

AN ASEAN PERSPECTIVE ON APEC

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Ministers of trade and foreign affairs from twelve nations of the Pacific Rim gathered in Canberra in November 1989 to discuss trade liberalization and closer regional cooperation in such specific areas as investment, technology transfer, and manpower training and to plan a new organization that they hoped would shape the future of the world's most dynamic economic region, embracing 1.9 billion people whose combined economies accounted for 24% of world output.¹

Early Tensions in APEC

The conference, the Asia-Pacific Economic Cooperation (APEC) forum, first conceived and then proposed by Australian Prime Minister Bob Hawke, was an important step for the open multilateral economic trading systems of the world. These, as Hawke pointed out in his inaugural remarks, were being threatened by an emerging European Union and the advent of a US-Canada Free Trade Area (later known as the North American Free Trade Area, NAFTA).² The key role APEC could play would be to strengthen the fight against the global protectionism evident in the negotiations then being carried out within the General Agreement on Tariffs and Trade (GATT). Hawke was emphatic on this point: "Let it be clearly understood that we do not meet here today with any hidden agenda to create some sort of Pacific trading bloc."³

Every participant nation had its own ulterior motives and felt some apprehension about attending the conference. While welcoming the meeting, Japanese government officials of the Foreign Ministry and the Ministry of International Trade and Industry (MITI) were divided over the effect of APEC upon Asian nations and the United States. Foreign Office officials were very sensitive about Asian reactions to any joint Japan-US economic initiative in the region; they were afraid other Asian nations would suspect that Japan and the United States were attempting to dominate the region with their military and economic power. Therefore, they had to be more cautious than MITI officials. The latter were anxious to establish a multilateral trade system in the Asia Pacific Rim so that they could hold down the United States to this anchor of free trade and counter US trends toward a trade policy that had become predominantly bilateral, as manifested by the legislation of Art. Super 301 of the Comprehensive Trade Act.

The United States showed considerable interest in APEC as a cooperative organization and wanted, as Secretary of State James Baker said, to "make the most of it for the interdependence of the Pacific Rim."⁴ US officials saw the emergence of APEC as symbolizing "a

¹ The twelve nations were the six ASEAN nations, Australia, Canada, Japan, Korea, New Zealand, and the United States. Originally, Canada and the United States were not to be included, but at the last minute an invitation was extended to them.

² *Japan Times*, 7 November 1989.

³ *Ibid.* 4, 6 November 1989.

⁴ *Asahi Shimbun*, 31 October 1989.

decisive swing of economic power away from the Atlantic to the Pacific,” and they wanted America “to be part of the future.”⁵

For the United States, promoting the economic development of the region would help divert the exports of the Newly Industrializing Economies (NIEs) to other countries, thus reducing its unfavorable trade imbalances with them, and would also help deal a diplomatic trump card to be used in talks with the European Community (EC) on a controversial agricultural policy. Furthermore, Washington hoped, by organizing the framework for regional cooperation, to maneuver the Uruguay Round to its advantage against an integrated EC. Last but not least, the United States considered trade, especially the opening of the Japanese market, to be of key importance, and believed that a new Asia Pacific organization could be a useful vehicle for achieving its goals.

The Association of Southeast Asian Nations (ASEAN), on its part, expressed concerns about a new body that might usurp its own role in regional economic cooperation. It was also apprehensive of an APEC dominated by Tokyo and Washington and capable of undermining ASEAN's *raison d'être*. Indonesian Foreign Minister Ali Alatas, chairman of an ASEAN committee on a new regional forum, expressed this concern by saying that use of the existing ASEAN as the basis for an expanded organization would be the best way to explore more effective means of economic cooperation.⁶ Only after Japan and the United States assured ASEAN leaders that neither Tokyo nor Washington would ‘seek to dominate’ the organization and that it would move slowly with all decisions ‘made by consensus,’ were the fears of ASEAN substantially allayed.⁷

Despite the diversity of cultural backgrounds and stages in economic development among the members, APEC's first meeting was fairly successful and resulted in a joint statement (1) supporting the role of ASEAN in strengthening economic cooperation in the Pacific region and the role of the Uruguay Round in opening a multilateral trade system and (2) endorsing the proposal that Singapore and South Korea host APEC meetings in 1990 and 1991, respectively.⁸ The Canberra meeting, however, postponed a decision on whether to invite China, Taiwan, and Hong Kong to join.

Ministerial APEC conferences held in Singapore, Seoul, and then Bangkok in 1992 resolved to support the complete and early conclusion of the Uruguay Round and to invite China, Taiwan, and Hong Kong to APEC. The Fourth Ministerial Conference in Bangkok created the Eminent Persons Group (EPG) consisting of 11 members and chaired by Fred Bergsten, director of the Institute of International Economics, a Washington-based think tank. APEC asked the

⁵ Ibid., 6 November 1989.

⁶ Ibid., 7 November 1989.

⁷ *Japan Times* 6, 16 November 1989.

⁸ Indonesian foreign minister Alatas emphasized that APEC should not be made into a permanent institution.

group “to enunciate a vision for trade in the Asia Pacific region to the year 2000” and “to identify constraints and issues which should be considered by APEC” in that context.⁹

The East Asia Economic Caucus

Holding conferences in the three Asian capitals was an indication that Asian nations wanted to retain their leadership and voice in the management of the organization. In 1991 APEC discussed an agenda item initiated by the Malaysian government on the East Asian Economic Group (EAEG). EAEG, later changed to the East Asia Economic Caucus (EAEC), was proposed by Malaysian Prime Minister Mahathir Mohamad in December 1990. At a reception honoring Chinese Prime Minister Li Peng, who was visiting Malaysia, Mahathir expressed his concern about what he called “an unhealthy trend of Euro-American economies forming into a bloc” which would be “an impediment to just and fair trade”; he had become convinced that it was imperative for Asian nations to organize their own economic bloc in response. Mahathir was motivated to propose the EAEG initiative by his disappointment over the failure of Uruguay Round negotiations at Brussels to reach agreement on agricultural products, which raised the possibility of (1) a reckless resort to unilateral retaliation by invocation of Art. Super 301 and (2) an expansion in managed trade.¹⁰ A country like Malaysia, which lacks infrastructure, trained manpower, and technology and depends upon export trade, was very vulnerable to the formation of an economic bloc entailing protectionism.

Malaysian government officials launched a campaign to persuade ASEAN to endorse the EAEG initiative,¹¹ and it received broad support from ASEAN, China, and even Mexico at the Eighth Pacific Economic Cooperation Conference held at Singapore in May 1991. It also received support from ASEAN’s enlarged conference of foreign ministers held at Bangkok in July (by which time it had changed its name to EAEC).

Originally APEC itself started as a regional organization with the goals of strengthening and expanding the region’s multilateral free trade against the emerging EC bloc. The Seoul meeting confirmed these principles. APEC would have been sufficient if Mahathir had been opposed merely to the EC bloc, but what he had in mind was an EAEC quite independent of APEC and keeping out the United States, Canada, Australia, and New Zealand. He was convinced that the interests of developing economies could not be protected if APEC was dominated by developed nations for the latter’s advantage. This is why the six ASEAN nations were united, prior to the Canberra meeting of 1989, in the position that they should be the principal actors in the regional

⁹ Shojiro Imanishi, “Current State of Activities in APEC,” *JIIA Conference “Awashima Forum II” on Asia-Pacific Cooperation after the GATT Uruguay Round* (Tokyo: The Japan Institute of International Affairs, 1994), 48.

¹⁰ Tsubouchi, *Mahathir*, 146.

¹¹ Datuk Rafidah Aziz, minister of international trade and industry, and Ghzali Shafie, former foreign minister, launched the campaign. See *Star* (Kuala Lumpur), 17 January 1991, and *New Straits Times* (Kuala Lumpur), 21 August 1991.

cooperation effort; otherwise they would not participate in APEC. The six ASEAN nations did attend the Canberra talks after an assurance from the developed nations that they would not dominate APEC. Not completely trusting the assurances from the developed nations, ASEAN's six foreign ministers prepared an 'ASEAN paper' in which they spelled out their determination to maintain the independence of APEC. Much to their surprise, Australian foreign minister Gareth Evans, chairman of the conference, ignored the ASEAN nations' wishes in a summary draft of the meeting; only after an indignant protest from Indonesian foreign minister Alatas did Evans agree to revise the text to read that a representative of the ASEAN Secretariat would be invited as a coordinator to APEC's senior ministerial conference. After this protest, American and Australian officials were heard complaining and venting their annoyance at the ASEAN foreign ministers and their 'arrogant' demands.¹²

The six ASEAN nations attended the succeeding APEC talks because APEC appeared to have accommodated their wishes and it seemed advantageous to be a part of APEC. Mahathir, however, regarded the American and Australian conciliatory moves as a temporary strategic retreat to hold the glue of APEC's unity together, and he maintained vigilance against 'domination by power.' The Malaysian premier was convinced that the time had come for Asia to keep out of big-power politics and to chart its own destiny with its own compass. EAEC was his answer.

The Malaysian proposal, however, split APEC, opening heated verbal exchanges between its proponents and those opposed to it, notably the United States. Secretary of State Baker reiterated his criticism, charging that EAEC was a dangerous idea that would draw a "line in the Pacific Ocean" and lead to "a split between the United States and Japan."¹³ Michael Armacost, the US ambassador to Japan known as *Mr. Gaiatsu* (external pressure), strongly opposed EAEC because it would "encourage Myanmar, Vietnam, Laos, and Papua New Guinea to join ASEAN in linking up—but not creating a free trade zone—with other East Asian economies."¹⁴ US Vice President Dan Quayle expressed his government's grave concerns by observing that EAEC would "not only duplicate but also undermine APEC," which the United States strongly supported as a body based upon "market-oriented and outward-looking economic strategies."¹⁵ Robert Scalapino, scholar and specialist in Asian affairs at the University of California, Berkeley, held that EAEC was equivalent to "putting up a signboard saying 'No White Man Admitted',"¹⁶ implying that EAEC was racist.¹⁷

In a nutshell, the American critics complained that EAEC was an exclusivist and confrontational group intending to organize a trade bloc against Western economies in the

¹² Takahiko Tsubouchi, *Ajia fukken no kibo—Mahathir* (Tokyo: Aki Shobo, 1994), 156–58.

¹³ Tsubouchi, *Mahathir*, 145.

¹⁴ *Asiaweek*, 22 March 1991, 24.

¹⁵ *Business Times* (Singapore), 25 May 1991.

¹⁶ Tsubouchi, *Mahathir*, 145.

¹⁷ Allan Patience of Victoria University of Technology, Melbourne, in his lecture, "The Future of the Japan-Australia Relationship in the Emerging Asia-Pacific Region," at Nanzan University on 1

Pacific. Washington was particularly irritated and disturbed because EAEC excluded Australia, Canada, and New Zealand; one critic sarcastically but illogically called it “Caucus without Caucasians.”

In January 1992, despite these complaints, the ASEAN summit in Singapore adopted EAEC and issued a declaration stating that:

ASEAN recognizes the importance of strengthening and/or establishing cooperation with other countries, regional/multilateral economic organizations, as well as Asia-Pacific Economic Cooperation and an East Asian Economic Caucus. With regard to APEC, ASEAN attaches importance to APEC's fundamental objective of sustaining growth and dynamism in the Asia-Pacific region. With respect to the EAEC, ASEAN recognizes that consultations on issues of common concern among East Asian economies, and when the need arises, could contribute to the expanding cooperation among the region's economies and the promotion of an open and free global trading system.¹⁸

Malaysia's most articulate defense against the American critics was provided by Noordin Sopiee, director general of the Institute of International Strategic Studies (ISIS), Malaysia's think tank, and Mahathir's trusted advisor and speech writer. He answered the objections point by point.

Refuting the charge that EAEC was an attempt to create a closed economic bloc, Noordin answered that such a bloc would be against Malaysia's present and future economic welfare and would provide protectionists elsewhere with “a good excuse to rush to the barricades, to raise the drawbridge, and to construct economic fortresses.” With regard to the US fear of a closed, inward-looking trading bloc in East Asia, he replied by referring to Mahathir's repeatedly stated opposition to the creation of such a bloc; he gave assurances that the EAEC idea was for as open a global trading system as was humanly possible. It was “intended to try to counter the severe erosion of multilateralism and the rapid rise of managed trade and to head off...the creation of full-blooded trade blocs.” In fact, said Noordin, EAEC was “a low-level economic alliance, a pressure group, something like the Cairns Group,” that could “act as a megaphone to magnify our voice in the current Uruguay Round and in future arenas of multilateral economic diplomacy.”

In answering the criticism that EAEC was antagonistic and confrontational, Noordin pointed out that EAEC was no more antagonistic than the ‘Enterprise for the Americas,’ which the United States and Canada were negotiating with Mexico for a regional economic system. With regard to the charge that EAEC ‘excludes’ Australia, New Zealand, Canada, and the United States, Noordin explained that countries not located in East Asia are not included in the EAEC proposal. To counter the charge of EAEC's ‘exclusivity,’ Noordin had this to say to the critics:

December 1994, also branded EAEC as a paranoid racist concept.

¹⁸ Stephen Leong, “The East Asian Economic Caucus (EAEC) and China,” *4th Joint Research Conference on Asia-Pacific Relations*, Beijing 14–17 September 1994, 1–2, quoted from Noordin Sopiee, “Political Issues Associated with Economic Cooperation in East Asia,” Presentation at FAIR Conference: The Third Joint Conference on Asia-Pacific Relations, 5–7 July 1992, Tokyo: Foundation for Advanced Information and Research, 1993, 75.

Interestingly, the North American Free Trade Area does not include Australia, New Zealand, Japan, and other members of APEC, and not even the United Kingdom, which is so closely tied economically. ANZCERTA—Australia and New Zealand Closer Economic Relations and Trade Agreement—does not include the ASEAN countries. ASEAN does not include those APEC members outside Southeast Asia. But can one fairly criticize NAFTA for ‘excluding’ the non-NAFTA members of APEC, ANZCERTA for ‘excluding’ non-ANZCERTA members of APEC, and ASEAN for ‘excluding’ the non-ASEAN members of APEC? How, then, can one criticize EAEC for ‘excluding’ Australia, New Zealand, Canada and the US? Incidentally, none of the vociferous critics who have been so greatly angered by the ‘exclusivity’ of the EAEC have raised one word about the non-inclusion in EAEC of North Korea, Cambodia, Laos, Myanmar, and Mongolia, which are all in East Asia. Every multilateral enterprise must weigh the costs and benefits of inclusivity and exclusivity. Even GATT and the UN are not all-inclusive.

If the EAEC were to include the United States, how does one not also include Australia, New Zealand, and Canada. If all the four are included, what does one say to those in East Asia who are not? Why would one want to recreate APEC? And would this not undermine APEC?

In fact, Noordin argues, EAEC should be compatible with, run parallel to, and seek to strengthen APEC.

On the question of the racist charge, Noordin answered that EAEC just happens to include the economies of yellow- and brown-skinned peoples by their geographical location. That there are no white-skinned nations in East Asia does not make the East Asia enterprise a racist one.¹⁹ It was ‘unfortunate and unreasonable’ that the racist argument was injected into the EAEC issue, said Stephen Leong, director of the Centre for Japanese Studies, ISIS. The EAEC initiative, like that of NAFTA, was founded upon purely economic and geographical considerations, not upon exclusivism and racism. No Asian people have ever said that NAFTA was initiated to exclude them for racial reasons.²⁰

Concluding his remarks, Noordin made it clear that EAEC would be ASEAN’s contribution to the maintenance of the open global trading system, and that EAEC should be consistent with APEC and should not deny its importance and potential. On the other hand, he said, EAEC is not in any way answerable to APEC, any more than NAFTA, ANZCERTA, or ASEAN are.²¹

US Interests in APEC

The 1992 Bangkok meeting resolved to hold the next conference at Seattle in the United States, which had been very eager to host the conference because it considered Asia a most

¹⁹ Noordin, “Political Issues”, 14–18. A similar statement by him is found in *New Straits Times*, 19 January 1991; “Economic Integration and Economic Cooperation in Pacific Asia,” *East Asia Centre for Economic Cooperation Opinion Paper*, Institute of Strategic and International Studies (ISIS), Malaysia, 1994, 15–18; and “EAEC: Fact and Fiction,” *Malaysia*, No. 385, February–March 1995, 13–14.

²⁰ Stephen Leong, *Jetro Sensor*, November 1994, 91.

²¹ Noordin, “Political Issues,” 16–17.

important region. After twelve years in which the Reagan and Bush administrations had focused their policies on Japan, the new Clinton government had come to realize the US economic future was closely interlinked with all of Asia, which has stepped into the limelight with record high economic growth. The population of the 15 APEC economies and Hong Kong and Taiwan combined is estimated at 3 billion, or 55.0% of the world population of 5.48 billion (1993), and the population of the ASEAN economies will soon overtake that of the EC (EU). The GDP of the community of Asian economies accounts for 48.3% of the world's GDP of \$21.9 trillion (1993). Looking more closely at the GDP statistics of APEC's Asian economies (Japan excluded), we find that their combined GDP is 5.5% of the world GDP, and by 2,000 it will be 9%. If Japan is added to them, the figure will stand at 26%, comparable to that of the United States and of the European Community. Asia, as an *Asahi Shimbun* editorial said, is a 'star of hope' for the world economy and its 'locomotive.'

The United States is keen on capturing the Asian market, a potential new 'gold mine,' because 49% of US exports (\$448.1 billion) goes to fourteen APEC economies. It has deficit trade with eleven of these countries (America buys \$532.6 billion from APEC's Asian economies), and it invests \$486.6 billion, or 30% of its total investment abroad, in APEC countries.

As the Seattle meeting approached, American officials and economic advisors to the Clinton administration urged that its purpose be clarified. A high official made clear that the United States planned to propose a policy that would bring about even greater liberalization of trade than what GATT demanded.²² The Progressive Policy Institute, in a paper prepared by Paula Stern, former chairwoman of the International Trade Commission, recommended that the United States join its Asian Pacific partners in promoting a 'Pacific Free Trade Agreement' that would encompass all nations in the Pacific Rim. She also urged that NAFTA be linked with APEC, because the region's dynamic economic growth outstripped the growth rates in Europe. Such linkage, she suggested, would ensure that the United States was not locked into the western hemisphere bloc with debtor nations at a time when the United States needed access to both Asia's markets and its capital.²³ Fred Bergsten, director of the Institute of International Economics and Chairman of the Eminent Persons Group advising APEC, stated that the economic muscle of Asian Pacific economies would make APEC a major force in global trade issues should the Uruguay Round talks collapse.²⁴ Everyone was joining in a chorus of 'Don't Miss the APEC Boat' if you want to have a share in the dynamic Asian markets.

Echoing the Clinton administration's APEC policy, the EPG prepared a draft that supported the creation of an economic community and that placed a priority on liberalizing trade—a recommendation very close to the administration's line of policy. The EPG report recommended that (1) a target year for trade liberalization should be set; (2) a program for

²² *Nippon Keizai Shimbun*, 9 October 1993.

²³ *Japan Times*, 9 November 1993.

²⁴ *Ibid.*

promoting trade in the region should be formulated; (3) technical aid should be promoted; and (4) the APEC Secretariat should be strengthened.²⁵

Founding a New Pacific Community was one of President Clinton's dreams, first revealed in July 1993 when he delivered a speech at Waseda University while visiting Tokyo. Details of the concept became available several days before the opening of the Seattle meeting. The New Pacific Community concept was a Washington strategy for taking the lead in creating a free trade zone in the Asia Pacific Rim and eventually bringing about global liberalization of trade.²⁶ One US official reportedly declared that the time had come for the United States to join its Asian neighbors in creating a New Pacific Community.²⁷

The EPG report and the New Pacific Community concept immediately drew adverse reactions from developing nations. Malaysia's Stephen Leong, director of the Centre of Japanese Studies, ISIS, warned that moving too fast in liberalizing trade was risky because Asian nations were not at all the same stage of economic development.²⁸ President Suharto of Indonesia expressed reservations in the same vein about the impetuous US proposal for free trade. Even Lee Kuan Yew, senior minister of Singapore, which supported free trade, suggested that prudence be exercised instead of promoting trade liberalization at one hop.²⁹ C.P.F. Luflima, research associate of the Indonesian Academy of Sciences, was of the opinion that APEC was not yet ready to form the Community Initiative proposed by President Clinton.³⁰

APEC's Asian members were not passive or negative just in regard to Clinton's New Pacific Community concept; they also were wary of the forceful way in which he tried to take over the reins of the Conference. They had already shown alarm about American moves toward leadership in APEC in July when Secretary of State Warren Christopher announced at ASEAN's enlarged meeting of foreign ministers that the US planned to convene an APEC summit conference at Seattle. The announcement took other foreign ministers by surprise, because they had not been sounded out regarding its feasibility and the US proposal was not on the agenda. Many Asian participants felt that US behavior was undermining the consensus principle on which APEC's decision-making was based.

Bun Nagara, senior research associate of ISIS, was critical of Washington's unilateral action, which he saw as deriving from a series of setbacks Clinton had suffered in dealing with the problems in Bosnia, Somalia, and Haiti, as a result of which the Clinton government needed to restore public confidence in its diplomatic ability. The United States, furthermore, was reported to have been making surreptitious moves, in cooperation with Australia, to transform APEC from a forum for Asia-Pacific economic cooperation into an organization similar to the European Union.

²⁵ *Nippon Keizai Shimbun*, 11 October 1993.

²⁶ *Ibid.*, 9 November 1993.

²⁷ *Ibid.*

²⁸ *Japan Times*, 4 November 1993.

²⁹ *Asahi Shimbun*, 9 November 1993.

³⁰ *Ibid.*

What Washington had in mind, Bun said, was to institutionalize APEC, giving it binding power to impose its policies upon member economies.³¹ APEC's Asian members were wary of moves to institutionalize APEC. The United States, after all, had a pool of trained lawyers who could codify laws and regulations to US advantage, and Asian countries were particularly alert against any codification that might infringe upon their sovereignty.³² They preferred APEC to be a loosely organized, informal, and merely consultative body.

In short, as the *Nippon Keizai Shimbun* reported, Washington's objective quite obviously was to transform APEC from a forum to discuss economic matters into an arena to take up a political agenda (as G-7 is), in which such issues as democratization, human rights, arms exports, the environment, and trade imbalances could be discussed.³³ Of all the members, Malaysia registered the strongest displeasure.

Malaysian Interests in APEC

Malaysia is led by its outspoken prime minister, Mahathir. A brief discussion of his personality, character, and political thought is appropriate here, in order to better appreciate his stance toward the West in general and toward APEC and EAEC in particular.

Mahathir became the nation's fourth prime minister in July 1981. Unlike his predecessors, who hailed from sultan or ruling families, he came from a family of the lower middle class; also unlike the three former prime ministers, who had studied in England, he completed his entire education in Malaya.³⁴ Because of his family and educational background, Mahathir became known as a 'people's prime minister.'

He was a devout Muslim clad in the armor of strict moral principles and social justice. As early as 1970, when he published *Malay Dilemma*,³⁵ he saw signs of the decline of European civilization, attributing these to the decadence of moral and ethical principles, and in what he enunciated as the 'Look East Policy' he questioned the wisdom of following Euro-American nations as a model for nation building. At the same time he turned his back on Britain, Malaysia's erstwhile colonial power. It is very difficult for Mahathir and many other Asians to erase their bitter memories of the colonial past; distrust of a West that prospered at the expense of Asian people and kept them in poverty and ignorance is deeply ingrained in their minds.

³¹ Ibid., 9 December 1993.

³² Ibid., 9 November 1993.

³³ *Nippon Keizai Shimbun*, 8 November 1993, and *Asiaweek*, 8 September 1993.

³⁴ His only experience in study abroad was appointment as a fellow to attend a seminar held at Harvard University in 1967, during which he studied under Henry Kissinger.

³⁵ The book explains why the Malays are economically backward and argues that they are the rightful owners of Malaya and immigrants are only guests until properly absorbed. The book was so controversial that the government banned its publication immediately, and the ban was not lifted until 1981 when Mahathir became prime minister.

Mahathir, a Malaysian nationalist proud to be an Asian, is a self-confident leader who has raised the Malaysian economy to such an extent that it is now ready to become the fifth member of the 'Asian Tigers.' He is very sensitive to any criticism that may slight his reputation or that of his nation and hits back at it with aggressiveness and vehemence.³⁶ Likewise, he resists attempts to impose foreign values, such as Western-style democracy and human rights, upon Asian countries and rejects any great-power unipolar politics or control, be it Pax Americana, Pax Sinica, or Pax Japonica. What he envisages is the restoration of Asia for the Asians and the realization of an 'Asian Renaissance' founded upon equality and justice, for which he urges that East Asian nations must unite.³⁷

Thus Mahathir, ASEAN's emerging spokesman, wants to assert ASEAN's independence against a new world order that he suspects, from recent trends in APEC, is dominated by the United States.

Reactions to the US Agenda at the 1993 APEC Meeting in Seattle

The Fifth APEC Ministerial Conference was held in Seattle from 17 to 20 November 1993, 15 nations attended it, and President Clinton attracted worldwide attention by convening an unprecedented APEC summit following the ministerial session.

The United States attached unusual importance to the Seattle meeting, which Secretary of State Warren Christopher was quoted to have characterized as "the starting point for westward movement looking into the twenty-first century. It is 'Look West'."³⁸ Referring to the summit talks, Christopher emphasized that no other region was more important to the interest of the United States than Asia, because Asia was the economic powerhouse of the world and its dynamic economy would "greatly benefit American interests for promoting exports and creating jobs."³⁹ Clinton was even more explicit: He declared that the Seattle meeting was an opportunity to boost US exports to 'one billion dollars' and generate '20,000 jobs,' helping to resuscitate the American economy.⁴⁰ Washington hoped to achieve agreement on the adoption of a draft declaring a framework for trade and investment and organizing a trade and investment committee as the first step toward institutionalizing APEC. It is obvious that the United States aimed at establishing its leadership and then going on to create an economic bloc in the Pacific Rim where it could impose its policies for freer trade on APEC's developing economies.

This is exactly what Asian countries were afraid of. Yoshihiro Sakamoto, chief of Japan's Trade Policy Bureau, MITI, expressed his concerns by saying that Asia was not yet ready to

³⁶ For instance, he reacted very sharply to reports abroad that he had accepted bribes and that Malaysia is one of the worst nations when it comes to moral decadence.

³⁷ Tsubouchi, *Mahathir*, 3–4.

³⁸ *Asahi Shimbun*, 22 November 1993.

³⁹ *Mainichi Shimbun*, 10 November 1993.

⁴⁰ *Asahi Shimbun*, 6 November 1993.

institutionalize APEC as a negotiating agency aimed at liberalizing trade. While no Asian economies were opposed to free trade, they were much against the process of trade liberalization and regulating procedures to settle trade disputes. Such unilateral enforcement, Sakamoto feared, would invite strong reactions from the ASEAN nations that would lead to a split within APEC. APEC, he suggested, should first begin by raising the level of the regional economies and then discuss such common interests as investment, manpower training, industrial development, and environmental protection, reaching agreement by consensus. Decisions should not have binding power but merely set a goal that each member nation would be able to pursue and achieve at its own pace.⁴¹

ASEAN's reactions to the American push for leadership in APEC were more deeply embedded in distrust. As early as January 1993 Chandra Muzaffer, director of Just World Trust in Kuala Lumpur, complained that APEC would serve "the interests of the United States more than others." America, he said, did not want "any Asian country to get a big slice of the Asian economic cake... The United States not only wants a large chunk of the cake but also it gets a firm hold over the knife that cuts the piece."⁴² Even Prime Minister Chuan Leekpie of Thailand, America's close ally, expressed some dismay at the US attempt to turn APEC into an economic bloc under US aegis, and local newspaper editorials warned him to tell Washington that "trade negotiations should be left to GATT," not brought to APEC.⁴³ Indonesia, which was to host the 1994 APEC meeting, was apprehensive that the impetuous US proposal might divide ASEAN. Singapore and the Philippines shared the same feelings as Indonesia, though they were basically supportive of the American initiative.

Needless to say, the most adverse reactions came from Malaysia, whose EAEC proposal was opposed by the United States. Mahathir had been warily watching the EC's moves toward an economic integration that was likely to create an exclusive and inward-looking group. Should East European nations join the EC group, he feared that the EC would hardly need to trade with nations outside the bloc. He was inclined to believe that EC formation of an economic bloc was inevitable, and he felt strongly that Asian nations should do something to cope with it by forming their own economic group.

Meanwhile, the United States had also been taking steps to organize NAFTA, which was being deliberated in the Senate for ratification on the eve of the Seattle meeting. During the NAFTA negotiations Mahathir on several occasions expressed his concerns that Malaysian exports to America would be replaced by Mexican products and US investment would be diverted to Mexico. To Asian economies dependent to a considerable extent on the US market, NAFTA loomed as a serious threat.

⁴¹ Ibid., 4 November 1993.

⁴² *New Straits Times*, 29 January 1993.

⁴³ *Mainichi Shimbun*, 11 November 1993.

The 'Asian Way'

Mahathir has been sounding a tocsin urging Asian nations to join together to discuss their common interests against the EC and NAFTA. As mentioned earlier, the United States, excluded from EAEC, registered a strong objection, charging that it would divide the Pacific Rim and duplicate APEC.

EAEC, according to Mahathir, however, seeks Asia-Pacific cooperation that serves the interests of Asia's developing economies. He explained his Pacific cooperation initiative in a keynote address at the 10th General Assembly of the Pacific Economic Cooperation Conference in March 1994. "What we must build is a Pacific *gemeinschaft*," he said. "The Pacific must be built upon a group relationship in which villages, families, and friends are united together. Mahathir claims that he cannot work to build an international relationship founded upon *gemeinschaft* with a nation that tries to expand its own interests through the strength of state power."⁴⁴

In short, EAEC is as much a group of East Asian nations to discuss issues informally as it is a group sharing a common culture to talk and arrive at conclusions by consensus. This is the Asian way. America and Australia, Mahathir insists, do not have such a culture; they solve problems through a rigid legal approach and tend to impose their opinion upon others by telling them what to do. This kind of high-handed diplomacy has been seen in Washington's dealing with the EC when the latter showed little flexibility in the stalemated Uruguay Round of trade negotiations. Washington threatened its European allies by saying that it would seek trade association with Asia if the GATT talks failed. But the East Asian nations did not want APEC to be seen as some sort of alternative to GATT. One ASEAN official said: "The last thing we want is to become a bargaining chip between the US and Europe."⁴⁵

As might have been expected, the United States was anxious to discuss its proposals for organizing a New Pacific Community, implementing faster trade liberalization, and institutionalizing APEC. Asian nations, on the other hand, were becoming increasingly frustrated by what they saw as a US exercise of power in an attempt to dictate the post-Cold War order to the region. They were not only wary about the US haste to realize the proposals but also (especially China) opposed to Washington's policy of linking trade with human rights.⁴⁶

Most Asian nations were united in opposing the US proposals and in emphasizing gradual development of free trade and a loosely organized informal APEC. Several Asian representatives were said to be worried after plans for three formal APEC committees—a Trade and Investment Committee, a Regional Trade Liberalization Committee, and a Budget and Administration Committee—had been tabled in what may be described as moves to further institutionalize APEC. Asian members were concerned that institutionalized structures would mean binding rules that

⁴⁴ Tsubouchi, *Mahathir*, 158–59; Mahathir Mohamad, "Building Equalitarian Pacific Community," *ISIS Focus*, April 1994, 43–48.

⁴⁵ *Straits Times*, 18 November 1993.

⁴⁶ *Ibid.*, 17 November 1993.

would prove stifling.⁴⁷ Despite Secretary Christopher's pledge that the US had no intention of turning APEC into an organization that would 'micromanage trade' in the region, concern among ASEAN members persisted that the US would use APEC to force these countries to open their markets prematurely.⁴⁸

A Japanese MITI official cautioned the US not to go too fast, lest its actions lead to a split between the US and Asian nations and spoil everything. Some analysts also warned that too much pressure from the US could drive developing nations to the Malaysian-mooted EAEC, for which China had expressed its support, and could cause them to lose interest in APEC.⁴⁹ Only Singapore, which would greatly benefit from trade liberalization, was in favor of supporting freer trade—Foreign Minister Wong Kan Seng said: "We are as enthusiastic as the most enthusiastic member."⁵⁰

The Eminent Persons Group Report

Before the formal opening of the Seattle meeting the EPG (created at the 1992 Bangkok meeting to prepare an APEC vision looking to the year 2,000) presented a draft report that reflected Washington's policy. Its chairman, Fred Bergsten, who was very close to the Clinton administration, recommended that the APEC member nations determine the time-table and strategy in 1996 for creating a free trade area and for APEC to be named an Asia-Pacific economic community.

Other key points made in the EPG report were:

1. The APEC nations envisage an Asia-Pacific economic community that would reduce barriers to trade and investment and benefit people by giving them high-income jobs through increased labor liquidity.
2. It is important to improve education, job training, health insurance, telecommunications, transportation, and the environment.
3. The nations call for a round-table conference of business people in the Asia-Pacific region to reflect business views on APEC.
4. It is important to rally the group behind efforts to produce a new global agreement on liberalized trade under GATT.
5. It is desirable to convene an informal summit conference every three years.

The report immediately drew heavy criticism from Asian members. Malaysia's outspoken international trade and industry minister, Rafidah, complained that the EPG was trying to take APEC beyond the loose consultative forum that it had set out to be. Indonesian foreign minister

⁴⁷ *Japan Times*, 14 November 1993.

⁴⁸ *Ibid.*, 18 November 1993, and *Mainichi Shimbun*, 11 November 1993.

⁴⁹ *Japan Times*, 18 November 1993.

⁵⁰ *Ibid.*, 19 November 1993.

Alatas noted that it would be premature at this stage to try to set a target date and time-table for achieving the goal in 1996 as proposed. He also said that the EPG vision might "create the impression of a diversion of our collective interest and attention from the highest priority of the moment, which is to bring the Uruguay Round to a timely and successful conclusion."⁵¹

Japan and China were concerned that the Bergsten vision of a free-trade region would mean that privileges for APEC members would not be extended to nonmembers. Chinese foreign minister Qian Qichen also took a cautious view, saying that deviating from APEC's original purposes could damage the consultative forum. At the same time, Qian declared anew China's endorsement of EAEC (to which Washington remained opposed), aiming obviously to check what China regarded as Washington's unilateral usurpation of the leadership role in APEC.⁵²

Specifically, Asian criticism centered upon the Asia-Pacific economic community concept. Malaysia and Indonesia warned that such a goal would give nonmembers the impression that APEC was a bloc. Japanese and Chinese ministers shared the concern of Indonesia and Malaysia, observing that the word 'community' would give the impression of a "strong bloc like the EC."⁵³ In a heated discussion, Rafidah called for further study by the EPG, while the Philippine foreign minister also asked for detailed examination.⁵⁴

Prime Minister Morihiro Hosokawa, in a series of meetings with President Fidel Ramos of the Philippines, Prime Minister Chuan Leekpie of Thailand, and Premier Jean Chrétien of Canada, made it clear that APEC should not be modeled upon the structure of the EC but should aim at a structure of its own.⁵⁵

Confronted with such an array of opposition, Bergsten, Christopher, and Clinton had to elaborate on the EPG recommendation. Bergsten said that the EPG report was only an initial draft, emphasizing that the Asia-Pacific community, as envisaged by the Group, was not "another EC with full economic integration, or a single international market, let alone a common currency union." He claimed that the proposal to liberalize trade in the region was not tantamount to creating a specific free trade area for the Pacific Rim countries with barriers raised against outsiders. He told the ministers: "We use the term 'community' in the popular rather than the technical sense of the word, to connote simply a like-minded group that aims to remove barriers to economic exchange among its members."⁵⁶ In an attempt to dispel the Asian suspicion that the United States was determined to take the leadership in creating an Asian copy of EC, Clinton continued in the same vein to the still unconvinced Asian leaders that the community he had proposed was like "an informal chat over a cup of tea to talk about the family and the children's

⁵¹ *Straits Times*, 20 November 1993.

⁵² *Ibid.*, 20 November 1993.

⁵³ *Nippon Keizai Shimbun*, 21 November 1993.

⁵⁴ *Ibid.*, 20 November 1993 and *Japan Times*, 20 November 1993.

⁵⁵ *Nippon Keizai Shimbun*, 20 November 1993.

⁵⁶ *Mainichi Shimbun*, 20 November 1993, and *Straits Times*, 20 November 1993.

school.” Christopher assured fellow Asian ministers that the Asia-Pacific community would not be bureaucratized like the EC.⁵⁷

Despite this contentious beginning, Christopher and Mickey Kantor, US trade representative, were satisfied with the results of the Seattle ministerial talks, especially the fact that the nations agreed upon the early conclusion of the Uruguay Round and the establishment of the APEC Committee on Trade and Investment (CTI). Welcoming the adoption of the CTI, Christopher said it was a step forward for APEC. Kantor praised APEC’s endorsement as something that would provide a new strength for concluding the GATT negotiations.⁵⁸

The Seattle Summit Meeting

The ministerial talks were followed by a summit meeting. Clinton, who was the host of the gathering, arrived at Seattle in an exuberant mood, fresh out of a congressional victory over the ratification of NAFTA. Riding high on his triumph in Congress, he breezed into the chilly Pacific seaport and trumpeted a bold new era of free trade, saying that he was on a “historic mission to line up Asian leaders to drive down trade barriers, open up trade opportunities, and promote more growth.”⁵⁹

Leaders of 14 nations gathered for APEC’s first summit talks, but the fifteenth member, Malaysia’s Mahathir, was not there. He had boycotted the meeting on the grounds that the summit proposal neither came from APEC nor had been debated and approved. “This is undemocratic,” he charged; “only one nation decided to have a summit and everyone is supposed to go along.”⁶⁰ In the absence of the ‘recalcitrant’ Malaysian premier the summit talks were dominated by Clinton, while the rest of the Asian leaders, according to one Japanese daily, served as a “set-off for Clinton in order to draw public attention to the president”;⁶¹ as Mahathir had feared, the ASEAN leaders were submerged. Describing Clinton’s dominant performance at the summit, a Japanese official said: “The summit is for Clinton, by Clinton, and of Clinton.”⁶²

Clinton soon heard murmurs of complaints among the East Asian leaders about American assertiveness, reflecting their unwillingness to let America alone call the piper’s tune. As a result, the original US insistence that APEC members adopt a binding document on liberalizing trade and investment was toned down in the face of strong opposition from the developing economies.⁶³

⁵⁷ *Nippon Keizai Shimbun*, 20 November 1993, and *Asahi Shimbun*, 21 November 1993.

⁵⁸ *Asahi Shimbun* (evening), 20 November 1993.

⁵⁹ *New Straits Times*, 20 November 1993.

⁶⁰ *Japan Times*, 14 November 1993. Australian Prime Minister Paul Keating criticized Mahathir as being ‘recalcitrant’ for not attending the meeting. Mahathir shot back a demand for an apology. This verbal war ended with Keating’s apology, as reported by *Asahi Shimbun*, 25 December 1993.

⁶¹ *Ibid.*, 22 November 1993.

⁶² *Mainichi Shimbun*, 22 November 1993.

⁶³ *Straits Times*, 22 November 1993; *Nippon Keizai Shimbun*, 22 November 1993.

Some minor concessions to Asian nations notwithstanding, Clinton got substantially what he wanted; his image, tarnished by his often halting performance on the global stage, gained a new luster. Summing up the leaders' views, President Clinton told reporters: "We've agreed that the Asia-Pacific region should be a united one, not divided. We've agreed that our economic policies should be open, not closed. We've agreed that we should begin to express that conviction by doing everything we possibly can to get a good agreement by December 15."⁶⁴ He also stressed the responsibility of Japan and the United States for sustained growth in the region and in the world in order to create job opportunities.

Despite the great responsibility and expectations laid upon Japan, the Japanese government was chary of taking positive action either in APEC or with regard to EAEC. Since Mahathir first proposed the EAEC initiative, he and his cabinet colleagues had been asking Japan to join EAEC and play a leading role in the plan. Tokyo, however, was reluctant to join, saying that Japan is "waiting for ASEAN to spell out the role of EAEC before deciding its stand on the issue."⁶⁵ Kiichiro Miyazawa, then prime minister, and Koichiro Matsuura, then deputy foreign minister, looked upon the EAEC forum as an interim organization to becoming an economic bloc.⁶⁶

Japan's real reason for sitting on the fence, procrastinating over a decision on EAEC, was the United States, the country's principal trade and security partner. As a Japanese embassy official in Kuala Lumpur said, Japan "cannot disregard the US factor, because it is one of the major powers in the Asia Pacific."⁶⁷ This fence-sitting diplomacy, much regretted by Malaysian officials, has created the unfavorable image that Japan is a nation that does not support any foreign policy the United States does not want.

There were some expectations that Japan's Prime Minister Hosokawa might take the lead in mediating between the United States and Asian nations at the Seattle summit but these were disappointed. The United States carried the day and achieved substantially what Washington had planned.

The Seattle summit ended with resolutions to hold the next summit talks in Indonesia and to accelerate liberalization and investment facilitation. The Eminent Persons Group was given the task of drafting a second report, to be submitted to the 1994 APEC forum.

The Second EPG Report

EPG presented the group's second report on trade liberalization on 31 August 1994 to President Suharto. To make it acceptable to the Asian ministers in response to criticisms expressed by them the previous year, the title was changed from "Asia Pacific Economic Community" to "A Big Family of Asian and Pacific Economies." The intention was to make it clear

⁶⁴ *Japan Times*, 22 November 1993.

⁶⁵ *New Straits Times*, 14 January 1993.

⁶⁶ *Business Times*, 14 January 1993, and *Asiaweek*, 21 April 1993.

that APEC would be a much looser organization for economic cooperation than the European Union.

The second EPG report had two main messages: (1) efforts to promote global trade liberalization; to ratify and implement the Uruguay Round agreements; to transform GATT as agreed into the World Trade Organization (WTO); to encourage unilateral liberalization by individual governments; and to implement trade liberalization among the APEC members. These measures should begin in the year 2000 and be completed between the years 2010 and 2020, allowing different adjustment periods for individual members' economies.

(2) Rapid implementation of programs for trade and investment facilitation and technical cooperation. The facilitation program would include an APEC investment code, dispute mediation service, harmonization of produce standards, cooperation in financial and macroeconomic policies, etc. The technical cooperation programs would address the need for developing infrastructure and human resources and nurturing competitive small and medium-sized enterprises.

Recognizing the diversity of Asian Pacific economies, the EPG report listed several principles for APEC. They were: mutual benefit, mutual respect and egalitarianism, pragmatism, decision-making through consensus but implementation with flexibility, and open regionalism.

The 1994 Bogor Meeting

Among major agenda items to be discussed at the meeting in Bogor, Indonesia, were the adoption at a senior ministerial conference of rules regulating investment and trade liberalization, with the time frame set for 2020.

On investment facilitation, the United States pressed for revision of domestic investment laws that were regarded as inimical to foreign investors, especially provisions stipulating exceptions that were tantamount to confirming the present discriminatory laws. In the end, the United States gave in and accepted the discriminatory regulation.

The issue of trade liberalization threatened to cause a serious rift between the industrialized North and the developing South, because of the two types of members in APEC: one stressing 'macroeconomic goals such as trade liberalization' and the other taking 'the cooperative development approach.'⁶⁸ Too much dwelling on how to proceed with trade liberalization, some analysts worried, could turn the forum "into an arena for fierce political pressuring rather than a cooperative group of economies."⁶⁹

Some of APEC's Asian ministers objected to the time-table set for trade liberalization. Malaysia, Thailand, and China were still opposed to APEC trade liberalization under unilateral US

⁶⁷ *New Straits Times*, 19 April 1994.

⁶⁸ *Japan Times*, 28 October 1994.

⁶⁹ *Ibid.*

leadership, pointing out the great disparity in development and wealth among Asian economies; for instance, the difference in GDP per capita between Japan and China was 80 times. Mahathir, unafraid of being an odd man out, maintained that APEC should not be 'an economic bloc' but "a group for stronger nations helping the economic development of weaker nations."⁷⁰ Supachai Panitchpakdi, vice premier of Thailand, voiced concern that while liberalization might be possible within the ASEAN Free Trade Area (AFTA), in which there was little disparity in economic strength, it would be impossible to compete on an equal basis against Japan and the United States, and if liberalization was allowed to proceed within the framework of the Pan-Pacific area, the effectiveness of AFTA would be undermined. His voice spoke for other Asian nations, which had serious reservations about a liberalization accelerated by the United States and felt that the pace should be determined by the developing nations themselves.⁷¹

Chairman Jiang Zemin of China aligned himself with Mahathir. Before arriving in Indonesia Jiang made a stopover in Kuala Lumpur to meet Mahathir. Endorsing EAEC, the Chinese leader zeroed his criticism in on the United States, which he said was flexing muscles of 'hegemony' to impose on other nations the Western values of democracy and human rights.⁷²

Japan, on the other hand, was cautious about supporting open-ended free trade, partly for domestic reasons. The Ministry of Agriculture and Forestry had been known to be less than enthusiastic for liberalization and was restraining the Foreign Affairs Ministry and MITI from making further concessions that might accelerate the opening of farm produce to a free market economy. Nonetheless, Japan was reluctant to jump aboard Mahathir's initiative because of Washington's objections.⁷³ Understandably, Mahathir's patience was becoming thin at Japan's indecision.⁷⁴

The success of the Bogor talks would depend much upon the leadership and coordinating ability of President Suharto of Indonesia.⁷⁵ He volunteered to host the Bogor meeting and was anxious to make it a grand success for political motives. "Suharto appears," said Kunio Igusa of the Institute of Developing Economies, "more interested in making a political impact as a leader of developing nations than in the specific problems of the region's domestic industries."⁷⁶ Suharto also wanted to be remembered as the 'Father of Development' in Indonesian history for the economic successes that free trade would entail. Moreover, his leadership role in liberalizing

⁷⁰ *Asahi Shimbun*, 3 November 1994.

⁷¹ *Ibid.*

⁷² *Ibid.*, 12 November 1994.

⁷³ MITI official quoted in *Nippon Keizai Shimbun*, 4 November 1994

⁷⁴ *Asahi Shimbun*, 4 November 1994.

⁷⁵ Japan's new ambassador Taizo Watanabe had to wait several weeks, contrary to normal diplomatic protocol, before he could obtain an appointment with President Suharto to present his credentials. Upon finally doing so, Watanabe pledged that his government would support the Bogor forum, about which Tokyo had till then been noncommittal. The delay in obtaining an appointment might have been Suharto's subtle way of inducing Japan to come around to support the forum.

⁷⁶ *Japan Times*, 28 October 1994.

trade and investment might divert the world's attention from the East Timor question, about which Indonesia had been criticized for human rights violations.⁷⁷

Consequently, Washington zeroed its diplomatic maneuvers in on Suharto. Clinton reportedly sent a personal letter to Suharto in January. It was shortly afterward that the Indonesian president expressed a strong interest in accelerating trade and investment liberalization. Then, in April, the United States committed a \$3 billion loan package to Indonesia. In return for the loan, it was reported, Washington asked Suharto's support in persuading the Asian leaders to agree on the rate of trade and investment liberalization.⁷⁸

Though this was not confirmed by either side, the subsequent course of events seemed to substantiate a Clinton-Suharto deal, for the latter wanted to take APEC further and faster into an operational mode than most other Asian leaders. For instance, Suharto, backed by Washington, presented a free trade draft envisaging the liberalization of finance and services sectors not covered by the Uruguay Round negotiations.⁷⁹ Suharto also supported, much to the chagrin of Mahathir, the US proposal to set the liberalization target year for the developed nations at 2010 and for the developing nations at 2020.⁸⁰ He was very active in trying to persuade Mahathir, who remained adamantly opposed to the time frame and who was still undecided whether or not to sign a free trade statement. The Indonesian president, nonetheless, was determined to have the free trade time-table adopted—with an understanding that it had no binding power, as Mahathir insisted. In the meantime the United States had gained some success, winning Jiang's support for the time frame with an offer of a concession to China on its application to GATT and the World Trade Organization.⁸¹

Suharto and Paul Keating of Australia, in some last-minute arm-bending, on the 13 and 14 November solicited agreement from leaders of nine nations and regions, including Jiang and Mahathir. Keating was able to gain Jiang's informal commitment to the 2020 time frame, with the proviso that the "different levels of economic development of each nation should be taken into consideration in the time-table and guideline." Keating also gained the impression from Mahathir that he would come around to support the free trade target. After his meeting with Suharto, Mahathir said that he and Suharto had agreed basically on the "need to give more time to developing nations for accelerating trade liberalization."⁸²

Thanks to the frantic efforts and bargainings going on behind the scenes, the Bogor Declaration on free trade by 2020 just managed to gain agreement from all leaders, including Mahathir who signed it to face save for Suharto and to preserve ASEAN solidarity. Suharto gained

⁷⁷ *Asahi Shimbun*, 4 November 1994.

⁷⁸ *Ibid.*, 3 November 1994.

⁷⁹ *Ibid.*, 4 November 1994.

⁸⁰ *Ibid.*, 5 November 1994. Australia, Japan, and Thailand had committed their support to Suharto.

⁸¹ *Ibid.*, 14 November 1994.

⁸² *Ibid.*, 15 November 1994.

in stature for his success in winning over so many leaders with different views and bringing them to a consensus. Clinton's defeat in the congressional elections had some tempering effect on the haughtiness with which he had presided over the Seattle summit talks and ironically contributed in making the Bogor summit talks a success. In dealing with the Asian leaders, Clinton and his administration had learned a lesson about East Asian politics and sensibilities and had finally realized that APEC's agenda should not and cannot be dictated by Washington alone.

After the Bogor Statement

The Bogor Declaration was one step forward toward regional free trade, a point on which no nation disagreed, and it is of long-term significance that target years were set. Setting the timetable, however, was only the beginning; there was no agreement as to how to implement the process of liberalization. The task was now left to Japan, the host nation for the 1995 APEC forum in Osaka.

The difficulties that lay ahead surfaced almost as soon as the Bogor Statement was issued. Mahathir announced his reservations concerning the 2020 target year and its binding power and about the Eminent Persons Group. He made it clear that no nation was bound by the 2020 time frame, and he suggested that the Eminent Persons Group be disbanded on the grounds that Asian economies would like to be free from the undue weight of liberalization being emphasized by the Group, which he said had served its purpose.⁸³ The Malaysian reservations cast a dark cloud upon the prospects of the Osaka APEC forum.

Moreover, the Bogor Declaration did not reach a consensus on the definition and categorization of 'developing nation.' Korea and Singapore were already in disagreement on the question. Originally, NIEs were to be grouped in the developed nation category, but Korea demurred. The question was left undecided and further discussion was postponed to the Osaka forum.⁸⁴

Conclusion and Discussion

The task facing Japan is enormous,* it is not easy to adjust and harmonize different viewpoints on liberalization, when the United States wants to have a larger share of growing Asian markets by removing trade barriers quickly, on the one hand, and Asian economies are reluctant to open their markets at a faster rate, on the other. To be specific, each Asian economy has something to

⁸³ Ibid., 16 November 1994.

⁸⁴ Ibid.

* At the time this paper was written Japan was making its final preparations to host the 1995 Osaka forum of APEC. See the postscript, pages 22–24.—ED.

protect from foreign competition—telecommunications in the case of Malaysia, rice in the case of Korea, automobiles in the case of Taiwan, and industrial products in the case of China.

Even Japan has its own problem of liberalization. It is an open secret that the Ministry of Foreign Affairs and the Ministry of Agriculture and Forestry are having a tug of war about liberalization. The Bogor Statement, though it has no binding power, is a public commitment to the international community. The Ministry of Agriculture and Forestry is afraid of giving an excuse to the United States which, on the strength of the Bogor Declaration, could demand the opening of the rice and farm produce markets. In other words, the Japanese government is for free trade in principle but is reluctant to support it in specifics or to push for open-ended free trade. It is all the more difficult for Japan, because it is a leading industrialized nation and other nations expect it to take the lead for liberalization.

Preparations for the 1995 Osaka APEC forum have long been under way. APEC senior ministers have met several times to lay the groundwork for it, while Mahathir has been plugging hard to induce Japan to support EAEC. Mahathir, who has come to Japan more than a dozen times on official and private visits since 1982, has met with a cold reception from foreign office and MITI officials.⁸⁵ He has, however, received a much more sympathetic ear from business circles, especially the all-powerful Keidanren (federation of economic organizations). Speaking for Keidanren, Masaya Miyoshi, the president and director general, said: “The prevailing attitude among Keidanren leaders may be best described as more flexible than the known reservations maintained by the Japanese government regarding Japan’s participation... EAEC will be useful for promoting regional dialogue and economic cooperation and consistent with the nation’s three principles for conduct of its Asian relations—the commitments to nonmilitarization, cultural exchanges, and equal partnership.”⁸⁶

Apprehensive of Keidanren’s leaning toward EAEC, Washington is reported to have been wary and through its embassy in Tokyo to have been restraining business corporations doing business in Southeast Asian countries and individual business leaders from endorsing the EAEC initiative.⁸⁷

Looking to the November Osaka APEC forum, we can see that many obstacles impeding consensus on broad principles remain to be overcome, and guidelines must be drawn up for liberalization of trade and investment in the region: which category is to be liberalized first, what extent it is to be liberalized, and how soon it is to begin. Mapping out a list of general principles

⁸⁵ The Japanese government decided not to send Minister Ryutaro Hashimoto to ASEAN’s Phuket meeting in April 1995, because it excluded non-ASEAN members. Japan requested that Australia and New Zealand be invited and the subject of the EAEC not be discussed at Phuket. When Japan’s requests were turned down, Tokyo boycotted the meeting. Japan’s attempt to derail the effectiveness of the proposed EAEC would provoke a strong reaction from Mahathir, who said that Japan had no right to choose the agenda of the ASEAN meeting. He threatened to boycott APEC’s Osaka summit in November 1995. However, he did attend the Osaka conference.

⁸⁶ *Japan Times*, 16 January 1995.

⁸⁷ *Yomiuri Shimbun*, 9 April 1995.

and guidelines is time-consuming, making it unlikely that APEC can come up with concrete measures by 1995, as desired by the United States which is pushing for the implementation of the Bogor Declaration with comprehensiveness and dispatch. Some Asian nations, on the principle of equality, are opposed to letting the United States push them around and are bent on liberalizing trade and facilitating investment at their own pace.

APEC is divided into three groups on liberalization: a positive group (the United States, Australia, Singapore, Hong Kong); a negative group (China and Malaysia); and a middle group (Indonesia); with Japan maintaining a neutral position as the host nation at the Osaka forum. Japan is said to have won consensus from the member nations for adopting general guidelines at the Osaka forum and leaving specifics to the Manila forum in 1996.⁸⁸ It is the general view of Japanese officials in charge of APEC that adjustment of the positions of these groups is 'extremely difficult,' particularly since US negotiators are result-oriented, working under pressures exerted by Congress and business circles.⁸⁹ High expectations are placed upon the harmonizing ability of Japan as the host of the 1995 Osaka APEC forum.

Postscript

Since writing this article in March 1995 two years have passed, during which two more APEC forums have been held at Osaka and Manila in November 1995 and 1996.

The 18 APEC members gathered at the Osaka Conference adopted the Action Agenda as a blueprint for implementing the Bogor Declaration issued at the 1994 APEC summit in Indonesia, which set target years for trade and investment liberalization within the region—2010 for developed members and 2020 for developing ones. They also declared that APEC should not seek to become an inward-looking economic bloc but that the forum's activities should be consistent with the rules of the World Trade Organization.

Although the 18 leaders agreed on the Declaration of Principle, there is still an unabridged chasm of disagreement between some nations—particularly the United States, on one side, and Southeast Asian developing nations, notably Malaysia, Thailand, and the Philippines, on the other. In short, sharp differences remained unresolved among the members over some key elements of the Action Agenda, especially the principles of 'comprehensiveness' and 'nondiscrimination.' Above all the United States has viewed APEC mainly as a weapon to break down trade barriers in APEC nations, with which America had a trade deficit of \$125 billion in 1994. Most Asian nations, however, preferred to make progress in trade and investment liberalization by seeking consensus through intensive consultation, or the 'Asian way,' which was more effective than formal government treaties. Opposing the 'Asian way' of consensual approach has been the 'American way' of making APEC into a formal negotiating body.

⁸⁸ *Asahi Shimbun*, 9 July 1995.

⁸⁹ *Ibid.*

Furthermore, some ASEAN nations, represented by Mahathir of Malaysia, were opposed to the dominant role of the United States in APEC, though they recognized the importance and centrality of the US presence in APEC. To counterbalance US dominance, the ASEAN nations planned to draw the European Union into the regional economic development.

The Osaka meetings chaired by Japan decided to defer the sensitive issues to APEC's next conference at Manila in 1996.

Despite the disagreement, APEC members agreed on releasing 'initial action' market-opening measures, to be taken in the following year. In this connection, China unveiled a set of major market-opening measures that featured tariff reductions of 'no less than 30%' on more than 4,000 tariff lines and elimination of the quota, licensing, and other import controls on about 170 tariff lines.⁹⁰

At the Manila meetings foreign and trade ministers of APEC nations adopted the 17-page declaration on an APEC Framework for Strengthening Economic Cooperation and Development. They reaffirmed their commitment to the full and effective implementation of the Osaka Action Agenda to achieve the APEC goal of free and open trade and investment by 2020, stressing the need to take the action plan progressively forward. The individual action plans were voluntary offers made by APEC members to achieve the long-term goal of free and open trade and investment by 2010 for developed members and 2020 for less developed ones.

The document stressed the importance of the individual action plans submitted by each of the 18 APEC member nations, saying the blueprint was a "credible beginning to the process of liberalization." It also said the "ministers reaffirmed the importance of APEC collective actions in supporting and complementing individual plans and in assisting all members achieve the goal of free trade." The individual and collective action plans were to be integrated in the Manila Action Plan for APEC, a compilation of comprehensive action plans detailing the short-, medium-, and long-term directions toward the Bogor goals.

The Declaration was obviously the result of a compromise of opposing views between the United States and poorer nations, with Malaysia at the forefront of the latter. President Clinton (who canceled his trip to the Osaka Conference at the last minute in order to spend more time on the presidential campaign) took, on the strength of having been reelected, a firmer stand on tariff cuts. He pressured leaders to cut tariffs on information technology such as computers, software, semiconductors, and telecommunication gear by the year 2000. Some developing economies opposed the US stance, seeking revisions in the list of products and a different time frame for tariff cuts. Malaysian International Trade and Industry Minister Rafidah Aziz underscored the need for APEC to take into account the "request for some countries, including Malaysia, for flexibility in such areas as time frame...and product coverage."⁹¹

⁹⁰ *Japan Times*, 20 November 1995.

⁹¹ *Ibid.*, 25 November 1996.

Despite Clinton's direct personal lobbying efforts, leaders of the APEC forum failed to deliver unequivocal endorsement of the US proposal for a united APEC front on information technology products. APEC continued to insist on flexibility and the voluntary, consensual approach. This consensual approach and its emphasis on the virtues of face-to-face contact and the building up of trust are likely to produce the desired results—setting up the world's biggest free trade region by the year 2020. The Manila APEC forum signaled a triumph for the 'Asian way.'