

BOOK REVIEWS

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POLITICAL CHANGE AND THE ECONOMIC FUTURE OF EAST ASIA. Robert B. Hewett, ed. Honolulu: Pacific Forum and The University of Hawaii Press, 1981. Pp. xvii, 190. \$10.00.

SIBERIAN DEVELOPMENT AND EAST ASIA: THREAT OR PROMISE? By Allen S. Whiting. Stanford, California: Stanford University Press, 1981. Pp. 276. \$22.50.

THE INTERNATIONAL ENERGY RELATIONS OF CHINA. By Kim Woodard. Stanford, California: Stanford University Press, 1980. Pp. xxi, 717. \$50.00.

There are three things that these books have in common. The first is superior quality. The second is appeal to the general reader and the specialist alike, despite the more specialized focus of Woodard's and Whiting's works. The third common aspect of these books is a concern with access to energy sources which are of interest to the fast-growing nations of East Asia and the Pacific Basin, whatever their ideological coloration and social system.

As is to be expected, *Political Change and the Economic Future of East Asia* is the more general and diversified of the three works. It is a collection of papers originally discussed at seminars sponsored by Pacific Forum, a non-profit international organization founded in 1975 and based in Hawaii. The authors are scholars and scholar-administrators from the United States, Japan, Indonesia, and the Phillipines. Although the quality of the papers is uneven, the overall standard is high. Contrary to what often happens with compilations of this kind, *Political Change and the Economic Future of East Asia* is a judiciously selected and remarkably well integrated collection. There is close correspondence among the papers in the perception of past trends, and a basic consensus on desirable future policies. This lends the collec-

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tion thematic unity and philosophical coherence without sacrificing variety of viewpoints and divergence of opinion.

Despite the energy crisis of 1973-74, the 1970s have been good to the free enterprise, mixed, and otherwise comparatively pluralistic countries of East Asia. The economic record of Japan and the semi-industrialized countries (Taiwan, South Korea, Malaysia, Singapore, Hong Kong) has been spectacular and unprecedented not only in terms of product growth but also in terms of economic performance (e.g., equality of income distribution). "The noncommunist East Asian countries are the only group of countries in the world within which real gross national products are doubling every seven to twelve years According to some projections, South Korea alone may have a GNP equal to that of France within ten or fifteen years." (Donald Zagoria, "The New Equilibrium in East Asia"). Other noncommunist countries in the region, especially those that have discarded inward-oriented, statist policies, have also done well, most significantly in supplying themselves with food and other farm products. "At present, only Indonesia and Sri Lanka are still net food importers in the region." (J. Alexander Caldwell, "The Economic and Financial Outlook for the Developing Countries of East Asia"). The five semi-industrialized East Asian countries have emerged as a major force in world trade. Their share of that trade has risen from about two percent in 1958 to almost five percent in 1978. This means that a percentage increase in exports coming from this small base now has far-reaching repercussions on international market positions.

The dynamism of the East Asian industrialized and semi-industrialized countries is due in large measure to their strong international trade orientation and aggressive export promotion. In terms of developmental strategy, this phase came in the wake of emphasis on domestic agriculture and later on labor-intensive light and medium industries. However, the strategy of export-fueled growth will soon have to be reexamined because of its very success. What the newcomers to industrialization sell to the United States, Western Europe, and Japan, have become issues of immediate concern to the domestic economies of the established industrial powers. The same is true of Japanese exports to the U.S. Moreover, because the other East Asian countries—the less developed ones like Thailand, Indonesia, the Philippines, Sri Lanka, and India—are also knocking at American, European, and Japanese market doors, the export-first policy espoused by countries like Taiwan and South Korea is unlikely to be as beneficial to the industrializers in the 1980s as it was in the 1970s. This export-first policy will strengthen the unflattering images that both sides have of each other, and encourage protectionist responses by the

importers. For these and domestic consumer welfare reasons, the semi-industrialized countries of East Asia (and Japan) will have to put more emphasis on domestic demand than they have in the past: "in particular, domestic private consumptions should be allowed to rise somewhat relative to GNP [and] social expenditures—on education, health, parks, and welfare—should also show a relative increase. More investment should be provided for so-called nonproductive purposes, such as pollution control." (Caldwell). The point is well taken, and given the high caliber of governmental economic management in these countries, it is to be expected that the argument will be translated into policy.

Compared with Japan and the other free-enterprise nations of East Asia, the record of the state socialist countries (China, Vietnam, North Korea, and Burma) in the 1970s has ranged from bad to mediocre. This is not just a matter of wrong-headed developmental strategy anchored in self-sufficiency and the heavy-industry-first thesis. It is a matter of economic structure which is too centralized, too cumbersome, too bureaucratized, and totally lacking devices that could indicate opportunity costs within the system and help bring about a less wasteful resource allocation. Unfortunately, with the exception of China's latest projects, East Asia's socialist economies are not examined in the book, and even here the treatment is by and large political, designed to elicit recommendations for a coherent policy toward China in the context of U.S.-China-U.S.S.R. relations. (Chalmers Johnson, "A Balance Sheet on Deng's China and Some Recommendations for Allied Policy"). The prescription offered by Johnson and others, notably Robert Scalapino ("Alternatives for American Policy in Asia") and Yuan-li Wu ("The Economic Impact of China's Modernization on Pacific Relationships") is three-pronged. First, in the triangular relationship of the United States, the Soviet Union, and China, it is in the interest of the U.S. and noncommunist East Asia to have the present level of tension between China and the Soviets continue, but stop short of open conflict. Among other things, this means avoiding measures that would be perceived by the Soviets as direct and imminent military threats to their security interests. For the time being China does all that the West and the noncommunist countries of East Asia can rationally expect it to do; it keeps a large number of Soviet missiles and assault tanks deployed along the U.S.S.R.'s soft Far Eastern flank. It also postpones and dilutes ideologically and systemically fueled confrontations. At its present level of tension, the Sino-Soviet quarrel contributes to one element of the political equilibrium in East Asia (analyzed by Zagoria). It keeps Asian communist countries busy with what they perceive to be deeply damaging threats from their communist neighbors and nominal ideological fellows. This

lessens the pressure on the communists' pluralistic and economically freer former next-door adversaries. Second,

. . . primary emphasis should be given to strengthening relations with those nations having the widest range of interests and institutions in common with the United States. This includes both advanced and developing societies that permit a sizeable quotient of pluralism to operate, including economic, religious, and intellectual institutions separate in some degree from state dominance . . . [The United States] can and should identify itself most closely with those states that permit pluralism to exist, and hence, show evolutionary potential, politically and in broader social terms. (Scalapino).

This means avoiding "the foolish and dangerous mistake of equating South Korea with North Korea, Indonesia with Vietnam." Third, the future prosperity and relative political tranquility of noncommunist East Asia depends on mutually supporting relations—political and economic—between the United States and Japan. There is great but avoidable potential for conflict between the two powers, much of it inherent in the economic realm and fed by cultural and historical stereotypes and misperceptions: Robert Ingersoll ("Political Aspects of American-Japanese Economic Confrontations") is correct in his assessment that "the establishment of close U.S.-Japanese relations will surely go down as one of the era's truly seminal developments, whose importance can scarcely be exaggerated." These relations cannot be taken for granted by either side; they are poised on the brink at all times and must, therefore, be thoughtfully guided in directions beneficial to the two powers and others in East Asia who indirectly benefit by them. The case is eloquently made by Ingersoll, and also by Jiro Tokuyama ("The New Pacific Era and Japan's Role") and Jusuf Wanandi ("An Asian View of American Policies in Pacific Asia"). Much work remains to be done to prevent potentially disastrous cracks from developing in this U.S.-Japan arch of the Pacific edifice. One wishes that more attention had been given to the role that Australia and New Zealand can usefully play in this region.

A nicely documented and thought-provoking study is contributed by Selig S. Harrison ("China, Oil, and Asia: The Potential for Conflict or Cooperation"). It raises issues that for some time to come will remain at the center of confrontation or accommodation among the nations of the Pacific Basin, noncommunist and communist alike. It addresses itself analytically to the question of competition among big and small powers for access to oil and gas riches of the Yellow, East, and South China seas, and the related resource potential of Soviet Siberia (a theme developed in Whiting's work). It explores the limits to which China will tolerate exploratory activity by others in deep waters and on the conti-

mental shelf. It also reviews the conflicting legal territorial claims of the countries adjacent to the three seas (including Taiwan's claim to represent the whole of China), and makes the interesting and potentially troublesome distinction between oil exploration and oil production. Even now, when China's gunboat capability and drilling capacity are quite limited, large stretches of what is believed to be oil-rich ocean bed have been left unexplored because large multinational companies shun this credible political threat. Harrison's study will be of special interest to students of the law of the seas, but it is equally pertinent to the interests of political negotiators, economists, and military planners.

In general, the papers comprising *Political Change and the Economic Future of East Asia* are optimistic. Even the economists strike an unaccustomed upbeat note. This optimism is supported by a ten-year record of relative political tranquility in the region and a most distinguished economic performance by the region's noncommunist nations. Scalapino warns against overconfidence and urges caution: "the economic variables are favorable . . . however, the broad social and political variables likely to be important determinants of Asia's future are currently much less propitious. In most states, ethnic, religious, and regional relations are making little if any progress toward greater harmony . . . The situation is everywhere precarious, with the potential for strife." The most sanguine essay in the collection—a gem of an article tucked away at the end of the volume—is Thomas O. Paine's "The Impact of New Technology on the Pacific Region." To some social scientists it will read like science fiction, but it is not that at all. Paine is president and chief operating officer of the very real Northrop Corporation in Los Angeles. He draws a fascinating panorama of the awesome promise of work now being quietly done in scientific laboratories. He also reviews the revolutionary labors now in progress on energy, information, space systems, molecular biology, and communications. "If it does become possible to extract fusion power commercially, the earth's energy supply would become essentially limitless . . . If research on protein synthesis is successful, Saudi Arabia might become the world's great bread basket instead of energy producer." History shows that scientists and engineers have solved their "ifs" more rapidly than politicians and economists have succeeded in adapting social institutions to the advance of "hard" science and technology. Paine recognizes the dilemma of accommodating the scientific-technological explosion to the more sluggish transfiguration of human institutions. The use of what is scientifically and technologically possible ultimately depends on what is economically feasible, socially sustainable, and politically manageable. If thrust upon obsolete national, and flimsy international social

structures, the scientific-technological revolution could produce a catastrophe that would make Iran look like a tea party. "The task that we face is the management of technological change, and the management of the resulting social change in ways that will be to our mutual benefit."

Understanding of the complexities, promise, and pitfalls of change in East Asia and the broader Pacific community is advanced by this expertly written volume.

"The Emerging Role of the Soviet Union in East Asia" is a succinct survey by a former higher-ranking defense official, Takuya Kubo. Kubo evaluates the role of the Soviets in terms of the Soviet-proposed collective security system, the impact of the Soviet invasion of Afghanistan, the U.S.S.R.'s military and economic interests, and the relations between the Soviet Union and China. Kubo's analysis is a useful introduction to Allen S. Whiting's consummately executed study of *Siberian Development and East Asia: Threat or Promise?*, which examines the strategic, economic, and political ramifications of current and future Soviet development of eastern Siberia. The book also examines the possible use of foreign (Japanese and American) credits and technical expertise in bringing this monumental project to fruition. The undertaking is gigantic: East Asian Siberia is roughly the size of Brazil and only eleven percent smaller than the United States or China. The cost of building the Baikal-Amur Mainline railway (BAM) has so far consumed nearly one percent of the annual U.S.S.R. investment budget. Over the last decade or so, Japanese loans for the project have come to more than \$3 billion. To construct a liquefaction plant and 3,200-kilometer pipeline that would carry 7.5 million tons of liquefied natural gas (LNG) over the next twenty-five years from the Yakutian fields to Japan and the United States would require (at current prices) a minimum investment of \$4 billion by Japan and the United States. This would be matched by comparable Soviet investment. Over and above that, it would call for the construction of special LNG ships and terminal facilities in Japan and the United States. Even though less than ten percent of East Asian Siberia has been surveyed so far, there is evidence of the availability of very significant quantities of gas, coal, hydropower, oil, copper, iron ore, tungsten, manganese, dolomite, quartz, magnesite, graphite, diamonds, gold, lead, zinc, silver, tin, phosphates, antimony, mercury, minerals associated with space exploration and defense work (tantalum, brucite, columbium, molybdenum), mica, asbestos, and a minimum of 1.4 billion cubic meters of mature timber within easy reach of the BAM. There is probably much more. Soviet geographers, geologists, and economists associated with the major East Siberian research institutes foresee "a steadily growing exploitation of the

region's natural wealth . . . [and] firmly believe this will be of inestimable value to the Soviet economy through both direct domestic utilization and export." These local economists answer hesitations about the efficiency of the investment by arguing that existing pricing and cost computation practices significantly understate the true value of the return on East Siberian investment. Whiting describes these people as being extremely competent: they "live close to their field work and can integrate theory with practical problem solving in relative freedom from the bureaucratic and political atmosphere of Moscow."

The materialization of the great potential of East Siberia is impeded by three factors: nature, technology, and political economy. Temperatures range from an occasional summer high of 100°F, to winter windchill readings of -193°F. Winter temperatures of between -50°F and -70°F are standard. Permafrost extends from about one meter below the surface to depths of more than 400 meters. Much of the permafrost consists of alternately frozen and unfrozen layers of earth with ground water continually or periodically circulating through it. Permafrost occurs either as a permanently frozen mass with islands of thawing ground around it, or as thawing ground with islands of permafrost. Either way, it presents formidable challenges to construction engineering and to industrial and agricultural activity. Of a surveyed 3,000 kilometer stretch of the BAM between Ust-Kut and Komsomolsk, more than one-third was found to be unsatisfactory for engineering. Some parts of the line are prone to earthquakes of eight or more on the Richter scale, and flooding, landslides, mudflows, avalanches, and icing are year-round perils. Whiting's study concludes that neither Soviet technology nor the Soviet economy is presently capable of overcoming the natural obstacles and their associated costs. Unless credit is extended and technology transferred by Japan and the United States, "the opening of East Asian Siberia's natural resources will not occur in this decade, and may not be achieved in this century."

The backward state of much of Soviet technology compared with the West is one of several consequences of the Soviet political-economic system—a system characterized by obsessive secrecy, rigid hierarchies, ministerial compartmentalization, and a cancerous bureaucracy that proliferates at impressive rates. The difficulty experienced by the planners in recruiting and retaining the needed labor force in Eastern Siberia by the use of economic incentives is another illustration of bureaucratic inefficiency. Wage rates in Eastern Siberia have been raised significantly above those prevailing elsewhere in the country. However, the economic system is unable to provide the appropriate consumer goods, services, and decent housing on which these higher earnings could be

spent. In Eastern Siberia, as elsewhere in the U.S.S.R., everyday amenities are in short supply. Whiting describes the Soviet decision-making process in Chapter 7. He stresses lobbying and the leverage exercised by regional interests as: "competing demands and the consequent jockeying for funds among provincial [Party] secretaries." This bureaucratic competition is overstressed, with a parallel understatement of the totalitarian component of the bureaucratic decision-making model. Notwithstanding the provincial secretaries' local loyalties, to them as to other beneficiaries of the *nomenklatura*, all good things come from on high, as do all punishments. The secretaries' primary responsibility is upward toward their superiors rather than downward to their less influential constituents. The system is resistant to change (technical innovation from below included) and this is so despite the regime's widely proclaimed intent to the contrary. The system is, indeed, one of "vertical arbitrariness by central ministries plus horizontal intervention by provincial secretaries." However, within each province, the first secretary "exercises supreme control over the local economic empire." In other words, "vertical arbitrariness" is reproduced at the local level.

In this respect Whiting's analysis is somewhat lacking. A major reason why Soviet technology is unable to resolve East Siberian problems on its own, and why Soviet budgetary allocations and bank credits are not enough to develop the area at the desired pace and to the desired level, is that the Soviet decision-making system is inherently flawed. This fact should be taken into consideration when discussing whether or not American credits and advanced technical know-how should be committed to this faulty social enterprise. Whiting suggests that Japanese and United States cooperation in providing big money and first rate expertise will tend to encourage and strengthen those forces within the Soviet system that perceive the need for a thorough overhauling of the neo-Stalinist decision-making engine. An American specialist on the Soviet economy is quoted to the effect that "regional development of modernization projects in Siberia may draw resources from the scarce pool of quality products and manpower usually reserved for the military, and reliance on western technology and systems may reduce the traditional role of the Party and the bureaucracy in planning and management" (p. 235). The point is pressed more broadly by Marshall Shulman, special adviser in the Carter Administration. Shulman, however, qualifies his hypothesis regarding the future Soviet leadership's capacity for western-style systemic modernization by noting that "such a development cannot be now predicted." Twenty years of technological imports and a huge accumulation by the Soviet Union of debts to the West have not thus far justified the belief. The imminent "wholesale

generational turnover at the upper levels" of the Soviet decision-making hierarchy may perhaps result in a fundamental philosophical and operational change. Then again, it might not.

One cannot help but have doubts about the ability of political analysis—even thorough and objective analysis such as Whiting has given—to pierce the uncertainty that surrounds the decision-making process in the U.S.S.R. and arrive at a reasonably accurate assessment of trends. Despite fine work done in this field in the West, all that really can be done is to draft alternative scenarios and examine probable options. This exercise is useful in reducing ignorance, but it leaves the basic policy questions unanswered.

Brezhnev's successor may reorder economic priorities to the detriment of East Asian Siberia, BAM may encounter greater costs and problems than anticipated, the exploitation of West Siberia could preempt investment funds or an ability to induce necessary migration without inordinate incentives, and service costs may prompt planners to look elsewhere for resources On the foreign side, the political environment may change, the degree of foreign participation may fall short of expectation, or the international market may prove inadequate to justify the effort Japanese capital may find more promising ventures elsewhere or be dissuaded from continuing by an American refusal to take part in Siberian development. Competitive suppliers in the Pacific basin or a prolonged slowdown in economic growth abroad may shrink the demand for Siberian resources below the point of profitability for high-cost exploration and extraction projects Not all of these factors are subject to systematic analysis, much less to forecasting their future evolution. Soviet leadership changes are unpredictable as are world market conditions In short, Siberian development . . . is subject to the dynamics of Soviet decision-making, which themselves are a function of internal and external inputs and influences Forecasting is a hazardous art, but one that can be useful to the extent that it takes account of all intervening variables. (pp. 182-83, 222).

Unfortunately *all* intervening variables cannot be taken into account (*e.g.* a possible Soviet intervention in Poland is not even mentioned). Thus, the analysis of those variables that are taken into account leaves one better informed, but unsatisfied. Of course, Whiting is aware of this: "Projections are not predictions. They cannot take into account all the intervening variables and manifold fluctuations that can affect developments over a twenty-year period."

Whiting's investigation does bring in a host of variables and it examines them lucidly with a commendable economy of words. It lists the known geological, geographical, and demographic data, dissects what we know of the Soviet decision-making process in

both internal and international settings, and looks at the strategic implications of East Siberian development and the meaning of that development as perceived by Tokyo, Beijing (Peking), and Washington. The view from the first two is more positive than from Washington. With many a caveat about our meager knowledge of Soviet decision-making processes, the uncertainties inherent in political and economic projections, and the elusiveness and multiplicity of variables, Whiting offers some key points about the alternative American policy options. His conclusion is that East Asian Siberia's potential contribution to Pacific and global needs "plus the saliency of potential energy resources and the consideration due Japanese interests, combine to justify presidential and congressional action to free Export-Import Bank credits and to liberalize the licensing of technology transfer for EAS development. This would permit the final decision on participation in specific projects to be made by American entrepreneurs on the basis of technical feasibility and economic profitability."

Before accepting or rejecting this position, the reader might want to familiarize himself with parallel research carried out by the Association of American Geographers (Project on Soviet Natural Resources in the World Economy), from which several discussion papers are available. Another symposium, carried out for the Council on Foreign Relations under the direction of Donald Zagoria, is also relevant. Whiting acknowledges both these studies. His own contribution stands witness to scholarship of a high order, and his perceptive analysis makes a significant contribution to rational understanding of an important subject.

Kim Woodard's *The International Energy Relations of China* is the most detailed and all-embracing study of the subject to date. The colossal task (627 pages of text, almost 100 tables, 57 pages of notes, a 10-page bibliography) was completed about 1978, the end result of five drafts and seven years of research and writing. Much statistical information on energy production (but not reserves) has been released by the Chinese authorities since 1978; Woodard is now preparing a statistical update of the various tables in his book and expects the job to be completed soon. This is a book for specialists on energy problems, the Chinese economy, and international relations. Even the specialist will read the book as one reads reference works. The title is carefully chosen and scrupulously adhered to in the text. The subject is a centrally-planned, industrializing, populous economy endowed with what is believed to be a large energy potential, certainly in terms of coal, gas, and hydropower, perhaps less so in oil (although the results of offshore explorations might change the picture drastically). The thrust of the analysis focuses on international energy relations rather than individual energy industries and national energy development. In

this respect, this otherwise excellent analysis is perhaps a little cursory. Not enough attention is given to institutional mechanisms of China's economy that favor or obstruct the development and marketing of energy sources. The study covers all major energy sources, rather than a single energy industry such as petroleum. "It is a basic premise of the analysis that energy policy cannot be fully understood by reference to a single energy industry or to trade in a single energy commodity." This is an important point relating to the interchangeability of energy sources, one that is frequently ignored in specialized energy studies. Finally, the book deals with energy relations between China and all other countries and regions of the world, special emphasis being given to the geographically proximate East Asian region (Japan in particular).

The work falls into two parts. Part I discusses China's energy policies toward the Third World, the state socialist and western industrialized countries, and Asia. The last three chapters of Part I deal with China's domestic energy development in comparative perspective, including the Daqing oil fields and China's future energy policies. Part II of the book consists of a statistical profile of China's energy reserves and resources, alternative estimates of production (primary and secondary energy), consumption (aggregate and per capita), trade by commodity and country, and energy plant and equipment imports. The final chapter contains alternative energy balance projections based on a very thorough projection model with three basic sectors: energy production, consumption, and export. On balance, given the domestic energy consumption needs of a very populous industrializing country, the outlook is not promising. The difficulties experienced thus far of paying for and putting to use advanced exploration and production technology, the recent sluggish performance at Daqing, and the bottlenecks hampering the coal industry are not heartening. Even relatively optimistic projections of China's energy export potential through the year 2000 are not encouraging. A baseline projection (based on an assumed 3.5 percent annual GNP growth rate) shows energy exports peaking at 50 million tons of oil equivalent around 1984—a drop in the world energy trade bucket. Shortly thereafter China is likely to turn into a net energy importer. The baseline projection for oil output in 1980 was 112 million metric tons (actual output: 106 million metric tons). The projected output of coal in 1980 was 624 million metric tons (actual output: 620 million metric tons), while the natural gas output projection for 1980 was 65 billion cubic meters (actual output: 14.3 billion cubic meters).

Woodard correctly notes that "the control and management of China's basic industries have not, and probably will not, slip out of domestic hands in the foreseeable future. A substantial

proportion of the new industrial infrastructure over the next twenty years will be built at home, using domestic capital, technology, and labor. Priority in the use of resources, especially energy resources, will continue to be channeled to domestic requirements rather than to exports. The term 'self-reliance' may disappear from the Chinese political lexicon, but the reality will remain."

