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# U.S. POLICY IN EAST ASIA AND THE PACIFIC

By

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[The following is a reprint of an address which Secretary Shultz presented before the Pacific and Asian Affairs Council and the Pacific Forum in Honolulu on July 21, 1988. In this address, which concluded a two week visit throughout the region, Secretary Shultz reviewed the essential elements of the Reagan Administration's policy in the Asia-Pacific region and assured America's allies and friends of our continuing leadership in the realms of security, economic growth, and democracy. Emphasizing that current trends of economic and political dynamism in Asia are in harmony with U.S. interests, the Secretary discussed the many challenges and responsibilities that must accompany such success in an increasingly interdependent and competitive world. This address was published as part of *Selected Documents No. 30*, by the Bureau of Public Affairs, U.S. Department of State.]

I conclude my travels in Asia as Secretary of State here in Hawaii--a symbol, if ever there was one, that America is a nation of the Pacific and a nation of the future. This nine-stop trip covered Southeast, East, and Northeast Asia, as well as Oceania. I am more impressed than ever with Asia's diversity, with its dynamism, and with the region's potential. And I am more convinced than ever of how critical America's ties to Asia will be for our own prosperity, freedom, and security in the years ahead. But if we, the free nations of the Asia-Pacific region, are to continue to advance in the next century, we all must learn to meet the challenges arising from the very successes that we have achieved together.

## **A Success Story**

The story of the Asia-Pacific region in the postwar period is one of profound success--for the United States and for the other countries in the region that have cast their fate with us. The accomplishments of the countries of East Asia have become so prominent a feature of the global landscape that it is getting hard to remember the time in the years just after World War II when their survival--let alone their success--was not at all assured.

The Pacific region--with its long history of national rivalries and warfare--has enjoyed a remarkable period of stability and economic advance, especially in the past two decades. In the years since World War II, long-time adversaries have become allies, friends, and trading partners. Once poor countries have become prosperous. Nations once divided from each other are working together pragmatically to realize shared interests and concerns. And authoritarian political orders of the past have given way to the give-and-take of democratic politics.

Among the reasons for this extended period of reconciliation and constructive growth is the fact that for more than 40 years, the United States has pursued farsighted and effective policies toward the region, as it has toward the world as a whole.

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## The Fundamentals of U.S. Policy

What are those policies and on what precepts are they based?

**Collective Security.** Our leaders in the postwar years rightly sensed that our world had become a place where no nation could protect its security interests in isolation. Therefore, we and other nations of the free world joined together in a global web of alliance and security ties, to which each of us has contributed our individual strengths. This structure of collective security has maintained the peace in the face of four decades of unremitting challenges from the communist world.

**Regional Conflict Resolution.** In today's ever more integrated world, age-old conflicts and regional conflagrations pose ever greater threats to the global community. Therefore, we and our partners have sought to use our collective strength to ensure that violence does not spread and to further the prospects for negotiated settlements of disputes.

**Open Economies.** Despite our strong defenses, we know that it is not possible for any country to ensure its security through military means alone. Economic vitality is the essential foundation of national strength. Thus, we have actively promoted economic recovery and development. Moreover, economic development has been spurred by an open and competitive global trading system. Therefore, the United States has pursued policies designed to strengthen open markets and facilitate the flows of technology and capital that can accelerate global growth.

**Democratic Values.** Development places a high premium on creativity, on advanced levels of education, entrepreneurship, the decentralization of responsibility, and the free flow of ideas and people--all hallmarks of open and democratic societies. Therefore, for reasons of political commitment as well as practical effect, the United States has encouraged processes of democratic institution-building. We and our allies have supported those around the world who are struggling for their freedom against the authoritarian right as well as the totalitarian left. Collective security, regional conflict resolution, open markets, and democratic values--for four decades, these policies have been a powerful formula for national development, security, and regional stability in the world and in the Asia-Pacific region. And it is no coincidence that countries that have joined with the United States in the postwar coalition of free nations have turned out to be the most productive, the most stable, and the greatest contributors to a secure global environment.

Today the communist powers--first China and now the Soviet Union--seem to have begun to realize the power of these policies. We encourage them to recognize the need to settle draining and dangerous regional conflicts, to end confrontations with the United States and its allies, to decentralize their economies, and open up to the world. And they are giving indications of doing so.

**Coping With Success.** So, the trends are going our way--toward peace, toward a lessening of tensions, toward free markets and democratic values. The United States has helped the countries of the Asia-Pacific ride the wave and to solve the problems associated with economic growth and political maturation. Now, we and our partners are facing another set of challenges but of a qualitatively different kind--we must learn to cope with the problems created by our own successes.

As we have seen, America helped powerfully to create an environment that enabled many of the nations of Asia to come into their own. As a result, our world is no longer dominated by one or two "superpowers." There are increasingly numerous national centers of economic strength and political power. Peoples once accustomed to American preeminence and protection are ever more determined to shape their own futures.

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From the Philippines to Korea, long-established security arrangements are being reassessed, and throughout the region domestic economic policies are being reviewed in the context of pressures for more open markets, currency revaluations, and the new requirements of an age of information-based innovation and production. Into the bargain, we have China's reorientation toward economic reform and more constructive interchange with its neighbors. And we see a new Soviet activism toward the Pacific.

All these developments present challenges. We and our partners will be equal to them if we hold fast to the primary sources of our achievement: the cooperative coalition of free nations that has served us all so well.

**Asia as a Policy Model.** Let's take a closer look at how the elements of our policy have shaped U.S. relations with the Asia-Pacific region and at some of the challenges we now face.

**Security.** First comes security: the U.S.-Japan alliance remains the cornerstone of our policy in the region, enhancing the security of our friends and allies as well. While maintaining its fundamental commitment to remain a nonmilitary power, Japan has steadily improved its self-defense capabilities in recent years and has broadened bilateral defense cooperation with the United States.

In the Republic of Korea, with American help, Korean troops have held the front line for more than three decades against a formidable northern adversary. At the same time, the stability that the U.S. presence has lent to this strategic peninsula has boosted Korea's economic and political development.

In the Philippines, another area of strategic significance, the United States has helped a struggling democracy beat back a communist insurgency and promote economic growth. And, by supporting an important U.S. military presence, the Philippines--like Korea--has made a major contribution to its own and to regional and global security.

Thailand has been an ally for over 30 years and today remains the front-line state resisting Vietnamese aggression in Cambodia. In turn, America has supported Thailand diplomatically, militarily, and politically against security threats. The presence, even as I speak, of U.S. ground, naval, and air units on bilateral exercises in Thailand demonstrates that our commitment to Thailand's security remains firm.

Our ally Australia has devoted the resources necessary to modernizing its military forces and--by its steadfast support for defense cooperation through our joint facilities--has made important contributions to effective deterrence.

Just as the United States and our allies benefit from the strong web of security ties we have formed in the Asia-Pacific region, each of us also draws strength from the constancy and resolve of free nations elsewhere in the world. The successful way the United States and our allies in Europe handled the Soviet SS-20 [missile] threat demonstrated that our commitment to NATO would not be at the expense of security in Asia.

At every step in the negotiation of the INF [Intermediate-Range Nuclear Forces] Treaty we consulted with our friends and allies in this part of the world as well as in Europe. Their views were reflected in our positions at the table. From the outset, we made it plain that we would insist on the elimination of the Soviet missiles in this range aimed at Asia as well as Europe. The treaty had to be global in scope, just as the structure of our security ties is global in scope.

The clear lesson of this experience is that the ties among the world's free nations are interdependent and indivisible. For four decades, our collective strengths have reinforced the

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structure of peace nationally, regionally, and internationally. The Asia-Pacific region is more secure and stable today than ever before. Keeping it so requires commitment and hard work on the part of all countries. We cannot take the framework of peace we have built together for granted. The postwar generation understood this; yet today complacency is perhaps the greatest threat we face. Our challenge is to help new generations see the fundamental importance of keeping that framework strong and suited to the times.

Some of our allies in Asia are now reviewing whether the components of our security presence--port and air facilities and naval access--are really necessary to their security. Some wonder whether it might not be better to go it alone. Their reassessment is appropriate; it is the essence of a voluntary alliance of free nations. But they should not forget that our collective efforts have kept the peace for 40 years and that our combined strength has brought our adversaries to the bargaining table, making possible the stabilizing reductions in armaments that we all seek.

Likewise, we cannot be complacent in the face of new challenges to regional and global security. Terrorism requires a collective response. And the increasing proliferation of high-technology weaponry--aircraft, missiles, nuclear material, and chemical weapons--into areas of regional conflict requires restraint or collective controls on the part of all weapons-exporting states, as well as effort to resolve the sources of conflict themselves.

**Resolution of Conflicts and Reduction of Tension.** The success of our collective security efforts has furthered prospects for reduction of tensions and negotiated settlements in Asia and, hence, for a more stable world. The United States, the ASEAN countries [Association of Southeast Asian Nations], and other interested nations have long pressed for the withdrawal of Vietnamese troops from Cambodia and for the start of a genuine process of national reconciliation in that tortured country. To that end, we have supported Prince Sihanouk as the genuine leader of an independent Cambodian Government. The United States will continue to support measures which could be implemented in the context of a settlement that rejects a return to control by the Khmer Rouge.

During my recent meetings with the leaders of the Asian countries, China, and Japan, we reaffirmed our shared objective of an independent Cambodia free of both Vietnamese troops and the danger of Khmer Rouge control. We advanced our dialogue on specific ways to achieve those goals and found more common ground than ever before. I should also tell you that our efforts have not been limited to the Asian region alone. The Soviet Union, as Vietnam's principal supporter, has a clear responsibility to help bring this tragic conflict to an end. Therefore, I have had increasingly frequent exchanges with the Soviet Foreign Minister [Eduard Shevardnadze] in order to encourage a constructive stance on their part. I am encouraged by the tone and content of these contacts. As the Jakarta informal meeting unfolds next week, I hope we will see the beginnings of a process that will lead to the end of Cambodia's tragedy.

When I addressed the ASEAN postministerial conference 2 weeks ago, I stressed the need to keep diplomatic and economic pressure on Hanoi. This stance does not arise from malice or bitterness. Rather, the United States, together with our allies and friends in Asia, looks forward to Vietnam's rejoining the community of nations. The United States will unequivocally welcome normalized relations with Vietnam in the context of an acceptable Cambodian settlement and a resolution of the POW/MIA issue which, if left unsettled, will continue to divide our peoples. While we are somewhat encouraged by recent progress, Hanoi must understand that our commitment to a free and independent Cambodia and to our POWs/MIAs is unshakable.

The United States has welcomed the Republic of Korea's increased contact with China and the Soviet Union; and President Roh's recent statesmanlike initiative to encourage North Korea to reduce its isolation has our respect and support. Pyongyang's initial reaction has been to brush aside Seoul's sincere offer to reduce tensions and promote a North-South dialogue. We hope the

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North will reconsider its position. It should not squander this important opportunity. Today's positive atmosphere is a valuable asset for national reconciliation, and time is not on the side of those who obstruct dialogue. In the meanwhile, we remain solidly in support of the Republic of Korea's security.

The United States has responded positively to China's steps toward greater and more constructive interchange with its neighbors. We have remained firm in our one-China policy and have welcomed developments on both sides of the Taiwan Straits that contribute to a relaxation of tensions. Consistent with our longstanding interest in a peaceful resolution of the Taiwan question, we have sought to foster an environment within which such developments can continue.

We have urged China to join with us in an international effort to staunch the alarming traffic in ballistic missiles to strife-ridden areas of the world. We also believe that elimination of the remaining obstacles in the way of Sino-Soviet relations could be constructive to the extent that this strengthens an environment of security and stability for all the countries of Asia.

By the same token, we have noted Mr. Gorbachev's heightened interest in Asia and his declared willingness to improve relations in the region. Thus far, while we view as encouraging the restoration of some contacts with China, we have not seen any significant reduction of Soviet forces on the Sino-Soviet border. The Soviets still seek to undercut America's naval presence in the Asia-Pacific region through one-sided proposals for naval arms restrictions. Moscow still underwrites the Vietnamese occupation of Cambodia and operates naval and air forces out of Cam Ranh Bay. And the Soviets continue to enhance arms supplies to North Korea at a time when Pyongyang remains Asia's primary exporter of subversion, aggression, and terrorism. Finally, Moscow must agree to discuss Japan's Northern Territories, a matter that remains a fundamental obstacle to normalized relations.

The United States repeatedly has sent the message to Moscow that the greatest contribution the Soviet Union can make to reducing tensions and building confidence in Asia would be to end its support for Vietnam's occupation of Cambodia and to encourage Pyongyang to respond positively to constructive proposals such as those put forward by President Roh.

Thus, the peaceful resolution of conflicts and the reduction of tensions in Asia remains a high priority and a continuing concern for the United States and our partners in the region. Each situation presents a different set of barriers to peace; a different set of problems to confront and resolve. In each instance, we are searching for solutions that will advance the independence, freedom, and security of the peoples directly affected. Together with our allies, we will insist on settlements that involve the withdrawal of foreign troops, a cessation of hostilities, and the resolution of humanitarian problems caused by the conflicts.

**Open Economies.** Asia's economic dynamism is the most powerful argument for decentralized, market-based economic growth, and for an open international trading system. The region's emergence as a world-class performer in manufacturing, trade, and finance could not have occurred without an open international economy. Japan and the newly industrialized economies of the region have demonstrated how knowledge, adaptability, innovation, and openness can achieve high growth rates and advanced industrial power in a world of globalized sourcing, production, and manufacturing.

Japan is now the world's second largest economy. Korea, Taiwan, Singapore, and Hong Kong have enjoyed some of the highest growth rates anywhere; last year their real GNP [gross national product] growth rates, expressed in local currency, ranged between 8% and almost 14%. By the turn of the century, Thailand and Malaysia could be major success stories as well. And the Philippines and Indonesia have economic reforms underway which, if sustained, will enable them to capitalize on their impressive potential.

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Yet, Asian nations have in the past relied on export-led growth fueled by the U.S. deficit and our vast investment market. But the deficit that has characterized the climate of our trading relationship has started to shift. U.S. exports have begun to surge, particularly manufacturers. Our market is thus not likely to absorb rapid growth in exports of Asia's manufacturers to the extent that it did earlier in this decade.

Thus, another challenge of success that we and our Asian partners must meet is adjustment to a more balanced trading environment. Unless each of us pursues domestic and international policies which strengthen the role of the market and unleash forces that promote growth, all of us will face great strains in the years ahead.

That is why the United States has emphasized structural reform and domestic growth in all our international discussions, including on my recent travels in Asia. Since Asian nations have depended on export-led growth and the American market, they must plan now in order to ease the adjustments they will have to make as our deficit continues to decline.

The rewards and challenges of participating in the world market are apparent to all in Asia--including China and the Soviet Union.

In China, Deng Xiaoping's far-reaching economic reforms of the past 10 years have dramatically raised productivity and positioned China to participate in the world trading system. By opening up its doors to international commerce, China has gained recognition as a country capable of world-class economic performance. The impact of these policies is already evident in China's impressive rate of growth--on the average nearly 10% per year over the past decade--and in the rapid expansion of trade with the United States.

The Soviet Union is displaying a growing interest in sharing in Asia's economic boom. Its access to the region remains constrained by its political and military activities and by its own economic limitations. Vladivostok, the Soviet's one major port on the Pacific, remains a city closed to commerce and foreign travel. The Soviet Union will be able to participate in the economic dynamism of Asia as it makes the structural adjustments necessary for successful interaction with free markets and open societies.

**Building Democracy.** Nowhere in the world is the relationship between political and economic development clearer than in East Asia. The region's economic miracles are now being matched by political miracles. It was in postwar Japan that our policy of encouraging democracy had its earliest and most spectacular success in the region. Today's worldwide trend toward democracy has had its most recent breakthroughs in Korea and the Philippines. We have welcomed the democratic process in Thailand and are impressed with the political reforms now advancing in Taiwan.

But the advance of democracy is not guaranteed. Societies making the transition to open political systems are vulnerable to assault from the authoritarian right and the totalitarian left. The challenge for other democracies of the world is to remain engaged with all democratically oriented political forces and support their goals. We cannot dictate events, but we should offer ideas, assistance, and understanding in order to support the processes of democratic change.

So these trends of success all come together in Asia. Security, stability, prosperity, freedom--they are all interlinked. Throughout the region we find countries that, in distinctive ways and to varying degrees, are building modern, market-oriented economies increasingly integrated into a global trading system. They are opening up their political systems to popular participation, seeking to heal the wounds of national division and to bridge the chasm of military confrontation through dialogue and political accommodation.

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The countries of the Asia-Pacific region are models for other nations to follow into the future. And along with the United States, they are especially well positioned to meet the challenges and grasp the opportunities of the coming century. Let me explain why.

### **U.S. Leadership Remains Essential to Asia's Success**

American leadership remains crucial to continuing success. But our leadership must be of a different cast than that of the postwar period. It must be a leadership suited to the times.

The Asia-Pacific region remains an area of high strategic importance and competing interest among powerful nations. Since the Second World War, the United States has been the indispensable stabilizing influence in the region. We are--and for the foreseeable future will remain--the fundamental guarantor of the balance of power in this vital area that spans fully one-half of the globe.

Our active engagement in the region ensures that countries great and small, developed and developing alike, can continue to advance economically and politically within a secure environment. U.S. security capabilities remain second to none, and we continue to provide to our friends and allies the most flexible and diversified military support available in the world.

Our economy is innovative; it is open; and, as a result, it is expanding. Our economic strength will continue to increase. Our trade deficit is declining as our exports continue to rise. And we are becoming more productive as we eliminate obstructions to domestic growth. America continues to be the largest source of investment capital and opportunity, high technology, and manufacturing capability in the world, and our service sector is poised for an ever greater role in Asian markets.

And, last, but not least, America's deeply held democratic values remain our greatest asset. They are a universal beacon to people of all countries and backgrounds, and they make profound practical sense in a world where individual initiative, ingenuity, and the free flow of information and people are key to progress.

Our strengths and our vision ensure that the United States will remain a leader in the Asia-Pacific region in the years ahead, just as it was in the immediate postwar era. In the next century, America's engagement with Asia must intensify because and not despite the fact that there is an ever-growing number of capable countries coming onto the work scene. Our engagement must be more active than ever because the socialist powers are seeking to be more actively involved in the region as well.

Today's transformations in our relationships with allies, friends, and adversaries alike are leading to a healthy reexamination and renewal of our ties with the nations of the region. And, I am confident, our relations with our partners will be the stronger for it. The national interests at stake--our own and theirs--are too weighty and the alternatives are too troublesome in their implications.

### **Policy Guidelines for the Years Ahead**

As we all engage in a collective reassessment of the relations among us, let me suggest some guidelines for shaping our future dealings.

- We are better together than apart; we can do much more collectively than separately. One nation's strategic location may prove advantageous to basing arrangements; another nation may possess a strategic capability; still another's thriving economy may permit it to exert influence in

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world affairs in order to achieve shared objectives. We must maintain our collective strength and vigilance in matters of defense, even as we seek opportunities for national reconciliation and the reduction of tensions with adversaries.

- We must seek to be inclusive, not exclusive, in our dealings with each other. The national or regional policies and institutional arrangements we adopt must not run counter to global trends toward integrated markets and collective security. Furthermore, we should welcome the participation of those socialist countries whose domestic reforms and foreign policies enable them to meet the security concerns and economic requirements of the market-oriented democracies.

- We must strive for ever greater openness--openness to markets, to the flow of people and ideas, to change itself. We and our Asian trading partners face the common challenge of keeping the international economy open.

- And, four, we must support democratic reforms as they develop naturally in each country. There is no set pattern for democracy and no standard or assured outcome to processes of political reform. But there is the common commitment to the value of the individual, even as the citizen makes a contribution to collective efforts.

Which brings me back to the beginning. The freedoms, the prosperity, and the security we and our Asian allies and friends have come to enjoy are possible only because of the relationships we have built together. Like the multi-tiered roofs of a pagoda, each country in the coalition of free nations adds its support to a worldwide structure. When one part of the edifice is weakened, the entire structure is weakened. When each element carries its share of the load, the entire structure is firm.

Thus, the ties America has formed with the other free nations of the Asia-Pacific region are ties of mutual interest, of shared responsibility, of partnership. They are ties of individual strength and common commitment. They are the building blocks of our foreign policy. They have been dramatically effective for more than 40 years in meeting our national interests, and they remain the most effective means for meeting the future challenges of our shared success.