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The Japanese Origins of PAFTAD: The Beginning of an
Asian Pacific Economic Community

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THE JAPANESE ORIGINS OF PAFTAD: THE BEGINNING OF AN ASIAN PACIFIC ECONOMIC COMMUNITY

The Pacific Trade and Development (PAFTAD) forum owes much of its existence to the enthusiasm and vision of three Japanese – Kiyoshi Kojima, Saburo Okita and Takeo Miki – an academic, a bureaucrat and a politician. This paper outlines the evolution of PAFTAD and shows how Japan's thinking on regional cooperation was driven by two main forces – the formation of the EEC, which was seen as excluding trade from the region, and a desire to boost growth in developing Asian countries.

There had been very little regional collaboration on Pacific economic policy before PAFTAD was established in 1968 and academics tended to know more about Europe or the Atlantic than each other's countries. The forum proved to be an important and durable means of exchanging ideas and helped lay the foundations for the establishment of the Asia Pacific Economic Cooperation (APEC) forum.

Introduction

The idea of an Asia Pacific economic community was not the creation of one person, nor did it become part of official policy without a considerable period of interaction and effort among intellectual and business circles in the region. The intellectual and policy foundations for the Asia Pacific Economic Cooperation (APEC) forum were laid primarily within a network of personal and business ties, especially through the Pacific Trade and Development (PAFTAD) forum and the Pacific Basin Economic Council (PBEC) – both established in 1968. PAFTAD holds a regular conference among policy-oriented economists about Pacific economies and economic cooperation. PBEC is a regional business forum. The participants in these forums played important roles in the evolution of government policy and the establishment of regional cooperation arrangements.

This paper examines the origins of PAFTAD through a focus on the Japanese protagonists who drove the idea in response to the changing international environment. They were Kiyoshi Kojima, Saburo Okita and Takeo Miki – an academic, a bureaucrat and a politician, and all significant contributors to the discussion in Japan about foreign economic policy. The paper focuses on their ideas on regional cooperation, their roles in achieving this, and the interaction that they had with other intellectuals in the region.

These three did not suddenly come to think about regional economic cooperation in the mid-1960s—each had been separately considering it for some time. Kojima formed the idea of a Pacific free trade area (PAFTA), which was the central theme of the first PAFTAD conference, and Okita was the first to propose a regional economic organisation, but it was Miki's political push to define an Asia Pacific policy which brought them together to form PAFTAD.

The evolution of PAFTAD

In 1963 Kiyoshi Kojima, professor of international economics at Hitotsubashi University, wrote a paper entitled 'Structures of regional economic integration in Asia' in which he divided Asia into three sub-regions and advocated the creation of a common market in each region to take advantage of potential economies of scale (Kojima 1980, Chapter 14). The sub-regions were the Indian continent (India, Pakistan, Ceylon and Burma), Southeast Asia (Thailand, Malaysia, Singapore, Indonesia, and the three Indochina countries) and East Asia (the Philippines, Hong Kong, Taiwan and Korea). Kojima developed the PAFTA proposal at a conference on Economic Cooperation for Trade and Development in the Pacific, which was held at the East–West Centre in Hawaii, in February 1964 (Kojima 1984: 102). He was dissatisfied with discussions at the conference because they neglected Pacific trade and this prompted his study (Drysdale and Yamazawa 1984: 5).

Three factors influenced Kojima's thinking about PAFTA: his interest in solving the North–South problem in Asia; economic developments in the EEC; and the internationalisation of the Japanese economy.

He attributed his initial commitment to regional cooperation to his background, including his place of birth and his childhood poverty (personal interview Koganei, 14 December 1994). When visiting other countries in the region and attending international conferences on regional economic cooperation between 1961 and 1963, he began to think seriously about Asia's underdevelopment. He stated that 'observations during these trips and discussions at international conferences were windows for my policy studies' (Kojima 1980: 4). Kojima had primarily written about international trade theory and Japan's role in the international economy, but after his travels he began to focus on Asian economic development.

Kojima thought that the EEC could be a model for economic development in Asia. In his first book on the EEC entitled *EEC-No Keizaigaku* [Economics of the EEC] and written in 1962, he revealed his 'enthusiastic interest in this new way of organising regional economics',

and described the growth of the EEC as 'wonderful' and 'a thing which has to be stared at in wonder' (cited in Korhonen 1992: 119). Yet he was also concerned that Japan and other countries in the Pacific would be left behind. In a research project directed by Bela Balassa, he examined the effects of Japan's trade liberalisation among industrialised nations and realised that the emerging EEC would exclude trade from the Pacific Basin countries (Kojima 1984: 101). His methodology to estimate the effects of tariff reduction was later used to explore ideas on a free trade area for the Pacific (Drysdale and Yamazawa 1984: 5).

He thought that Japan would suffer most from the further development of the EEC, and if Britain joined, this would form an even larger European common market. There was discussion of a free trade area including the United States, Canada and the nations of the European Free Trade Association (EFTA), should Britain's admission to the EEC fail, and also the possibility of a regional arrangement in the Atlantic. Plans for regional unification centred on Western Europe and America and Kojima thought that Japan, Australia and New Zealand were being treated as marginal – it was envisaged that they could participate as fringe countries of a large free trade area if they wished. This frustrated him.

'Shouldn't Japan prepare and propose a counter-plan, which is closely linked with Japan's interests and in which Japan will play one of the main roles?...Our Pacific and Asian free trade area is such a plan and it will make America turn its eyes more seriously to the Pacific and Asian area.' (Kojima 1967: 13)

PAFTA was his response to the possibility of greater European integration.

'Is it not logical that these Pacific Basin countries should promote their economic integration, following the successful example of the European Community, in order to develop intensively these developing countries where there are plenty of resources and unlimited potential compared with an already well-developed Europe? Why shouldn't the five advanced Pacific countries, the US, Canada, Japan, Australia and New Zealand, prepare for the formation of PAFTA?' (Kojima 1975: 235–36)

Kojima felt that multilateral trade liberalisation would be the best option for Japan, yet he thought that moves towards regionalism outside Japan would prevent it from achieving its preferred option. The expansion of freer trade with all nations and all areas of the world suited

Japan best because it exported equally to advanced and developing nations, but he argued that 'we are rapidly approaching a situation where we must seriously study this second choice [PAFTA]' (Kojima 1967: 11).

Kojima also believed that PAFTA could boost Japan's presence in the international economy and international politics.

'Japan needs some kind of new grand idea to inspire the whole nation. I feel that PAFTA and Japan's leadership in PAFTA could fill that need. Not only would Japan be doing something on the international scene that would be in its own best interests, as well as in the interests of world-wide trade liberalisation, but PAFTA would also help domestically to give the Japanese a new sense of pride in leadership and world recognition.' (Cited in Lockheimer 1969: 8–9)

PAFTA involved the abolition of tariffs between Japan, Australia, New Zealand, the United States and Canada. This would result, Kojima explained, in a substantial increase in Pacific trade. PAFTA was a way for the advanced Pacific countries to promote cooperation as it would help increase the exports of the developing Asian countries and 'married the objective of the liberalisation of trade between industrialised nations to the objective of increasing aid to developing countries' (*PAFTAD Newsletter* No. 2, 1986). The concept was launched in November 1965 at a conference in Tokyo, held under the auspices of the Japan Economic Research Center (JERC) and chaired by Saburo Okita.

Okita, a senior economic bureaucrat and one of the architects of Japan's economic growth, 'had a long-standing interest in Asia, dating back before the war' (Okita 1993: 93). He was one of the few Japanese active in the intellectual and the practical development of regional economic cooperation and his experience in this area was unique. He was the first Japanese UN staff member at the Economic Commission for Asia and the Far East (ECAFE) Secretariat in Bangkok in 1952. Then, as the head of the economic cooperation section at the Economic Planning Agency (EPA), he participated in seven Asian conferences associated with ECAFE and the Colombo Plan in 1955 (Okita 1955). He became a member of the so-called 'Three Experts Committee', established by the executive secretary of ECAFE to recommend measures for promoting greater regional economic cooperation. This committee proposed an Organisation of Asian Economic Cooperation (OAEC) in 1962 – the first substantial proposal for a regional economic institution (Okita 1966).

In 1961 Okita felt that Japanese interest in Southeast Asia, which had grown since the mid-1950s, was diminishing and attributed the loss of interest to Japan's national habit of jumping into something new, to its decreasing trade in the region and its concerns about regional political instability (Okita 1961: 90). He thought that it would be difficult to ensure Japan's prosperity in the long run without economic development in neighbouring countries and insisted that Japan should more seriously undertake economic cooperation in Southeast Asia with a view to the long term. Okita had already argued that economic development in Asia was too sluggish in terms of Japan's need to increase exports (Okita 1955: 27). Japan's contribution to development cooperation in Asia was a means of solving this problem.

He also believed that Japan had a responsibility to lead regional cooperation.

'As the Japanese economy grows, Japan, in common with other advanced nations, will be expected to assume responsibility for economic development in developing nations...I think the day is coming soon when Japan, which so far has been passive in international affairs, should realise that its own behaviour affects other nations.' (Okita 1962: 80)

Okita thought it appropriate for Asian countries to follow the trend of regionalism in Europe and Latin America, yet he understood that it would be difficult to create a common market or free trade area in the region (Okita 1962: 77). He proposed the establishment of a group of international civil servants, similar to the Organisation for Economic Cooperation and Development (OECD) in Europe, to pursue 'regional' rather than 'national' interests (Okita 1966: 29). This was the rationale behind the OAEC plan and the idea might have derived from his experience as a 'regional' public servant in ECAFE in the early 1950s.

Okita wanted the OAEC to develop from economic cooperation to economic integration via economic coordination rather than plunging directly into a free trade area (Okita *et al.* 1962). He thought that trade was the central issue of regional cooperation because it could sidestep political complexities such as those between Japan and China (Okita 1962: 51). He saw the OAEC's key task as the promotion of trade in the region and the education of experts from regional countries. The OAEC plan was rejected by ECAFE as premature, because it envisaged the inclusion of a ministerial conference where decisions would be binding on member countries. This was unacceptable to Asian countries which could not compete industrially with economic powers like Japan. After the OAEC failed, Okita continued to advocate the creation of a regional economic institution.

Kojima and Okita were brought together by Japan's foreign minister Takeo Miki, who had strong ideas about policy concerning the Asia Pacific region.

He explained his Asia Pacific policy in his first speech as foreign minister to the Diet in March 1967, aimed address the North–South problem of wealth disparity in Asia. He believed that gap between advanced and developing countries was the world's most pressing problem, along with nuclear disarmament, and stated that the attainment of prosperity in Asia was what Japan sought most.

'I believe that one of the important reasons why conflicts break out in the world one after another lies in the overwhelming disparity between developed and developing countries. In the ultimate analysis, this can be traced back to the question of poverty...I consider that the greatest source of instability in Asia also can be found here...Japan is deeply aware of its moral responsibility, as the only advanced industrial nation in Asia, to address itself seriously to this important North–South problem...For this purpose, we are determined to improve the domestic system for the promotion of economic cooperation and to strengthen activities so as to promote positively our economic cooperation with developing countries in Asia.' (*Nihon Keizai Shimbun*, 14 March 1967)

First elected in 1937, Miki had expressed his interest in the issue immediately after the war. He wanted Japan to forge close economic relations with Asian countries to boost Japan's economic independence and Asia's stability and recovery. In December 1948 he urged Japan to join what he called an Asia Economic Group, in which an Asian version of the Marshall Plan would be implemented with financial assistance from the United States (Takenaka 1994: 145). His wish to establish a multilateral institution to help economic development in Asia with financial assistance from the developed nations was already evident.

In September 1951 he criticised the Yoshida administration, which he thought attached too much significance to the United States and Europe and neglected Asian countries. He told Yoshida that 'there would be no future in Japan if we were isolated from Asia...Japan needs to play a sustaining role in Asia's economic development' (Takenaka 1994: 149–50). During Question Time in the Diet in January 1954, Miki again criticised Yoshida's diplomacy as 'flawed' because he thought that Yoshida did not recognise that 'Japan could not survive if it were separated from Asia' (Takenaka 1994: 156).

With the rapid growth of the economy after the mid-1960s, Japan began to take initiatives to promote Asia's economic development. It hosted the Ministerial Conference for Southeast

Asian Development in Tokyo and was committed to the establishment of the Asian Development Bank in 1966. In September 1966, as the Minister for International Trade and Industry, Miki took up these causes:

'The countries bordering on the Pacific are now fully aware of the fact that they belong to the Pacific region and, as such, are increasingly aware of the common ties of destiny that bind them...there has been a growing trend in Asia, on its initiative and cooperation, to tackle the Asian problem...The cooperation of the Pacific nations in these encouraging developments in Asia has come to be most important.' (Miki 1966)

This speech used the same logic that he employed in outlining his Asia Pacific policy in 1967. His long-held belief that the solution of the North-South problem in Asia lay in high Japanese economic growth was behind this policy and the uncertain regional stability in Asia due to the Vietnam War led to its acceptance.

Miki explained why he thought it appropriate to promote the Asia Pacific policy in interviews with major Japanese papers (*Tokyo Shimbun*, *Yomiuri Shimbun*, *Nihon Keizai Shimbun*, 3 December 1966). First, the attempts of his predecessor, Etsusaburo Shiina, to foster regional cooperation in Asia had led to the Asian Development Bank (ADB) and the Ministerial Conference for Southeast Asian Development. There was a growing expectation of multilateral cooperation among Asian countries. Second, the United States, Canada, Australia, New Zealand were also intensifying their efforts to assist Asian countries. Third, Japan, as the sole industrialised nation in Asia, had to act as a bridge to the developing nations in the region. Fourth, Japan could not undertake this task alone. Cooperation with the other four advanced nations in the Pacific was necessary.

He commissioned the Ministry of Foreign Affairs (MOFA) to give the policy substance. After discussing the issue with business people and academics, MOFA drafted two plans: one was to develop the Ministerial Conference of Southeast Asian Development, incorporating the other four Pacific advanced nations, which Japan had initiated in 1966; the other was to create PAFTA (Gaimusho 1979: 4). The proposals focused on three areas in Asia Pacific policy: economic and technical cooperation; institutions for expanding trade; and regional security (*Nihon Keizai Shimbun* 27 March 1967). MOFA thought that the Ministerial Conference of Southeast Asian Development and the Asia Pacific Council (ASPAC) belonged to the first and the third categories. The former organisation was to focus on economic and technical cooperation

in the region and the latter was intended to provide a forum for broader discussion of Asian affairs (*Nihon Keizai Shimbun* 13 June 1967).

Miki noted that ‘the Asia Pacific region will eventually create a new institution which the other regions will not be able to emulate; we are now at a stage of laying the foundation for such an institution’ (*Sekai* 1967: 188). Miki did not necessarily intend to create a new governmental institution to implement his Asia Pacific policy, feeling that it was more realistic to take advantage of the existing institutions. He regarded ASPAC as a basis for the establishment of a new institution and thought that it could become a part of Japan’s Asia Pacific policy, promoting solidarity among regional countries. Miki believed that ASPAC should deal with political and security issues and hoped to establish it as a regular forum for foreign ministers in the region.

To refine his policy, he held consultations with Australia, which he hoped would help promote the policy (Terada 1998). A MOFA delegation of senior officials headed by Hideo Kitahara, Director-General of the Europe and Oceania Bureau, met with their Australian counterparts in Canberra in January 1967 to assess the extent to which Australia was willing to cooperate. Senior officials meetings were also held with New Zealand, the United States, Britain, West Germany, France and Italy (*Asahi Shimbun*, 6 January 1967). Miki met with the Australian Minister for External Affairs, Paul Hasluck, in March 1967 in Tokyo. This was the first time that Miki had discussed his Asia Pacific policy with a foreign leader (*Daily Yomiuri* 31 March 1967). Although Australia did not always react favourably to the establishment of a new regional institution, Miki saw these meetings as an effective means to promote his policy overseas (Terada 1998).

In a speech entitled ‘Asia Pacific Diplomacy and Japan’s Economic Cooperation’, Miki outlined the following key elements of his Asia Pacific policy:

- 1 Enlightenment. The aim was to bring about an awareness amongst countries in Asia and the Pacific that they shared a mutual destiny and were in the same boat. The stability and prosperity of Asia needed the cooperation of the developed countries of the Pacific and the advanced Pacific nations could not be prosperous without growth and stability in Asia.
- 2 Cooperation in Asia. Asian countries had proceeded enthusiastically with industrialisation after securing independence, but they realised that it would not be achieved

easily or quickly. Accordingly, they slowed the rate of development. Japan had to respond to this trend by extending its cooperation and understanding.

- 3 Cooperation among the advanced Pacific countries. This did not mean setting up a 'rich men's club', or establishing a closed bloc. The Pacific region had its own regional problems, and would reap benefits from fostering regional cooperation. Japan encouraged research by various authorities on how these nations might be linked to stimulate trade liberalisation among the advanced Pacific nations.
- 4 The North–South problem in the Asia Pacific region. It was essential for the 'have' countries of the Pacific to give assistance to the 'have-not' Asian countries. This was the most important aspect of the Asia Pacific policy. Japan intended to make repeated requests to advanced Pacific countries, which had a deep interest in Asia, to increase their aid to the region (*Nihon Keizai Shimbun* 25 May 1967).

Miki is regarded as the first Japanese politician to use the term 'Asia Pacific' (Watanabe 1992: 108). Asian countries hoped that they would receive more aid and that aid conditions would be relaxed, allowing them to increase their exports of primary products. It was impossible for Japan to meet these conditions alone (*Asahi Shimbun* 22 April 1967). Miki stated that 'we have now reached a point where it is not only the requirement of the current age but a direction indicated by history that we should consider Asia's problems in an Asia Pacific context' (*Nihon Keizai Shimbun* 25 May 1967).

Kojima and Okita were brought together by Miki, who selected them as his advisers. Their ideas shaped Miki's policy and Miki's push for an Asia Pacific policy gave Kojima and Okita hope that their ideas would be realised.

'It is said that at the initiative of the Foreign Minister Miki, the idea of an Asia Pacific policy is being carefully studied by the Foreign Ministry and is about to be put into practice...The fact that the Foreign Ministry is now studying this idea seriously gives us hope that our idea may see daylight sooner than anticipated. This is most gratifying, personally...' (Kojima 1967:10)

Okita wrote:

'Miki...invited Kojima and myself to visit him at home. He told us that although he thought cooperation in the Pacific was very important, he was not exactly sure what Japan should be doing to help achieve it. He then asked Kojima and myself to flesh out the basic plan...After discussing the matter, Kojima and I decided that we should organise a conference to bring together economists and other interested people from around the Pacific region.' (Okita 1993: 134–35)

Miki regarded Kojima and Okita as specialists on regional economic cooperation and as his *ad hoc* advisers on the Asia Pacific policy. His reliance on Kojima and Okita was evident in the way in which he elaborated his policy ideas. Kojima believed that Japan should involve other Pacific nations, especially the United States, in plans for regional economic cooperation and development (personal interview Koganei, 14 December 1994). Miki also promoted this idea. In June 1967 a senior MOFA official suggested ideas for implementing Miki's policy in its Asia Pacific Ambassadors Meeting. These included PAFTA, the Southeast Asian Revolving Aid Fund, the Pacific Investment Bank, and the Pacific version of the Development Assistance Committee (DAC) (*Mainichi Shimbun* 25 June 1967). Most of them grew from Kojima's ideas, as Miki himself admitted (*Asahi Journal* 1967: 19).

When Miki clarified Japan's stance on trade regionalism in his speech at the ANU in July 1968, his sentiments corresponded with Okita's:

'I am at times asked whether my scheme implies the creation of an EFTA or an EEC in the Pacific area. Certainly, as a trading nation, Japan must obviously work out and examine schemes for trade expansion. But, for the very reason that Japan is a trading nation, it would be an act of suicide on our part to create an exclusive and closed trading bloc in the Pacific area.' (Miki 1968)

In 1962 Okita stated that 'most of the products in the region should be bought by outside countries as the capacity of regional countries, including Japan, to absorb such products is quite limited; so-called open regionalism is thus necessary (Okita *et al.* 1962). Miki adopted Okita's rationale for openness in regional economic cooperation. Miki also referred to the process of institutional development in Asia as moving from economic cooperation, to economic coordination, to economic integration (*Mainichi Shimbun* 21 May 1967), a concept that Okita had also used.

Kojima put forward two objectives for PAFTA – to significantly expand trade among Pacific countries and to increase aid to Southeast Asia.

'The simultaneous realisation of this two-pronged strategy is desirable, but in view of the practicabilities and difficulties in realising this strategy, an important choice faced by the Foreign Ministry's Asia Pacific policy is the question of which of the two approaches should be given the primary place and priority.' (Kojima 1967: 13)

He later decided that the North–South goal was the most pressing, and stated 'I must emphasise that the primary target in my proposal for the establishment of PAFTA is to promote successfully the modernisation and economic development of the Asian developing countries' (Kojima 1980: 171–72).

Miki was probably attracted to the PAFTA idea because he too attached priority to assisting economic development in Asia. Kojima later expanded the virtues of PAFTA in terms Miki would have approved of:

'... a free trade area in the region could contribute to the transfer of markets in favour of Asian developing countries and pose a quite promising improvement in the balance of trade and employment as well as the national income of these developing countries...it would be an economical and effective measure to support the economic development of Asian countries and to promote trade between advanced Pacific countries and developing Asian countries...the liberalisation of trade among advanced Pacific countries and the transfer of markets in favour of Asian developing countries would lead to a more optimal allocation of resources and more prosperous trade in Asia and the Pacific.' (Kojima 1975: 236)

Miki envisaged a gathering of scholars to help give substance to his Asia Pacific policy, and it was natural for him to select Kojima's PAFTA concept as the focus for these discussions. At Miki's instigation, and financially supported by MOFA, Kojima undertook a study tour in March and April 1967 to the other four Pacific nations and Britain. The purpose of this trip was to assess the possibility of hosting a conference on PAFTA, to gauge the amount of interest among scholars and to find possible participants (JERC 1967: 10). Kojima asked Peter Drysdale, of the Australian National University, and Hugh Patrick (Yale University) to help plan the conference (Patrick 1996: 192). Drysdale had conducted field research at Hitotsubashi University under Kojima in 1964 and 1965 for his dissertation on Australia–Japan trade and was 'engaged in the cut and thrust of debate [with Kojima] about the emergence of a Pacific economic community to counterbalance what was then taking root in Europe' (Drysdale 1988: 9). Patrick had been at

Hitotsubashi University while Drysdale was there. He had met Kojima and realised that they 'were both interested in the analysis of international trade, and the role of trade in growth and development' (Patrick 1996: 184). Kojima knew he could rely on these scholars to help organise the conference because of their similar interests and research approaches, and their knowledge of the academic community in Australia and the United States.

Kojima visited Australia first on his 1967 trip, partly because he had been impressed by his warm welcome from John Crawford, the Head of the Research School of Pacific Studies at the ANU, on his first visit to Australia in 1963 (personal interview Koganei, 14 December 1994) and because Drysdale had just begun his academic career at the ANU and could offer Kojima valuable assistance (Yamazawa personal interview, 20 December 1994). During his first visit to Australia, Kojima might have decided that Crawford, who also had an interest in Pacific cooperation, could well support the idea of a conference or series of conferences on Pacific economic cooperation. As Okita later observed, 'Crawford was a strong supporter of the concept and the cooperative spirit which it embodies from the very beginning' (Okita 1984: 123). Crawford resigned as Secretary of the Department of Trade in 1960 to join the ANU, partly because he wanted to work on 'Australia's trade relations with Pacific countries' (Arndt 1984).

Following the strong support he had obtained in Canberra, Kojima left for New Zealand 'more convinced of the need to gather together a group of trade policy experts' (*PAFTAD Newsletter*, No. 2, March 1986). After meeting Frank Holmes in New Zealand, he flew to the United States, where he held discussions with Harry Johnson (Chicago University) and Hugh Patrick, and then Canada, where he met Ted English (Carleton University). Kojima finally went to London, where he held discussions with Crawford who was visiting the United Kingdom at that time.

The support of Miki and the MOFA was significant in sustaining international interest. According to Kojima, when he first proposed the PAFTA concept in 1965, reaction was muted. After Miki announced his Asia Pacific policy agenda in December 1966, the PAFTA concept began to capture worldwide attention (JERC 1967: 10). The foreign media gave wide coverage to Miki's Asia Pacific policy, which stimulated academic interest and ensured that the conference would be a significant one.

Kojima and Okita delivered a memorandum to potential participants at the end of 1967, entitled 'JERC Conference on Pacific Trade and Development'. The memorandum represented common views about the international trade environment, and explained the purpose of the conference.

‘International trade policies are volatile, in search of fresh directions in the post-Kennedy Round situation. A reshuffling of Atlantic trade is anticipated. In the Pacific and Asian regions, there is a need to develop measures for expanding trade among advanced countries, and trade and aid with developing countries, looking forward perhaps to the promotion of closer economic cooperation in these regions.’

The memorandum then focused on the subjects for discussion.

‘Alternative measures for expanding trade among Pacific advanced countries including possibilities of establishing a Pacific Free Trade Area; the integration by industrial sectors and regional financial organisation from the standpoint of each country’s interests;

Policies of increasing aid to, and trade with, Asian developing countries and possible coordination of their efforts;

The new world trade policy in the post-Kennedy Round and the position of the Pacific and Asian regions.’

The first PAFTAD conference in Tokyo

Kojima’s free trade area proposal was the focus at the first PAFTAD conference, which was held in January 1968 at the JERC and was chaired by Okita. Miki delivered a speech welcoming participants – 12 of whom were from overseas (six from the United States, and two each from Canada, Australia and New Zealand) and 13 were from Japan.

Patrick described Kojima as ‘the founder and creator of PAFTAD’ and called him an ‘international institution builder’ (Patrick 1996: 183). However, the conference would not have attracted so much attention, either in Japan or worldwide, and might not have been the success it was, without the support of Japan’s foreign minister, Takeo Miki. MOFA paid half the expenses for the conference and invited the relevant ambassadors and ministers as it expected the conference to be a useful source of advice on the Asia Pacific policy (*Nihon Keizai Shimbun* 1 January 1968).

The five Pacific nations had common interests in the discussion of trade policy issues and ways of economic cooperation in the region. Patrick (1996: 192) set out the different national as well as individual perspectives at the first PAFTAD conference. The United States was most interested in maintaining a stable world trading system; Canada was concerned about access

to the US market; Japan was anxious about exclusion from the European market and the need to find other markets; Australia was worried about effective ways to export its primary products to Japan without being overwhelmed by Japanese manufactures and wanted to open up East Asian markets in the face of the development of the EEC; New Zealand was keen to export to Japan and new markets. These concerns and interests, which were discussed at the conference, indicated the potential for cooperation, and raised the participants' expectations of the conference.

One of the main purposes of the first PAFTAD conference was to attract the interest of academics, who tended to pay more attention to Europe or the Atlantic than to the economies, trade and developments in the Pacific region (JERC 1968: 2). The participants at the first PAFTAD conference were professional economists and it was important for Kojima and Okita to demonstrate the benefits of participating. Those who had a scholarly interest in the region were willing participants. Patrick later wrote that these academics 'turned out not to know a great deal about each other's countries, whose perspectives were predominantly global and bilateral, not regional' (Patrick 1996: 192). Given the fact that before PAFTAD there had been 'virtually no practice of regional consultation or collaboration on Pacific economic policy research and thinking', the idea of the conference was attractive and stimulated the interest of academics (Drysdale 1984: 6).

Participants rejected the formation of PAFTA but endorsed the importance of further discussion and communication to learn more about each other and of including the developing Asian economies in this dialogue. According to Kojima 'it was impossible to establish a regional organisation [in Asia and the Pacific] which would discriminate against non-regional members. This was the reason the PAFTA concept failed' (Kojima 1980: 536). Realising that PAFTA was unworkable when he attended the first PAFTAD conference, Miki also rejected this option in his speech at ANU in July 1968:

'I am at times asked whether my scheme implies creation of an EFTA or an EEC in the Pacific area. Certainly, as a trading nation, Japan must obviously work out and examine schemes for trade expansion. But, for the very reason that Japan is a trading nation, it would be an act of suicide on our part to create an exclusive and closed trading bloc in the Pacific area.'

PAFTAD was initially 'planned as a one-shot event' and none of those 'involved from the beginning anticipated [it] would persist and achieve so much as it has' (Patrick 1996: 191). Those participants who wanted to hold further conferences felt that 'the need for analysis of Pacific economic policy problems and communication among researchers around the region was far greater than had been initially perceived' (Drysdale 1984: 2). Recognising the value of continuing with PAFTAD and sensing a lack of commitment on the part of the Japanese, Crawford pressed for a series of conferences and persuaded Arthur Paul, adviser to the Asia Foundation and a participant at the first meeting, that the Asia Foundation would fund the second meeting. The second PAFTAD conference was held in 1969, again at the East-West Center.

Despite the fact that solving the North-South problem in Asia was a major rationale behind Kojima's, Miki's and Okita's interests in regional economic cooperation, there was no participant from the developing countries at the first PAFTAD conference. This was mainly because PAFTA was the central theme. Yet, Paul, as well as Crawford, vigorously articulated the concerns of the Asian developing economies at the first PAFTAD conference and insisted that any future conference include them. This came true at the second conference. The new president of the Center, Howard Jones, was also worried about the exclusion of the developing countries, and had an important role in the decision of the Asia Foundation to fund the second conference.

The third conference, funded by the Australian government and held in Sydney in 1970, suggested the development of a series of conferences. Since then, PAFTAD has been active in delineating issues and using empirical evidence to consider policy options relevant to the regional economies and economic cooperation in Asia and the Pacific (Drysdale 1984: 1). It has consistently focused its research on 'how to enhance the economic growth and development of the Asia Pacific economies, and to achieve more efficient and effective economic relations with each other on the basis of economic policy and trade analysis' (Patrick 1996: 184). PAFTAD has established itself as a significant academic network in the Asia Pacific region. Crawford and Drysdale were the Australian participants at the first PAFTAD, which was one of the first Australian steps towards supporting a trade-oriented regional economic institution. The Japanese and Australians were pivotal in subsequently establishing PECC and APEC and the academic network that formed the basis of these initiatives began at this visit. Crawford was interested in regional economic cooperation and organised the 1980 Pacific Community Seminar in Canberra, the first PECC meeting.

Conclusion

This paper has examined the role that three prominent Japanese – Kojima, Okita and Miki – played in the establishment of PAFTAD, and how PAFTAD was a response to events both within and outside the Asia Pacific region. These included the development of the EEC and the upsurge of regional approaches to economic cooperation in Asia such as the ADB. Although each had long-standing interests in the development of Asian economies, and had held ideas on regionalism before these events, the movement of regionalism in Europe gave their ideas impetus.

Kojima, Miki and Okita shared common beliefs – the need to aid economic development in Asia, to find solutions to Asia's North–South problem and that Japan had a responsibility for contributing to this issue. Kojima advocated the creation of a free trade area in the Pacific but Okita preferred a regional organisation to foster economic cooperation. Kojima was influenced by the development of the EEC and Okita by the OECD. PAFTAD, as a regional organisation for economic cooperation in Asia, reconciled Miki, Kojima and Okita's stances on regional cooperation. Okita's role in the creation of PAFTAD was marginal, compared with those of Kojima and Miki, and was limited to supporting Kojima's efforts by providing facilities at the JERC where he was Chairman. Yet his influence at home and abroad was essential to the establishment of PAFTAD, and the OAEC might have helped inspire PAFTAD, which became a research body to analyse regional economic cooperation – exactly what Okita had set out to achieve.

Miki's concept of regional economic cooperation was inspired by, and based on, the ideas of Kojima and Okita. At the same time, their ideas had not come to fruition in policy debates and could not have been realised without Miki's political representations. Although three areas of Miki's Asia Pacific policy were not achieved – ASPAC and the Ministerial Conference of Southeast Asian Development terminated in 1972 and 1975, respectively, at the end of the Vietnam War, and the PAFTA initiative was not realised, PAFTAD was successful – fulfilling his aim of the exchange of scholars.

Kojima's PAFTA, Okita's OAEC and Miki's Asia Pacific policy all failed to materialise because of the reluctance of the governments of Asian developing countries. They had vivid memories of being colonised, had not achieved high levels of trade and economic interaction with each other and feared that their interests would be subordinated to those of the advanced economies. Nor did the United States show a strong interest in the formation of regional government economic institutions because its focus tended to be global, as evident in a

presentation made by an American participant at PAFTAD's first meeting. It was premature to establish an inter-governmental regional economic institution.

PAFTAD has provided a forum for participants to nurture shared beliefs on economic cooperation and has provided input into government policy. PAFTAD can be described in the following terms: 'Without the work of a host of...scholars from a variety of countries within the region, consciousness of Pacific economic and governmental cooperation could not have reached its current level (cited in Woods 1993: 41).

PAFTAD's research network has made an intellectual contribution to activities of PECC and APEC. Hugh Patrick, the chairman of PAFTAD, commented that 'the fingerprints of PAFTAD are all over PECC and APEC' which 'is another way of saying that the economists actively involved in PAFTAD have also been playing major intellectual and policy roles in PECC and APEC in virtually every Asian Pacific economy' (Patrick 1996: 197). When the first PECC Conference was held in Canberra in 1980, 18 of the participants had attended the previous PAFTAD conferences. The six original members of the PECC steering committee were also active PAFTAD members. The Coordinating Group of PECC consists mainly of researchers who have been involved in a substantial way in the work of PAFTAD and it was the original PAFTAD network which was relied upon to develop expertise within the PECC. The Japan Economic Research Center, which hosted the first PAFTAD conference in 1968, came to a similar conclusion. The annual report (1 December 1995: 32-5) had a preface entitled 'Roots of APEC', which claimed that PAFTAD had been important in terms of identifying issues and problems for regional economic cooperation by canvassing expert viewpoints for APEC. Andrew Elek, who visited regional countries to promote the APEC initiative in 1989, noted:

'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'. (Personal correspondence, 12 May 1998)

The establishment of PAFTAD and the advocacy of Miki's Asia Pacific policy helped to create a 'mood', in Miki's words, for establishing a comprehensive regional institution. In the late

1960s, when countries in the region knew little about each other, there was little impetus at the government level to create a regional institution for economic cooperation. While PAFTAD was not in a position to determine foreign economic policy, it did influence the direction and played an important role in providing 'enlightenment' on Asia Pacific economic cooperation and creating a foundation for establishing PECC in 1980 and APEC in 1989. PAFTAD, along with the PBEC, marked the beginning of an Asia Pacific economic community.

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