

THE GENESIS OF APEC: AUSTRALIAN–JAPAN POLITICAL INITIATIVES

An intergovernmental regional economic institution was a common goal of Australian Prime Minister Bob Hawke, his Office, the Australian Department of Foreign Affairs and Trade (DFAT) and the Japanese Ministry of International Trade Industry (MITI) in the late 1980s. Bob Hawke publicly announced the idea in Seoul in January 1989, but his initiative was backed by a solid foundation of cooperation with Japan. In mid-1988 MITI had floated a proposal for regional meetings of economic ministers and DFAT's strong interest in the idea urged coordination between the two countries. In March 1989 a MITI delegation visited the region to sound out reactions to its proposal and the Hawke initiative, and this laid the groundwork for the Hawke proposal's relatively easy acceptance on the Australian delegation's later visit in April and May. Both countries continued to coordinate their approaches toward the organisation of the first Asia Pacific Economic Cooperation (APEC) meeting in Canberra in November 1989. MITI's proposal was eventually subsumed into the Hawke initiative, but MITI believed the successful establishment of APEC amounted to the success of its own proposal. This paper concludes that APEC was a joint enterprise between Japanese and Australian leaders, as had been the case in the establishment of the previous three regional institutions: the Pacific Basin Economic Council (PBEC), the Pacific Trade and Development (PAFTAD) forum and the Pacific Economic Cooperation Council (PECC).

Introduction

In January 1989 in Seoul, Australian Prime Minister Bob Hawke proposed an intergovernmental regional economic institution that was to be realised ten months later as the first Asia Pacific Economic Cooperation (APEC) meeting. APEC was the first intergovernmental regional economic institution to gather foreign and trade ministers from regional countries. As Hawke (1989b) declared in his welcome speech at the first APEC meeting in Canberra, APEC 'is certainly one of the most important international settings Australia has ever hosted – important in the range and seniority of our guests and important, indeed, vital, in the issues to be discussed over the next two days'.

The actual creation and the circumstances of the announcement of the initiative were at the instigation of Hawke and his advisers in the Prime Minister's Office. Australia's Department of Foreign Affairs and Trade (DFAT) was also searching for ways to achieve regional economic cooperation at the governmental level. In mid-1988, Japan's Ministry of Interna-

tional Trade and Industry (MITI) had floated a proposal for regional meetings of economic ministers. DFAT expressed strong interest in MITI's idea, which led to coordination between DFAT and MITI. The Pacific Economic Cooperation Council (PECC) was also seeking a ministerial regional meeting and the Australian members were approaching senior ministers and officials about the proposal. This paper initially focuses on the evolution of the ideas launched by those agents, especially addressing the reasons behind the creation of the ideas.

After the Hawke announcement, DFAT came to play a major role in developing and promoting the idea. MITI visited countries in the region in March 1989 to sound out reactions to its proposal and Hawke's initiative, which laid the groundwork for the relatively smooth acceptance of Hawke's proposal when an Australian delegation later visited regional countries in April–May 1989. The Secretary of DFAT, Richard Woolcott, launched a blueprint following his efforts to sound out regional countries, and this formed the basis of the Canberra meeting's agenda. This paper examines diplomatic endeavours by Australia and Japan to establish APEC and shows that APEC was a joint enterprise between Japanese and Australian leaders, as was the case for the previous three regional institutions in Asia and the Pacific: the Pacific Basin Economic Council (PBEC), the Pacific Trade and Development (PAFTAD) forum and the Pacific Economic Cooperation Council (PECC).

An observer wrote that the story of 'APEC's evolution [is] by now well enough known to require little repetition' (Beeson, 1999:12), but even the most detailed work on the APEC's formation (Funabashi, 1995) did not necessarily reveal where the ideas behind APEC originally came from, how and why the Hawke proposal was made and how and why Australia and Japan coordinated to successfully establish APEC. This paper aims to make a contribution to the better understanding about the origins of APEC by identifying various sources of ideas on regional economic cooperation in the 1980s and by clarifying how these ideas were amalgamated into the Hawke proposal.

Pacific cooperation and the international trading system in the 1980s

It is useful to describe the development of Pacific cooperation and regional and international economic environments as these were the external factors which partly prompted leaders in Australia and Japan to consider that the time was ripe to establish an intergovernmental regional institution. It is also helpful to review how Japan and Australia tackled Pacific

cooperation after their initiatives in organising the Pacific Community Seminar in 1980, the first PECC meeting.

The development of the PECC structure

After the 1980 Pacific Community Seminar, PECC developed into the most comprehensive regional institution, gradually consolidating its organisational structure and activities. The third meeting, held in Bali in November 1983, saw the agreement that the General Meeting would be organised by the Standing Committee, with task forces, coordinating groups and national committees to be set up in each member country. At the fourth meeting in Seoul in April 1985, the Trade Policy Forum was established, so that PECC could produce recommendations that were more in line with those involved in the GATT Uruguay Round negotiations, indicating that PECC was moving towards a role as a policy-oriented institution. The 1986 Vancouver meeting adopted the Vancouver Statement, which defined PECC's purposes and activities, and clarified its organisational structure. The Osaka meeting, held in May 1988, established the PECC Central Fund, the *Pacific Economic Outlook* and new task forces such as one on Transportation, Telecommunication and Tourism. An important achievement of the Osaka PECC was the regional declaration in support of GATT negotiations, which was 'a remarkable shift towards convergence on a major issue of collective interest', the first of its kind issued by the members, 'many of whom had initially been skeptical about GATT and multilateralism' (Harris 1989:66). The Osaka meeting also saw the establishment of the Ad Hoc Task Force for Institutional Development, a development which members took as a starting point in their work towards the establishment of an intergovernmental institution within PECC.

While PECC was engaged in consolidating its organisational structure and gaining momentum, the governments of the member countries also began to show a more direct interest in regional economic cooperation. In this regard, 1984 was a turning point. In January and March, the US Under-Secretary of State for Political Affairs, Lawrence Eagleburger, suggested 'a shift in the center of gravity of US foreign policy interests from the trans-Atlantic relationship towards the Pacific Basin and particularly Japan' was taking place (cited in Borthwick 1987:135). In July, Pacific cooperation issues were prominent on the agenda at the ASEAN Post-Ministerial Conference (PMC) in Jakarta where an ASEAN-Pacific Dialogue was established to facilitate an exchange of views on economic and development issues in the

region and the identification and development of specific areas for cooperation, despite the fact that it did not ‘get off the ground’ due to a lack of support from some ASEAN countries (Wanandi 1989:13). In September, the United States National Committee for Pacific Economic Cooperation was established, and the committee was inaugurated by US leaders, including President Reagan, Vice-President Bush, and Secretary of State Shultz, in a White House ceremony. In October, Shultz declared that there was an emerging consciousness of the Pacific Community and from that time, he became a prime mover in the upsurge of US interest in Pacific cooperation.¹ Along with the development of the PECC process, the growth of interest in Pacific cooperation among regional countries, especially in the United States, which had not shown much interest in the issue, created a favourable environment for Australia and Japan to consider the possibility of an intergovernmental regional economic institution.

Japan after Ohira

In Japan, the momentum of political interest in Pacific cooperation, the hallmark of Prime Minister Masayoshi Ohira’s foreign policy, was maintained through the 1980s, but the government did not become deeply involved in Pacific cooperation. Kumao Kaneko, the then head of the International Secretariat of PECC, wrote in the late 1980s: ‘In Japan, the lack of a concrete agenda and the unexpected death in June 1980 of Ohira ... caused public interest to wane’.² This was especially true of the Ministry of Foreign Affairs (MOFA), which had not been enthusiastic about the Pacific Concept even when Ohira was in power.³ MOFA regarded relations with ASEAN as more significant than Pacific cooperation, and its stance was that unless ASEAN supported it, Japan could not seriously advance it; MOFA thought it better to focus on furthering relations with ASEAN, a remark echoed by a senior MOFA official (personal interview, 16 December 1994, Tokyo).

MOFA’s less-than-enthusiastic stance on Pacific cooperation had an impact on the approach Ohira’s successor, Zenko Suzuki, had to Pacific cooperation. Ali Moertopo, Indonesian Minister of Information, wrote (1984:70) that ‘when I met Prime Minister Zenko Suzuki two months ago in Tokyo, I was surprised to hear his statement that a scheme of cooperation between ASEAN, Japan and Australia seemed to be more feasible than the Pacific Community proposal. Yet Suzuki did comment favourably on regional cooperation in Hawaii on 1 June 1982. Suzuki’s announcement was prompted by the view that ASEAN’s reservations about Pacific cooperation were diminishing, an observation Suzuki and Fraser made during their

meeting in Japan in May 1982. Suzuki and Fraser were encouraged by the fact that the second PECC meeting was scheduled to be held in Bangkok in June (*Asahi Shimbun*, 19 June 1982).

After Yasuhiro Nakasone took over prime ministership from Suzuki in February 1982, he frequently expressed interest in Pacific cooperation in his books and speeches. His interest focused on the concept of a Pacific Economic and Cultural Enclave (PEACE) which he first advocated in 1966.⁴ It appears that Nakasone intended to propose the creation of a new regional institution when he visited the United States in January 1983. He was interested in Ohira's concept and regarded Pacific cooperation as a way of fulfilling Japan's international responsibilities (*Yomiuri Shimbun*, 17 January 1983). In April, however, Japan's Special Committee of Pacific Cooperation (1983), established under MOFA, briefed Nakasone that this would be a long-term project. Hasty institutionalisation and the monopolisation to seek short-term benefit should be strictly avoided, and voluntary commitment to the Pacific Concept by ASEAN countries would be essential. Nakasone took no concrete action on his proposal and came to believe that 'to promote PECC was a better option than pushing for a new inter-government regional institution', as Seizaburo Sato, his policy adviser, noted (personal interview, 6 December 1994, Tokyo). This stance, which was substantially influenced by MOFA, dominated thinking on Pacific cooperation in Japan in the 1980s, and in a sense, gave MITI the opportunity to take the initiative with Australia in establishing APEC.

Australian and Pacific cooperation in the 1980s

Although the Fraser government had been integral in setting up PECC, seeing it as a way to achieve greater liberalisation of the economies in the Asia Pacific region, after the seminar the government did not show a strong commitment to Pacific cooperation. This was partly because Australia's protectionist image did not impress other regional countries, especially those in ASEAN (Albinski 1982:61). As rapid economic growth in the region continued, Australia's enthusiasm for the region was seen as 'an attempt to exploit regional growth without making the necessary domestic adjustment to permit reciprocity' (Higgott 1992:135). After resigning as Prime Minister, Fraser (1984:9) made an excuse for these double standards:

My friends in the media often accuse me of having two standards in relation to trade because, they claim, I preached freer trade but maintained Australia's protection. Be that as it may, Australia's protection is lower than it was, and that was difficult, as you would

all know, at a time of significantly rising unemployment. But ... it is almost impossible for any one middle ranking power to move too far alone unless that can get better access to other people's markets. So multilateral action is required, and that is not always easy to achieve.

Australia's commitment to liberalising its economy, which was implemented under Hawke, was an important factor in its initiative in the creation of APEC, as discussed later.⁵

The international trading system and Asia's growth in the late 1980s

The international trade structure in the late 1980s posed threats to the GATT-based multilateral trading system. The Single European Act of 1985, which aimed at the completion of the European Single Market in 1992, became a source of concern because it was assumed that Europe would take a more protectionist line. The US–Canada Free Trade Agreement signed in December 1987 (enacted in January 1989) also became a great source of concern among countries in the Asia Pacific region. US Trade Representative, Yeutter (1988:98), stated during the negotiations for the agreement:

Our preference is the multilateral route ... but if the multilateral route should prove fruitless for any one of a variety of reasons, this certainly indicates that we can achieve success bilaterally and that we are prepared to pursue these basic objectives on a bilateral basis should that become essential.

The inclination of the United States towards this trade policy option stemmed from a frustration felt at the 1982 GATT ministerial meeting in Geneva where it failed to gain agreement to proceed with further trade liberalisation after the Tokyo Round (Krueger 1995:87). The United States had approached regional countries such as Australia, Singapore, Japan and Korea to establish bilateral free trade agreements. Thus, the formation of a trading blocs in Europe and North America, as well as pessimistic prospects for the GATT Uruguay Round caused by the prolonged discord about the liberalisation in the agricultural sector, strengthened fears of the collapse of the multilateral trading system among countries in the Asia Pacific region. It is safer to assert that 'to many countries it seemed a matter of some urgency that membership in one such trading bloc be sought as insurance' (McGuinness 1990:4).

East Asian economies were achieving rapid economic growth in the 1980s. For instance, Korea, Hong Kong and Taiwan had maintained annual rates of export growth of over 10 per cent since 1981 and saw exports grow by more than 35 per cent in 1987. From 1981 to 1987 real export growth in Korea, Taiwan and Hong Kong was 10.1 per cent, 16.4 per cent and 13.9 per cent, respectively (Park 1988:126). Thailand recorded real economic growth of 8.4 per cent in 1987 and 11.0 per cent in 1988, while Malaysia recorded 7.5 per cent in 1988 (MITI 1990:45). Asia's economic development in the 1980s was largely the result of export-oriented development strategies, facilitated by changes in the industrial structure of Japan, mainly caused by the appreciation of the yen after the Plaza Agreement in September 1985. Japan increased its imports from NIEs and ASEAN from less than 14.2 per cent of total imports in 1985 to almost 20 per cent three years later.⁶

These changes in the international and regional economic structure partly provided an impetus for the exploration of new possibilities of regional economic cooperation in Japan and Australia, as seen below.

Innovation of the APEC ideas

It is important to identify what caused whom to generate ideas about forming a new regional institution like APEC. Before examining the basic ideas put forward by Hawke's Prime Minister's Office, DFAT, MITI and PECC, it is necessary to clarify Hawke's fundamental approach to foreign policy since the basic idea of APEC was closely related to his foreign policy approaches.

Elements of Hawke's foreign policy approaches

On coming to power on 5 March 1983, Hawke accentuated the economic aspects of foreign policy. Australia's Foreign Minister Gareth Evans (1989a) said: 'the Hawke Government, more than any previous Australian Government, has brought trade concerns into the mainstream of foreign policy and has abandoned the artificial distinction between trade policy and foreign policy'.⁷ A driving force behind this approach lay in Australia's growing economic links with the Asia Pacific region: it accounted for approximately 66 per cent of Australia's merchandise exports and about 65 per cent of merchandise imports, more than half of total exports of primary products and two-thirds of manufactured exports (Woolcott 1992). These conditions strengthened Australia's intention to improve trade conditions in the region.

Three characteristics in Hawke's foreign policy were particularly relevant to his APEC initiative: the fight against protectionism, his natural aptitude for multilateral forums, and his vision of economic enmeshment with Asia.

First, Hawke actively campaigned against agricultural protectionism in the international arena. Hawke's criticism of protection was 'a centrepiece of his address to the US Congress in 1988 and became a high priority on his agenda in visits to the US, Europe and Japan' (Mills 1993:189). Australia's frustration at the GATT mid-term review in December 1988, which failed to list agricultural products for liberalisation, partly promoted it to launch APEC.

Second, Mills (1993:189) attributed Hawke's propensity towards multilateralism to his background as president of the Australian Council of Trade Unions (ACTU), his keen participation in the International Labor Organisation and to his basic faith in negotiation. During his term in office, Hawke attended all but one of the annual South Pacific Forums, and all of the Commonwealth Heads of Government meetings. Hawke's patient style of consensus building was a strength behind his approach to multilateralism and his call for the establishment of APEC.

Third, Hawke (1994:230) saw the importance of linking Australia more closely with Asia and the Pacific. 'We had, as a country, to wrap our minds around the fact that [the Asia Pacific region] was where the future of Australia would lie', he wrote, and he characterised Australia's approaches to the region as 'enmeshment with Asia'. He then linked such views to his concern about Australia's future:

Enmeshment meant change, radical change. It was a case of change or be left behind, with our living standards declining, our economy and way of life stagnant, out citizens envious and, in the long term, left to become the poor white trash of Asia ... We had to develop an export culture, with Asia.

Australia's declining position in the regional and global economy underlined the need for economic reforms at home. Australia fell from the eighth largest trading country during the 1960s to the twenty-third during the 1980s and its share of world exports fell from 2.1 per cent to 1.4 per cent (Higgott 1987). Paul Keating, the then Treasurer, warned that 'Australia risked becoming a banana republic' unless drastic changes in economic policy and industrial attitude were made (*Bulletin*, 27 May 1986). A strategy to overcome the problem was to promote exports: 'Hawke's most important duty abroad' was 'to boost Australia's bilateral trade and investment

links with the regional countries', if measured by the number of hours he spent on this matter in his overseas trips (Mills 1993:192).

In pursuit of these goals, the appointment of Ross Garnaut, an ANU economist, as Hawke's economic policy adviser in 1983 was important. To Hawke (1994:166), Garnaut's emphasis 'towards transforming Australian industry by tapping into the extensive industrialisation sweeping the East Asian region' and his fundamental theme that 'export expansion needed to be supported in Australia by import liberalisation' was significant. Hawke believed that Garnaut 'was an unabashed free-trader and exactly the person I was looking for as an economics adviser'.

Partly on Garnaut's advice, the Hawke government implemented important economic reforms at home: the dollar was floated, financial markets were deregulated, foreign investment policy was liberalised and company taxation was cut. Most importantly, the Hawke government reduced by a third the level of tariff protection accorded to the Australian manufacturing industry. This tariff cut distinguished the Hawke government from the Fraser government and his government's commitment to these economic reforms was an advantage when Hawke announced APEC in Seoul: 'I was able to speak from a position of strength' (Hawke 1994:431). In the early 1980s, there had been regional skepticism over the discrepancy between the rhetoric and reality of the domestic adjustment process in Australia, so 'APEC, at its inception, was meant to contribute to the resolution of this image problem in the region ... [and thus] the APEC initiative needs to be seen as an extension into the international domain of Labor's economic reform agenda' (Higgott 1992:135). Hawke (personal interview, 25 May 1998, Sydney) said in this context: 'we simply wouldn't be credible if we were arguing for the creation of an international situation based on lower tariff barriers, if we were not practicing what we preached'.

Hawke's two major foreign economic policy priorities in late 1980s were linking Australia's economy more directly with the growing Asian economies and seeking to strengthening the open, multilateral trading system. The establishment of APEC was a means of achieving both priorities.

The 1983 Bangkok proposal

Immediately after he came to power, Hawke attempted to create a regional economic association, an idea crystallised by Garnaut, to achieve these two foreign policy goals, indicating that his approach to Asia Pacific regionalism was part of a consistent foreign policy

goal. This was announced, during his first overseas trip, in Bangkok in November 1983, encouraged by his awareness of the ‘dramatic reordering of growth patterns’ in East Asia, his determination to participate in the process and his expectation of benefiting from the change (*AFAR*, 1983:688–94). Like Fraser in the establishment of PECC, Hawke was aware of increasing economic interdependence and political ties in the region, which reinforced his view that ‘a sound basis exists within this region to enhance [the region’s] prosperity through cooperative action and to contribute importantly to global economic welfare’. Hawke continued in the speech: ‘I see no reason why countries of the region should not join together, in a manner consistent with their shared interests and capacities, to secure generally agreed objectives’.

At that time, a new GATT round was proposed to begin in 1987, with preparation to start in late 1984 or 1985. This became the Uruguay Round. Hawke believed important areas for Australia and ASEAN countries, such as agriculture and processed minerals, had been neglected by multilateral negotiations in the past and that they could work together on negotiations for the new round. Hawke thus declared that if the new round failed to address effectively the issues of central concern to Australia, Australia would be prepared to join Asia Pacific countries in exploring alternative means of expanding trade on a non-discriminatory basis. The focus of such a move would be on the commodities in which countries in the region were the most competitive suppliers.

Hawke believed that ‘the major established trading powers have never seemed less able to formulate policies which will improve the trading environment’, and he relied on ASEAN countries in the region in this aim, stating that ‘we in the region ... owe it to ourselves to fill the vacuum’. Hawke (personal interview) recalled that the proposal was ‘part of an overall concept of bringing Australia and Asia closer ... [and] the beginning of the bringing together of a group in the region with common interests’. This can be seen as a precursor to his APEC initiative.

The Prime Minister’s Office and PECC’s involvement

The Prime Minister’s Office was the major bureaucratic apparatus involved in crystallising Hawke’s fundamental foreign policy approaches into regional economic cooperation policy. According to Chris Conybeare (personal interview, 30 July 1998, Canberra), Principal Private Secretary to Hawke during 1986 to 1988, since mid-1986 Hawke and his advisers had become more and more interested ‘in doing something to fill the void of Asia Pacific economic

cooperation'. Conybeare recalled that Hawke often stressed the importance of China's integration into the Asia Pacific region, which stemmed mainly from his meetings with Chinese leaders such as Hu Yaobang, the Party Secretary. Hawke had a wide-ranging talk with Hu in 1986 during which he realised that China's economic reform would be successful and would have a major impact on the future of the Soviet Union. Hawke anticipated significant changes in the Asia Pacific region, caused by economic reforms in China and the Soviet Union, and he anticipated massive benefits from the future Chinese market. Asia Pacific economic cooperation could be a good way to ease China's economic reform and integration into the expanding Asia Pacific economies.

In the meantime, Australia's National Pacific Cooperation Committee (NPCC) was considering proposing a ministerial meeting on Pacific economic cooperation and NPCC briefed the Prime Minister's Office about the idea. PECC members considered that PECC could be the convenor for a ministerial meeting of economic cooperation, and the participation of the three Chinas in PECC in 1986 created an atmosphere in which the idea seemed feasible. NPCC Chairman, Russel Madigan, proposed a ministerial meeting to discuss Pacific cooperation at the PECC Standing Committee in Tokyo, September 1987. His proposal addressed ways to foster government policy follow-up to PECC's policy-oriented deliberations.⁸ According to Stuart Harris, former Secretary of DFAT and then member of NPCC (personal interview, 23 April 1998, Canberra), NPCC had been concerned for some time that a number of issues had gone as far as they could in PECC, but matters such as trade liberalisation, trade facilitation and the investment code needed ministerial consideration to get off the ground. There had thus been discussion about the need for more specific ministerial involvement.

Importantly, the Prime Minister's Office was linked with NPCC in elaborating ideas on regional economic cooperation. Kim Jones, member of NPCC and Deputy Secretary of the Department of the Prime Minister and Cabinet (PM&C), played a role by keeping the Prime Minister's Office informed of what was going on in NPCC and taking forward the Prime Ministerial Review into NPCC. Until his departure from the office in June 1988, Conybeare (personal interview) was 'involved in the process of trying to have more consideration given to a serious timetable for the elevation of the PECC framework to a ministerial level meeting' and said 'PECC had a strong lodgment in the Prime Minister's Office'. According to Conybeare (personal interview), as Hawke 'did have close personal interest in how NPCC was developing and what was happening in it', Conybeare played a role as 'a conduit or contact point' to Jones on the issue.⁹

The Department of Foreign Affairs and Trade

In 1987, the Australian Department of Foreign Affairs was merged with the Department of Overseas Trade into the Department of Foreign Affairs and Trade.¹⁰ Given the fact that the two departments traditionally competed over policy turfs, amalgamation was an important step in Australia's push towards the APEC initiative. In early 1988, the Economic and Trade Development Division in DFAT, headed by Andrew Elek started working on a revision of Hawke's 1983 proposal for a ministerial meeting. Given the prospect that the GATT Uruguay Round might meet with difficulty, Elek (personal interview, 7 April 1998, Canberra) thought it seemed a good time to bring Asia Pacific governments together to address issues beyond agriculture, which was being pursued in the Cairns Group established in 1987. Elek continued to say: 'I think [a regional economic association] was a sensible objective, from an economic point of view, as it was clearly of interest to everyone ... [although] I was aware of the political sensitivities'. DFAT cautiously began to sound out the possibilities for intergovernmental regional economic cooperation.

The Ministry of International Trade and Industry

In Japan, MITI was also exploring the possibility of a ministerial meeting. The origins of MITI's ideas about a regional ministerial meeting can be found in Shigeo Muraoka's initiative in setting up the Trade Policy Planning Office to outline comprehensive trade policy within the International Trade Bureau in 1986. Muraoka, then Director-General of the bureau, hoped that the office would deal with interdisciplinary trade issues which no single section in the bureau could deal with due to the intersectoral nature of the issues. Muraoka appointed Masakazu Toyoda as the officer responsible for research. Muraoka and Toyoda promoted regional economic cooperation at the government level in the hope that Japan might be able to inject strategic thinking into the region, now that more than four decades had already passed since World War II, Asia was becoming the centre of the world economy and inward-looking regionalism was looming elsewhere in the world. Muraoka (personal interview, 20 January 1995, Tokyo) explained MITI's growing interest in Asia Pacific regionalism:

Should Japan follow the trend of discriminatory regionalism? No. Was Japan powerful enough to curb the trend? No. An option Japan could take was to commit itself to creating

open regionalism by means of an Asia Pacific regional institution. Asia Pacific regionalism should not only be consistent with globalism, but it should also aim to promote globalism.

We hoped that MITI's plan could play a bridging role between regionalism and globalism.

Toyoda (personal interview, 15 January 1995, Tokyo) also said an important message MITI hoped to carry was the need for a new model of regionalism. The worst scenario for Japan was for the world economy to be divided, so he thought it essential for MITI to present open regionalism as a desirable model to Europe and North America. While Toyoda was carrying out his research, the then MITI Minister Hajime Tamura put forward a proposal for a Pacific Basin Industry Ministers' Meeting to Australia when he attended the Australia-Japan Ministerial Committee in Canberra in January 1987. Although this proposal failed to materialise, Tamura went on to advocate Asia Pacific economic development and cooperation in Bali, in January 1988 (MITI 1994:1). These proposals were in line with Muraoka's interest and Toyoda's research at that time.

To give more substance to these proposals, in February 1988, a Study Group for Asian Trade and Development was established within MITI¹¹ and the group launched a report in June (MITI 1988). On the basis of this report, MITI approached regional countries to explore the possibility of a ministerial meeting on regional economic cooperation.

Refinement of APEC ideas

Activities in Department of Foreign Affairs and Trade

DFAT's consideration of intergovernmental regional economic cooperation was spurred on by Hawke's agreement with Japanese Prime Minister Noboru Takeshita in Canberra in July 1988 that the governments should consult on the implications for both countries and the Asia Pacific region of the European Single Market and the US-Canada Free Trade Agreement. Hawke's APEC announcement in Seoul was to subsume the process into a regional dialogue and thus there was no clear causal link between the Hawke initiative and the agreement. But the agreement illustrates the level of concern at the most senior political level as to how both countries and the Asia Pacific region should approach current trends in the international economy.¹² The agreement contributed to DFAT's taking a more serious interest in how Australia could pursue regional economic cooperation, as an official in DFAT recalled (personal interview, 24 April 1998, Canberra). Hawke (personal interview) also said 'we did not have [the

APEC idea] absolutely finalised in our minds then, but the concept was there and it was important to have the support of the Japanese'.

Also, Nakasone and Shultz's proposals in 1988 were important to Australia's thinking in DFAT, by providing a reference point and a focus for the idea that something needed to be done. In March, Nakasone proposed PEACE, as explained above, and Shultz proposed a similar idea in July in Jakarta:

It would be worth your while, I venture to suggest, to form some kind of Pacific Basin Forum where like-minded countries could compare experiences, discuss ideas and prepare analyses on subjects that are of interest to most countries in the region ... In our part of the world, the annual economic summits, the OECD, and other organisations have proved useful in these ways.¹³

According to Elek (personal interview), DFAT had slight concerns about both proposals. The Nakasone proposal was very broad, politically and economically, and it was perceived to be rather difficult to realise. On the other hand, Shultz's proposal was very cautious, restricted to transport communications, and lacking trade policy implications.¹⁴ DFAT aimed to create a compromise proposal. DFAT was also aware of ASEAN's concern about any proposal coming from the two biggest economies in the world, so DFAT saw an advantage in Australia's position as a middle power to launch a similar proposal, taking account of ASEAN's sensitivity.

In mid-1988 DFAT had yet to be fully convinced about the idea of intergovernmental regional economic forum. In September 1988 when DFAT briefed Evans about his meeting with Shultz,¹⁵ the department's view was as follows:

Australia is generally supportive of the principle of increasing regional dialogue and economic cooperation in the Pacific, though the Government recognises that there are considerable difficulties in this area given regional disparities and special sensitivities in the region. (Information from DFAT officials)

It seems that at least by November 1988, examination of the possibility of regional economic institutions in DFAT had not gained wide support in Australia.¹⁶ At that time, Evans had just been approached by Madigan about a proposal from PECC for the establishment of an intergovernmental institution, Hawke had not seriously considered announcing the APEC

initiative and the Prime Minister's Office was yet to produce a concrete plan for regional economic cooperation. In sum, DFAT had been cautiously testing the waters.

Activities in the Ministry of International Trade and Industry

MITI's study group launched a report in August 1988 (MITI 1988:2), identifying the factors promoting MITI to precipitate regional economic cooperation:

The US–Canada Free Trade Agreement, concluded in January 1988, and the EC's move towards a unified market in 1992 are illustrative of the search for desirable new forms of regional cooperation;

The Asia Pacific economies attract attention because the region is expected to act as a locomotive for the development of the world economy and the speed of its growth may cause it to disturb the current world economic order. In addition, the proposals for a US–ASEAN free trade zone, a US–Japan free trade agreement and an Asia Pacific OECD illustrate that the region is exploring new forms of regional cooperation.

The report stressed the necessity for a new form of regionalism in the Asia Pacific region and that it should not be inward-looking and discriminatory, in contrast to the trends in regionalism in Europe and North America:

In view of the great diversity among the countries of the region, for the immediate future the desirable form of Asia Pacific development cooperation would differ from that of the Europeans. In view of this, it is not possible to locate immediately any existing forms of cooperation that would act as models for Asia Pacific development cooperation such as the EC and the OECD. Yet, in the absence of appropriate regional cooperation, the Asia Pacific economies could have a disruptive influence on the entire world economy, and thus it is necessary to make steady progress on regional cooperation. (MITI 1988:28)

The report conceded that there was a lack of intergovernmental regional economic cooperation and saw the promotion of communication as the main purpose of the proposed regionalism:

Vision and cooperation are essential for the economies of the Asia Pacific region, and in the immediate future it will be essential to create a soft cooperation network that will deepen mutual understanding and awareness of interdependent relationships. The specific form of this would lead to the opening up of a variety of channels of communication among not only industrial and academics circles but also among government officials, including those at the cabinet level. (MITI 1988:36)

The report focused on the problems facing the Asia Pacific region and the areas in which regional countries should cooperate, but it did not specify what form this should take or how it could be built. Nor was it clear what ‘a soft cooperation network’ among government officials or ministers meant. MITI therefore commissioned the Asia Pacific Cooperation Promotion Committee, which consisted of experts outside MITI, to make some specific policy recommendations for the launch of the final report on regional economic cooperation.¹⁷

Australia–Japan coordination

Australia–Japan coordination was conducted at the bureaucratic level on the initiative of Hirokazu Okumura. While MOFA was responsible for the consultations concerning the Hawke–Takeshita agreement, Okumura, who was then seconded from MITI to the Sydney office of Japan External Trade Organisation (JETRO), consulted closely with DFAT about MITI’s plan. Immediately after the MITI study group was established in February 1988, Okumura visited DFAT to suggest a joint study on regional economic cooperation. Okumura knew that Australia was intensely interested in the issue when he discussed Tamura’s proposal with DFAT officials in January 1987 and he often reported back to Tokyo on the desirability of cooperation with Australia. An unofficial MITI–DFAT meeting was held in August 1988 in Tokyo. Unofficial bilateral meetings tended to focus on bilateral trade issues, but regional economic cooperation was the theme of this meeting, as Okumura (personal interview) said. Australia came to see that MITI was very keen to bring together trade ministers in East Asia and ‘what they were doing was similar to what we were doing’, as a DFAT official (personal interview, 24 April 1998, Canberra) said. Okumura was MITI’s main contact with DFAT, especially with John Richardson in the Trade Strategy Branch and they regularly exchanged views and used their meetings to sound out the other country’s response. Australia became aware of the finer details of MITI’s thinking.

The countries also cooperated at a more senior level. During 1988, DFAT got both its ministers to take advantage of the high level of discussions. Formally and informally, they sounded out at the political level the degree to which regional countries were interested in regional economic cooperation and DFAT was especially keen to study relevant countries' reactions to the proposals by Nakasone and Shultz. The Minister for Trade Negotiations, Michael Duffy played an important role by using the general discussions for the Uruguay Round to raise regional cooperation issues.

Duffy's discussion with Muraoka in Montreal in December 1988, when both attended the Uruguay Round's mid-term review, was critical. Muraoka (personal interview) said that the meeting with Duffy was 'very significant and interesting' partly because they spent most of the time on discussions about regional economic cooperation despite the original agenda for the talk being the ways to proceed in the GATT mid-term review. As a result of this discussion with Duffy, Muraoka came to believe that it would be advantageous to forge a partnership with Australia to advance MITI's concept and he relayed this idea to Duffy. Duffy asked Muraoka why Japan did not want to take the lead itself and instead sought cooperation with Australia. Explaining Japan's difficult position due to its wartime attempt to create the Greater East Asian Co-Prosperity Sphere, Muraoka said that 'I hope that Australia will take the initiative by itself'. The 'initiative' meant the responsibility for officially launching the proposal for intergovernmental regional economic cooperation. By late 1988 both DFAT and MITI had been keen to see some initiative launched, but there was the question of who should launch it and how. Australia saw that MITI was not ready to make a decisive move. Elek (personal interview) said 'our view was that it would be better for a small non-threatening country like Australia to launch a new regional initiative, without too many specifics about the nature of proposed cooperation'.

PECC's activities

As mentioned above, NPCC was studying an intergovernmental regional economic institution in association with the Prime Minister's Office, and Nakasone and Shultz's proposals prompted them to take concrete action. Harris (personal interview) said: 'NPCC members thought the agendas and objectives of these proposals were not necessarily clear and argued that the issue should be addressed as a matter of urgency'. The DFAT representatives were not enthusiastic. The Department of Prime Minister and Cabinet (PM&C) representatives, including Deputy

Secretary Conybeare, who was aware of NPCC's interest when he was Hawke's principal secretary, agreed that 'the need was urgent and they would feed it into the system in PM&C', leading to a request for briefing and reactions from DFAT.

Then, Madigan met with Evans on 22 November to put the case for PECC providing the opportunity for a ministerial-level meeting on Pacific cooperation.¹⁸ Madigan stressed that the time was right given recent similar proposals such as those of Nakasone and Shultz. NPCC thought that a ministerial meeting organised by PECC would avoid political complexity, but the proposal would need to be discussed with the Cabinet. He requested Evans to facilitate this.¹⁹ Evans noted that DFAT was now preparing views on Pacific economic cooperation at the ministerial level and said he would consider this advice before responding substantively to Madigan. Evans then said that much depended on the modalities and substance of the proposed meeting and that ministers would not consider it to be a worthwhile idea unless it had an adequate degree of formality in the sense of well-defined objectives and a useful agenda. Evans finally said that he would look carefully at what signals such a meeting might send in the context of multilateral trade negotiations and the Montreal meeting, and would not wish to derogate in any way from Australia's unequivocal commitment to multilateral trade arrangements (memorandum, meeting between Evans and Madigan on 22 November 1988).

Despite Madigan's input to Evans, the Hawke initiative was to override PECC's suggestion for a ministerial meeting, as Harris (personal interview) noted. PECC saw this as fulfilling many of its aims for a ministerial meeting and concentrated on trying to be associated with the establishment of APEC through providing background papers, as discussed later.

Political involvement in the development of APEC ideas

The crux of the argument in any policymaking process is how and why political leaders take up a certain idea as official policy, providing political momentum for the idea. Hawke's official selection of the idea was vital, but in Japan, Prime Minister Takeshita, not as internationally oriented a politician as Hawke, had not committed himself to MITI's proposal. Yet his support gave MITI the backing it needed to promote the proposal.

Incentives for the Hawke initiative

There are at least two factors which directly encouraged Hawke to propose intergovernmental regional economic cooperation which DFAT, the Prime Minister's Office and NPCC had been

considering since the beginning of 1988: proposals on regionalism made by other leaders and the failure of the mid-term review of the Uruguay Round. As discussed earlier, several proposals on regional economic cooperation had been put forward by foreign leaders such as Nakasone and Shultz, and in December 1988 US Senator Bill Bradley called for consultations among eight major Asia Pacific governments about economic cooperation. Bradley's speech gave DFAT an opening to brief the PM&C as well as the Prime Minister's Office about this set of issues, as Elek (personal interview) noted. These constellations of proposals on regional economic cooperation in 1988 had convinced Hawke (1994:429) that 'the circumstances were propitious to act decisively to give effect to the clear perception I had expressed' in 1983. These other proposals provided a good indication that the time was right to propose an intergovernmental regional economic institution.

In the late 1980s, the highest priority in Hawke's mind was the successful conclusion of the Uruguay Round, because it was intended to reduce tariff and non-tariff barriers to trade in agriculture for the first time (Hawke 1994:232). Yet immediately after the Round commenced in 1987, it was clear that Europe, the United States and Japan were reluctant to commit themselves to the negotiations. Australia was then working on creating a coalition of members with a strong interest in the liberalisation in agricultural products, the Cairns Group, under the initiative of its trade and foreign ministers, John Dawkins and Bill Hayden.

The origins of the Cairns Group were thus similar to those of APEC,²⁰ and when Hawke saw the benefits and success of the Cairns Group, he 'wanted now to bring together [the] two fundamental and interrelated themes of a freer international trading environment and Australia's greater enmeshment with the region' (Hawke 1994:429). He anticipated that a regional economic institution would function as a supplement for the Cairns Group in Australia's overall foreign economic policy.²¹ Both initiatives reflected the strong interest of Hawke and his government in maintaining the GATT-based international trading system by working to achieve a successful outcome to the Uruguay Round.

Hawke's concern about the possible collapse of the GATT system also stemmed from his belief that it would lead to global fragmentation into exclusive regional trading blocs. Hawke (1994:230) viewed more seriously the emergence of inward-looking regionalism in North America and Europe because Australia's agricultural and resources sectors would suffer from declining commodity prices mainly caused by subsidies in the United States and the EC's common agricultural policy. The failure of the Uruguay Round mid-term review held in Montreal in mid-December 1988 sounded a strong warning against Hawke's faith in the

Uruguay Round. In Montreal, it was agreed that eleven out of fifteen negotiating areas including services, tropical products and dispute settlement were to be included in items for negotiation, but textiles, safeguards, intellectual property and agriculture were to be excluded. The failure of the mid-term review, especially the exclusion of agriculture, was a blow to Australia, as Evans said ‘there can be no disguising the Australian Government’s disappointment at that result’.²²

Under such circumstances, DFAT submitted a report to the government on regional economic cooperation in December 1988. Hawke’s response was ‘Yes, let’s do something and let’s make it a concrete proposition’.²³ In early 1989, Hawke commissioned DFAT to draft a speech on regional economic cooperation in preparation for his visit to Seoul in January. Central to DFAT’s draft was an examination of the overall trends in regional economic cooperation, and the draft drew these together and provided a framework, but did not suggest a new regional institution. Conybeare (personal interview) said:

The brief had no instruction or approval or whatever, no guidance for the Prime Minister on making an announcement. The documentation that would have been cleared out of Prime Minister’s Office had nothing in it to suggest that Mr Hawke would go to Seoul to make that speech.²⁴

Another elements which the Prime Minister’s advisers were requested to add to the draft was the concept of an ‘Asian OECD’ which, as Hawke (personal interview) said, ‘was my assessment and my advice’. It was then believed that ‘the prevailing wisdom in the Canberra bureaucracy’ was that an ‘Asian OECD’ would be too difficult to set up, would embrace too disparate a collection of economies, and would brush up against many political sensitivities in the region (Mills 1993:192). DFAT saw that there had been a significant ongoing debate about the North-South divide in the late 1980s and many Asian countries were still identified as part of the South. The very name OECD with its connotations of a Euro-centric rich men’s club was an unattractive proposition. Also, OECD’s large infrastructure, secretariat, bureaucracy and budget were considered inappropriate for the Asia Pacific region and something that would meet with opposition from regional countries. DFAT was not, however, totally opposed to the concept. The discussion of policy direction, a central OECD aim, was ‘absolutely central to all of the proposals’ and had the benefit of generating a dialogue with regional countries in a closely interdependent situation. What DFAT ‘wanted to do was to avoid having that revealed

in a highly negative way which [DFAT] recognised the Asian OECD tag was likely to be (personal interview with DFAT official, 24 April 1998, Canberra).

Hawke's interpretation of the OECD concept differed from DFAT's:

The countries would be more comfortable with an OECD concept which was information and cooperation based rather than thinking of EC type things, where you were really trying to get a decision making apparatus superimposed on their economic operation, so that was the reason for talking about OECD. (Personal interview with Hawke)

The idea of an Asian OECD partly grew out of consideration for the sensitivities of ASEAN countries. Hawke knew that they would be loath to see anything which would be seen to be competing with ASEAN, so with the OECD idea 'we had to massage their feelings' (personal interview with Hawke).

The announcement in Seoul, 31 January 1989

The final decision to launch a ministerial-level meeting was not made by the time Hawke left Australia, two days before he was due to speak in Seoul (personal interview with DFAT official, 24 April 1998). This was despite the fact that before the announcement, Australia's diplomatic missions in the region had been instructed to assess reactions to a push for greater regional cooperation and the reactions had not been unfavourable (Hawke 1994:430). On his way to Seoul, Hawke met Garnaut in Perth and discussed the proposal, especially how it would be developed (personal interview, 11 December 1998, Canberra). The strong support gained when meeting Korean President Roh Tae Woo on 30 January encouraged Hawke to officially propose a regional forum. As Hawke said, 'we had assessed that Korea was responsive, but it was not until I got there that I had a session with the president that we realised just how enthusiastic; he was very responsive'.²⁵ This final decision required 'the concerted efforts of eight senior Hawke staff and public servants sitting around a hotel room between the hours of midnight and 4 am on the morning of 31 January' (Mills 1993:194).

Hawke (1989a) proposed intergovernmental regional economic cooperation in Seoul, on 31 January 1989 saying: 'the time has come for us substantially to increase our efforts towards building regional cooperation and seriously to investigate what areas it might focus on and what forms it might take'. Hawke stressed that his support for a formal organisation for regional cooperation must not be interpreted as push for the creation of a Pacific trading bloc

and that a major priority of any regional effort would be the strengthening of the GATT system. His proposal of an Asian OECD aimed to establish a regular process of regional consultation on trade and economic issues and its essence was the development of a better flow of information and analysis to enable the identification and advancement of common interests.

Although a number of previous proposals had been launched by politicians, Hawke's speech attracted the region's attention, as it carried the weight of an official statement by an incumbent prime minister. Elek (personal interview) epitomised the process: 'rather than everyone just watching the ball in the middle of the field Mr Hawke walked up to it and kicked it. It landed well down the field, and we were able to put it together within a year because the timing was right'. MITI officials welcomed the Hawke initiative,²⁶ because MITI did not have any expectation that it would announce the proposal. APEC was not purely an Australian initiative as it was based on various ideas coming from different places and proposals, but it was an Australian initiative in the sense that Australia took the risk of launching it.

Takeshita's approval

Takeshita did not hold a strong stance on regional economic cooperation and was not personally committed to the 'selection' of MITI's proposal. This was due partly to his cabinet members' involvement in the so-called Recruit Scandal, which had led to a massive loss of public support and was soon to lead to Takeshita's resignation. Nevertheless, he endorsed it and this prime ministerial endorsement was a strong encouragement for MITI.

Michihiko Kunihiro (personal interview, 16 January 1996, Tokyo), then Vice-Minister for Economic Affairs in MOFA, maintained close relations with Takeshita as his former Chief Cabinet Counsellor. Kunihiro had explained to Takeshita that the ASEAN framework should be respected in any intergovernmental Asia Pacific economic cooperation. Yuichiro Nagatomi, formerly Prime Minister Ohira's secretary and now back at MOF, was also requested to give advice when Hawke sent a letter on the Australian proposal in March 1989. Nagatomi advised that the United States should be incorporated in any proposal, that the ASEAN framework should be respected and that the organisation should be open. Nagatomi emphasised that to avoid exacerbating the current adverse US–Japan relations, a multilateral forum in the Asia Pacific region might be particularly useful. MITI briefed Takeshita about the MITI plan in April 1989 before his trip to ASEAN nations where Takeshita was to announce Japan's stances on regional economic cooperation. Takeshita's references to MITI's proposal were that the

United States and Canada should be included, but that the inclusion of China and Taiwan would be premature, that it would be appropriate to start with trade and industry issues, that it would be important to encourage and support Australia's effort and that it would be appropriate to hold a ministerial meeting in concert with PECC (MITI 1994:4).

Takeshita announced Japan's three principles for regional economic cooperation in his visit to ASEAN in May 1989, accompanied by Kunihiro. They were that ASEAN's views should be respected in Asia Pacific economic cooperation; regional economic cooperation should contribute to the reinforcement and maintenance of an open free trade system; and cooperation should include environment, transportation, telecommunication, and science and technology (*Asahi Shimbun*, 5 May 1989). Takeshita neither referred to MITI's plan nor to the Hawke proposal, but merely said to ASEAN leaders that Japan would determine its official approach after gauging the reaction of ASEAN countries to the Hawke proposal, as Kunihiro (personal interview) recalled. Takeshita probably intentionally made his views ambiguous because of 'internal bureaucratic infighting' (Funabashi 1995:64) and ASEAN's cautious views. In his meeting with President Suharto in Jakarta on 5 May, Takeshita supported Suharto's view that it would be difficult to establish a new forum given the different levels of economic development and cultural diversity within the region. Takeshita then mentioned that existing institutions such as the ASEAN PMC and PECC could be utilised to promote regional economic cooperation (*Nihon Keizai Shimbun*, 6 May 1989). Nevertheless, Takeshita privately said to Kunihiro later (personal interview) that 'I stressed the significance of ASEAN, and I assume ASEAN will not oppose it [the plan for a ministerial meeting]'. Takeshita may have considered that if he had pushed the MITI proposal more seriously by providing his firm commitment, it would have faced opposition from ASEAN.²⁷

Takeshita approved MITI's idea as government policy, but he did not actively promote it, while on the other hand, Hawke's commitment led to the involvement of senior Australian bureaucrats in an intensive round of consultations with relevant countries.

Diplomacy for the establishment of APEC

After the Hawke announcement, Australian and Japanese delegations visited other countries in the region to explain their proposals for regional economic cooperation and to sound out reactions. Both governments promoted the proposals as beneficial to regional economies. Yet the purposes of Japan's and Australia's diplomacy were different. MITI mainly advocated the

desirability and benefits of a trade and industry ministers' meeting on the basis of its report, while DFAT intended to create an agenda for a ministerial meeting by determining the preferences of potential participants.

MITI's diplomatic effort

Immediately after the Hawke proposal, Toyoda suggested that Muraoka visit ASEAN countries in concert with Australia to persuade them to participate in a ministerial meeting. Yet Muraoka (personal interview) was in no hurry to act:

I thought ASEAN countries would not accept the plan easily, so I proposed a preliminary investigation of ASEAN's reactions to the Hawke proposal. I thought it most appropriate to visit the region when the Hawke proposal was well embedded in policy makers' minds and they were deciding whether or not to join. From experience, I sensed it would take about a month, so we decided to visit ASEAN countries in March.

Prior to Muraoka's visit, Okumura was commissioned to visit ASEAN countries to sound out reactions to the Hawke proposal and explain the MITI plan. MITI saw that 'Australia alone would not be able to sway some cautious Southeast Asian policy-makers and therefore MITI could make a real difference' (Funabashi 1995:66).

In February 1989, Okumura and Hidehiro Konno, then Director of International Economy at MITI met with senior officials in trade ministries in each country. According to Okumura (personal interview, 19 January 1995, Tokyo), the meetings with the Indonesians and the Malaysians were impressive. Although Indonesian Ministry of Foreign Affairs gave priority to the maintenance of the ASEAN framework, officials in the Trade Ministry told Okumura that there was a general awareness that 'the time is right, so we should go ahead'. Malaysian officials stated that the postwar generation should not be shackled by the legacy of the war and should promote the idea. Okumura was conscious of a 'generation gap', and attributed the change to the increased Japan's economic cooperation and business presence in the region. In Thailand, officials in the Prime Minister's office said that Prime Minister Chatichai had already discussed the Hawke proposal with President Suharto and that while they gave the first priority to ASEAN, they had decided not to rule out the Hawke proposal. Okumura reported to Tokyo that ASEAN nations were ready to accept a proposal for an intergovernmental regional institution.

Muraoka was delighted to read Okumura's positive report, but he continued to be cautious and planned his visit carefully, first visiting Singapore (which was expected to be the most positively disposed towards the plan), followed by Malaysia, Thailand, Indonesia and Hong Kong. MITI believed that the United States would eventually support the proposal, so its first priority was to persuade Asian countries (personal interview with Okumura). Muraoka targeted senior officials and ministers in trade and industry ministries, as well as prime minister's and presidents' offices, but not foreign ministries.

Muraoka (personal interview) had suggested to Kunihiro that MOFA should send some of its senior officials on the visit, but Kunihiro (personal interview) declined the suggestion because he thought the MITI plan would arouse suspicion in Asia that Japan was trying to revive the Greater East Asian Co-Prosperity Sphere using its economic power and Asia would not accept this. Kunihiro felt that the time was not yet ripe and that consensus for the establishment of an intergovernmental regional institution should be enhanced through the activities of the existing non-governmental organisations, PBEC and PECC.²⁸ Kunihiro's view had been in line with that of MOFA since the early 1980s when the institutionalisation of PECC had been bogged down by the unenthusiastic approach of some ASEAN countries. Kunihiro believed it necessary to see how ASEAN would react to the proposal, but assumed that ASEAN would be concerned about being submerged into a larger organisation. He believed Japan could not assist with the development of such an organisation and Japan's contribution in the development of ASEAN was more important. Kunihiro thus warned Muraoka to tread warily.

In Singapore, Lee Hsien Loong, Minister for Trade and Industry, liked the MITI proposal and was especially happy with Muraoka's idea of having the United States as a founding member. In Malaysia, Prime Minister Mahathir's priority was on regional integration and reduction of trade barriers within ASEAN, despite the fact that he expected Japan's role in the Asia Pacific region to grow (MITI 1994:3). Thai ministers were cautious, and reserved their position about the MITI plan, stating that Prime Minister Chatichai would 'have the final say'. In Indonesia, Muraoka obtained agreement from the most ministers, but they were opposed to the inclusion of the United States.²⁹ When asked why it was important to incorporate the United States, Muraoka replied that 'it would perhaps be more effective to combat and contain unilateral US actions on trade issues if we could include the United States in the forum'.³⁰ Indonesia and other ASEAN countries eventually accepted this rationale. Muraoka went on to visit South Korea where MITI's proposal was received positively. He was astonished to be told by a minister that it was Japan's duty to remove the nightmare of the Greater East Asian Co-

Prosperity Sphere and Japan needed to make efforts on behalf of Asia, as he had been so careful not to give the impression of creating a second version of the Co-Prosperity Sphere. Finally he went to the United States in April where he met with ministers and with officials in the United States Trade Representatives (USTR) office, the Department of Commerce and the Department of State. The first two departments were unenthusiastic, but the State Department agreed with the MITI plan. Muraoka (personal interview) tried to reassure the United States and said that there was no intention to form an anti-American economic group and that Asian countries had agreed to the United States' involvement in the initial membership despite the fact that there was still tension in the region.

All countries, including the Philippines and Brunei, which other MITI officials visited, accepted the idea of holding a ministerial regional forum on economic cooperation. Okumura (personal interview) said MITI thought there were at least three reasons behind ASEAN's acceptance of MITI's proposal: ASEAN's confidence about their economies, improved ASEAN–Japan relations, and their isolation from the regional blocs developing in Europe and North America. The Muraoka mission had functioned as sounding board for every nation in ASEAN. Each country had communicated its views and each wanted to know the views of other countries. MITI's task was to provide this information. By spreading these ideas, MITI helped create a receptive atmosphere in the region for the idea of a ministerial meeting and did the 'groundwork' for a positive reception of Australia's proposal, as Geoff Brennan, (personal interview, 17 June 1998, Canberra), who was a commerce officer in the Australian Embassy in Tokyo in 1989, noted.

Australia's diplomatic strategy

Richard Woolcott, Secretary of DFAT, was commissioned as the Prime Minister's special envoy to explain Australia's thinking and to sound out views in the region on how regional economic cooperation might be achieved. Hawke required Woolcott to 'sound out the majority to check whether there was a consensus that the United States, Canada and three Chinas should be included' (Funabashi 1995:55). According to Paul Barratt (personal correspondence, 4 January 2000), the then Deputy Secretary of DFAT, although Australia intended not to promote any firm view on the composition of the membership, it had a clear views about 'the desired end-state and the diplomatic realities involved in achieving that end-state'. Barratt wrote that Australia had 'a strong Western Pacific Rim focus' to promote economic cooperation 'in our own

region', which consisted of ASEAN, Japan, Korea, New Zealand and three Chinas. At the same time, Australia thought that putting the United States' membership on the table from the outset would give these regional states 'a very different perspective on the proposal from the emphasis on regional cooperation that [Australia] was trying to achieve', so Australia deliberately made the membership vague from the outset (personal correspondence with Barratt). This was one of the key issues in the Woolcott mission. Australia tried to help shape the desired outcome on membership through consultation and to take account of the interests of all the participants to establish an agenda for the meeting.³¹

Woolcott was concerned about the abruptness of the Hawke announcement. No major country except South Korea had been informed of the announcement. When Evans visited the United States in March 1989, James Baker, Secretary of State, castigated Evans for failing to consult the United States before the initiative was announced. Yuichiro Nagatomi was also amazed by Hawke's proposal, because it was announced while Japan and Australia were consulting on ways to promote the 1988 Hawke–Takeshita agreement. Nagatomi (personal interview, 15 December 1994, Tokyo) thought the Hawke proposal overlooked a prime ministerial agreement with Takeshita. MOFA was also upset by the Hawke announcement, as a few days before the Hawke announcement, at a Japan–Australia Ministerial Committee in Tokyo, Australia promised Japan that Australia would not be involved in intergovernmental regional economic cooperation, which MITI was then promoting, without consultation with Japan. Brennan (personal interview) recalled that MOFA thought Australia had broken its promise and that the Ministry was angry when he was called to visit it the day after the Hawke announcement. This illustrates how quickly the decision on the Hawke initiative was made. When Woolcott (1997) was flooded by enquiries from the media and Australian embassies in the region and diplomatic missions in Canberra, his initial feelings that 'there were many questions to be answered and details to be clarified, if we were to get APEC off the ground' were confirmed.

The questions in his mind were:

- 1) Why was Australia making such a proposal?
- 2) Why now and what was the hurry?
- 3) Should the United States be included?
- 4) Did we envisage a new intergovernmental organisation with a secretariat being set up?

- 5) How would Japan, the major economy in the region react, especially as MITI was exploring a tentative proposal of its own?
- 6) How would ASEAN countries react and would they not feel ASEAN could be marginalised in a larger grouping?
- 7) Did Hawke have in mind the creation of a new trade bloc? and
- 8) What was Australia's attitude to China's inclusion? (Woolcott 1997)

Woolcott (1997) listed all these questions and handed them into Hawke on his return to Canberra, emphasising that 'if the proposal was to gain support, then the Government needed to develop a strategy'.

DFAT started gathering the reactions of relevant countries to the Hawke proposal through its embassies and Hawke also sent personal letters to his counterparts in the region in March, outlining his ideas and seeking their reactions (information from DFAT officials), during which period DFAT officials took the time to consider how the Hawke initiative was to be explained. Australia was happy that MITI went ahead with its visit to regional countries, as it hoped not to lose any momentum and thought the mission could 'provide [Australia's] concept with a strong following wind' (Funabashi 1995:66). Australia also gathered information from MITI about regional reactions towards the Hawke proposal. Based on his and Muraoka's regional visits in February and March, Okumura provided feedback on some of the reactions to the Hawke proposal which 'in a sense was more honest because the reactions to the Australian proposal were given to the Japanese [and] this was terrifically helpful', as a DFAT official (personal interview, 24 April 1998, Canberra) recalled.³²

To elaborate on Hawke's proposal, to remove concerns and to respond to the many questions about it (Woolcott 1997), a mission consisting of Woolcott, Elek and John Bowan (the Prime Minister's foreign affairs adviser) visited the core group – Indonesia, Thailand, Malaysia, Brunei, Singapore, South Korea, Japan and the Philippines – in April 1989. The most important task was to 'gain support at the highest levels for the APEC concept [and Australia] tried to limit its role to a catalyst for the idea'.³³ There were some points that Australia had to explain to regional countries. First, Australia did not aim to create a bloc in the Asia Pacific region, and the Hawke proposal should not be 'seen as a back-door way of providing for the creation of an Asia Pacific trading bloc in response to the moves for trading blocs in Europe and North America' (*Australian Financial Review*, 1 February 1989). Even in Australia, 'so many people seemed to believe that Mr Hawke was advocating a Pacific Economic Bloc' (letter from Madigan to Elek, 17 February 1989). Australian leaders strove to dispel any

impression that Australia's aim was to create a bloc in the region.³⁴ Woolcott (1989a) emphasised in his speech in Singapore that 'the proposal is not intended to create a Pacific trading bloc, nor would we support such a development'.

Second, Australia had to explain the intentions behind Hawke's proposal for an Asian OECD, because 'the term of OECD in the Pacific invited a "great scepticism" in the region' (Wanandi 1989:6). Hawke's original idea to use the OECD model was rectified by a round of visits by Woolcott (*Monthly Record*, 1989, No. 4:122):

[Hawke] was really drawing an analogy with the range of economic issues and the type of analysis which should underpin enhanced regional cooperation, rather than suggesting an organisation anything like the size or the cost of the current OECD. The OECD I think employs some 1700 people and has a budget of \$200 million in a year, so we certainly have nothing of that order in mind.

The first Woolcott mission

After visiting New Zealand in March where Australia got a positive response,³⁵ the mission's next stop was Indonesia, which Australia viewed as one of the most important among the potential participants as 'it was the largest and ASEAN does not react to any particular proposal or policy without ascertaining Indonesia's view', as Woolcott said (cited in Funabashi 1995:56). The mission found the discussion with Foreign Minister Alatas useful in terms of setting up some basic outlines for the Canberra meeting. Elek (personal interview) attributed Alatas's candid advice to Woolcott's more than 30-year friendship with Alatas:

I remember a long session with Alatas, maybe three quarters of an hour. His comments were that the economic ideas behind this proposal are extremely sound, and they bind the group well, but there are strict speed limits; don't push the pace ... the proposal would have sunk if we had not heeded it.

Yet Alatas only promised to study the proposal (Funabashi 1995:56). Woolcott (personal interview, 20 August 1998, Canberra) interpreted Alatas's uncommitted reaction as meaning that the decision would be made by President Suharto and Alatas could not make any public commitment to it. Alatas wished Australia well, but this was not a commitment of support', as

Elek (personal interview) recalled, and that it would have to wait for the ASEAN PMC in Brunei in July 1989 for confirmation of Indonesia's final endorsement.

Australia shared a 'virtual identity of views' with Singapore and South Korea about the desirability for regional economic cooperation at the ministerial level. According to Woolcott (1989a), Singapore was 'articulating views very similar to ours about the need for countries in the region to act together in order to exercise a collective voice in favour of the open multilateral trading system'. On the other hand, Thailand and Malaysia 'naturally [had] some differences' on what might constitute the agenda for the initial ministerial meeting, which countries and which ministerial portfolios would be involved and whether there was a necessity for ongoing arrangements to service future meetings (DFAT 1989a).

The meeting with Japan was complex in that Australia had difficulty in discerning Japan's view. Australia valued the views of both MITI and MOFA, and did not regard MITI's proposal as representing the Japanese government. The Australian delegation first went to the Ministry of Finance. MOFA's opposition to MITI's proposal stemmed partly from its anxiety about MITI's intervention on its turf and its estimation that ASEAN would not support an idea of ministerial meeting.³⁶ Bureaucratic territorialism is present in most countries in the region, but the rivalry between MITI and MOFA over regional economic cooperation issues sometimes hindered each others' initiatives and both sought to increase power by gaining more responsibility for international trade policy.³⁷ Woolcott (1992) retrospectively regarded the rivalry between MITI and MOFA as a major obstacle to the first APEC meeting and wrote: 'there was a need to reconcile the views of MITI and the *Gaimusho*'. A former senior diplomat said that MOFA traditionally regarded MITI's initiatives in the field of international trade policy antagonistically, but no one in either ministry could adjust their different views and thus the problem was usually handled and resolved at the ministerial level.³⁸ In the case of APEC, it was Hiroshi Mitsuzuka, who was MITI Minister until June 1989 and subsequently became Foreign Minister, who played the role of reconciliation. Mitsuzuka supported MITI's initiative and 'was able to overcome resistance' within MOFA after he became Foreign Minister (Funabashi 1995:61).

In the meeting between MOFA and the Australian delegation, Kunihiro (personal interview) said Australia's objective was similar to that of MOFA, but that MOFA could not promote it at the same pace as Australia because ASEAN countries were yet to accept the agenda. Further, Australia should not take MITI as the Japanese representative. The Australian delegation 'tried hard' to convince Foreign Minister Sosuke Uno and Kunihiro by

saying that the proposal had received strong support from leaders in Thailand, Indonesia and South Korea, so Australia was confident that Southeast Asia would eventually support the plan, as Elek (personal interview) said. This information, along with the favourable response the MITI delegation had obtained from ASEAN countries, differed from MOFA's expectations. Only after Mitsuzuka became foreign minister and ASEAN leaders endorsed the proposal at the ASEAN PMC in July 1989, did MOFA finally give its support.

The meeting with MITI where Minister Mitsuzuka and Vice Minister Muraoka were present, was held in a 'warm atmosphere' despite the fact that Muraoka (personal interview) stressed the importance of including the United States. Woolcott asked Muraoka 'Isn't there any unified voice in Japan? MOFA said to us that MITI's plan did not represent Japan'. Muraoka (personal interview) replied 'It is true that MOFA is yet to approve our plan and our relations can be described as hostile, but Prime Minister Takeshita endorsed the idea and MITI intends to make every effort to realise it, so the problem is not great'. Australia came to understand that MOFA was not happy with MITI's excursions into its territory and a Japanese government initiative, as such, was unlikely to take shape for quite some time, as Elek (personal interview) observed.

According to Muraoka (personal interview), MITI officially agreed that Canberra should be responsible for hosting the meeting, which meant the MITI proposal was subsumed into the Australian proposal. After the meeting, Woolcott was able to say in a press conference in Tokyo that he was confident that a specific proposal by MITI could be accommodated within the broad-ranging economic agenda proposed by Australia (DFAT 1989a). Australia and MITI agreed that the timing was right, but MITI thought a very detailed feasibility study should be carried out while Australia felt that it would be a mistake. It was Australia's position that the basic shape and concepts had come through already in discussion and consultation, so it was important that ministers came to the meeting with a reasonably clean sheet. There was a feeling of 'let's keep researching and writing papers', while a formal feasibility study could wait, as Elek (personal interview) said. Japan and Australia eventually agreed to take into account the other's stances.³⁹ After all, Woolcott (1989b:5) judged that 'the Japanese government position was conditional on general support for a meeting, particularly from the ASEAN countries'.

On his return to Canberra in April 1989, Woolcott (1997) reported to Hawke that he 'was encouraged by the results of my consultations so far. A consensus ... was building in support

of the APEC idea'. Subsequently, the Woolcott mission visited Hong Kong, China, the United States and Canada in May 1989.

The second Woolcott mission

One of the important issues for the second mission was to confirm the participation of these four countries. As for the participation of the three Chinas, Hawke (personal interview) said: 'I made it clear from the beginning that [APEC] must include China and I also wanted to include Hong Kong and Taiwan'. In the course of the visit to the core countries, Australia was given to understand that ASEAN countries generally hoped to include the three Chinas (Woolcott 1997). Yet the meeting between Woolcott and Chinese Premier Li Peng made the situation difficult. Li Peng said that 'only sovereign states had ministers, and therefore by definition Hong Kong and Taiwan should be excluded' (cited in Funabashi, 1995:57). This claim forced Woolcott to suggest a change in terminology from a 'ministerial meeting of countries' to a 'ministerial-level meeting of major economies'. The participation of the three Chinas was to be shelved at the Senior Officials' Meeting in September 1989.

Despite Hawke's claim in his memoirs that the exclusion of the United States from the initial membership of APEC was never in his mind, it might have stemmed from the view of some within DFAT that initial US participation could scare off many Asian developing countries. A senior government policy adviser said some Asian countries saw the APEC proposal as a forum for major economic powers such as the United States and Japan to engage in trade bashing: 'if you put the US and Japan at the table at the very beginning it may prevent us from getting the concept off the ground'.⁴⁰ Australia probably hoped to avoid the situation where strong US commitment to the preparation of the meeting gave a message to ASEAN countries that the United States would dominate the upcoming meeting.

When Woolcott arrived in Washington, the United States had been already working on its participation in the Canberra meeting. Baker had basically agreed with Australia's proposal when Evans visited the United States in March 1989. Although he had initially told Evans that 'the United States was disappointed that Australia had not talked to the United States before proceeding as far as it had', he then said 'the proposal [would be] a useful idea ... It was important that the United States should participate'.⁴¹ It was little wonder that Baker accepted the Australian proposal, given his own work to create a regional economic association in the Asia Pacific region.⁴² Woolcott (1989b:5) wrote: '[the] US's official commitment for

participation was expected at the time of Hawke's visit to Washington in late June through formal inter-agency consultations' and it was at this time that Baker officially confirmed the firm support of the United States in his speech.

Completing his missions to the regional countries, on 16 June, Woolcott described reactions to the proposal among regional leaders as ranging from 'enthusiastic to encouraging' and said that the Hawke initiative was 'gathering momentum' (DFAT 1989b).⁴³

The launch of the Woolcott report

The next task Australia had to tackle was to set up the agenda for the Canberra meeting. Towards this aim, after visiting potential participants, Woolcott published and delivered a report to relevant governments in June 1989. Entitled 'Australia's Regional Economic Initiative: Status as at June 1989', the report described the reactions he obtained from regional countries in his visits and outlined the nature of the Canberra meeting including venue, membership, agenda, institutional support, relationship to existing institutions and next steps.

Woolcott (1989b:1) emphasised that he was impressed and encouraged by the degree of support and interest he received from the countries he visited and attributed the support to 'substantial common ground and shared interest in regional economic cooperation'. This indicated that 'the underlying principles behind Mr Hawke's proposal were endorsed at Head of Government or Ministerial and Senior official level'.⁴⁴ He emphasised at least two points to soothe concerns about the Hawke proposal: 1) the new proposal would be consistent with and complementary to existing institutions, particularly ASEAN and PECC; and 2) regional cooperation should not in any sense be perceived as a step towards the formation of a trading bloc. These fears had been common in the region, so Woolcott felt it necessary to clarify these two points.

Woolcott then outlined the benefits regional economic cooperation would bring to the participants:

To ensure that the positive economic trends are sustained. Given the economic inter-linkages in the region, it would be useful for each participant to know how the policy thinking of other participants is developing;

To strengthen individual and collective capacity for analysis and policy formulation by viewing our knowledge base and facilitating a more systematic identification of common economic interests;

To help to clear the way for further trade liberalisation within the region in an open and non-discriminatory manner;

To strengthen ability to project – and protect – regional interests in wider economic forums and negotiations. In this way, more influence could be exerted than any of the countries involved could do alone;

To enhance the prospects of success in the Uruguay Round and subsequent rounds of multilateral trade negotiations;

To help alleviate any future trade problems among regional countries by providing an opportunity to anticipate and discuss possible differences sensibly and openly, leading to ensure that potential trade difficulties were resolved through dialogue, rather than by resorting to bilateral or unilateral measures.

Woolcott (1989b:4) then concluded that ‘the most effective means of beginning the process of advancing further regional economic cooperation was to convene an initial meeting at Ministerial level’.

As for membership, although indicating China’s, Taiwan’s and Hong Kong’s interests in participating, Woolcott wrote that their participation was pending due to China’s claim that only sovereign states should participate in a formal and intergovernmental meeting. Woolcott (1989b:4) concluded that the ‘PRC’s participation in an initial meeting would ...depend on developments in the PRC during the coming months’.

With regard to the agenda, Woolcott stressed the focus should be on economic and trade issues, not political ones, and the economic agenda should be ‘comprehensive’. There was a consensus in the region that the priority of the issues should be on market access and support for the Uruguay Round, and macroeconomic policy coordination should have lower priority.

Woolcott (1989b) was aware that ‘all those consulted were concerned to avoid an excessively large bureaucracy, which would not be commensurate with the region’s needs’, but noted that there would need to be more than one ministerial-level meeting. He stressed that

Australia was seeking ‘a modest but effective vehicle, capable of coordinating research ...and bringing it together in a policy relevant way for a Ministerial-level meeting’.

Woolcott wrote that any new regional organisation would not detract from the importance of ASEAN but did not give support to the view that the ASEAN PMC could advance Hawke’s proposal because he thought it an inappropriate forum due to its political focus and its membership. He also expressed his hope that PECC would continue to play the role of providing detailed information and analysis of regional issues: ‘PECC’s role in regional cooperation and its policy relevance to regional governments may well be strengthened as the two processes develop in parallel’.

In general, the report represented consensual views of the region on the purposes, agendas, the problems to be overcome and aimed to help countries prepare for the ministerial meeting. At the time of writing, Australia had not formally determined the details and the final composition of participants. DFAT, with help from PECC, continued to develop a potential agenda to be finalised at the Senior Officials’ Meeting (SOM) in September.

The participation issue and the agenda-setting

Which countries should participate and what agenda should be discussed were two critical issues before the Canberra meeting and Australia subsequently intensified its efforts to solve these issues.

US participation

The official announcement on US participation was launched by Baker in his speech at the New York Asia Society in June 1989 while Hawke was visiting the United States. Baker (1989) said:

To build that new partnership, we need continued American engagement in the region’s politics, commerce and security. We need a more creative sharing of global responsibility with Japan. And we also need a new mechanism to increase economic cooperation throughout the Pacific Rim.

There were two other messages: there was more to US economic interests in the Asia Pacific region than its bilateral relationship with Japan; and the Asia Pacific region was regarded as

a potential counterweight and bargaining lever for the United States in its dealings with the European Community (Higgott et al. 1991:22).

US commitment was based on a broader agenda, including political issues, than the Hawke initiative, which focused on economic ones. Woolcott stressed in his meeting with Baker on 25 June 1989 that Australia saw the group as primarily dedicated to trade issues, reflecting Hawke's belief that: 'the one issue that I would like to make clear is that essentially [a regional forum] must be an economically trade-oriented body' (Australian, 29 June 1989). This was partly because Australia knew that ASEAN countries would not welcome another political organisation, as they had expressed their concern that ASEAN 'remain the most appropriate political forum for them'.⁴⁵ The United States agreed that the ministerial meeting should be trade-oriented.

ASEAN participation

ASEAN countries' formal joint endorsement of their participation in the Canberra meeting was made in the ASEAN PMC held during 6–8 July 1989 in Brunei where the potential participants expressed basic consensus about Australia's proposal to hold a ministerial meeting in Canberra in November 1989 (MITI 1994:5). The ASEAN PMC set up six preconditions for the Hawke initiative:

Pacific economic cooperation should be based on independence, mutual respect and equality;

This regional cooperation should complement ASEAN's regional activities and role in the Pacific, and should strengthen multilateral mechanisms for cooperation, especially GATT;

This cooperation should not lead to the creation of an economic bloc or an exclusive trading arrangement;

It should be developed in a gradual fashion and be properly planned;

The objective of cooperation should be to increase the welfare of the people in the Pacific region and to reduce the gaps between the developed and the developing countries in the region; and

This cooperation should contribute to the creation and maintenance of a stable and open trading system, regionally and globally, and a regional environment which is conducive to the promotion of mutual interests, including the ability to resolve regional conflicts peacefully. (*FEER*, 17 August 1989)

Elek (personal interview) said these were important principles developed through consultations, and this article helped Australia 'to crystallise the guiding principles subsequently endorsed in the Chairman's Summary in Canberra'.

Although MITI and Australia endorsed the general support for a ministerial meeting from ASEAN countries individually, it was believed that ASEAN members were concerned about the negative impact of the new institution on ASEAN. Indonesian Foreign Minister, Alatas (*AFR*, 4 July 1989) said that Indonesia preferred to 'start with and fully utilise the existing mechanisms rather than create new ones', but he conceded that 'the time may have come for us to look into the possibility of developing more effective modalities for economic cooperation ... on the basis of equality, equity and mutual benefits'. At the Brunei meeting, the six member states agreed to 'attend an exploratory meeting [SOM] to discuss the APEC proposal'.⁴⁶

Wanandi (1989:9) attributed ASEAN's final acceptance of the Hawke proposal to its acknowledgment that greater regional consultation and cooperation would be useful:

The international division of labour in the Asia Pacific region continued to develop dramatically;

ASEAN's external economic relations are predominantly with other Pacific economies and the ASEAN economies have become highly interdependent with their main economic partners in the Pacific; and

Interdependence is not necessarily non-problematic; the region needs some kind of a consultative forum in order to manage this interdependence. From ASEAN's perspective, economic relations and economic cooperation have become matters of first priority.

ASEAN's acceptance was 'a significant change from ASEAN's previous posture which has been one of the main obstacles in pursuing previous initiatives' and this change was attributable to

a ‘gradual process of socialisation’ to the idea of regional economic cooperation within each ASEAN nation (Wanandi 1989:12).

Participation by the three Chinas

The issue of the participation of the three Chinas was discussed at the Senior Officials’ Meeting (SOM) in Sydney on 15–16 September 1989. At this meeting, senior trade and foreign affairs officials from twelve countries discussed detailed arrangements for the ministerial meeting, especially the agenda, participation and ways of proceeding with the ministerial meeting.⁴⁷ The three Chinas question dominated the discussion about participation. Because of the political complexities, no country supported the official membership of China and Taiwan, but opinions differed on Hong Kong’s participation. The United States, Japan, Canada and New Zealand supported its inclusion, but ASEAN countries, which wanted to exclude countries that were not involved in the ASEAN process, did not support it. Participants eventually failed to reach a consensus on the issues and shelved them, despite a common recognition of the need for closer links of the three Chinas with other regional economies (MOFA document, 18 September 1989).

The SOM helped assure ASEAN’s participation in the Canberra meeting and urged MOFA, probably one of the most negative entities on the subject of an intergovernmental regional economic institution, to recognise its inevitability. MOFA’s report on the SOM admitted that the most striking feature of the meeting was ASEAN’s positive approach, which was unprecedented.⁴⁸ MOFA (1989) attributed the change to a recognition within ASEAN that the establishment of an intergovernmental regional institution was inevitable. ASEAN was thus looking for ways to incorporate the institution into the ASEAN framework. This was a surprise to MOFA, and it realised inevitability of the establishment of an intergovernmental regional institution, despite its earlier opposition.⁴⁹

Agenda-setting

While Australia was working on the composition of participants, it was also engaged in setting the agenda of the Canberra meeting through cooperation with PECC. Hawke made it clear in this context that ‘we do not, in any sense, see Australia laying down a blueprint for regional cooperation. Instead we see the concept being developed jointly with our regional partners’ (Monthly Record, 1989, No. 4:122). Some in PECC had initially intended to host a ministerial

regional meeting, but the Hawke announcement forced a change of plans. PECC members, understanding that ‘official and Ministerial thinking [did] not favour a PECC Ministerial meeting’ and realising that the ministerial meeting fulfilled many of their own aims, saw instead their role as providing background papers (letter from Harris to Drysdale, 30 March 1989). This supporting role was endorsed at the PECC Standing Committee meeting in San Francisco in April 1989. Evans (letter to Talboys, 27 July 1989) officially sought PECC’s assistance for the ministerial meeting. He delineated a future plan as to how PECC would be linked to APEC and attached the draft agenda of the Ministerial meeting.⁵⁰

The background information papers were intended to provide an overview of issues in relation to the agenda items, as well as some preliminary identification of the possible scope for cooperation. Yet the papers were ‘not intended to have official status, but rather to be background material that countries can draw on in their own preparations for the [APEC] meeting, if they wish’ (information from DFAT officials). In sum, PECC’s direct relevance to APEC’s formation was limited.

The first APEC meeting in Canberra

Trade and foreign ministers from twelve countries met together for the first time in history on 5–6 November 1989 in Canberra. The first APEC meeting was the outcome of painstaking efforts over three decades to create an intergovernmental economic institution in the Asia Pacific region.⁵¹ Two important agreements were reached at the meeting. There had been no certainty that APEC would be more than a one-off meeting, but it was agreed to hold further ministerial-level meetings in Singapore in 1990 and Korea in 1991. The meeting also identified the SOM as an appropriate support mechanism, and it was decided to meet in Singapore within the next two months to start the next round of preparatory work. Work programmes would be established in the fields of economic studies, trade liberalisation, investment, technology transfer and human resource development, with sectoral cooperation in areas such as tourism, energy and infrastructure. These programmes would later develop into working groups parallel to similar PECC working groups, providing a concrete shape to the APEC process.

Ministers did not rush into institutionalisation by establishing a secretariat, and avoided detailed negotiations on any specific items. There was still a divergence of views. Indonesian Foreign Minister Alatas, for instance, consistently insisted on retaining the ASEAN framework rather than establishing a new institution.⁵² The informal agreement that

every second meeting would be held in an ASEAN country was made out of consideration for such concerns. Singapore's enthusiasm to host the second meeting partly to mark its twenty-five years of independence was helpful in avoiding bringing divisions between ASEAN and non-ASEAN members into the APEC process.

The Canberra meeting can be judged as a great success as it achieved the consensus on holding further meetings at least until 1991. Several proposals during 1988–89 from leaders such as Nakasone, Shultz and Bradley were not realised, but Hawke's initiative had been realised in only ten months. Much of the success of the initiative was due to Australia's discreet and careful preparation for the meeting, given the fact that there was considerable opposition and caution in the region.

Conclusion

The paper has examined the establishment of APEC with a focus on the roles played by Australians and the Japanese. In Australia, Hawke's political push for the initiative, the efforts of his senior advisers, DFAT and Australia's PECC members to crystallise the ideas and the skilful diplomacy of Woolcott and his team were pivotal to the success of the Canberra meeting. While not as central as Australia's role, MITI's ideas and Muraoka's diplomatic activities played an important supportive role in Australia's initiative.

The efforts made by Australia and Japan stemmed in part from a common recognition that an intergovernmental economic institution was necessary to capitalise on the trend towards regional economic growth and increasing interdependence to achieve further development in the region. They were unsatisfied with existing regional institutions and considered PECC to be restricted by its quasi-governmental character. As Hawke (1989a) said in his Seoul speech, PECC's 'informality ... has ... made it difficult for it to address policy issues which are properly the responsibility of Governments'.⁵³ Muraoka (personal interview) stressed: 'MITI thought that PECC's influence was limited due to its unofficial nature, so PECC was little to do with MITI's initiative'.

Australia and Japan did not necessarily take the same approach to the establishment of APEC.⁵⁴ DFAT's highest priority was the successful conclusion of the Uruguay Round and regarded the trade liberalisation issue as the most important agenda item, in line with Hawke's foreign policy priorities. DFAT (information from DFAT officials) thought MITI's plan had not necessarily been linked to the trade liberalisation of the Uruguay Round. MITI emphasised economic and technical cooperation as well as trade liberalisation. Toyoda said:

Australians were very eager to set specific agenda items, which clearly aimed at trade liberalisation ... we also had that in our mind, but here we believed that we had to handle it very carefully. You would scare away ASEAN countries if you talked about liberalisation from the start ... Australia did not have any viable policy instrument for [economic and technical] cooperation (cited in Funabashi 1995:66).

MITI was also concerned about Australia's proposal for an Asian OECD, recognising that it was too soon for APEC to try to copy the policy coordination role of OECD, given ASEAN's certain opposition (*Nihon Keizai Shimbun*, 6 March 1989).

In addition, the Australians detected that there was some unease about the hidden agenda of the Muraoka mission and Elek (personal interview) said 'perhaps MITI suffers from being too powerful', while MITI thought Australia alone could not persuade ASEAN countries to participate in a ministerial meeting. Yet these statements in themselves point to the desirability and possibilities for diplomatic coordination, with each side compensating for the other's shortcomings. Toyoda (personal interview) admitted that MITI maintained a low profile and that Australia took the initiative in floating the proposal in the region. He insisted that MITI's hope that Australia would take the initiative was rational if the idea of a ministerial meeting was to be realised, given Japan's difficult position due to its history. For Australia, it was advantageous to work with Japan to realise the Hawke proposal. While Australia's reliance on Asian markets was increasing, its trade was becoming less important to regional economies; it accounted for only 3.6 per cent of trade in the Asia Pacific region in 1987 (Hay 1994:14). Japan's economic presence was, on the other hand, growing and it was increasing its economic links with East Asia. Australia-Japan collaboration was beneficial to both countries in realising a common objective: the establishment of an intergovernmental regional economic institution. In fact, there was little feeling of competition at the level of officials who actually pursued close contact between the two countries. Okumura (personal interview) claimed not to feel a sense of competition with Australia and said that he worked closely with DFAT officials. A DFAT official (personal interview, 24 April 1998, Canberra) also thought that the different approaches taken by the two countries should not be exaggerated, as collaboration between the two countries was very productive in promoting APEC.

Yet, if a common interest in a new regional economic institution had not existed in the region, both countries' effort to establish APEC would have faced a serious difficulty. In the late 1980s politicians in Japan and the United States including Tamura, Nakasone, Shultz and Baker had proposed an intergovernmental regional institution and many Asian countries had

expressed their interest in intergovernmental regional economic cooperation when the Muraoka and Woolcott missions visited regional countries. The continuing growth of Asian economies, which led to confidence about their economies and greater interdependence in the region, was a major factor that promoted a common regional interest. Evans (1989b) said in his Chairman's summary of the first APEC meeting that APEC 'stemmed from a recognition that the increasing interdependence of regional economies indicated a need for effective consultations among regional decision-makers'.

The PECC network had also contributed to a growing acknowledgment of the necessity for an intergovernmental regional economic institution among politicians, senior officials, academics and business leaders in the region. It is true that the Hawke announcement was a threat to the people involved in PECC, undermining PECC's *raison d'être*.⁵⁵ Yet PECC's activities in the previous decade had been invaluable in building a sense of shared interests and the mutual trust needed to launch an initiative like APEC. Elek (personal interview) revealed PECC's hidden role for the establishment of APEC:

What you will not find easily on the record is the many conversations which took place in the informal PECC/PAFTAD networks about what the Hawke initiative meant and how to make it work. Almost everywhere we went with Mr Woolcott, the PECC networks proved important. They were certainly vital in China, where the PECC precedent made it possible to bring in the three Chinese economies, without which APEC would be fairly meaningless.

PECC's contribution needs to be seen in the light of longer term preparation for APEC, not just what happened in 1989.

APEC is now a significant regional organisation where issues of economic cooperation and decisions about trade and investment liberalisation are made. Annual meetings of trade and foreign ministers take place, as well as meetings between prime ministers and presidents. Australia and Japan were both pivotal in the development of APEC, as they were in the establishment of PECC. It is thus only natural that both governments declared that 'Australia and Japan are proud of their roles in the development of a sense of community in the Asia Pacific region'.⁵⁶ Regional economic cooperation was a significant national interest for both countries and they capitalised on the sound development of bilateral relations in the postwar period, not only for their interests, but also for the region's.

Notes

- 1 Borthwick (1987:134) wrote 'with the entry of George Shultz as Secretary of State, US governmental interest in Pacific cooperation began to widen' and attributed Shultz's interest to his profession as an international economist and business leader who 'found little difficulty in understanding economic cooperation as a means of reducing the growing trade frictions that had accompanied expansion of Pacific commerce'.
- 2 Kaneko (1988:73). According to Kaneko (1988:88), Japan gave the impression of losing enthusiasm for Pacific cooperation which disappointed and frustrated some of the stronger advocates of Pacific cooperation. For instance the *Far Eastern Economic Review* (31 January 1985) noted 'in the space of five years, Japan has all but turned away from the creation of a Pacific Basin community'.
- 3 Seizaburo Sato (personal interview, 6 December 1994, Tokyo), members of Ohira's Study Group, noticed that MOFA suddenly went cold on the concept after Ohira's death; a MOFA senior official told him that 'the era of the concept was over' and Sato was also told by a Japanese Ambassador to a European nation that 'to be frank with you, the Pacific Concept was unnecessary'.
- 4 Nakasone (1966:82–9). Nakasone (1985) outlined four underlying principles in his speech in Canberra: to promote economic, cultural and technological cooperation; to be open and non-exclusive, to respect the initiatives of the ASEAN countries and the other developing countries in the region, and to encourage private sector initiatives.
- 5 It was thus ironic that after leaving the government, Fraser (1984:6–8), proposed an intergovernmental regional institution: 'it is time ... for the Pacific Nations to start taking hold of their own futures more firmly and seeking more active cooperation between like minded members of the Pacific region ... I would suggest a development towards something like the Organisation for Economic Cooperation and Development (OECD)'.
- 6 The appreciation of the yen was so steep (from 260 yen per US dollar in 1985 to 140 yen by late 1989) that Japanese exporters had difficulty exporting labour-intensive products made in Japan. As a result, exporters procured more of their parts and materials from overseas suppliers, and began to establish production facilities outside Japan. This contributed to the rise of Japanese direct investment in ASEAN and the NIEs, giving a strong boost to local industries that supplied materials and parts. This resulted in a flow of products from such facilities into Japanese markets, and Asian nations established closer economic relations with Japan through trade and direct investment (Watanabe 1991).
- 7 Hawke (1994:228–29) attributed his government's focus on trade in foreign policy to the fact that there was 'no obvious immediate threat we had to peer into the future ... Our new, more self-reliant defence posture reflected Australia's geographical realities. Meanwhile our external economic policy needed to reflect the same realities – that to our north was the fastest growing economic region in the world.'
- 8 AUSPECC (1990:26). Australian members were subsequently pivotal in setting up the Task Force for Institutional Development at the Osaka meeting in May 1988, to examine 'what steps, if any, might be taken to strengthen the linkages already built

up through the PECC, relating to the interaction of governments and the promotion of Pacific economic cooperation interests' (NPCC 1988:18).

- 9 Conybeare (personal interview) commented that 'it was the PM's area which had interest in PECC, not the Department of Foreign Affairs (DOFA). I would be pretty sure that quite a lot of policy discussion went on with PM&C first rather than with DOFA.'
- 10 The merger reflected Hawke's notion of foreign policy: 'increasingly, foreign policy *is* trade policy, and trade policy *is* foreign policy, as the strands of international political and economic relations become further intertwined ... our interests were best served by ... pulling the two formerly distinct portfolios together' (Hawke: 1994:421).
- 11 This was set up under the directorship of Yoshihiro Sakamoto, Director-General of International Economic Affairs Department. Sakamoto also acknowledged the positive implications for cooperation with Australia in floating the idea of an intergovernmental regional economic cooperation and found value in Australia's 'non-threatening nature and interest in building broader ties with Asia and North America' (Funabashi 1995:60).
- 12 Hawke (1988a) said of the agreement: 'We are going to look at Europe and North America and all I can do is that in the worst case scenario, if the Uruguay Round did not work and did not produce the optimum results that we want, then we would have to look at the possibility of some association with others, including Japan'.
- 13 Cited in the *Australian*, 12 July 1988. Shultz proposed the initial areas for study, including transportation, telecommunications, education, and taxation, but excluded trade issues.
- 14 Elek (personal interview) asked the Americans in the late 1988 'why not trade?', and they replied: 'trade is a bit too sensitive now, let's begin with some issues where the tensions are not so strong, where the physical need to cooperate is really clear'.
- 15 The Shultz–Evans meeting was an important opportunity to gauge US interest. One of two concerns DFAT had before supporting Shultz's idea was that it might not be good for Australia to simply be pushing a US-led agenda. The second was to find out how much work the Americans were putting into it, but this, it transpired, was not much (personal interview with DFAT official, 24 April 1998, Canberra).
- 16 In November, for instance, Hawke (1988b) announced two commissioned studies which 'will have a direct bearing on Australia's approach to regional economic association'. One was the Hawke–Takeshita agreement in July 1988. The other, being completed by Ross Garnaut, was on the impact of economic growth in East Asia on Australia. Hawke did not mention DFAT's examination.
- 17 After holding twelve meetings, the Committee issued a report on 15 June 1989, insisting that the Asia Pacific Trade and Industry Ministers' Meeting should be held as soon as possible to sustain the continuity of economic development in the region and to hamper protectionist tendencies in the world economy.
- 18 There was a preliminary discussion of this idea at the PECC Standing Committee meeting held in Wellington on 4–5 October 1988 and Australia's suggestion was unanimously endorsed.

- 19 'Memorandum, Senator Evans' Meeting with Sir Russel Madigan', 23 November 1988. Madigan emphasised that PECC could assist in overcoming some of the political sensitivities regarding participation such as China, Taiwan and Hong Kong which would arise through a more formal means of organisation.
- 20 Hawke (1994:233) wrote that the Cairns Group was 'all part of the same conceptual thrust – that force of argument and coalition-building among countries of the region could, over time, help to bring about a freer multilateral trading environment'.
- 21 Given the fact that seven out of twelve members of the Cairns Group were participants in the first APEC meeting, Australia's initiative in the establishment of the Cairns Group made it easier for Australia to undertake a similar exercise in the creation of APEC (Higgott et al. 1991:20).
- 22 CPD, Senate, 12 December 1988:3922. A senior adviser to Hawke (personal interview) referred to the argument for APEC as a significant rationale. At that time there was a feeling of getting nowhere in the Uruguay Round because of a negative view of the EC, and because Australia's economic interest was hurt by US trade decisions.
- 23 Personal interview with Elek. Towards the end of 1987, DFAT and the PM's Office often used round-table discussions to examine the issue of regional economic cooperation. Hawke sometimes joined them to add his input to the proposal of regional economic cooperation (personal interview with DFAT official, 28 April 1998, Canberra).
- 24 Mills (1993:193) described the situation: 'It was suggested Hawke also say, "I am well aware that we should not force the pace." If there was one thing Hawke was determined to do, it was to force the pace. He consistently rejected the mealy-mouthed formulations, and insisted on an initiative that clearly and explicitly called for a ministerial meeting.'
- 25 Personal interview with Hawke. Hawke also emphasised the fact that, unlike Japan and the United States, Korea was not seen as threatening by ASEAN countries and it was becoming a significant economy within Asia and increasingly important in the region.
- 26 Funabashi (1995:66) described MITI officials as 'beaming particularly brightly when they heard that Hawke had referred to 'constructive talks on this issue with Japanese leadership earlier this week'. Yet the talks referred to the Australia–Japan Ministerial Committee held in Tokyo immediately before the Hawke proposal, so Hawke's reference was not an indication of MITI's leadership.'
- 27 Unlike MOFA, MITI did not stress the importance of ASEAN within the framework of intergovernmental regional economic cooperation (personal interview with Okumura). This served to save face both for Australia, which hoped for a more entrenched APEC, and ASEAN, which did not, as Okita (1990:305) observed.
- 28 Kunihiro instead suggested to Muraoka that he request embassies in relevant countries to facilitate the mission, but Muraoka (personal interview) later thought of it as a means of monitoring their activities.
- 29 Personal interview with Muraoka. Muraoka tried to persuade them by using a metaphor: 'it would be scary if you let the tiger out of the cage', but an Indonesian minister replied: 'I agree, but it would be more scary if you lived in a cage with a tiger'.

- 30 Cited in Funabashi (1995:58). According to Muraoka (personal interview), Indonesia resisted the idea of their Foreign Minister's involvement in the meeting, because Indonesia did not have diplomatic relations with China at that time.
- 31 Elek (personal interview) analysed the Australian tactics: 'Mr Hawke's announcement of the initiative astutely made no reference to membership despite a couple of comments in the press conference saying "we want to consult Asia and see what they think because it is really a process centred on Asia. It is up to them at the outset to declare who is in and who is not." What was not astute was that countries in the region assumed that Australia was asking Asia if the United States was in or not because Australia did not want it in. That was a tactical mistake'.
- 32 This official further said the 'Australia-Japan joint initiative was enormously valuable collaboration. Especially Okumura made an important contribution. Okumura could travel the region a great deal, more than I did, but [the problem was that] he sometimes called me very late at night!' This illustrates the close collaboration between MITI and DFAT.
- 33 Evans (1989). He said on 15 May in Perth: 'Australia has not sought and does not now seek, to draw a complete blueprint for regional economic cooperation ... if the [initiative] is to be successful, it must reflect the views of regional countries'.
- 34 The strongest and most detailed denial of this was made by Minister for Trade Negotiations, Duffy (1989) when he made a speech in February. Madigan who listened to the speech wrote (letter to Elek, 17 February 1989) 'I think [Mr Duffy] should make [this speech] a few more times around the country'.
- 35 Prime Minister Lange told the press that New Zealand was the first country 'to be fully briefed', the initiative was 'welcomed' and New Zealand was 'supportive' on 3 April 1989 which made feel Woolcott (1997) 'the first hurdle had been cleared'.
- 36 The Australian delegation should have known MOFA's cautious view before the visit, because Duffy had explained the Hawke initiative to Foreign Minister Sosuke Uno on 25 February 1989 in Tokyo, but Uno reserved his position by saying 'we should take into consideration the diversity among Asian countries, and further investigation is needed' (*Nihon Keizai Shimbun*, 25 February 1989).
- 37 As for how Muraoka was hampered by MOFA in his visit to ASEAN countries, see Funabashi (1995:60-1).
- 38 Personal interview with Kiyohisa Mikanagi, senior diplomat, 23 January 1995, Tokyo. According to Fukui (1981:296-7), the conflict between MITI and MOFA is longstanding; 'since prewar days they have been embroiled in international jurisdictional disputes over the control of trade policy-making power and machinery' and the dispute continues 'after the war and right up to the present time'.
- 39 Another major difference between the MITI and Australian proposals was whether or not foreign ministers were to be involved. The MITI mission did not meet with ministers and officials in foreign ministries in its visits to the region. Yet Muraoka (personal interview) emphasised: 'any intergovernmental institution would inevitably involve diplomatic aspects in the end and MITI by itself could not handle the whole issue. MITI did not have any intention of fighting with MOFA and MITI had no feeling of antagonism towards the subsequent involvement of MOFA into the APEC process'.

- 40 *Australian Financial Review*, 27 February 1989. A tentative decision to exclude the United States was made among Hawke's senior advisers in Islamabad after Hawke's announcement in Seoul (*Weekend Australian*, 6–7 January 1996).
- 41 Cited in Funabashi (1995:62). Baker also 'accepted at face value [Australia's] explanation that they were worried that if it included the United States ASEAN would be less likely to sign on'. Baker (1995:609) said Hawke's 'proposal did not include the United States, but we had no difficulty persuading Hawke, a good friend of the US and Bush'.
- 42 When Baker (1995:609) was at Treasury, Bob Zoellick and Bob Fauver 'brainstormed about a US-East Asian consultative group along the lines of the G7'. The campaign for the presidential election in 1988 intervened and the idea remained undeveloped, but Baker kept his 'eyes trained east for an opportunity'.
- 43 The positive trend was seen by the fact that Malaysian Trade Minister Rafidah Aziz sent a memorandum to the other ASEAN countries setting out four points before ASEAN's final endorsement was made: the Hawke proposal must not compromise ASEAN's dialogue with its main trading partners, it must not hinder intra-ASEAN trade liberalisation, it must not send the 'wrong signals' to Europe, and ASEAN must avoid undue haste in setting up institutions such as a permanent secretariat until it was clear where the initiative was heading (*FEER*, 11 May, 1989). These points were to be discussed in the ASEAN PMC in July 1989.
- 44 Yet Woolcott (1989b:1) noted that 'in two or three countries Heads of Government adopted an interested but non-committal approach at that stage'.
- 45 *Sydney Morning Herald*, 26 June 1989. Indonesia and Malaysia were concerned that US encouragement to incorporate political and strategic issues into a new regional form would compromise their non-aligned status.
- 46 *FEER*, 20 July 89. Evans said at his press conference following the end of the plenary meeting that he would ask Hawke to issue invitations to attend the November meeting (DFAT 1989b). Invitations were officially dispatched on 3 August 1989 to request relevant governments to nominate ministerial representatives.
- 47 The SOM was held following the agreement at the ASEAN PMC, which Japanese Foreign Minister Mitsuzuka proposed. He suggested that 'if ASEAN did not oppose the Hawke initiative, we should discuss the details in a senior officials' meeting' (Kunihiro 1989:36).
- 48 As Toyoda (personal interview) noted, MOFA did not support the idea of a ministerial meeting until Takeshita's visit to ASEAN, but he thought MOFA should have gradually understood the change in ASEAN's view on Asia Pacific regionalism because Muraoka's meetings with ASEAN leaders were accompanied by embassy staff in each ASEAN capital and official telegrams were sent to the Ministry in Tokyo.
- 49 MOFA sought to include cultural exchanges in the agenda at SOM, because MOFA wanted to frustrate MITI's dominant position and create a role for itself within the development of APEC (*Nihon Keizai Shimbun*, 24 October 1989). This attempt met with successful opposition from Australia and ASEAN countries.
- 50 Talboys replied to Evans (letter from Talboys to Evans 17 August 1989) that 'PECC has always been aware that ultimately the achievement of [PECC's] goal depends on

the willingness of governments to act ... Success in [APEC] will help to enlarge PECC's constituency'.

- 51 The first plan for a regional grouping was the Organisation of Asia Economic Cooperation (OAEC), launched in 1960. Saburo Okita, who was involved in proposing the OAEC plan, attended the first PAFTAD meeting in 1968 and promoted Prime Minister Ohira's concept to PECC when he was foreign minister in 1980 (Terada 1998). Okita (1990) attended the APEC meeting and was deeply moved because of his long-term involvement in Pacific economic cooperation.
- 52 Information from DFAT officials. For instance, against Alatas's insistence, Canadian Foreign Minister Crosbie said APEC does not have the same objectives as ASEAN, and not all members were from Southeast Asia. While ASEAN concerns should be reflected, the process should also reflect the views of all participants.
- 53 Conybeare (personal interview), who worked with the NPCC in floating ideas of intergovernmental regional economic cooperation, was surprised by Hawke's speech: 'I certainly did not expect myself at the time sitting in Canberra that there would be such an articulated proposal as there was put and that it would be so separate to the PECC process that it would virtually have no regard to the PECC process'.
- 54 In fact, some Australian leaders did not regard the MITI proposal as ideal. For instance, in declining a suggestion from Peter Cook, Minister for Resources, to organise another regional meeting on energy cooperation in line with the Hawke initiative, Hawke (letter to Cook, 13 June 1989) referred to MITI's plan in the following terms: 'we have already had to counter some misunderstandings related to a proposal by MITI for a meeting of regional industry ministers'. Woolcott also had to assure ASEAN countries in his visit that 'we are not acting as a stalking horse for MITI' (cited in Funabashi 1995:58).
- 55 For instance, noting that at the ASEAN PMC in July 1989, 'some foreign ministers were notably hostile and misinformed about PECC's purposes and its membership', Fairbanks, Chairman of the US PECC committee, warned: 'It is absolutely crucial that participants in [the Senior Official Meeting in September] ... speak up in favour of developing the linkage with PECC, in whatever manner governments may wish such a linkage to occur. Without this explicit support from your government and others, the basis for continuation of the PECC will be seriously undermined. Please meet with your government representatives to such developing information and analysis for ministerial meetings, based on both governmental and private expertise (letter from Fairbanks to Madigan, 3 August 1989). Taiwan's NPCC's Chairman, Koo Chen-fu also wrote: 'the association of PECC with the Canberra Ministerial meeting in its current format may tend to cause PECC to degenerate into a secondary position' (letter from Koo to Talboys, 28 August 1989).
- 56 The Joint Declaration on the Australia-Japan Partnership was announced by prime ministers Keating and Murayama in Tokyo, 26 May 1995.

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