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# **FACT SHEETS**

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## **Fact Sheet: U.S. Economic Relations With East Asia and the Pacific**

[This is a reprint of a Fact Sheet from the U.S. Department of State *Dispatch*, Volume 6, Number 47, dated November 20, 1995.]

The East Asian and Pacific region is the world's most economically dynamic area. Japan has become the second-largest economy and, with the United States, one of the world's leading aid donors. The region's newly industrialized economies (NIEs)—Hong Kong, Singapore, South Korea, and Taiwan—have maintained high economic growth rates over the last two decades. In the process, they have achieved "middle-income" levels of per capita GNP and have become major participants in international trade and investment. Thailand and Malaysia are fast approaching development levels close to those of the NIEs.

Over the last decade, the East Asian and Pacific region has surpassed Western Europe to become the largest regional trading partner of the United States, both as a supplier of U.S. imports and as a customer for its exports. In 1994, U.S. trade with the Pacific Rim countries was more than \$424 billion, 70 percent more than trade with Western Europe. American direct investment in the region reached \$108.4 billion in 1994, 18 percent of total U.S. overseas investment.

The members of the Association of Southeast Asian Nations (ASEAN)—Brunei, Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Vietnam (Vietnam joined in July 1995)—combined are America's third-largest source of imports and its fourth-largest export market. In 1994, U.S. trade with ASEAN was \$83.8 billion. In the preceding decade, total U.S. trade with the ASEAN countries grew at an average annual rate of 13 percent. The United States is the leading export market for the Philippines, Singapore, and Thailand and is the second-largest export market for Malaysia. U.S. direct investment in ASEAN grew to \$24.5 billion in 1994, up 20 percent since 1993.

Transportation also links the United States more closely to East Asia and the Pacific. In 1993, air traffic on Pacific routes overtook Atlantic traffic on a passenger-mile basis. By the year 2000, the Pacific market is projected to account for almost half of total international traffic.

### **U.S. SUPPORT FOR ECONOMIC REFORMS**

The achievements of the successful Asian economies can be attributed largely to market-oriented, outward-looking strategies of growth, together with the high value that these societies traditionally have placed on education, discipline, and hard work. The United States contributes to this success and supports economic reforms by providing:

- The principal market for the region's exports;
- Leadership in promoting an open international trade and financial system;
- Economic assistance to the region's developing nations; and

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—A military security umbrella.

The Philippines and Indonesia have economic reforms underway that, if sustained, will enable them to capitalize on their impressive potential. Australia and New Zealand also are engaged in difficult economic restructuring and trade liberalization efforts. Some Pacific island nations are not yet fully participating in the region's economic success. Implementation of market-oriented reforms has boosted the economies of Laos and, to a lesser extent, Vietnam, but both countries remain poor.

China experienced rapid economic growth during most of the 1980s and 1990s as it moved toward a more market-oriented system.

## **TRADE SUCCESS AND IMBALANCES**

More than 36 percent of U.S. total trade is now conducted with the East Asian and Pacific region. However, this dramatic expansion has been accompanied by the development of large, recurring trade deficits with some U.S. trade partners. In 1994, the United States had trade deficits with Japan (\$65.7 billion), China (\$29.5 billion), Taiwan (\$9.6 billion), and South Korea (\$1.6 billion). The overall U.S. trade deficit with the East Asian and Pacific region increased from about \$103 billion in 1993 to \$119 billion in 1994. On the other hand, the United States had a \$6.6-billion trade surplus with Australia in 1994.

There is particular concern about the size of Japan's trade surplus. The "Framework for a New Economic Partnership," concluded in 1993, has as its goal a significant reduction in both countries' external balances. In addition, the NIEs, particularly South Korea and Taiwan, also have reduced import barriers to a limited extent. East Asian and Pacific countries recognize that their growth and export successes require them to bear a much larger burden for the health of the world economy. Consequently, they are undertaking appropriate adjustments to help correct international imbalances by:

—Ensuring realistic exchange rates;

—Lowering barriers to imported goods, services, and investment; and

—Adopting macroeconomic and structural policies that encourage growth through increased domestic demand as well as exports.

The United States, in turn, must maintain its efforts to reduce domestic fiscal imbalances and to keep its import markets open.

On the positive side of the ledger, Japan is the largest market for U.S. agricultural products, with \$11.9 billion in 1993 in farm and forestry products imports. Japan and South Korea are now taking steps to open their rice markets. But these are only partial indications of the realignment of traditional trading relationships that is taking place. Services markets in Asia are expanding as regional economies reach new levels of development, providing opportunities for U.S. firms. U.S. sales to ASEAN grew 18 percent from 1992 to 1993 alone. In 1994, the United States exported more to Singapore than it did to Saudi Arabia. More American goods and services went to Malaysia than to Brazil that year. Also, in 1994, U.S. exports to South Korea outstripped U.S. exports to France. Finally, the Japanese economy has started a process of recovery that should provide new momentum for the entire region.

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## INCREASING REGIONAL COOPERATION

The United States has been working with East Asian and Pacific economies for several years to strengthen regional economic cooperation. U.S. officials have had extensive consultations with ASEAN, the Asian Development Bank, the UN Economic and Social Commission for Asia and the Pacific, the South Pacific Council, the South Pacific Forum, and the Pacific Economic Cooperation Council. Many of the region's leaders recently have called for more intensive consultation among the market-oriented economies of the East Asian and Pacific region on macro-economic issues, structural reform, and the health of the world trading system. The U.S. played a key role in the formation of Asia-Pacific Economic Cooperation (APEC), a regional forum based on those principles.

The United States works actively with its East Asian and Pacific partners to promote APEC as a vehicle for regional economic cooperation. At the invitation of then-Australian Prime Minister Hawke, the first APEC ministerial conference convened in Canberra in November 1989. A second ministerial meeting took place in Singapore in July 1990, leading to the creation of work projects in various areas of interest to the original APEC members. Since then, annual ministerial meetings have been held in Seoul, South Korea; Bangkok, Thailand; Seattle, Washington; Jakarta, Indonesia; and Osaka, Japan. Subsequent ministerials will be in the Philippines (1996), Canada (1997), and Malaysia (1998).

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## Fact Sheet: Asia-Pacific Economic Cooperation

[This is a reprint of a Fact Sheet from the U.S. Department of State Dispatch, Volume 6, Number 47, dated November 20, 1995.]

The Asia-Pacific region, comprising some of the most dynamic economies in the world, has experienced unprecedented growth in the last two decades. Economic relations among economies of the region also have increased dramatically, fueled by growing trade and financial flows.

Asia-Pacific Economic Cooperation (APEC) was established in 1989 to better manage the effects of growing interdependence in the Pacific region and sustain economic growth. Originally, APEC was an informal group of 12 Asia-Pacific economies. In November 1991, APEC admitted China, Hong Kong, and Chinese Taipei. In November 1993, Mexico and Papua New Guinea joined. Chile joined in November 1994, bringing membership to 18.

APEC provides a forum for discussing a broad range of important regional economic issues. The APEC chair rotates annually among members and is responsible for hosting the annual ministerial meeting. Foreign and economic ministers from the members first met in Canberra, Australia, in November 1989. Since then, annual ministerial meetings have been held in Singapore, Seoul, Bangkok, Seattle, Jakarta, and Japan. Upcoming ministerial meetings will be held in the Philippines (1996), Canada (1997), and Malaysia (1998). Japan hosted periodic lower-level meetings throughout 1995 to lay the groundwork for the ministerial meeting.

### U.S.-APEC RELATIONS

The United States works closely with members of APEC, which is an important part of U.S. engagement in the Asia-Pacific region. President Clinton has underscored that the United States is "committed to making [APEC] a vehicle for liberalization in the region."

In 1994, U.S. trade with Asia and the Pacific was more than \$424 billion, 70 percent more than trade with Western Europe. U.S. foreign direct investment in APEC member economies was more than \$200 billion in 1994, about 33 percent of total U.S. foreign direct investment.

### APEC PROGRESS

APEC has grown from an informal dialogue group to a more formalized institution that involves all major economies of the region: China, Hong Kong, and Chinese Taipei joined APEC in 1991; APEC established a permanent secretariat in Singapore in September 1992; and, at the November 17-19, 1993, ministerial meeting in Seattle, Mexico and Papua New Guinea joined APEC. In Seattle, ministers also agreed to the Declaration on an APEC Trade and Investment Framework and action plan, set up the Committee on Trade and Investment, and extended the non-governmental Eminent Persons Group's mandate to develop proposals to effect its long-term recommendations and vision for Asia-Pacific regional economic cooperation.

APEC economic leaders, meeting on Blake Island near Seattle on November 20, 1993, set forth a vision which recognizes that in the post-Cold War era:

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We have an opportunity to build a new economic foundation for the Asia-Pacific that harnesses the energy of our diverse economies, strengthens cooperation, and promotes prosperity.

The leaders also:

—Called for a successful conclusion to the Uruguay Round of the General Agreement on Tariffs and Trade;

—Called on APEC to expand its economic dialogue and advance its work program;

—Agreed to convene a meeting of APEC finance ministers;

—Asked business leaders to establish a Pacific Business Forum;

—Asked APEC to strengthen its policy dialogue on small and medium-sized business enterprises; and

—Agreed to establish an APEC Education Program and a Business Volunteer Program.

In Bogor, Indonesia, in November 1994, APEC economic leaders reached agreement on strengthening economic cooperation within the region for the purpose of strengthening the open multilateral trading system, enhancing trade and investment liberalization in the Asia-Pacific region, and intensifying Asia-Pacific development cooperation. Leaders also announced their commitment to achieve “free and open trade and investment in the Asia-Pacific.” All barriers to trade and investment are to be dismantled before 2010 or 2020 by developed and developing participants, respectively.

APEC’s priority is to encourage market-oriented solutions to the adjustment problems associated with quickly growing economies. APEC made significant contributions to negotiations during the Uruguay Round and is considering moves toward regional trade liberalization.

## **APEC GROUPS**

APEC senior officials oversee 10 working groups, covering broad areas of economic, educational, and environmental cooperation. In addition, APEC has a Committee on Trade and Investment with customs and standards and conformance subcommittees, and an Economic Committee. Following are the working groups.

**Trade and Investment Data.** Develops consistent and reliable data in merchandise trade, trade in services, and investment.

**Trade Promotion.** Develops proposals to exchange trade and industrial information and to promote economic and trade missions among economies of the region. Organizes international seminars and meetings to promote trade, an Asia-Pacific trade fair, and a training course on trade promotion.

**Industrial Science and Technology.** Promotes economic growth by expanding technology flows and focusing on science and technology issues that network potential partners together in the Asia-Pacific region.

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**Human Resource Development.** Seeks ways to exchange information among Asia-Pacific economies in such areas as business administration, industrial training and innovation, project management, and development planning. In this working group, the United States hosted an APEC education ministerial in Washington, DC, in August 1992 and sponsors the APEC Partnership for Education Program, which promotes university partnerships among U.S. and Asian/South Pacific universities, outreach and cooperative education activities, and private sector training.

**Energy Cooperation.** Develops cooperative projects, such as a regional database on energy supply and demand, and exchanges views on, among other things, coal utilization, technology transfer, and resource exploration and development.

**Marine Resource Conservation.** Exchanges information on policy and technical aspects of marine pollution and advancement of integrated coastal zone planning. Exchanges information on and develops recommendations for dealing with red tide/toxic algae pollution problems.

**Telecommunications.** Compiles annual survey on APEC telecommunications development activities, including a description of each member country's telecommunications environment. Explores ways to establish and develop regional networks, initially by encouraging electronic data interchange. Exchanges information on policy and regulatory developments in each member's telecommunications sector. Disseminates a manual on how to approach training in a telecommunications organization, followed by a pilot project reviewing needs and recommending solutions in a selected organization.

**Transportation.** Studies and recommends ways to improve infrastructure, facilitate movement of passengers and freight, collect and exchange data, and enhance transportation safety and security. This U.S.-led working group is one of three added in March 1991. The United States proposed it because of the importance of improved transportation links to continued economic growth in the region. In June 1995, the United States hosted an APEC transportation ministerial.

**Tourism.** Studies one of the region's most important industries, focusing on tourism data exchange, barriers to expansion, training programs, and current projects in APEC member economies.

**Fisheries.** Surveys the pattern of APEC fisheries cooperation to develop fisheries resources. Reports on the role of APEC in coordinating and complementing the work of existing organizations and promoting cooperative relations among APEC participants.

Participating Economies:

Australia  
Brunei  
Canada  
Chile  
China  
Hong Kong  
Indonesia  
Japan  
South Korea

Malaysia  
Mexico  
New Zealand  
Papua New Guinea  
Philippines  
Singapore  
Chinese Taipei  
Thailand  
United States