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Guy J. Pauker

January 1981

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MANAGED INTERDEPENDENCE: SOME LIMITS

Guy J. Pauker

The broadening of human consciousness is a slow process. As Karl Jaspers pointed out a generation ago, universalism was first perceived during the "axial period" from about 800 B.C. to 200 B.C., when almost simultaneously and probably independent of each other the major schools of Chinese philosophy were developed, India produced the Upanishads, Buddhism and explored all modalities of philosophical interpretation, while in Iran Zarathustra viewed the world as a struggle between good and evil, the Hebrew prophets thundered in the Holy Land, and Greek thinking progressed from Homer to Plato, Thucydides and Archimedes.

Yet, twenty-five centuries later, the world is still plagued by tribal wars, ethnic conflicts and xenophobic nationalism. It is therefore remarkable that in one short decade, the 1970s, the concept of global and regional economic interdependence has gained fairly wide recognition among specialists in foreign affairs and that proposals such as those concerning the creation of a Pacific Community receive attention in some governmental, business, and academic circles. Necessity as well as the rapid pace at which ideas circulate by jet and satellite makes it plausible to assume that it will take less time to develop practical means for the management of economic interdependence than it took for the 18th century ideas of the Abbé de Saint-Pierre, Immanuel Kant and other visionaries to germinate as the present United Nations.

But it is doubtful that a bold new approach will materialize early enough to ease the growth pains that the Pacific region will experience in the 1980s. The record of several years of consultations, both official and informal, ranging in scope from bilateral to global, conveys distinctly the impression that the magnitude and complexity of current issues overwhelm the analytic and managerial capacity of the present generation of national leaders. Eventually, men and women with different skills and outlooks will emerge and new methods for their selection will evolve, but the transition from the obsolete

practices of the present to the patterns of government that the future will require will be painful, at best.

Of course, if promise and fulfillment were to be scored on a scale, not all governments have been failures. But it is obvious that no system of government, nor its underlying socio-economic doctrine, deserve homage as a reliable cure to the ills afflicting humanity. The tragedy of the human condition is compounded by the wasteful and misleading disputes between the zealous or disingenuous champions of various spurious remedies. Yet, it is hard to believe that the revolutionary transformations that have improved the lives of common people in some countries in the last two centuries will not spread eventually to all humanity, even though our generation may be unable to perceive the paths these changes will have to follow.

Piercing into the immediate future should be a sobering exercise to all those willing to assume the burdens of leadership. In the Asian countries filling the space from Afghanistan to Japan one billion people will probably be added by the year 2000 to the two-and-a-half billion currently living in that part of the region. With few exceptions, which are likely to be temporary, most of those countries import a substantial part of their energy requirements, as well as a significant fraction of their food consumption. The situation will get worse in the next two decades. Two years ago I estimated that, using conservative assumptions, by the year 2000, the five ASEAN countries would have to import from outside the region about seven million barrels of crude oil daily. This is close to the amount currently imported by the United States.

I cannot think of financial arrangements that would allow the five ASEAN countries to import oil in such quantities or to develop in time alternative sources of energy that would satisfy their projected demand. ASEAN includes at present the two major oil exporting countries in the Western Pacific, Indonesia and Malaysia. But unless statistically unlikely finds of giant oil fields occur in those two countries, exports and domestic consumption will have exhausted their recoverable oil reserves before the year 2000.

The only other major potential oil exporter in the Western Pacific is China. Estimates of its recoverable onshore and offshore reserves vary from a conservative 20 billion barrels to an optimistic 100 billion barrels. Even the higher figure is not comforting if one relates it to the needs of a billion people who are still in the early stages of modernization and will need substantial amounts of petroleum products to increase their agricultural production, industrialize, expand their transportation system and provide for possible military contingencies. Whatever the intentions of her economic managers, China will be unable to sustain a substantial amount of oil exports for more than a few years, unless plans for meaningful modernization are abandoned.

The C.I.A. estimates that in 1978 China exported 270,400 barrels of crude oil per day, of which 24,000 b/d went to the Philippines, 15,000 b/d to Thailand, 27,000 b/d to Hong Kong, and 155,400 b/d to Japan. In 1979 total exports of Chinese crude oil increased to 338,300 b/d, of which 24,000 b/d went to the Philippines, 19,000 b/d to Thailand, 57,000 b/d to Hong Kong, and 158,300 b/d to Japan. There are rumors that the sales to the Philippines and Thailand may have been at concessional prices, but China is clearly not in a position to satisfy the needs of its neighbors for petroleum products.

Similarly, Indonesia has sold in the last three years crude oil to the Philippines at the rate of 28,000 b/d in 1977, 31,000 b/d in 1978, and 22,000 b/d in 1979. In each year, the amount represented 2.0 percent of total Indonesian crude oil exports. More recently, Thailand may have purchased comparable amounts from Indonesia. Apparently Indonesia does not sell crude oil to its ASEAN partners at concessional prices, despite her often-proclaimed commitment to a policy of strengthening "regional resilience." Like the other oil-importing countries in the Pacific region, the Philippines and Thailand depend primarily on the Middle East (defined here as including Iran but not North Africa). In 1977, according to United Nations statistics, out of total crude petroleum imports of 9,530,000 metric tons (190,000 b/d), the Philippines purchased 74.5 percent from the Middle East. The same year, Thailand imported 8,200,000 metric tons

(164,000 b/d) of crude petroleum, of which 83.6 percent came from the Middle East and South Korea imported 20,740,000 metric tons (414,800 b/d) of crude petroleum, all of which came from the Middle East. Even Japan, despite special efforts to diversify her sources of supply, purchased 78.5 percent of the 240,480,000 metric tons (4,809,600 b/d) she imported in 1977 from the Middle East. India, importing 14,210,000 metric tons (284,200 b/d) in 1977, a modest amount for a country of her size, obtained 88.3 percent of that amount from the Middle East.

Obviously, with regard to economic relations between the Middle East and the oil-importing countries of Asia and the Pacific, the term interdependence is a misnomer. The countries of the Middle East can draw on the industrial capacity and manpower resources of the whole world and pay for goods and services in convertible currencies. The oil-importing countries of Asia and the Pacific are vitally dependent on Middle Eastern oil and may find it increasingly difficult to pay for oil imports under conditions of global economic recession and growing protectionism in the developed countries.

Prospects appear even gloomier if the region's increasing dependence on food imports is taken into account. The Second Asian Agricultural Survey of the Asian Development Bank, released in 1977, concluded that ten of its Asian member countries (not including China), which had a shortfall of less than 8 million metric tons of food grains in 1972 will have a deficit of 46 million metric tons in 1985, because the "green revolution" will not be able to raise agricultural output in those countries at a faster rate than population growth. While the major grain producers of the world--the United States, Canada and Australia--may be able to produce the amounts of food grains needed to fill that deficit, the food-importing countries will not be able to earn the foreign exchange needed to pay for their food imports, in addition to their energy imports, besides the capital goods needed for economic growth and the servicing of the debts they have accumulated abroad in the past.

Extrapolating from current trends in the developed countries of the Pacific region, especially the United States, Japan, and Australia, there are no indications that the creation of a Pacific Community

would provide remedies--other than perhaps better statistical and analytic documentation of the plight of the developing countries. Having to cope with inflation, unemployment, and the necessity to pay for their own energy imports themselves, the advanced countries will find it politically impossible to provide more than limited assistance to their poorer neighbors, unless their whole outlook on global problems changes.

Asymmetrical dependence on Middle Eastern oil has made it difficult even for Japan and Western Europe to close ranks with the United States in support of principles of global order or to sustain regional balance in the Persian Gulf. The developing countries of Asia, with different and sometimes divergent interests, will find it even more difficult to form a common front in order to oppose energy prices dictated by the oil-exporting countries of the Middle East. Their bargaining power would not be strengthened by common action as consumers but only--perhaps--by the development of alternative energy supplies. These could be either petroleum products from other areas than the Middle East or energy from other sources. In the short run at least neither option looks promising.

Mexico, the country in the Pacific region with the greatest surge potential, has adopted a policy of limiting oil production so as to avoid the misallocation of resources experienced by other oil producing countries. Everywhere, the development of alternative sources of energy, including coal, nuclear power, hydroelectricity and the utilization in various ways of solar power is mobilizing the support (or opposition) of various interest groups and snowballing professional consultations among specialists. These activities will, at best, satisfy a fraction of total energy demand by the end of the century, without reducing dependence on oil significantly.

Are we fated to witness helplessly a major systemic breakdown of industrial civilization and regression of the developing countries to patterns of existence which are no longer viewed as compatible with human dignity? Will future urban agglomerations of tens of millions of poverty-stricken masses make life more nasty, brutish, and short than even the imagination of the most tough-minded political philosophers

could anticipate? If gas chambers, Gulags, Hiroshima, Vietnam, famines and terrorism within the experience of one generation have not provided the shock treatment needed to carry the elites beyond ritualistic recitations of concern for the welfare of the masses, then the threshold that will have to be reached to broaden human consciousness is fearfully high.

The 1970s produced not only the concept of interdependence, and empirical evidence that all prevailing socioeconomic doctrines are technically obsolete and politically irrelevant, but also the first disciplined analytic attempts to view global problems comprehensively and to formulate pragmatic solutions. Opinions differ with regard to the methodological and judgmental qualities of these various efforts, but the emerging conclusion is that the search for a different global order is not the quest of latter-day alchemists, but a rational attempt to achieve meaningful results through relatively minor structural changes utilizing only intellectual and material resources currently available to humanity.

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