

The Economic Growth in the Asia-Pacific Region : With Emphasis on Australia

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Introduction

A lot is said and written these days about the so-called "Pacific Basin Economy", of the Asia-Pacific Region and of "the Pacific Century". Yes, many contend and herald that the Pacific is now the very centre of world economic activity.

In this article I will briefly explain what is usually meant by the Asia-Pacific Region and outline more significant recent economic developments in the area. This will be followed by a few more specific comments about the Australian economy in the Pacific context.

Towards the Pacific Basin Economy

In a broader sense the *Asia-Pacific Region* or *Pacific Basin* comprises the following: the developed market economies of Australia, Canada, Japan, New Zealand and the United States of America; the newly industrializing countries of Asia, i. e. Hong Kong, South Korea, Taiwan and Singapore; Asean members, namely Brunei, Indonesia, Malaysia, Philippines, Thailand (at times Singapore is also included in this group); all Pacific Island countries, such as PNG, Fiji etc.; the Pacific Ocean nations of Latin America; and the centrally planned economies of China, the USSR, North Korea, Kampuchea, Laos and Vietnam.

Here I shall concentrate mainly on the first three groups of countries as they have played the more significant roles in the Asia-Pacific economy.

Indeed, as far as the size of total GNP is concerned, it were the five high income countries that have dominated in the last few decades the economic activity in the Pacific Basin. Yet, their position has somewhat declined in the recent years due to the faster growing economies of the NICs as well as Asean. Japan, though,

continued its remarkable economic expansion, both in volume and growth rates terms.

As can be discerned from Table 1, it was the U. S. A., Western Europe and Australia which lagged persistently behind the economies of East Asia. The growth of "four tigers" has been especially phenomenal in both periods. Japan deserves here further mention : while she accounted around 1970 for merely 5 per cent of world production and the U. S. A. for more than a quarter, in 1988 the shares were 13 per cent and 20 per cent respectively. (N. B. : total world GNP is currently estimated at US\$25 trill.).

Table 1 Average Annual Real GDP
Growth Rates (Selected
Countries/Groups ; In Percent)

	1970-79	1980-89
U. S. A.	2.8	2.6
Japan	5.2	4.2
NICs (4)	8.0	5.5
Asean (4)	6.5	4.0
W. Europe	3.3	2.1
Australia	3.8	3.1

Source : Calculations based on IMF
and OECD data ;

It is not the aim here to go into detailed description and analysis of how each and every Pacific country performed. Suffice it to say that the two "oil shocks" prompted Japan, the NICs and to a lesser extend Asean nations (McColl & Mozina, 1984, p.10) to embark on restructuring of their economies. There was a renewed export drive in which more emphasis was placed on high technology and information-intensive industries.

These economies have for many years depended on the U. S. A. and European markets. However, this pattern has been altered somewhat in the last few years due to dramatic rise in intra-East Asian trade. In turn this lead to a higher level of economic interdependence and to a new dimension of dynamism throughout the Pacific.

In fact, a number of East Asian countries and, specifically Japan, were *too successful* in their international economic pursuits. The nexus between prudent investments, creative innovations, productivity and international competitiveness is here most evident. Japan has amassed trade surpluses, particularly with the U. S. A., that are quite embarrassing. This is very clearly depicted from the enclosed graph

on current account balances among economically advanced nations. Similarly, Japan provided in recent years the bulk of investment funds to the USA and other parts of the Pacific. The NICs, too, have been emulating her in this regard.

The Australian Economic Position

The world is now entering into the formation of special trading arrangements (e. g. USA/Can, EEC). In the Pacific Basin we too have witnessed growing economic exchanges. Namely, most countries in the region transact over two thirds of their trade with each other. Moreover, the percentage trade with each other is almost twice as large as their respective share of world trade. Therefore it is not surprising that there were made proposals of co-operation within the area in order to promote the flow of goods, services and investments as well as more orderly coordination of economic policies.

Australia has been at the forefront for establishing such a Pacific economic body. In the 1960s two organizations were created : Pacific Basin Economic Council at the initiative of businessmen ; and Pacific Trade and Development Conference (later to be known as The Organization for Pacific Trade, Aid and Development) at the instigation of various academics and researchers (Drysdale, 1987, p.10). At a meeting in Canberra in 1980 a Pacific Economic Co-Operation Conference was formed, this time also with government representatives. The main aim of the PECC is to encourage the expansion of trade, investment and technology as well as promoting the awareness of the ever increasing inter-dependence among the Pacific economies. There is now a serious move to upgrade the PECC into some sort of Pacific OECD.

The lion's share of Australia's trade (ABS, Cat.5422, various) in the last two decades or so has been with the other Pacific Basin countries. The proportion of exports was between 60 and 70 per cent and for imports between 50 and 60 per cent. On exports side the major destination was Japan (more than a quarter of the total) followed by the USA, the NICs, Asean, NZ and China. As for Australian imports the principal sources have been the USA, Japan, the EEC (the 12 members), followed by the NICs, Asean, NZ and China.

Australia is now experiencing, however, pronounced deficits on current account, which in turn add to our foreign indebtedness and associated economic ills.

Figures in Table 2 clearly show Australia's abysmal failure in maintaining its

Table 2 Shares in World Exports* (In Percent)

	1950	1970	1988
Australia	2.8	1.6	1.2
Nth. America	22.3	20.2	15.7
E. E. C.(12)	28.8	40.1	39.4
Japan	1.4	6.6	9.8
NICs (4)	2.9	2.0	8.3
Asean (4)	4.1	1.6	2.3
China	0.9	0.8	1.8
East Asia Total	9.3	11.0	22.2

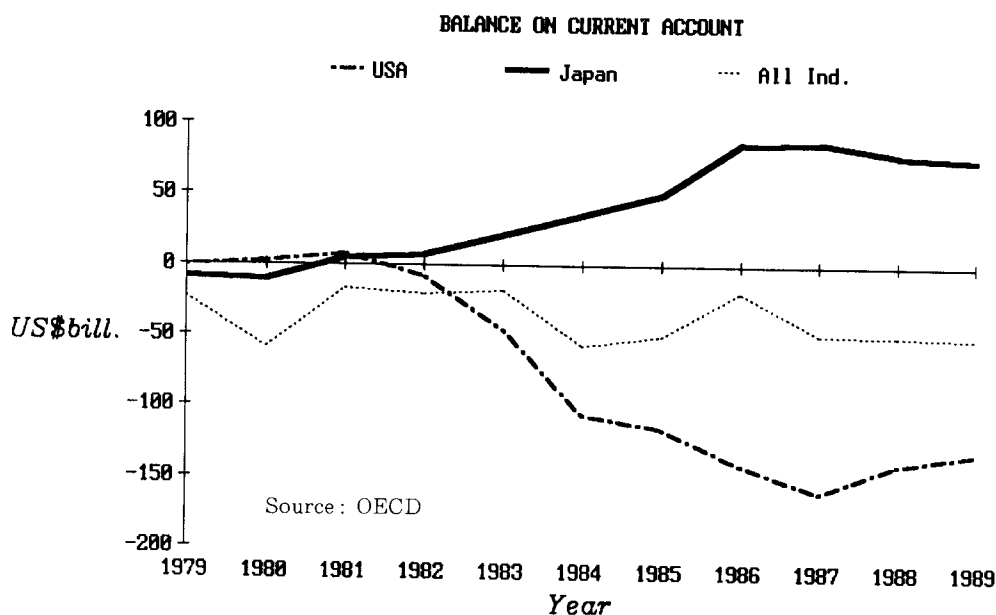
Note : * includes intra-group trade ;

Source : Based on IMF and various national data ;

share in global exports. From close to 3 per cent in 1950, we dropped to about 1 per cent currently. On the other hand, all East Asian economies increased their shares substantially since 1970. The NICs portion rose some four fold, gradually approaching the position of Japan.

No doubt, Australia needs to re-orientate its economic policies and adopt strict structural reforms. Export markets need to be recaptured and new one cultivated. There should be more emphasis on high value-added manufactures and sophisticated services, such as travel, education, health, consulting, etc.

Agreed, Australia is still rather shy and inward looking country (Hughes, 1988,



p. 190) and slow in seizing new opportunities in the booming economies right at our doorstep. Fortunately this has been recognized. With further enlightened government policies and more enthusiastic private endeavours, this can be redressed. For Australia has no other choice but to enmesh itself in the growing, exciting Asia-Pacific Region.

Concluding Remarks

The Pacific region contains the world's economic superpowers: the USA and Japan. They are complementary in markets, technology and investment flows. The NICs, Asean members as well as China are engaged in determined effort of enhanced economic development.

In such a vast, varied and dynamic area there is a need for closer consultations and more coherent economic cooperation. Hence the proposal to create some sort of Asia-Pacific OECD. The recent high level Canberra APEC discussions are a positive step.

The world is now moving towards new trading bloc arrangements; more trade frictions, currency problems, debt difficulties and financial storms (Daly & Logan, 1989, p. 225) can thus be foreseen.

In these circumstances it is prudent for Australia to co-operate even more comprehensively, consistently and harmoniously with the fast growing economies of the Pacific Basin. It will be, decidedly, to her credit.

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