ideological and political interest in ASEAN. The ASEAN members even assume that the U.S. is only pursuing its interest in the region because every action that is undertaken by it is viewed by the ASEAN countries as just promoting American interests.

In strategic and political terms, there are four great powers that contend in the ASEAN region, namely, China, Japan,

the Soviet Union, and the U.S. However, in the global confrontation, it is between the U.S. and the Soviet Union. The confrontation between them is not played out directly in the region, but elements of the confrontation are present.⁶ Thus, the balance of power game is established. At the same time, the alliance has moved from a tight bipolar region immediately after World War II, to a loose bipolar region with alliances falling under either the Soviet Union camp or the United States camp.

Since the withdrawal of the British forces from Singapore in 1971, a vacuum has been created in the security of Southeast Asia. The U.S. began to fill the vacuum so as to maintain the balance of power game. In the ASEAN region, the U.S. pursues a policy of constructive engagement through the rule of economics; that is, by the provision of investment, aid and trade, the U.S. is hopeful in establishing democratic government which will be supportive of U.S. interests. The U.S. has been successful in using trade and aid in the development of ASEAN. For example, in 1963, the U.S. was able to reduce tension in Indonesia not by reducing aid so as to force then President Sukarno of Indonesia to drop his policy of "konfrontasi." By increasing aid, the United States reduced the popularity of the communist movement and also reduced tension between Indonesia and Malaysia.⁷

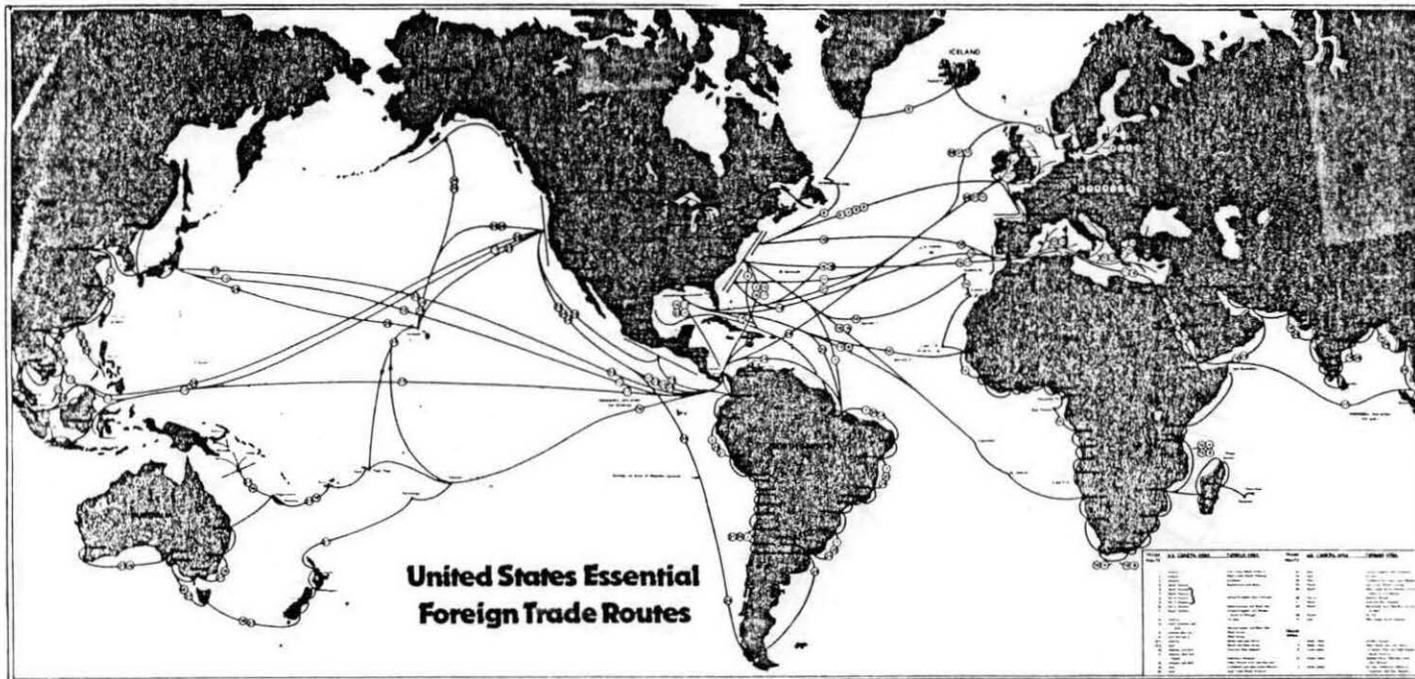
The other objective of the U.S. in the ASEAN region besides constructive engagement is the policy of containment of the Soviet Union's expansionism. This involves an establish-

ment of industrial powers along the rimland.⁸ ASEAN forms part of that rimland or crescent, and good relations with the ASEAN governments is a necessity in maintaining the balance of power. Containment of the Soviet Union is deemed necessary although it could not possibly become so dominant as to exclude the U.S. from the region; the Soviet Union, however, has the ability to protect military power through its expanding naval presence in the Pacific.

Besides the objective of constructive engagement and containment, a third factor that necessitates U.S. interest is the location of ASEAN. The location of ASEAN is along the world's busiest shipping lanes, namely, the Straits of Malacca (See Figure 1). The increase in tonnage of vessels has underscored the need for a deep waterway; over time, the Straits of Sunda between the Indonesian islands of Java and Sumatra have become equally important.

In the light of economic and military function, these straits have become important for the U.S. in the facilitation of commerce and also for the movement of the U.S. Seventh Fleet from the Pacific Ocean to the Indian Ocean. If there was to be a restriction of access along the Straits of Malacca, especially, there could be serious economic implications for the U.S. and Japan.

Again, Prebisch's views about the Third World being exploited cannot be held valid. Here, the U.S. is in need of the strategic location of ASEAN for commerce and security



Source: U.S. House, Committee on Foreign Affairs, The Soviet Union in the Third World, 1980-1985: An Imperial Burden or Political Asset? (1985).

Figure 1. United States Essential Foreign Trade Routes

reasons. Therefore, the U.S. needs the ASEAN countries for counterbalancing the Soviet Union. Even ASEAN expects every move that the U.S. undertakes as promoting American interest. Through increase in trade relations, the U.S. has successfully influenced the minds and actions of the ASEAN people. As a whole, the presence of the U.S. both militarily and economically helps the economic and political development of ASEAN. Therefore, both the U.S. and ASEAN benefit from the interdependent relationship.

Freedom of passage along the straits is of utmost importance to Japan, in particular, because the straits serve as an economic lifeline for the development of Japan. All the Middle East oil and resources flow through these straits. At the same time, the Straits of Malacca serve as the major export route to markets and any blockage or unfriendly actions, such as expanding Soviet Union activities, could cause economic disaster for Japan. For the U.S., the Straits of Malacca serves as the primary route for the U.S. Seventh Fleet's movement between the Pacific Ocean and the Indian Ocean. Therefore, the Straits of Malacca serves as an instrument for an overall containment policy of the U.S. against the Soviet Union interest in the region. The principal guarantee to free access to these strategic waters--and containment of the Soviets--for the U.S. is good relations with the ASEAN governments.

Since the establishment of U.S. presence in Southeast

Asia by the SEATO alliance, the Soviet Union has accused the U.S. of transforming the "dead" SEATO into ASEAN so as to fulfill its policy of containment.⁹ As a result, the U.S.-ASEAN relationship has evolved into two forms: (1) a group of countries allied with the U.S. by treaty; (2) non-Communist countries that are not allied with the U.S., but support its objectives and are essentially friendly with it.¹⁰

The first group consists of countries within ASEAN that have military treaties with the U.S. Both the Philippines and Thailand have explicit military protection under the Manila Pact with the U.S. against foreign invasion.¹¹ Due to this agreement, the U.S. maintains military bases in the Philippines and has defense treaties with Thailand and the Philippines. American military bases such as Clark Air Base and Subic Naval Base--are important in that they will play major supportive roles in times of aggression by the Soviet Union, either against the ASEAN states or against U.S. interests.¹²

The second group comprise the countries of Brunei, Indonesia, Malaysia and Singapore. By the presence of U.S. military in the region and treaty obligations with Thailand and the Philippines, the United States, consequently, has implicitly guaranteed the freedom of these countries. Such gratitude protects ASEAN against foreign aggression, especially the Soviet Union. Such action, thus, legitimizes the presence of the U.S. in the region.¹³ At the same time, Malaysia and Singapore are members under the Five Power Defense Plan.¹⁴ This five power plan is commonly known as ANZUK in which the secu-

rity of Malaysia and Singapore is guaranteed by Australia, New Zealand and the United Kingdom as a condition for the withdrawal of British forces from Singapore in 1971.

Overall, ASEAN is both directly and indirectly linked to the U.S. security alliance. Directly two of its members --Thailand and the Philippines--are under the protection of the Manila Pact. Indirectly, Malaysia and Singapore are guarded by Australia, New Zealand and the United Kingdom in which the latter three countries has military treaties with the U.S. such as ANZUS for Australia and New Zealand, and NATO for the United Kingdom. Therefore, the ASEAN nations are protected against foreign invasion by the U.S. At the same time, the U.S. military vessels are guaranteed free access along the Strait of Malacca, a freedom which has been denied to the Soviet Union.

The U.S. has, therefore, a political as well as an ideological interest in ASEAN because of alliance, democratic government, and the commitment to economic growth and development through major private enterprises. The economic development success of ASEAN is of great interest for U.S. stability in the region and also for future U.S. exports of goods and services. Within international trade, the U.S. seeks to promote her agricultural products, especially wheat, to these nations.

P.L. 480 has served as the foundation of U.S. foreign policy. At time, the U.S. has tried to use P.L. 480 as a

political weapon. For example, Indonesia was undergoing major turmoil in 1963 when the communist movement was also gaining wide acceptance. This was also associated with Sukarno's "Crush Malaysia" policy. The Johnson administration was initially prepared to use P.L. 480 against Pres. Sukarno by reducing the level of aid. However, such an action would not have been in the best interest of the U.S. because it would increase the popularity of the communist movement. Increased aid from the United States government, to a certain extent, did help to reduce tension in the ASEAN region. Such move thus secures the U.S. political interest in the region.

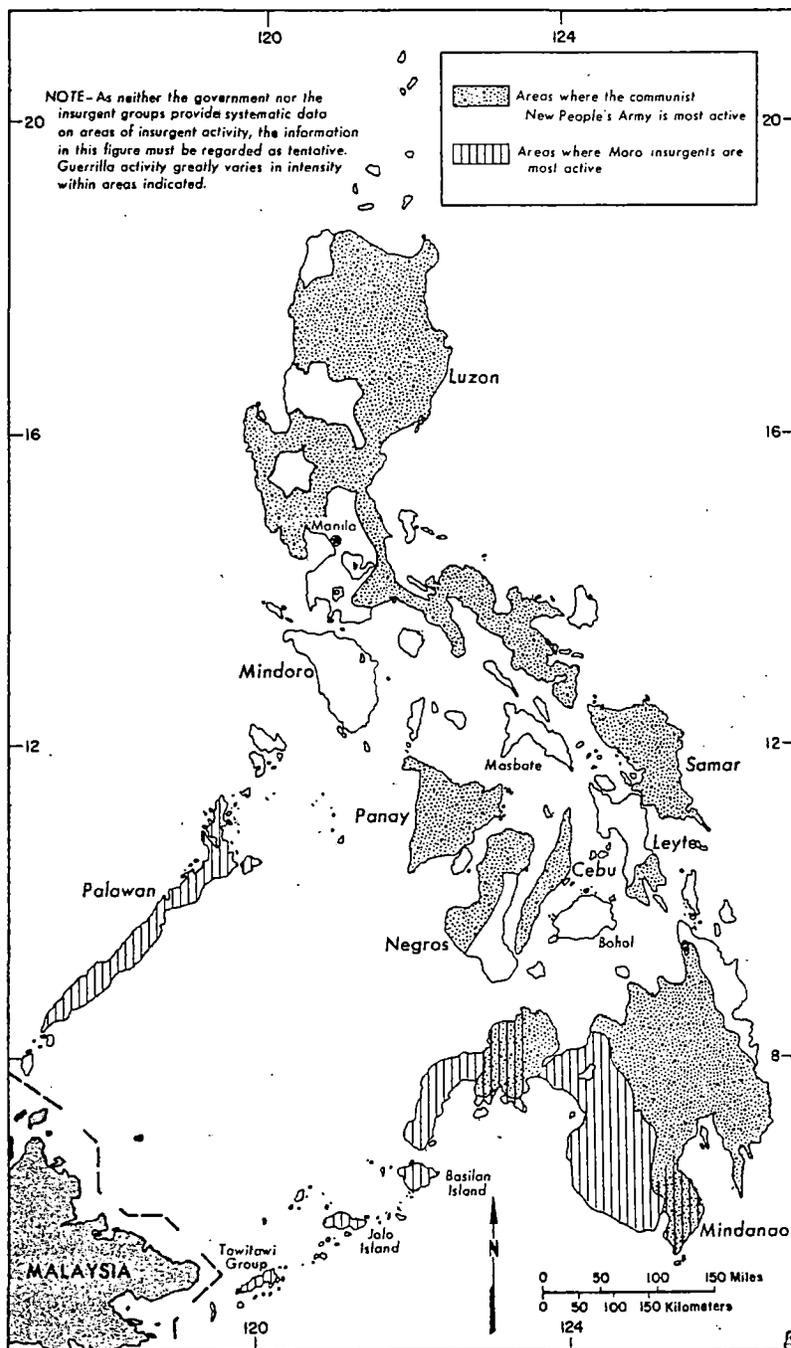
The United States needs to continue fostering goodwill with the ASEAN government and, at the same time, counter Soviet Union activities to remain dominant in the region. This would, in the long run, benefit the U.S., both militarily and economically because all access to market and lanes of communication are available to the U.S., but denied the Soviet Union. Therefore, the U.S. has the ability to maintain and preserve the balance of power status quo.

The Philippines

The relationship with the Philippines has been long-standing due to historical ties with the U.S. At the same time, within the ASEAN framework, the Philippines is delegated the responsibility for the overall U.S. - ASEAN relations because of its traditional links and U.S. military bases in the country.

The military bases in the Philippines are vital to both the U.S. and the ASEAN. The two bases--Subic Naval Base and Clark Air Base--are part of the forward operating bases of the U.S. At the same time, the presence of the U.S. military strengthens ASEAN confidence in the U.S., strengthens U.S. investors' political forecast risk in doing business in ASEAN, and counterbalances the Soviet Union's naval presence in the region.

Therefore, the political stability of the Philippines is of utmost importance to both the U.S. and ASEAN because of the strategic military bases. Since the 1970s, the Philippines has been faced by insurgent forces coming from two main sources: "Moros in the South seeking autonomy or independence, and communists working throughout the nation to promote revolution."¹⁵ Figure 2 illustrates the areas in which the insurgents are active. Even though the rule of the presidency has shifted from Ferdinand Marcos to Corazon Aquino by March 1986, the new government still faces a serious insurgency problem. Analysts say it is unlikely that the insurgents, especially the Communist Party, will lay down their revolutionary motives and enter the mainstream of Philippine life since the fall of Marcos. The insurgents, even during the previous regime, were not fighting against Marcos personally, but rather against the system of government. As such, the insurgency problem has been carried forward to Aquino government. To the Communist Party, the one and only



Source: F. Burge, Philippines, A Country Study (1984).

Figure 2. Area of Guerilla Activity, 1983

acceptable solution is the violent overthrow of the government through a revolutionary process.

How economic and political conditions develop in the Philippines is vital to U.S. interest in the region. The removal of the bases will reduce badly needed revenue by the Philippines, decrease ASEAN security, and increase the Soviet Union's expansionism. Moreover, the bases are strategically located in the region and is within equal distance in times of need for Singapore, South Korea, and Japan. Plans to shift the bases away from the Philippines to Palau or Guam only decrease U.S. naval strength in the region. Even though Singapore provides free port of call for the U.S. navy, it is very unlikely that the current government in the Philippines will refuse to renew the leases for the use of Subic and Clark as U.S. bases.

As such, the U.S. military presence is of vital interest to both the ASEAN and the U.S. to combat Soviet Union expansionism in the region. The military presence serves the overall development of ASEAN, the promotion of international trade and the encouragement of sales in agricultural products, particularly wheat.

The ASEAN governments do not want a future decade under the Soviet Union and has urged the U.S. to maintain the military presence in the region. Even during an October 7, 1977 visit by the Prime Minister of Singapore, Lee Kuan Yew, then President Jimmy Carter of the U.S. has assured the Prime Minister that the U.S. has the intention of maintaining

naval presence in Southeast Asia in order to combat Soviet naval strength.¹⁶ This philosophy has been echoed by the Reagan administration which believes in the importance of ASEAN security as part of overall U.S. security in combating Soviet-inspired activities, either directly or indirectly through its proxy, Vietnam. As such, the level of trade increase with ASEAN indicates U.S. interest in the region and benefits both parties. Also, the presence of U.S. military makes the region politically stable.

The Soviet Union Challenge

The expansion ideology of the Soviet Union is based on the fact that it seeks warm water ports for both Soviet naval vessels as well as merchant fleets. The home port of the Soviet Union at the polar region is frozen a great part of the time and, thus, it pursues a policy of expansionism in order to acquire warm water ports. The Soviet Union also seeks to maintain the balance of power game in Southeast Asia, to fill up the vacuum left by the U.S. withdrawal from Vietnam and to contain her immediate challenger, China, for the sphere of influence in Southeast Asia.

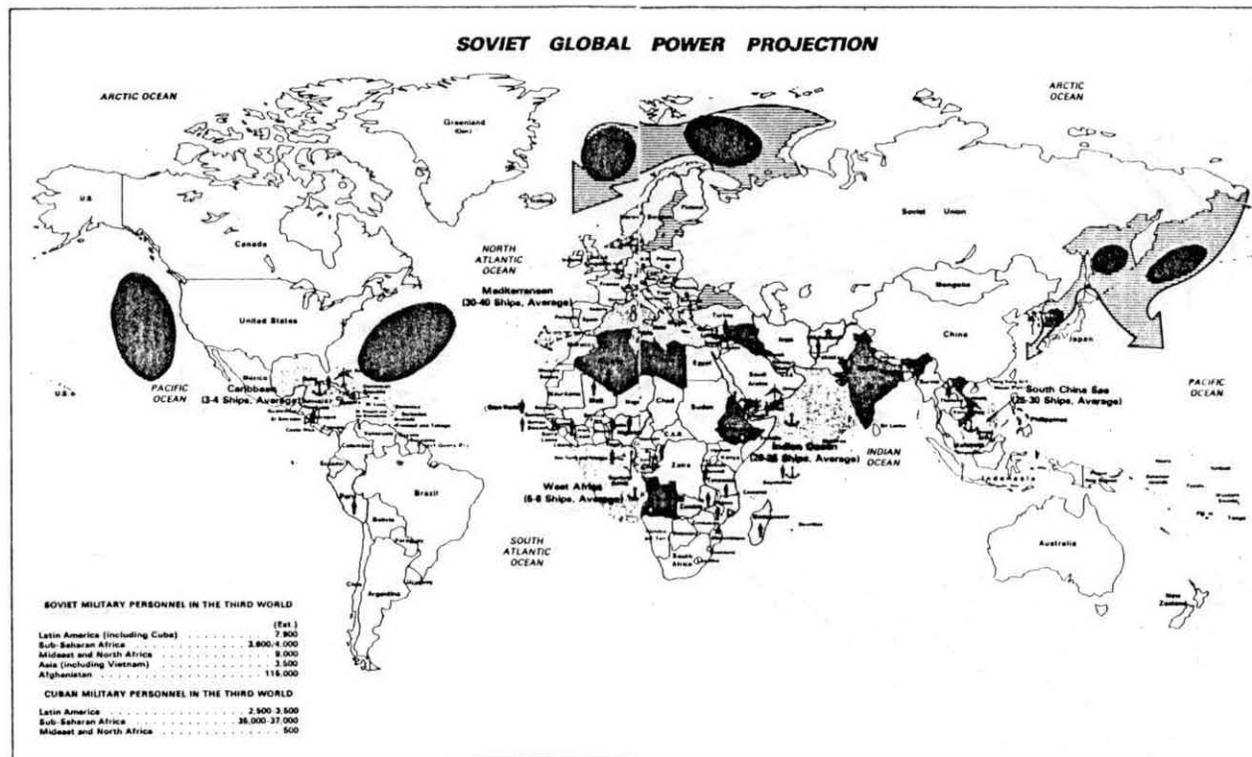
The Soviet Union's wishes brightened after the fall of South Vietnam to the communists. At the same time, the growing distrust between Vietnam and China brought Vietnam more under the influence of the Soviet Union. Trade embargo, U.S. naval presence in Southeast Asia, the need for foreign economic aid for development, and pressure from ASEAN states

for the Vietnamese withdrawal from Kampuchea, strengthen Vietnam's dependence upon the Soviet Union. The ultimate proof of this relationship was in Vietnam allowing the Soviets access to former U.S. bases in Cam Ranh Bay.

Figure 3 shows the Soviet Global Power Projection and the U.S. challenge in Southeast Asia. It has been estimated that Cam Ranh Bay is the Largest forward operating base for the Soviet Union, outside the Warsaw Pact countries. The Soviet Projection of 25-30 ships on the average does pose a challenge for both the U.S. and the security of ASEAN.

Figure 4 shows how American and Soviet military bases in Asia maintain the balance of power. Cam Ranh Bay, surely, has become a very strategically important forward base for the Soviet navy in Southeast Asia.¹⁷ As President Reagan said on March 23, 1985, "for the first time in history, the Soviet navy is a force to be reckoned with in the South Pacific."¹⁸ At stake is the vital passage of the Straits of Malacca because it serves as an important lifeline for the U.S., ASEAN and Japan. It is through which all Middle East oil flows and that it is also the vital passage of U.S. naval vessels to and from the Indian Ocean.

Another worry besides the build-up of the Soviet navy in Southeast Asia is the change in trade pattern between the U.S.S.R. and ASEAN. With the level of protectionism against ASEAN imports into the U.S., the Soviet Union's markets have become very favorable to ASEAN exports. Trade has generally been low between ASEAN and the Soviet Union, but



Source: U.S. House, Committee on Foreign Affairs
The Soviet Union in the Third World,
 1980-1985: An Imperial Burden or
 Political Asset? (1985).

Figure 3. Soviet Global Power Projection



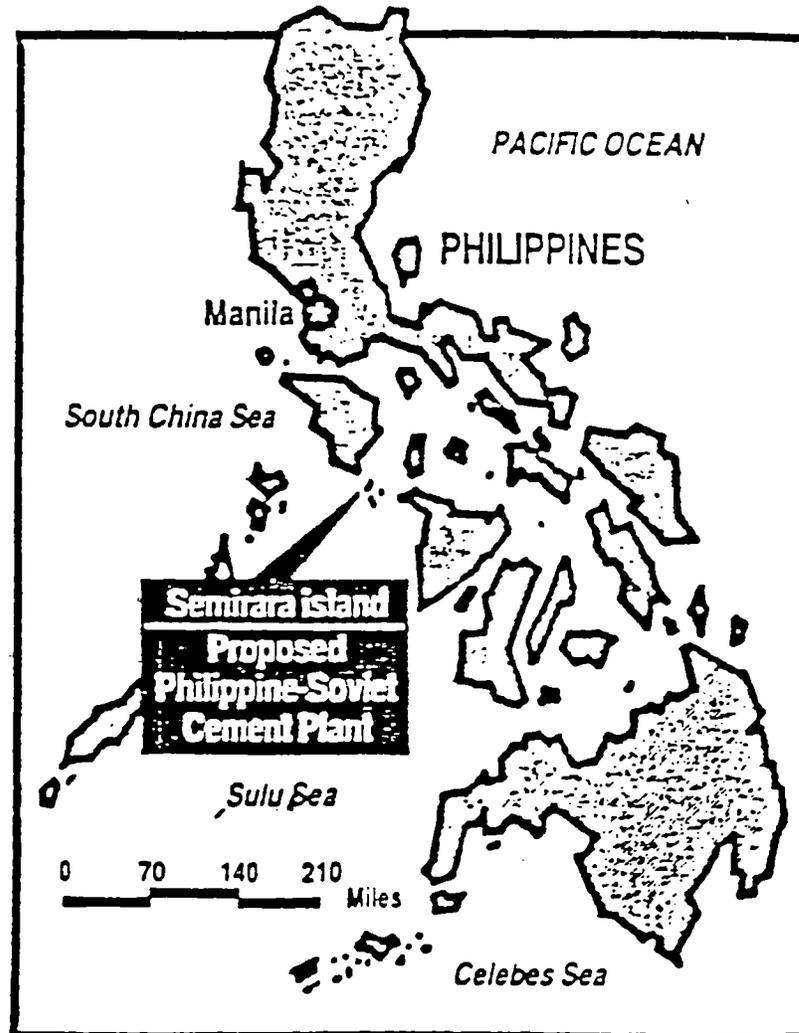
Source: U.S. News and World Report (April 4, 1983).

Figure 4. American, Soviet Navies in Asia

recently there has been a 300 percent increase in ASEAN exports to the Soviet Union.¹⁹ This does not necessarily mean that ASEAN will forego U.S. interests for the Soviet Union, but the latter nevertheless hopes that with the new level of protectionism against ASEAN exports to the U.S., it will be able to win ASEAN alliance away from the old ally, U.S. Such a situation is not possible because of ASEAN resistance against Soviet activities in the region and their intention of living under the U.S. sphere of influence instead of the Soviet Union. As Kishore Mahbubani of the Singapore Ministry of Foreign Affairs said, "There is virtually no other part of the Third World that the United States can point to as a similar 'success story' of U.S. foreign policy."²⁰

Nevertheless, the Soviet Union has never given up its hopes of spreading influence in Southeast Asia, to deter the U.S. presence and to control the strategic Straits of Malacca. The Soviet Union has, for a long time, been trying to get a foothold in ASEAN, and saw her prospect brighten by the proposed Philippines-Soviet Union cement plant in Semirara Island.²¹

Figure 5 shows the proposed Philippines-Soviet Union cement plant. The planned facility will be located about 200 miles from U.S. military installations in Subic Naval Base and Clark Air Base. Strategically, this plant of sorts could force a challenge against U.S. interest in the region due to close proximity to the bases, along with the insurgent movement in the country.



Source: Far Eastern Economic Review
(Sept. 3, 1982).

Figure 5. Proposed Philippine-Soviet
Cement Plant

China's Challenge

European ties with ASEAN countries have long been established. It was through Singapore, Malaysia and Indonesia that commerce was undertaken between Asia and Europe. China was initially motivated by trade. Since the fifties, however, another factor motivated it to pay closer attention to ASEAN countries; that is, to spread Communism by supporting the Communist parties that are active but outlawed in Malaysia, Singapore and Indonesia.

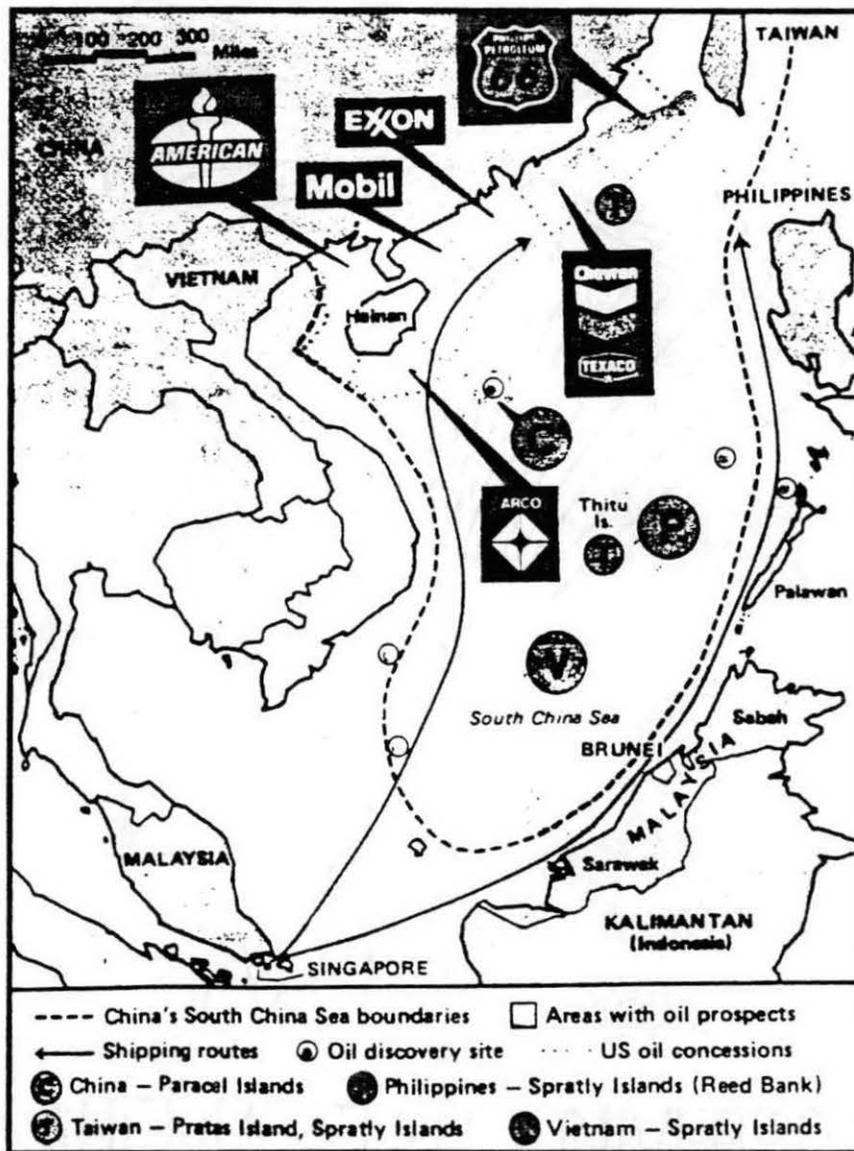
When insurgent movements were active in the 50s, British authority in Singapore and Malaysia was challenged by the Communists. This period was commonly known as the "Emergency" in which the Communist ideology began to make inroads into the school system and to indoctrinate the youth and students. The most serious challenge against an established order was in Indonesia during Sukarno's era, when the Communist movement gained wide acceptance and was very active.

With a historical fear of China's ambitions in the ASEAN countries, especially in Indonesia, the governments are cautious about every move that China undertakes. Even today, China has not publicly denounced the outlawed Communist parties in ASEAN and has not given up the idea of not supporting them, a move that ASEAN members wish to see. At the same time, the increased participation of China in Southeast Asian affairs could destroy ASEAN hopes for a Zone of Peace, Freedom and Neutrality (ZOPFAN).²² To make matters worse, ASEAN

fears were strengthened when the U.S. agreed to strengthen China's military as part of U.S. strategy to isolate the Soviet Union's expansionism and activities. ASEAN members, especially Malaysia and Indonesia, fear China in that it may regenerate the spread of communism in the region and, at the same time, engage in boundary disputes with other countries in Southeast Asia.

Figure 6 shows the areas of conflict in the South China Sea as claimed by China. The claims are highly exaggerated and lead to very divisive relations with neighboring Indonesia, Malaysia, and the Philippines.²³ China's motives in pursuing its claim is based upon two principles. One is the area of economics, in the sense that the disputed area is believed to contain oil deposits. By engaging in oil and other energy exploration with the U.S. companies, China hopes to bring the U.S. into the scene, thereby deterring the Soviets or their proxy, Vietnam, from being active in the region.²⁴ The second principle is that of ideology. By increasing its presence, China hopes to inspire the outlawed and dormant Communist parties in the ASEAN states to carry out their activities more vigorously.

If China's territorial claims were valid, especially after the strengthening of its armed forces by U.S. military sales, it could become a setback for both ASEAN and the U.S. For ASEAN, it could disrupt commerce routes and, at the same time, strengthen China's ideology among the outlawed communist



Source: S. Simon, *The ASEAN States and Regional Security* (1982).

Figure 6. South China Sea:
Areas of Conflict

parties in the region. For the U.S. such a claim is totally unacceptable as it would destroy U.S. relations with ASEAN, encourage an increase in the Soviet Union's naval presence, hinder commerce routes between ASEAN and Japan and the U.S., and threaten U.S. security by a blockade of U.S. naval routes through the Straits of Malacca into the Indian Ocean.

ZOPFAN

Throughout history, many attempts at unity have been taken by countries to establish for themselves a region or an area of neutrality in times of war. Such a concept is evident in Southeast Asia which seeks to develop a neutral regions which should be immune to and independent of big power rivalry. In 1968, Tun Dr. Ismail Abdul Rahman of Malaysia suggested the concept of a "Zone of Peace, Freedom and Neutrality" (ZOPFAN) for such a zone independent of big powers in Southeast Asia.²⁵ This novel concept, called ZOPFAN, includes the member states of the ASEAN and Indochina. For such a scheme to have any meaning or validity, it must be guaranteed by both the superpowers--the United States and the Soviet Union.

However, such a scheme for developing a neutral zone has remained an inspiration of the proponent country, Malaysia, because of non-adherence by Indochina, the U.S., the Soviet Union, and even ASEAN members like Singapore.

For their part, the states in the Indochina region have

questioned the validity of ZOPFAN and have proposed instead the Zone of Peace, Genuine Independence and Neutrality."²⁶ The Indochinese advocate a genuine independence of a nation's affairs and the complete removal of foreign military bases from the region. Such a move is unacceptable to ASEAN due to interlocking relationships between the U.S. and ASEAN and a need for U.S. military presence in the region.

The U.S. has remained silent on ZOPFAN, mainly because of its belief in the maintenance of the balance of power. Also, such a concept runs contrary to American foreign policy objectives of containment and constructive engagement. In addition, whatever economic link the U.S. has with any nation, it is also supplemented by political links. That is, economics and politics are not substitutes, but complimentary products. Also, distrust of the Soviet Union has perpetuated U.S. silence in the ZOPFAN scheme.

For the Soviet Union, the neutral zone is also unacceptable.²⁷ This is due to various reasons; first, as with the U.S., it believes in the maintenance of the balance of power game. Second, as with the Americans, the Soviets are suspicious of the activities of the other power. Third, the Vietnamese bases are of very vital importance to the U.S.S.R. in strategic terms. The bases at Cam Ranh Bay are the forward operating bases for the Soviet Union. Fourth, the Vietnamese bases are also warm water ports, a badly needed facility for Soviet naval and merchant vessels.

The concept of ZOPFAN has also not been favorably regard-

ed by Singapore, which prefers the balance of power system between the U.S. and the U.S.S.R. in the region.²⁸ The stand by Singapore is, in fact, realistic because of the complexity of the region itself. As Morgenthau would say, it is not the U.S. and the U.S.S.R. that are changing the world system, but rather, it is the Third World countries. States in Southeast Asia profess allegiance to either one the two superpowers. As such, Singapore's stand reflects the realistic nature of the balance of power game. This idea is based upon the preservation of the status quo.

Comparing Singapore's stand with facts, one can find that a neutralized zone is unacceptable. Southeast Asia has traditionally been an area of conquest. An important feature of such a zone is that it should have been historically a neutralized zone in times of war, that it hasn't been a victim of war. Only one country in the world has been able to maintain its neutrality--Switzerland--because of power relationships during the 18th and 19th centuries have been short-lived. As for Southeast Asia, the region has been historically an area of conquest. Traditionally, rulers of Thailand have been conquering countries in Southeast Asia. Rulers from Indonesia have been in conquest of neighboring countries. Also, there have been conquests by European powers for the purpose of establishing markets, extracting raw materials and maintaining sea powers. There were conquests in Southeast Asia by the Dutch, the Spanish, the Americans, the British, and

the French.

Moreover, not only has Southeast Asia been historically an area of conquest, but the region is also strategically located. Important routes of commerce and communication and abundance of natural resources have vested the region as a "gold mine." It is an area of the world that anyone would like to have.

Singapore's stand on the maintenance of the balance of power, therefore, reflects the reality of power relationships among nations. The idea of ZOPFAN is an idealistic vision which can do more harm than good. Singapore believes in maintenance of the status quo because the implementation of a neutralized zone is difficult and also challenges the established balance of power relationship. The difficulty in the implementation of a neutralized zone is based upon the behavior of human beings, which, in turn, become evident in the relationships of nations. "Man is basically a wanting being and is not satisfied with what he has and seeks more."²⁹

Putting such a statement into a Southeast Asian context, we can restate that the ASEAN region is strategically located and vested with abundant natural resources that any nation would like to have. Therefore, it is realistic to maintain a balance of power in the region rather than have an artificial zone of peace, freedom and neutrality. The maintenance of the status quo is more important than challenging it, because more harm can be generated by disrupting the established international framework.

Summary

This chapter sought to analyze U.S. political interest in the ASEAN region. The Third World view of dependency and exploitation is unacceptable because ASEAN has indirectly benefitted from the U.S. military presence. The establishment of trade with ASEAN countries set the ground for U.S. political involvement in the region. Not only is the U.S. able to carry out its policy of constructive engagement, it has also set the ground for its second policy objective of containment of Soviet activities. Changing trade patterns between the Soviet Union and ASEAN, challenges from China, and the idea of ZOPFAN strengthened U.S. presence in the region. ASEAN countries view every move that the U.S. undertakes as promoting America's own interest, first and foremost. However, ASEAN also needs the U.S. in the region to preserve the status quo and to deter the Soviet Union in the region. U.S. security interests, as a result, are interlocked with its trade relations, leading to a net benefit for both the U.S. and ASEAN. However, the level of political and economic interdependence that the U.S. and ASEAN have achieved so far could be destroyed due to growing U.S. protectionism, which seeks to hinder free trade. Chapter V will discuss U.S. and ASEAN trade issues as they relate to protectionism and how they would affect U.S. and ASEAN interdependence.

ENDNOTES

¹Brunei was the last member to regain its sovereignty from Great Britain in January 1984.

²James E. Daugherty and Robert L. Pfaltsgrafft, Jr., Contending Theories of International Relations: A Comprehensive Survey (New York, N.Y.: Harper & Row, Publishers, Inc., 1981), p. 61.

³Ibid., p. 63.

⁴Ibid., p. 65.

⁵Ibid.

⁶The elements of the confrontation can be seen in South-east Asia between the ASEAN block under the alliances of the Soviet Union and the Indochinese block under the guidance of the Soviet Union.

⁷Jay Schenier, "The U.S. and Indonesia: A Study of Economic Pressure - September 1963 - October 1965," in Weintraub, ed., Economic Coercion and U.S. Foreign Policy: Implications of Case Studies from the Johnson Administration (Boulder, Colorado: Westview Press, 1982), p. 79.

⁸Daugherty, p. 65.

⁹Justus M. Van Der Kroef, "ASEAN and U.S. Security Interest," Strategic Review 6 (Spring 1978), p. 57.

¹⁰Richard L. Sneider, "U.S. Security Interests," in James M. Morley, ed., The Pacific Basin: New Challenges for the United States (New York, N.Y.: The Academy of Political Science, 1986), p. 77.

¹¹Ibid., pp. 80-81

¹²Ibid., p. 80.

¹³Robert Pringle, Indonesia and the Philippines: American Interest in Island Southeast Asia (New York, N.Y.: Columbia University Press, 1980), p. 63.

¹⁴Sneider, p. 82.

¹⁵Frederica M. Burge, Philippines, A Country Study (Washington, D.C.: U.S. Government Press, 1984), pp. 234-235.

¹⁶Van Der Kroef, p. 51.

¹⁷"Southeast Asia: Where Soviets Flex Their Muscles," U.S. News and World Report, April 4, 1983, pp. 53-55.

¹⁸Ibid., p. 53.

¹⁹U.S. House, Committee on Foreign Affairs, The Soviet Union in the Third World, 1980-85: An Imperial Burden or Political Asset? Report, Washington, D.C.: Government Printing Office, 1985, p. 113.

²⁰Bernard K. Gorden, "Truth in Trading," Foreign Policy, 61 (Winter 1985-1986), p. 94.

²¹"Soviet Cement Imprint," Far Eastern Economic Review, September 3, 1982, pp. 98-99.

CHAPTER V

UNITED STATES - ASEAN TRADE ISSUES

Introduction

Since the 1970s, nations worldwide have moved into an era of interdependence. More issues of common interest became important as indicators of various levels of inter-relationship among states and also as signals of what could be conditions in the future. Since the formation of ASEAN, the region's relationship with the U.S. has become the center of overall U.S. ties with this part of the world in terms of economic and political significance.

Various conferences and meetings have been convened between the U.S. and ASEAN to discuss trade issues. Commonly known as the "U.S. - ASEAN Dialogue," the representatives from each member country are brought together to discuss matters relating to their common interests. So far, there have been six such dialogues held with the U.S., the last being in Washington in April 1985. The meeting discusses international economic issues, international trade issues and development cooperation.¹

The ongoing conferences are a reflection of the concern of protectionism. The world has witnessed an increasing amount

of protectionism, both by developing as well as developed countries, against each other's products. Such practice hinders free trade and industrial innovation. The net results are evident in decreased consumer welfare.

One of the most controversial and long-standing protectionistic barriers among nations has been on the textile commodity. In 1935, there was the first restriction on textile products against Japanese goods in the United States so as to protect domestic industries.² In the 1980s, the U.S. became flooded with cheap textile products from Asian countries and Brazil, threatening the textile industry in the U.S. Such practice is common not only in the U.S., but also among developing countries. This means that not only do developed countries undertake protectionism, but also developing countries, for reasons such as the protection of domestic markets and industries.

The purpose of this chapter is to look at various common types of trade barriers, and the issue of textiles as well, as it applies to ASEAN's exports to the U.S., and counter measures by ASEAN.

Types of Protectionism

Since the early 1970s, due to unstable patterns of trade, nations began to impose restrictions for various kinds of reasons. The main reason has been the famous issue of infant industry arguments. That is, the government intervenes in the economy so as to protect domestic industry against foreign

competition. This is done to enable domestic industries to improve its technology and managerial skills, allowing it to compete in the international market in the future. However, such protectionistic measures sometimes remain permanently because of interest group pressures on government in order to have a continuous advantage against other countries. Such a move destroys the initial intention of the protection and, instead, becomes a political issue.

The common types of restraint or protection against imports are:

(i) Development of Import Substitution Industries.

This strategy of the government provides incentives to firms so they could produce items which are currently being imported. The aim is to manufacture enough of such items, so the country can even export it. This is achieved through high tariff so as to increase price to domestic consumers, so as to enable domestic producers to increase their profit margin.

(ii) Export Subsidy. This is commonly known as dumping and is widely used in the wheat trade. Government provides incentives to firms so as to reduce the export price, thereby gaining extra markets and reducing world prices.

(iii) Import Subsidy. This is given to industries to expand their size and to decrease cost of production in light of import competition.

(iv) Import Tariff. This raises domestic price by a tax on imports, enabling domestic producers to sell

their products in the domestic market with an import tax on imports.

(v) Import Quotas. This restricts the volume of imports into the country.

(vi) Voluntary Export Restraints (VER).³ This involves bilateral agreements among countries which induces participants to voluntarily restrict their exports into a buying country. For example, Japan has, on her own, cut back on the number of automobiles it exports to the United States, in response to a growing sentiment in favor of allowing the U.S. automotive industry get back on its feet.

Textile Imports from ASEAN

There has been an increase in the amount of textile imports into the U.S. at the cost of the local textile industry. The ability of foreign textile to penetrate the U.S. market is because of the low cost of production, free market, and the ability to respond to consumer demand. The exports of textile products are mainly from Japan, Hong Kong, Taiwan, South Korea, China and ASEAN.

Table X shows the largest exporters of textile to the U.S. This group is comprised by about 22 countries for 1983 and 1984. The ASEAN exports made up only 8.99 percent of the imports as of 1984, whereas the largest exporters were Taiwan, Hong Kong, South Korea, China and Japan making up 60 percent of the volume. This shows that ASEAN exports do not have any significant impact in the U.S. market.

TABLE X
 MAJOR TEXTILE EXPORTERS
 TO THE UNITED STATES

Country	1984 (million US\$)	1985 (%)	1985 (million US\$)	1985 (%)
Taiwan	2,440.8	16.6	1,984.1	18.1
Hongkong	2,390.6	16.2	2,051.4	18.7
S. Korea	1,872.1	12.7	1,514.6	13.9
China	1,110.3	7.5	923.2	8.4
Japan	1,009.5	6.9	811.0	7.4
Italy	736.0	5.0	374.2	3.4
India	391.1	2.7	291.8	2.7
Philippines*	375.1	2.6	284.3	2.6
Singapore*	300.7	2.0	200.6	1.8
United Kingdom	270.2	1.9	175.0	1.6
Mexico	264.7	1.8	178.7	1.6
Thailand*	263.8	1.9	151.8	1.3
France	243.3	1.7	159.4	1.4
Indonesia*	226.2	1.5	86.7	0.7
Sri Lanka	205.2	1.4	126.5	1.1
Brazil	182.6	1.2	87.3	0.8
Dominican Republic	176.4	1.2	139.5	1.2
Germany	174.0	1.2	104.5	0.8
Pakistan	176.2	1.2	118.7	0.9
Macao	174.4	1.2	129.9	1.2

TABLE X (CONTINUED)

Country	1984 (million US\$)	1984 (%)	1985 (million US\$)	1985 (%)
Canada	167.3	1.1	116.5	1.0
Malaysia*	156.8	1.1	87.4	0.8
Total of 22	13,469.5	91.5	9,975.5	91.1
Minor exporters	1,248.6	8.5	972.9	8.9
Total Overall	14,718.0	100.0	10,948.4	100.0
*Total ASEAN	1,322.7	9.0	810.8	7.4

Source: U.S. House, Committee on Ways and Means. Trade Mission to the Far East (H. Rpt. 99-13), Washington: Government Printing Office, 1986, p. 198.

Although ASEAN textile exports make up only 8.99 percent of U.S. imports for 1984, it shows the ability of ASEAN countries to produce diversified products, i.e., textile, among other things. This move is contrary to Prebisch's hypothesis that developing countries are only agricultural product exporters and do not benefit from trade relations with the developed countries. Also, ASEAN's ability to penetrate the U.S. domestic market indicates the ability of the ASEAN countries to win the hearts and minds of American consumers.

Jenkins Bill

One of the most controversial legislations that divided house members in the United States and also encouraged the exporting Third World countries to voice opinions against protectionism by President Reagan has been the Jenkins Bill, commonly known as the textile bill. This bill, though, was vetoed by Reagan; it sought to reduce the level of textile imports into the United States, and is one of many currently before the U.S. Congress and seeking to restrict imports so that domestic industries could be protected, local jobs saved, and trade imbalances improved.

The U.S. textile industry has been one of the most successful interest groups that had been able to lobby the government to impose restrictions on imports. Among the regions affected by the bill will be ASEAN, a textile supplier to the U.S. and a relatively newcomer among other established suppliers.

Even though the textile bill has been vetoed, defenders of the bill claim that there has been a loss of about 300,000 jobs in the U.S. since 1980 as a result of imports.⁴ They also warned that the entire textile industry in the U.S. could disappear by 1990.⁵ Advocates against the textile bill argued that such a bill would hurt U.S. foreign relations, especially with strategic countries and export demand industries of the U.S.

Besides hurting consumers with higher prices and hurting

U.S. foreign relations, the textile bill will lead to restrictive trade practices which could provoke counter measures by ASEAN. Such practices could damage export demand industries such as aircraft production, high technology, agriculture and service industries.⁶ The wheat exports could be hurt because of competition from Australia.

The trade imbalance between the U.S. and ASEAN is not significant enough to restrict ASEAN exports. The main beneficiary nations that have trade surpluses are Japan, with one-third of the surplus over the U.S.; Western Europe; Canada, and Taiwan.⁷ The trade deficit of the U.S. reached \$148.5 billion in 1985. Japan had the greatest trade surplus, \$49.7 billion; Western Europe, \$27.4 billion; Canada, \$22.2 billion, and Taiwan, \$13.1 billion.⁸

The U.S. trade deficit has been viewed by promoters of import restriction as an erosion of the manufacturing base of the U.S. Promoters of protectionism in the U.S. stress that the reasons for the trade deficit are the cheap imports from other nations which, in turn, cause the loss of jobs in America. Also cited are the unfair trading practices on U.S. exports by the world community. At the same time, the strength of the American dollar with respect to other monies has made U.S. Products too expensive to compete in the world market. The U.S. dollar is highly volatile, thereby hurting U.S. exports.⁹ The trade problem is reflected in the textile bill which seeks to address the issue of protectionism.

Defenders of the textile bill claim that even with the improvement in technology, the U.S. textile industry still cannot compete against exports from low wage countries. There are two sides to this dilemma. One is that it is true that labor standards are low in many Asian countries and, at times, below the acceptable international labor standards. For this, the U.S. can use the international labor standards as a bargaining tool so as to make these countries that want to trade with the U.S. to improve their labor standards.¹⁰ Among ASEAN countries, Singapore's wage rates are comparable to those in the U.S., while Indonesia's are in the low scales.

The second dilemma is within the U.S. textile industry itself. Much of the textile industry investment has not been wisely spent on the industry, which tries to produce more rather than improving on flexibility in the production process.¹¹ At the same time, the U.S. textile industry has not been able to respond to U.S. consumers' taste, in which Asian countries have an advantage.¹² Also, U.S. government support prices designed to protect cotton farmers forces the textile mill owners to purchase cotton at levels above world market prices. Only by the end of this year will U.S. textile mill owners have the ability to purchase cotton at competitive world prices.¹³

Defenders of the textile bill also claim that the ASEAN countries, particularly Singapore and Malaysia, have been engaging in unfair trading practices that all the members except Brunei seek to export more than their allowed quota

through a third country. For example, "Singapore, which offers U.S. authorities the lowest level of cooperation in the Asian region, serves as a base for the transshipment of clothing from Malaysia and China."¹⁴ This is because of Singapore's belief in free trade in that the economy is only engaging in import and export and, as such, does not seek to restrict trade practices. At the same time, the growth rates from ASEAN countries' clothing exports to the U.S. between 1980 and 1984 has increased greatly in each country. For example, "Indonesian exports increased by 2263 percent; Singapore, 79 percent; and Malaysia, 282 percent."¹⁵

This again shows the ability of ASEAN to increase their textile exports to the U.S. The Prebisch hypothesis that developing countries receive less and less for their exports and, thus, do not benefit from them, is not acceptable. ASEAN has been able to increase its exports; it has also been able to win the hearts and minds of American consumers. As a result, ASEAN seeks to maximize their benefits just as the U.S. seeks to maximize its benefits in the wheat trade.

What the bill calls for under the "Textile and Appraisal Trade Enforcement Act of 1985" is that the major exporting countries' imports should be reduced percentage-wise. Reduction in trade is required from the 12 major exports in Asia and South America.¹⁶ Table XI shows the percentage of reduction in textile products from Asian countries, including ASEAN, and

TABLE XI
 TEXTILE REDUCTION FROM MAJOR
 EXPORTING COUNTRIES

Country	Percent of Textile Trade Reduction Required
Indonesia*	- 85
Brazil	- 66
China	- 57
Thailand*	- 55
Taiwan	-47
Pakistan	- 36
S. Korea	- 33
Japan	- 18
Philippines*	- 14
Hongkong	- 12
India	- 11
Singapore*	- 9
Total ASEAN	- 41

Source: U.S. Senate, Committee on Finance, Textile and Apparel Trade Enforcement Act Hearing, July 15, 1985 (No. 223), Washington, D.C.: Government Printing Office, 1985, p. 332.

Brazil. Both Indonesia and Thailand could be badly hurt because of dependence upon textile industries for job creation and economic development in their respective countries. Restriction in ASEAN textile exports could cause problems in the labor industries of ASEAN. For example, Thailand could see its textile exports to the U.S. cut by 64 percent, which is enough to eliminate 100,000 jobs in Thailand and could lead to social unrest.¹⁷ At the same time, the bill is directed to the Asian countries and Brazil, and excludes exports from the European community and Canada.¹⁸ Such practice could hurt U.S. foreign policies and exports to the Third World which could view the U.S. move as discriminative against them and in favor of the European Economic Community and Canada.

Even in countries like Singapore, there are plans of doing away with the textile industry because of protectionism in the international markets, especially when U.S. domestic industries are both inefficient and unable to meet domestic U.S. consumers' tastes. Thailand has also advocated that the Jenkins Bill is inconsistent with the Multi-Fiber Agreement (MFA) principles.¹⁹ Article III, Section 1 states:

Unless they are justified under the provisions of GATT, no new restrictions on trade in textile products shall be introduced by participating countries, nor shall existing restrictions be intensified, unless such action is justified under the provisions of this Article.²⁰

The inconsistency is also found under Article VI, Section 1, which states:

Recognizing the obligations of participating countries to pay special attention to the needs of the

developing countries, it shall be considered appropriate and consistent with equity obligations for the importing countries which apply restrictions under this Arrangement affecting the trade of developing countries to provide more favorable terms with regard to such restrictions, including elements such as base level and growth, rather than other countries.²¹

As such, the bill is directed to the Third World, but favors the exports from the developed world.

Not only has the textile bill created reaction from ASEAN, and violated the MFA principles, but the bill has also divided the opinions of members of Congress. Trade is an issue that has often divided members of Congress more along regional lines rather than party affiliation. Trade benefits certain states but, at the same time, hurts other states in the U.S. Members from states that are generally dependent upon international trade, such as the Pacific states and, lately, the agricultural states, were generally against the textile bill, whereas members from southern and eastern states where textile interests are particularly important, were in support of the bill.²²

Critics of the textile bill have argued that any job saved would be almost balanced by job losses in the retail and transportation industries, as consumers cut back purchases of high-priced goods. The bill would have saved about 70,000 jobs, but eliminate 65,000 jobs in retail only.²³ The textile bill would lead to economic disaster not only for industries in the U.S. that depend upon international trade, but also in other countries, particularly ASEAN, which depends upon international trade for economic and political progress.

Not only would export-based U.S. industries be affected, but also the consumers' surplus. With the textile bill, prices will be raised above competitive world market prices, leading to a decrease in the consumers' surplus. This involves favoring the industries at the expense of consumers. Also, the failure of the textile bill to gain the necessary vote for passage came before Congress at a bad time because of the speech made before Congress by the visiting Prime Minister of Singapore, Mr. Lee Kuan Yew.²⁴ He attacked world protectionism, causing some members of Congress to rethink about protectionism and its effects on mankind, economic development and political stability. The effects of the Prime Minister's speech against protectionism still lingers in the minds of many congressmen.²⁵

Copyright Piracy in ASEAN

Another major trade issue between the U.S. and ASEAN within protectionism is the level of copyright piracy of U.S. Products in the ASEAN markets. This involves the duplication of products without royalties to the U.S. firms. As such, it hinders the actual trade without the copyright piracy between the U.S. and ASEAN.

The reasons nations engage in copyright piracy is because of consumers' limited income, the high cost of U.S. products and the ability of the business industries within the Third World to increase profit margins. This is supplemented by a

lack of copyright laws within the countries. The level of piracy exists in different degrees across Asia, Africa, Europe and the U.S.²⁶ Not only are the music tapes, books and video tapes being copied, but with the increase in high technology, "computer software and hardware are being copied, representing millions of dollars in investment."²⁷

As part of the Reagan philosophy in combatting unfair trading practices, the administration has been requesting countries with copyright piracy problems to pass laws so as to protect U.S. intellectual markets, rights and benefits in the region. The administration has also considered denying those countries with copyright piracy trade benefits with the U.S. so as to encourage these nations to take a stand within their markets in order to protect U.S. property rights.²⁸ The main countries which are havens for copyright piracy are Hong Kong, South Korea, Taiwan and Singapore.

In the ASEAN markets, there has also been the presence of copyright piracy, especially on U.S. products. There have been reports which claim Singapore as the "world capital of piracy," even though with a highly developed economy and a leading beneficiary under the Generalized System of Preference (GSP) for imports to the U.S.²⁹ The piracy exports from Singapore is well organized within ASEAN and also globally exporting "billions of dollars of pirated works throughout the world."³⁰ In response to the U.S., the Singapore government passed laws in March 1986 to combat piracy of foreign

products, much to the pleasure of the Reagan administration. At the same time, legal proceedings have been brought against pirates along with the domestic police in Singapore destroying an average of 200,000 pirated tapes per annum since 1980.³¹ The enactment of the Copyright Law in Singapore is the belief in establishing free trade and part of the government's efforts in making Singapore the brain center of the world.

The other ASEAN countries, notably Malaysia and Indonesia, have also taken steps in combatting copyright piracy. There has been passage of copyright laws in both of these countries, where piracy is a problem, so as to protect intellectual property rights.³² The combatting of piracy is part of ASEAN efforts in bringing about fair trading practices among nations and to reduce barriers against foreign products.

The reason that copyright piracy exists in these nations is because of the high price of the original product. For example, U.S. manufactured music tapes cost about US\$8.00 in Singapore. Such an item can be copied and sold for US\$2.00 in Singapore and neighboring countries, much to the affordability of the consumers. The prices of U.S. products is beyond the reach of the average person in ASEAN. The tendency of consumers in ASEAN to buy pirated tapes is because they only listen to the songs for a few months, and so returns on investment is well undertaken. Such practice is common among students who have limited income. Secondly, the sound difference between the original tape and the pirated tape is not significant and consumers are rational human beings who

seek to maximize their benefits with the least cost. Thus, a US\$2.00 pirated tape brings more benefit over a US\$8.00 original tape for the average consumer.

Even though the piracy problem has been solved by passage of copyright laws in ASEAN, the market, however, can still be penetrated from supplies outside the region. Copyright piracy is a thing that needs global cooperation. The U.S. has the political clout to seek copyright laws with nations under its influence. As such, copyright piracy requires the cooperation among participating and concerned countries, so as to bring about better trading practices among nations.

It may seem that Prebisch's views have found some grounds in the piracy issue. The reason ASEAN had engaged in copyright piracy is because it did not benefit by trading in particular commodities. Some U.S. products, such as music tapes, are beyond the reach of average ASEAN consumers. This is not because the cost of U.S. tapes are high, but because merchants in both ASEAN and the U.S. seek to maximize their profits at the expense of the average consumers. However, ASEAN has taken steps to bring about fair trading practices by passing copyright laws that protect intellectual rights.

Summary

This chapter analyzes protectionism between the U.S. and ASEAN in two areas: textile imports and copyright piracy. The textile bill seeks to restrict textile imports from ASEAN

so as to protect domestic industries at the expense of consumers. At the same time, this step hinders free trade which could develop into a foreign policy obstacle for the U.S. in the region. ASEAN countries have also expressed the view that the textile bill is in violation of the Multi-Fiber Agreement while being in favor of European exporters. Also, the issue has been directed at ASEAN which exports insignificant volumes of goods to affect the U.S. textile industry. Concerning copyright piracy, ASEAN has taken steps to curb the practice, a move that is welcomed by the U.S. as a step toward fair trade among nations.

The concluding chapter restates the conditions of U.S.-ASEAN trade and security relations and draws conclusions regarding the applicability of Prebisch's hypothesis on this particular regional situation.

ENDNOTES

¹"ASEAN - U.S. Dialogue," Department of State Bulletin, 85 (June 1985), pp. 41-45.

²Tun Tumlir, Protectionism: Trade Policy in Democratic Societies (Washington, D.C.: American Enterprise Institute, 1985), p. 39.

³Ibid., p. 8.

⁴"Despite House Vote, Textile Bill Outlook Dims," Congressional Quarterly Weekly Report, 43 (41), October 12, 1985, p. 2043.

⁵Ibid., p. 2045.

⁶Ibid., p. 2043.

⁷"Trade Deficit Soars to Record Heights," Congressional Quarterly Weekly Report, 44 (5), February 1, 1986, p. 209.

⁸Ibid.

⁹"Coming to Grips with the Volatile Dollar," Congressional Quarterly Weekly Report, 44 (8), February 28, 1986, pp. 460-464.

¹⁰"Connecting Trade Policy to Foreign Labor Rules," Congressional Quarterly Weekly Report, 44 (16), April 19, 1986, pp. 852-855.

¹¹"American Textile Industry: Holding Its Salvation in Its Own Hands," The Economist, April 5, 1986, p. 69.

¹²Ibid., p. 70.

¹³Ibid., p. 72.

¹⁴U.S. Senate, Committee on Finance, Textile and Apparel Trade Enforcement Act Hearing, July 16, 1985 (Serial No. 223), Washington, D.C.: Government Printing Office, 1985, p. 132.

¹⁵Ibid., p. 133.

¹⁶Ibid., p. 106.

¹⁷Ibid., p. 330.

¹⁸"Squaring off over Textile Import Restrictions," Congressional Quarterly Weekly Report, 43 (36), September 7, 1985, pp. 1755-1758.

¹⁹U.S. Senate, Committee on Finance, p. 48.

²⁰U.S. House, Committee on Ways and Means, Trade Mission to the Far East (H. Rpt. 99-13), Washington, D.C.: Government Printing Office, 1986, p. 199.

²¹Ibid.

²²Ibid., p. 200.

²³"Squaring off over Textile Import Restrictions."

²⁴"Despite House Vote, Textile Bill Outlook Dims."

²⁵Ibid., p. 2045.

²⁶"Moves to Curb Copyright Piracy," The Mirror, Singapore: Ministry of Communication and Information, November 1, 1985, p. 1.

²⁷Ibid., p. 2.

²⁸"Administration Sets Sights on Product Pirates," Congressional Quarterly Weekly Report, 44 (15), April 12, 1986, p. 811.

²⁹U.S. House, Committee on Ways and Means, U.S. Trade with Pacific Rim Countries Hearing, July 18, 1985 (Serial No. 99-25), Washington, D.C.: Government Printing Office, 1985, p. 82.

³⁰Ibid.

³¹"Moves to Curb Copyright Piracy," p. 5.

³²U.S. House, Committee on Ways and Means, U.S. Trade with Pacific Rim Countries Hearing, p. 83.

CHAPTER VI

SUMMARY AND CONCLUSIONS

This thesis has looked at the development of U.S.-ASEAN relations since 1967, along with their respective interests in trade and security. The hypothesis was put forward by Prebisch to analyze the relationships of developed and developing countries. It said, just as many trade pessimist theorists and Third World countries believed, that developing countries which are primary product exporters, do not benefit from trade with the developed world because the developed world seeks to maximize their own benefits while exploiting the developing countries. However, the U.S.-ASEAN relationship does not support this view. ASEAN nations do benefit from their trade and security relationship with the U.S.

A history of colonization, feelings of insecurity following independence, and fear and suspicions of other countries, brought the non-Communist block in Southeast Asia to form a regional organization, ASEAN. They seek to achieve a common objective of maximizing benefits from the region. By pursuing a group objective, ASEAN nations seek, first, to maximize their economic bargaining position with trading partners, e.g., the United States; second, to secure for themselves security interests with the U.S. in order to deter

Soviet activities in the region; and, third, to benefit from international trade.

Not only does ASEAN seek to maximize its interest of survival and maximization of power, so does the U.S. which is governed by her own national interest of survival and maximization of power. One of the American interests in ASEAN is the strategic location of the countries along the world's busiest shipping lanes, namely, the Straits of Malacca. Any unfriendly action by the Soviet Union, for example, could cause a disruption of the economies in ASEAN and Japan. It can also restrict the movement of U.S. naval movement.

Secondly, the U.S. aims to carry out the policy of constructive engagement by which it helps to develop the economies of friendly countries. An example is the increased use of P.L. 480 aid to reduce tension in Indonesia in 1963-1965.

Third, the U.S. wants to remain in the economic rat race and maintain her trade position in ASEAN vis-a-vis other economic giants such as Australia, Canada, the European Economic Community, Japan and New Zealand.

Fourth, the U.S. seeks to maximize benefits for herself in international trade.

Fifth, the U.S. aims to carry out its foreign policy objective of containment of the Soviet Union in Southeast Asia.

Therefore, both ASEAN and the U.S. seek to survive and maximize their own powers as part of their national interests.

By power, the author does not mean the actual use of physical force, but rather the use of psychology as a political weapon. This means the ability of one state, nation A, to control the minds and actions of the other, nation B, in order to induce nation B to do what nation A wants it to do. The political power of nation A must be legitimate in the view of nation B. The reason nation B responds to nation A is not because of fear of punishment or love of others, but rather because of nation B's expectation of maximizing its benefits. This, however, is based on the assumption that each nation has already conquered its own mind before controlling the minds of others. Thus, both nations seek to maximize their own benefits from international relations by engaging in alliances with others--economically and politically. Both economic and political interaction are interchangeable; that is, both forces move in the same direction, supplementing each other's objectives to accomplish their foreign policy goals. Therefore, every nation needs the minimum level to survive within its own boundary and to maximize benefits from international interaction.

The U.S., in order to carry out her foreign policy objectives of constructive engagement and containment, engages in international trade, which sets the ground for promoting its political interest in Southeast Asia. The nature of international relations has changed over time and nations have to learn to control the minds of others. Imperialism, colonization and military force are phenomena of the past. With

a changing environment, international trade has become a tool for achieving state objectives. Nations engage in international trade in order to benefit themselves and to export those products in which it has the least cost input. Not only does specialization and product efficiency become a part of international trade, but a state also seeks to sell her ideology and political interests through trade. Because of this, ASEAN has become the United States' fourth largest trading partner as of 1984. Although the tables show that the U.S. has a trade surplus with ASEAN as a whole, conclusions cannot be drawn from this because it is dependent upon what commodities make up the tables. At the same time, nations seek to export those products in which they have a comparative advantage.

The ability of the U.S. to control the minds of the ASEAN nations can be seen in the use of P.L. 480, which was implemented as a tool for constructive engagement, resulting in the economic and political development of ASEAN, and to assure future U.S. agricultural sales, especially of wheat. American wheat has made inroads into the traditional rice-producing regions and has been successful in selling her wheat in the traditional Australian markets. The initial impact of U.S. wheat through the P.L. 480 program provided political stability during the Sukarno era in Indonesia by reducing the popularity of the Communist movement. At the same time, the trade pessimists' view that only developing countries are producers of agricultural products is not valid in this case.

Not only is the U.S. an industrial power, it also supplies wheat and makes a profitable investment from the venture. In order to strengthen wheat sales to ASEAN and to maintain its political interest, the U.S. has provided benefits such as low interest rates, technical handling of wheat, and long-term repayment periods. Thus, the U.S. achieves her political and economic objectives. ASEAN also benefits from the credit incentives, an abundant wheat supply, and the reduction of ASEAN vulnerability to rice imports. As a whole, the U.S. has been able to achieve her first foreign policy objective of constructive engagement, gaining new markets and disposing of excess supplies. ASEAN has benefitted from favorable trade terms with the U.S. ASEAN has also been able to realize that by engaging in international trade with the U.S., ASEAN will be able to achieve its own objectives in security relations with the U.S.

Thus, in international trade, we have shown that Prebisch's hypothesis that developing countries do not benefit in their relations with the developed world does not hold water. ASEAN benefits in its relations with the U.S. With international trade, the U.S. has been able to achieve her second objective of containment of the Soviet Union in the region. At the same time, the U.S. has been able to protect strategic sea lanes, especially the Straits of Malacca, for commerce and military use, to gain alliances and to protect established markets and interests. Overall, the U.S. seeks to maintain the balance of power in the region through increased trade. With the pre-

sence of U.S. security interest in the area, ASEAN also has been able to realize its own security interests. ASEAN has to depend upon the U.S. to deter the Soviet activities, because ASEAN nations do not have the necessary forces to do so. The presence of U.S. forces in the region helps reduce their fear of the Soviet Union, helped transform ASEAN into a favorable investment site, and made ASEAN one of the most politically stable communities in the world.

As nations become more interdependent in their relations, trade and security become important factors in shaping their relationships. Since 1967, there has been a marked increase in trade and security interest between ASEAN and the U.S. However, progress made so far could be destroyed by current issues of protectionism and unfair trading practices. Measures are taking place within Congress to protect domestic industries against imports and against other domestic industries that depend upon international trade. This shows that not only are industries within the U.S. interdependent, but so are the nations. Policy in favor of one industry can affect the performance of the other industry.

The textile industry in the U.S. is a good example of advocating protectionism since the 1930s. Even though the textile bill has been vetoed by President Reagan, ASEAN, a relatively newcomer to U.S. textile markets, could see its exports reduced. Such a bill would harm U.S. and ASEAN relations because both of them are dependent upon international trade for economic development. The Jenkins Bill (textile

bill) calls for a 41 percent reduction in ASEAN textile imports.

At the moment, ASEAN has adopted a policy of "wait and see" regarding U.S. legislative action in the matter. At the same time, it depends upon the Reagan administration to uphold free trade and to knock down trade barriers around the world. Japan, Canada and the European Economic Community which progressed equally at the expense of U.S. trade, should reduce their trade barriers and contribute to a better trading environment. These nations should now take a responsibility because they have benefitted initially from generous U.S. trade restraints. The U.S. still has the industrial base necessary to motivate states within their sphere of influence to bring about better trading practices. At the same time, the U.S. can use other methods to make nations bring about fair trade practices; for example, the return of Okinawa Island to Japan as a bargaining tool to bring about better trading practice with Japan.¹

Another trade issue between the U.S. and ASEAN is the copyright piracy in ASEAN. Such a scheme causes a decrease in potential trade of intellectual property rights of the U.S. Recently, ASEAN countries have passed laws to protect U.S. intellectual property rights, a move which has pleased the Reagan administration as a step in the right direction toward fair trade practices.

It has been shown that nations have ot be more inter-

dependent upon each other in order to achieve individual goals. The hypothesis that the Third World does not benefit in their relations with advanced nations is inapplicable to U.S.-ASEAN relations. ASEAN countries have benefitted in their relationships with the U.S. The transformation of the ASEAN region from an underdeveloped one into a developing and politically stable region has been one of the successful stories in U.S. foreign policy objectives.² There is no place in the Third World where the U.S. foreign policy objectives have been successful other than in ASEAN, where the ability to control minds and actions of others has been realized. Thus, both parties have maximized their interests and objectives.

Protectionism and restrictive trade is not a solution to the trade imbalance. The U.S. must be aware of what protectionism in the U.S. contributed to the 1930s--Depression and World War II. Such a situation should not be repeated. The U.S. has been able to win the hearts and minds of the ASEAN people and should take every precaution not to destroy this relationship.

Not only has the ASEAN benefitted, but interdependence with the U.S. has also become the phenomenon of the day. The successful evolution of ASEAN and the development of U.S.-ASEAN relationship signifies growing potential of the Pacific Rim countries, of which ASEAN and the United States are part.

The author hopes that more effort will be placed on

furthering the ASEAN-U.S. relationship and on establishing the extent of each nation's benefit. Trade and security issues signify the degree to which nations are willing to cooperate in international relations. Free trade, not protectionism, is a solution to the economic development of the free world. As of this writing, there are a number of issues which are ongoing and controversial within the U.S. It will be interesting to see what these issues hold, especially protectionism, in the overall U.S. and free world relationship.

The author is well aware of criticism that might arise from this study. Emphasis on what commodities make up the trade pattern should be made, and percentages should be established regarding benefits to individual states. Also, the fluctuation in wheat prices should be reflected to show the reality in wheat purchases. It is hoped that in the future, more emphasis will be shown on the level of security benefits that each nation obtains. However, security is an intangible asset that is difficult to quantify. The actual outcome of ongoing issues on protectionism and unfair trading practices should be pursued to show the future level of interdependence.

Nevertheless, one can conclude that the reason nations engage in international interaction is to survive and to maximize their own interests. Thus, both ASEAN and the U.S. seek to maximize their benefits from their interaction. To bring about a healthier trading environment, nations that have benefited from U.S. liberal trade policies should now provide

stability to the international order. The liberal trade policies of the U.S. helped build the dynamic economies of the free world. It is time that nations such as Canada, Japan and West Germany, which have benefitted from U.S. policies, contribute to fair trade. Protectionism is not the solution to the U.S. trade deficits. Protectionism contributes to an unstable economic and political order. As the Honorable Lee Kuan Yew, Prime Minister of the Republic of Singapore, said before the U.S. Congress, "In your hands ... lie the future of the world."³ This statement bears validity in explaining the state of relationships in the free world.

ENDNOTES

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²Kishore Mahbubani, "The Kampuchean Problem: A Southeast Asian Perception," Foreign Affairs 62 (Winter 1983-1984), p. 421.

³Prime Minister Lee Kuan Yew (Republic of Singapore), "Address to the Joint Meeting of the House and Senate." Congressional Record 131, pt. 133 (October 9, 1985), pp. 8511-8514.

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APPENDIX
MAP OF ASEAN



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