

"FREE TRADE VS PROTECTIONISM: US POLITICO - ECONOMIC POLICY FOR ASIA PACIFIC DURING 1980'S"

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INTRODUCTION

After the end of Vietnam War in 1975 the Asian's moved towards political stability and struggled for high economic growth rate. On the other side United States and Europe combat to achieve high interest rates, control rising unemployment and falling investment. Whereas, the countries of East Asia and South Asia were achieving economic success, which can be compared in many ways such as high economic growth rate and political stability.

Gradually that period came to an end. The booming economics of Asia slowed down rather came to halt. The reason was mounting political problems, which haunted the stability the Asians enjoyed over the past decades. The US markets achieved the importance; the dollar added the attraction for investors. On the other European markets slow pace and Latin American markets coming under depression with favoured the US to maintain its monopoly.

The main blow to the Asian economics suffered was the rise of protectionism in U.S. The U.S congress implemented more than 300 bills altogether and passed it with the ratio of 60 & 39 votes.

A government policy of assisting home industry either by offering a bounty on the production of certain commodity, or by placing such a duty upon the foreign article as will make it cost the consumer as much or more than the domestic article of an equal quality.¹

Tariff is the customs duty assessed on imported or exported goods, but in the broadest application it means any rate or change.

A tariff is levied for one or more of the following purposes:

- 1) To obtain revenue for the government.
- 2) To protect home industry.
- 3) To retaliate for unjust commercial treatment by some other nation. When restored for the purpose, tariff becomes a commercial warfare.

A national levying tariff for revenue only is called a free trade nation. A tariff designed to protect home industries is called protective tariff. It affords protection to the industry upon whose products it is laid, by placing a tariff in addition to that for revenue equal to the difference in the cost of manufacture of the article in a foreign country and the manufacture of the same article in the country where it is protected.²

UNDER DEPRESSION

Singapore's economy was not the only one slowed down, but most of the Asia's star performers such as Taiwan, Hong Kong, and South Korea faced hard times. Not only the growth rate slowed down but over-capacity and un-employment increased rapidly.

The economic depression along with political problems make recovery difficult for Asians Prime Minister Rajiv Gandhi of Indian took hard stance and struggled to resolve its internal disputes of Assam, Punjab, Kashmir and Tamil Nadu. Those were time consuming problems, which delayed his achievements to bring fundamental reforms in India's hidden economy and potential.

The other boiling issues were Philippine's most discredited president Fardinaud Marcos who has spoiled the countries social order and problem faced on internal fronts by Chun Doo Hwan of South Korea who tried to reconcile the increasingly vocal demands for participative democracy from a growing and confident opposition.

U.S. DOLLAR

The factor of Asia's economic headache was US economy. Asia has always been board of US growth and condensation. The importance of US markets increased. The reason was US dollar has added to its attraction for investors on one side and on the other side the European markets were quite sluggish and the Latin American markets were very much depressed. Due to these favourable conditions United States took 31 percent of exports in the year 1984.

During the years 1983 to 1984, Asian's took full momentum in exports. Within these two years US import rose by \$ 80 billion to \$ 328 billion with Asian exporters accounting more than half the increase, as Japan alone took dollar 29 billion, Taiwan dollar 6 billion, South Korea dollar 4 billion and Hong Kong dollar 3 billion. Due to penetration dependence on the US markets and its currency the Asian economics have become more vulnerable to economic fluctuation and inevitably protectionism.³

PROTECTIONISM

The tendency of the protectionism had risen at the level of maximum unrest in US congress and out side congress. By Jenkins Bill, the protectionism has become a major political issue for Asian exporters in 1985. President Ronald Reagan's administration was very well aware of its political consequences. According to the Republican senate majority leader Robert Dole, "I have never seen such strong congressional sentiment for action in the trade front".⁴

In September of 1985, nearly 300 pieces of trade legislation has been introduced in US congress. Japan was the main target of the wrath simultaneously the other Asian national from East to South and Pacific couldn't escape the notice. The US contemplate himself that he had dollar 50 billion trade deficit with Japan alone and was expecting trade deficit of Dollar 4 billion with South Korea, dollar 13.6 billion with Taiwan and dollar 5.8 billion with Hong Kong.⁵

The White House prepared its own "aggressive fair-trade stance" the Reagan administration decided to give relief to Asian exporters and took a stand against the legislation and violated the rules of General Agreement of Trade and Tariff (GATT). The trade war with Asian exporters was a right - move for Reagan administration. Some sigh of relief has been taken in Japan's case as Japanese investments in US securities were running at dollar 5 billion per month. However, due to curtailed US economic recovery and record trade deficit the Asian exporters felt uneasy. The protectionism affected badly to Asia's struggling economies towards its low growth, unemployment and worrying debt burden.⁶

The Philippine was the only country who over come its debt burden, asked its creditors for rescheduling. The East Asia's four countries have accumulated worryingly large external debts i.e. Indonesia, Malaysia, Thailand and Korea.

Malaysian debt approached 60 percent of its GNP, South Korea was the largest accumulator of debt in Asia and the fifteen largest in the world, after Brazil, Mexico, Argentina and Venezuela. Indonesia had the largest debt according to a percentage of its exports in the region.

FREE TRADE AND PROTECTIONISM

Protectionism and low economic growth were dominant aspect of 1980's in Asia and Pacific and so was the liberalization. The power of free market was felt strongly in the region and continued to do so.

In China the Deng Xiaoping's policies of Liberal economic was about to begin to have a good effect on the life of China's millions. But the Chinese leadership was under tremendous pressure that sudden economic liberalization means freedom that might cause over-indulgence and indigestion.

The spirit of free market spread throughout Asia in 1980's. The main logic of internal liberalization means to solving economic problems, that would follow to free its trade flows. Asia remains

chaos of Protectionism, with tariffs and quotas more restrictive than those in Europe or the U.S. Japan were for from being the only offender.

The remedy of the Asia's fortune lies in his own hands. China's inclination to modernization program made him a major tracking partner for Asia as a whole and its neighbours especially. Japan being the Asia's largest economy and its largest import and export were un-questionable. The Japanese economy was faster than its counter part US and Europe. Faster the Asian / Japanese economy lesser the reliance on US and Europe. The inter ASEAN trade and trade within pacific - basin provided good opportunities to the region out of its continuing economic dilemma.

COLLECTIVE INTERESTS

The individual political headache of Asia and pacific was Korea both, Indo-China, Kashmir, Afghanistan and Sri Lanka which gave a sense of unease to this area. These can be softened by growing regional identity and desire in the political field.

The signing for the South Pacific forum of South Pacific Nuclear - Free - Zone - Treaty was aimed chiefly to press wise France to abandon its underground nuclear tests on Mururoa atoll in French Polynesia. Beyond this specific objective was a general opposition against France's continued presence as a colonial power in the area, a Metachronism in 1980's. It demonstrated a growing sense of identity and solidarity in the face of commonly perceived threats.⁷

The sense of collective interest was matched in other areas of the region. China's negotiation on agreement with Britain to resolve Hong Kong's sovereignty and handing over for five star flag in 1997, China also extended its conciliatory policy in the other areas, such as improved its relation's with Soviet-Union after decades long rivalany, also eased the tension on Korean peninsula. Vietnam withdrew its forces from Kampuchea after long time. So, that was all silver linings in clouded years. There

have been many potential flash points in the region due to the absence of strong institutions, which could be of great help in the process of political succession. The most serious problem that worried US were its two biggest overseas military installations in Philippine i.e. Subic Bay Naval Base and Clarke Air Base. This was the time when there was increased soviet penetration in the area and Philippine masses frequent agitation against its government and US installations on their land. The fear of loosing these two bases was likely to prove a continuing preoccupation.

However, Philippine was not the only danger zone of the region. The India and Pakistan's decade long traditional enmity and their intention's of manufacturing of nuclear device make the sub-continents situation always tense. Particularly in absence of democratic Government in Pakistan, the army dictatorship created sense of insecurity. The making of nuclear device from either side as the "social scientists" and "analysts" considered can change the strategic balance of the region at any time. During 1980's, the situation was felt more serious than ever, until and unless the people and governments of both India and Pakistan can't realize the matter will remain unresolved and tense. Under these circumstances their economic and political stability will be on stake, and the shadows of the dark clouds can never be removed.

CONCLUSION

Asia was more stable and promising during 1980's than it was ever before despite the hardships it faced in the past decades. The most of the East Asian nations including China, who have achieved tremendous political and economical stability as against the dire predictions of the past US and European leaders. But still the friction between democracy and dictatorship can provoke major conflagration.

The economic and political stability can't be achieved until and unless the aggravated partial realizes the importance of direct and continuous dialogue.

The continuous and prominent democratic process should be carried out the honest and committed politician can change the life of the their people who believes in accountability system.

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