in the Vietnam War and the apparently successful North Vietnamese "Tet Offensive" as a pretext, Kissinger outlined a policy for U.S. military decoupling from the Pacific Basin—which had its first application through the so-called "Vietnamization" program.

At the end of the Vietnam War, this Kissinger policy became a full-scale retreat of U.S. ground forces from Southeast Asia—a development which sent shudders throughout the region. With the advent of the Carter administration the retreat became a rout, as the deployment of U.S. naval forces in the region was further scaled down. The threat of a catastrophic drain on U.S. naval and tactical air support from the region further escalated during 1977-80 when the focus of Soviet imperial ambitions shifted from Southeast Asia to West Asia and the Persian Gulf. The collapse of the Shah's Iran, following the Soviet move into the strategic Horn of Africa in 1977, led to the drawing-down of what remained of the U.S. Seventh Fleet in East Asia. United States military fixation on the Gulf and the security of oil flows intensified by 1980 with the Soviet invasion of Afghanistan and the initiation of the Iran-Iraq War.

But even prior to the Soviet military breakout in West

East Asia's rapid rate of economic growth

From 1970 to 1981, average annual Gross Domestic Product (GDP) growth rates in East Asia ranged from 6.2% for the Philippines to 9.9% for Hong Kong. During that same period the Japanese economy showed a 4.5% growth rate—compared to 2.9% for the United States and lower rates still in Europe. In fact, when Europe's GNP dropped 0.2% in 1981, East Asia's GNP rose 5.8%, and in 1982, among middle-income oil importers, Pacific Basin countries showed an increase in GDP of 4.2% compared to 1.2% in Latin America and the Caribbean.

These high rates of growth had a dramatic impact on world trade flows, which increasingly gravitated toward East Asia and the Pacific Basin. In the 1950s, Great Britain accounted for 40% of Australia's trade; by the early 1980s, it accounted for only 4%. For the first eight months of 1983, total trade between the United States and Asia amounted to $82.1 billion—higher than U.S.-European trade which only accounted for $73.5 billion. Finally, by the early 1980s under conditions of recession, 50% of trade conducted by Basin countries was carried on *between* Basin countries.

These rapid growth rates have been largely the result of growth patterns generated in the Japanese economy since it first entered a period of intense mobilization as a direct result of the Korean War, and then again as a result of investment decisions taken during the early 1960s income-doubling plan. The rebirth of a Japanese heavy industry base was first facilitated by Korean War demands. The modernization and expansion of this base followed in the 1960s. This momentum has made Japan the world's second-largest economy.

Critical in this Japanese effort has been the maintenance of extremely low domestic interest rates supported by a high rate of savings. These low interest rates, function in many instances as government-directed channeling of private banking system credit into industry, are the inner financing mechanism propelling sizable Japanese growth rates in tangible goods production. To ensure this process, the Japanese authorities have, until recently, kept foreign financial interests out of their domestic financial markets for fear that outside intervention could drive up domestic interest rates and destabilize production momentum. In addition, such intervention would drive up the value of the yen, thus making Japanese exports more expensive.

These growth rates in Japan have, during the course of the 1960s and 1970s, spun off into the South Korean and Taiwanese economies, both of which have adopted the Japanese economic model.

Finally, the Basin has received an additional economic boost from the West Coast of the United States; while productivity in the United States has stagnated since 1979 and previous productivity gains in the late 1960s and the 1970s were wiped out by inflation, the weight of decline heavily concentrated itself in the industrial Midwest and East Coast. West Coast growth rates have been higher, due to concentration in the computer, aerospace, and energy industries. This West Coast growth has created a trading base for other nations in the Basin.

Thus as a result of the Japanese growth shock wave, the U.S. West Coast investment boom, and the development of the smaller but important Taiwanese and South Korean economies, an increased demand for raw material exports from the ASEAN countries—particularly Malaysia and Indonesia—had been generated. These same pressures propelled the raw materials-rich Australian economy into this Basin dynamic. This process of development was able to weather both economic and military shocks of the 1970s.