

CHAPTER 5

Back to Canberra: **Founding APEC**

ANDREW ELEK

BACK TO CANBERRA: FOUNDING APEC

By 1989, the work of the Pacific Trade and Development (PAFTAD) Conference and the Pacific Economic Cooperation Council (PECC) had identified many opportunities where cooperation among Asia Pacific economies could further their shared interests.

Foremost among these was, and continues to be, an overriding interest in a rules-based multilateral trading system. In the late 1980s, the system based on the General Agreement on Tariffs and Trade (GATT) was under severe pressure, due to lack of leadership, growing resort to unilateral trade retaliation and the severe difficulty of making progress in the Uruguay Round of multilateral trade negotiations which had been launched in 1986.

ASEAN's series of post-ministerial consultations, launched in the mid-1980s, had demonstrated the feasibility and value of regular consultations among ministerial-level representatives of both developed and developing economies. By 1989, the post ministerial consultation process had expanded to embrace 12 members (the then six members of ASEAN and six "dialogue partners"). Their consultations were largely focused on foreign policy issues.

These developments led Australian Prime Minister Bob Hawke to believe that the time had come to act on the growing interest in region-wide cooperation on economic matters. In a January 1989 speech in Seoul, he advocated the creation of a new "intergovernmental vehicle of regional co-operation" which could nurture a capacity:

... for analysis and consultation on economic and social issues ... to help inform policy development by our respective governments.

Hawke proposed to convene a "meeting of ministers from throughout the region" to investigate the form such cooperation might take. Participation in that meeting and its agenda were to be determined by consensus following discussions in the region.

The PECC process and many of the people involved in it played a vital role in preparing the ground for Hawke's proposal and many contributed to the intensive consultations between January and November 1989 which made the first ministerial-level meeting possible. As described below, the issues and the constraints on involving governments directly in the process of economic cooperation in the Pacific were strikingly similar to those which influenced the emergence and structure of PECC.

Background ¹

During the three decades from 1960, there was a remarkable transformation in the Asia Pacific region, leading to a dramatic increase in the region's share in global production and trade. While the US economy remained by far the largest, much of the dynamism was in the western Pacific.² The region's success was based on good economic management and high savings rates which allowed them to invest massively in human and physical capital, leading

¹ Some of the discussion in this and subsequent sections draws on Elek (1991).

² The western Pacific is taken to mean Japan, Korea, the three Chinese economies (the People's Republic of China, Hong Kong and Taiwan), ASEAN, Australia, New Zealand and Papua New Guinea.

BACK TO CANBERRA: FOUNDING APEC

to spectacular increases in productivity. Success also stemmed from their willingness to accept drastic structural adjustment and their ability to take advantage of changing international market opportunities. But, perhaps most importantly, their sustained success was based on the existence of a relatively open and, at that time, largely non-discriminatory system of trade.

Before World War II, the divided and highly discriminatory trading regime had made it very hard for rising economic powers like Germany and Japan to reach their potential for growth. By contrast, the GATT-based system had made it possible for Japan and other western Pacific economies to exploit their evolving comparative advantage.

The mutually beneficial interdependence which led to the establishment of PECC had increased much further in the 1980s, leading to ever more serious proposals to involve Asia Pacific governments. The careful thinking which had made PECC possible had also demonstrated that organizational models developed elsewhere, whether the European Union or the Organisation for Economic Co-operation and Development (OECD), could not be simply transplanted to the Pacific.

But there was a sense of urgency.³ The rapid relative rise of western Pacific economies placed great strains on the GATT system. As Drysdale (1990) noted:

A significant characteristic of industrial transformation in East Asian countries is that their trade growth has required the taking over of market shares from established exporters, first in labour-intensive manufactured goods, as Japan did from Britain and Europe in both the pre-war and post-war periods and as other newly industrialising countries in East Asia have done from Japan, and in recent decades, from each other.⁴

The western Pacific economies were also taking market shares from labour-intensive industries across the Pacific. The US Congress responded with its "Super 301" legislation, in the vain hope that trade retaliation against high-saving new competitors could curb the US current account deficit, which measures the shortfall of savings compared to investment in the US economy.

The drift away from a multilateral non-discriminatory approach to trade, very evident in 2005, had already begun. In 1989, the direction of the then European Community's single market remained unclear, leading to fears of a "Fortress Europe". That fear was reinforced by the willingness of Europe to allow the Montreal mid-term review of the Uruguay Round to fail. The United States had just concluded a bilateral preferential trading arrangement with Canada, marking a historic shift from its role as leader and champion of non-discrimination in trade policy. As in 2005, there was widespread discussion of more bilateral deals.

³ Such a sense of urgency was not felt in 1982, when Korean Prime Minister Chun Doo Hwan called unsuccessfully for a regular Pacific Summit of heads of governments.

⁴ Peter Drysdale had articulated these concerns and the need for collective defence of a non-discriminatory international trading system in *International Economic Pluralism*, published in 1988.

BACK TO CANBERRA: FOUNDING APEC

In the late 1980s, western Pacific leaders were still prepared to defend the post-war, relatively open trading system. They knew they had the most to lose from its potential disintegration, but also knew that they could have little influence acting individually.

The need to find a way to protect the region's overriding interest in a rules-based multilateral trading system prompted several initiatives. Tentative options were floated by former Japanese Prime Minister Yasuhiro Nakasoni, then by the US Secretary of State, George Shultz. PECC, through its Australian national committee, recommended in late 1988 that regional consultations be elevated to the regional level. US Senator Bill Bradley called for a trans-Pacific alliance to defend the multilateral trading system.

The Cairns Group of agricultural exporting nations formed in 1986, including several Asia Pacific economies, was demonstrating that small economies could exercise substantial collective positive influence on multilateral trade negotiations. Even more importantly, ASEAN had continued to show that meaningful cooperation was possible among very diverse economies. As already noted, ASEAN had also pioneered dialogue between developed and developing economies on both sides of the Pacific, commencing in 1984.⁵

As described in some detail in Terada (1999)

and Woods (1993), PECC had also helped to prepare the way for Asia-Pacific Economic Cooperation (APEC). It had involved government officials in regional consultations, albeit in their private capacity, since 1980. As summarized in Chapters 3 and 4 of this volume, PECC's work, which also drew on business people and policy-oriented researchers, had highlighted a range of potential, shared regional interests in trade and investment policy, agriculture, minerals and energy, transport, telecommunications and tourism.

PECC deliberations on trade policy helped to initiate a series of meetings of western Pacific trade ministers. Formally initiated by Prime Minister Hawke in Bangkok, in 1983, these meetings had helped to encourage western Pacific economies to define and pursue a shared interest in launching the Uruguay Round of GATT negotiations.⁶ Throughout the decade, PECC consultations had consolidated regional consensus in support of the GATT system and multilateral trade negotiations. That support was expressed formally in a declaration from the PECC VI meeting in Osaka in 1988.⁷

In addition to fostering a very strong commitment to defending the GATT-based international economic system, PECC had created the confidence that, despite diversity which was even greater than within ASEAN, there was scope for effective cooperation in ways which could accommodate all Asia Pacific

⁵ Woods (1993) points out that the ASEAN dialogue concept was initially suggested in 1981 by Kiyoshi Kojima, one of the founders of PAFTAD. Kojima was seeking to overcome the reluctance of some governments to support region-wide cooperation efforts such as PECC.

⁶ Woods (1993: 115).

⁷ Harris (1989: 66), cited in Terada (1999), notes that the declaration indicated "a remarkable shift towards convergence on a major issue of collective interest", the first of its kind from PECC members, "many of whom had initially been sceptical about GATT and multilateralism".

BACK TO CANBERRA: FOUNDING APEC

interests. PECC had also pioneered the way for policy-oriented economic consultations to include both the People's Republic of China and Chinese Taipei.

By 1987, Australia's National Pacific Cooperation Committee (NPCC) was convinced that a number of issues had been taken as far as they could in PECC.⁸ Matters such as the liberalization and facilitation of trade and investment could only begin to be implemented if governments became more directly involved. At the PECC Standing Committee meeting in Tokyo in September 1987, the NPCC Chairman, Russell Madigan, proposed a ministerial meeting to discuss Pacific cooperation.⁹

By early 1988, Australia's Department of Foreign Affairs and Trade (DFAT) had begun to think of ways to follow up Hawke's 1983 Bangkok initiative on regional trade policy.¹⁰ Well aware of the sensitivities which had surrounded the establishment of PECC, Australian officials were treading carefully, heeding the motto of "hastening slowly".¹¹

In Japan, the Ministry of International Trade

and Industry (MITI) was exploring options for a ministerial meeting. As explained in Terada (1999: 269ff), Shigeo Muraoka set up a Trade Policy Planning Office in MITI in 1986. That office promoted economic cooperation at the government level, intending to inject Japan's interests and strategic thinking into discussions about the shift of the centre of gravity of the global economy to East Asia and about the resurgence on inward-looking regionalism elsewhere in the world. Muraoka, who became Vice-Minister of MITI by 1988, believed that the worst scenario for Japan was for the world economy to be divided, so he thought it essential for MITI to present open regionalism, a concept developed by PAFTAD and PECC, as a desirable model to Europe and North America.¹²

In August 1988, MITI produced a report titled "Towards a new Asia Pacific cooperation"; it pointed to the necessity for a new form of regionalism in the region, which should not be inward-looking and discriminatory, as against the models being developed in Europe and North America.¹³ As noted in Terada (1999), there was regular contact between DFAT and

⁸ In 1987, the NPCC was chaired by Sir Russell Madigan, a senior mining executive. Stuart Harris, then head of the Australian Department of Foreign Affairs and Trade, Chris Conybeare (former Principal Private Secretary to Hawke, then Secretary for Immigration) and Drysdale were prominent members of the committee. When he was appointed Secretary for DFAT, Richard Woolcott joined in 1988, while Harris stayed on the committee. The NPCC was renamed the Australian Pacific Economic Cooperation.

⁹ Terada (1999: 267).

¹⁰ I was appointed to head the Economic and Trade Division (ETD) of DFAT in 1987. When I first met Drysdale in that role, he advised me that the time had come to move the policy discussion of PECC to the ministerial level. I had first met Drysdale in 1967, as one of his early students.

¹¹ Some of the people working on these ideas in the ETD division, such as John Richardson, had been closely involved in the Minerals and Energy Forum of PECC.

¹² Terada (1999: 269).

¹³ See Terada (1999: 272) and MITI (1988). MITI's report seems to have given currency to Asia Pacific cooperation as against Pacific cooperation, although the same group of economies was expected to be involved.

BACK TO CANBERRA: FOUNDING APEC

MITI from early 1988. MITI's report also stressed the need to start carefully to build up what they termed "a soft network of communications among officials and ministers".¹⁴

Muraoka met with the Australian Trade Minister, Michael Duffy, at the unsuccessful Montreal mid-term review of the Uruguay Round, where they discussed regional economic cooperation and urged that Australia should take an initiative. As noted in Woods (1993: 121) the Japanese did not want to put the proposal forward themselves, since they did not wish to be seen as attempting to dominate.

There was also extensive informal communication between NPCC, DFAT and Prime Minister Hawke's office.¹⁵ Madigan and Drysdale met with Australian Foreign Affairs Minister Gareth Evans, proposing that PECC could facilitate a ministerial-level meeting on Pacific cooperation. DFAT submitted a report to the Australian government on options for regional economic cooperation.

DFAT's report recommended an early initiative. There was an opportunity to capitalize on the self-confident mood in East Asia. At the same time, the ever-present protectionist sentiments in the United States and their loss of interest in leadership of the GATT system was, just as in 1980, threatening the mutually beneficial market-driven integration of Asia Pacific economies. The DFAT report also stressed that

any realistic effort to launch inter-governmental cooperation needed to be based on the experience and knowledge accumulated by ASEAN, PAFTAD and PECC.

The experience of these institutions suggested that all successful cooperation in the Asia Pacific region needed to have three common features: openness, equality and evolution. These principles had been summarised by Drysdale (1988) as follows:

- *Openness* implies an interest in progressively wider participation, together with non-discrimination and transparency in trade and economic policy.
- *Equality* implies that activities needed to be of mutual benefit to all participants and recognised the ongoing rapid transformation in the structure of economic and political power in the region.
- *Evolution* of the process of regional cooperation recognizes the need for a gradual, step-by-step, pragmatic and sustained approach to cooperation based on consensus-building and voluntary participation.

¹⁴ Much of the contact was between John Richardson in DFAT and Hirokazu Okumura, who MITI had posted to the Japan External Trade Organization (JETRO) office in Sydney, but who spent much of his time taking soundings on regional economic cooperation throughout East Asia.

¹⁵ Drysdale also communicated intensively with PECC colleagues. The prospect of convening a ministerial-level meeting in 1989 was raised at an informal dinner I attended at University House, Canberra. Narongchai Akrasanee and Mari Pangestu, who subsequently became ministers in Thailand and Indonesia, respectively, thought that it would be not only desirable, but feasible to convene such a meeting.

BACK TO CANBERRA: FOUNDING APEC

From Seoul to Canberra

Bob Hawke was able to build on these foundations, as well as his own long-standing interest in Australia's engagement with the Pacific, summarized in Terada (1999: 264–266).¹⁶

On 30 January 1989, Hawke discussed with Korean President Roh Tae Woo the concept of raising economic cooperation in the region to an inter-governmental level. Having received a very enthusiastic response, he launched the APEC concept the following day.

As stated earlier, Hawke wanted to launch a process of analysis and consultation among governments. This work was expected to:

- help strengthen the multilateral trading system and enhance the prospects for success of the Uruguay Round;
- provide an opportunity to assess prospects for, and obstacles to, increased trade and investment flows in the Asia Pacific region; and
- identify the range of practical common economic interests.

The speech left open most options for the style of cooperation and participation. However, Hawke stressed that his support for a more formal vehicle of regional cooperation:

... must not be interpreted as suggesting

by code words the creation of a Pacific trading bloc.

Rather, Hawke presented the work of the OECD as a more likely model for economic cooperation in the Asia Pacific. While he acknowledged the pioneering work of PECC, he was hoping for an ongoing structure which involved governments more directly.

The initial reaction from the region was positive but cautious. There was some concern that, just as the Organization for Pacific Trade and Development (OPTAD) concept had been considered premature in 1980, the region was not ready for anything as formal, and expensive, as the OECD – just as in 1980 there had been concern that an Asia Pacific inter-governmental organization could overshadow ASEAN. There was also debate about the potential inclusion of the United States. The Japanese were particularly concerned that Hawke avoided any mention of North America in the press conference following his speech. On the other hand, several ASEAN economies had reservations about including the United States.

Following the Seoul speech, an intense process of consultations by Australian officials around the region succeeded in refining the proposal, its objectives and the nature of a process of cooperation which would suit the needs of the extremely diverse Asia Pacific region. The Secretary of DFAT, Richard Woolcott, was appointed as a Special Envoy of Prime Minister Hawke, to lead a team to visit potential

¹⁶ Terada also notes the substantial contribution of Ross Garnaut to encouraging Hawke's interest in Asia and the Pacific. Garnaut was Hawke's economic adviser from 1993 to 1995, then a less formal but influential confidant. Garnaut, one of Peter Drysdale's first students in 1966, had been centrally involved in the establishment of PECC.

BACK TO CANBERRA: FOUNDING APEC

participants to learn their views and to seek their approval for convening a ministerial-level meeting in late 1989.¹⁷

The ASEAN economies were the first to be consulted in detail, starting in Indonesia. Discussions with President Soeharto, several ministers and senior officials proved invaluable. A long meeting with Foreign Minister Alatas was especially important. Alatas's view was that the economic analysis behind Hawke's proposal was very sound, but that there were strict speed limits on elaborating the nature of any inter-governmental cooperation. He listed many political traps to avoid, and the proposal would not have succeeded if Australia had not heeded his advice.¹⁸

In Malaysia, Dr Noordin Soopie, Executive Director of the Institute for Strategic and International Studies, introduced us to all members of their PECC committee, which he chaired. In Brunei Darussalam, Dr Lim Jock Seng was our main interlocutor. Singapore Prime Minister Lee Kuan Yew was keen to proceed. His concise analysis of the issues seemed to cover everything in Woolcott's brief and added his own insights.¹⁹

By the end of Woolcott's consultations with ASEAN, there was firm consensus that any economic cooperation in the region should be outward-looking, not defensive. The region's

prosperity depended on worldwide, not just Pacific, trading links, so APEC should not seek to form a trading bloc.

It was also agreed that the region was not only diverse, but characterized by regional economic weights that would continue to change rapidly and continuously, especially as China became fully engaged in the global economy. Therefore, the PECC principle of "dialogue on an equal footing" should be carried across to the next stage of cooperation, so that the shape of the process would not be dictated by the currently most powerful. Giving due weight to the views of all participants made it essential that cooperation be voluntary, building consensus on a gradually wider range of economic issues. Conversely, the process should not become a formal negotiating forum.

These views were then tested with other potential participants, who readily endorsed them. Agreement also emerged that sustained ministerial-level meetings could succeed only if they were backed up by professional analytical work. But there was no enthusiasm for setting up a new bureaucracy for this purpose. It was thought that, while OECD-like analysis was needed, regional economic cooperation should draw, for the foreseeable future, on the work of existing organizations like PECC.

¹⁷ Woolcott (2003) describes the long round of consultation in 14 Asia Pacific economies. His long experience in ASEAN and his consummate diplomatic skills proved invaluable. As already noted, Woolcott was also a member of the NPCC, and two others in Woolcott's team of four were closely involved in PECC activities. Many of their interlocutors in Asia Pacific capitals were also familiar with, or personally engaged in, PECC.

¹⁸ Several of the potential constraints were similar to those to the earlier establishment of PECC, discussed in Chapter 2 of this volume.

¹⁹ For example, he remarked that imitating Europe was not only undesirable, but a non-issue: some successful East Asian economies would soon be wealthier than most of Western Europe.

BACK TO CANBERRA: FOUNDING APEC

The consultations in Korea confirmed their enthusiasm. Soogil Young, then a senior researcher in the Korea Development Institute, gave us good advice. The discussions in Japan were challenging. Woolcott met with Saburo Okita and Seizaburo Sato, who had both been at the Canberra Seminar in 1980. They were happy to see the proposal emerge. Okita remarked that “we have been working towards this for 25 years”.

Although the Japanese PECC committee had close links with Japan’s Ministry of Foreign Affairs (MOFA), its officials were not keen to launch an inter-governmental meeting. Despite Woolcott’s assurance that his team had just come from ASEAN, which was willing to consider an initial exploratory ministerial-level meeting in 1989, MOFA asserted that ASEAN was not ready.

MITI, of course, was extremely eager to proceed. In a vital meeting between Woolcott and, by then, Vice-Minister Muraoka, the two teams discussed their somewhat parallel proposals. Woolcott had received a lot of feedback from ASEAN about Muraoka’s own round of regional consultations, based on the 1988 MITI study group report. Woolcott pointed out that ASEAN’s reservations about the MITI initiative were not so much because it was from Japan as because it was opposed by Japan’s MOFA. It was agreed that, given the extensive common ground between the Hawke and MITI proposals, it would be most productive for the MITI proposal to be subsumed into the Australian initiative.

That was not sufficient to sway MOFA. Its then minister, Sosuke Uno, was quite negative. It is debatable whether the ministerial-level meeting could have been held in 1989 but for subsequent changes in Japan. Shortly after Woolcott’s visit Prime Minister Noburo Takeshita resigned. Uno became Prime Minister and Hiroshi Mitsuzuka was transferred from Minister for MITI to become the Minister for Foreign Affairs. He sustained his support for what was by then an agreed Australia–MITI approach. By July, there was “bipartisan” Japanese support for a ministerial-level meeting which would seek to include the United States, Canada and, if possible, the three Chinese economies.

Following the Japan meetings, one of Woolcott’s team travelled to San Francisco to brief the International Standing Committee of PECC. They expressed their appreciation that the proposal was taking shape along the lines they had pioneered and undertook to encourage their governments to support the Hawke initiative. Richard Fairbanks, Chair of the US PECC committee, used the occasion to elicit firm support from George Shultz, who had recently been Secretary of State and who remained influential with the first George Bush administration.²⁰

Woolcott’s visits to Hong Kong and China were in late May 1989.²¹ The Governor of Hong Kong gave his blessing, provided the proposal did not encourage any departure from the fundamental non-discriminatory principle of GATT, and hoped that a way could be found to include Hong Kong. The vital meetings in Beijing

²⁰ See “US leans towards support for forum”, *Sydney Morning Herald*, 5 May 1989.

²¹ As government officials, the Woolcott team could not visit Taiwan. However, the Taiwanese authorities were consulted less formally and were very keen to be part of the proposal.

BACK TO CANBERRA: FOUNDING APEC

were on the day Premier Li Peng was to declare martial law in response to what he termed the “turmoil” on Tiananmen Square.

During a long meeting, Foreign Minister Qian Qichen stated that China was keen to participate in any forum which encouraged constructive cooperation among its most important trading partners. In his view, any inter-governmental initiative should involve only sovereign states. That position was reiterated quite firmly by Li Peng. Woolcott was well prepared and well aware of the PECC precedent for involving both China and Chinese Taipei. As Woolcott (2003: 240) recounts:

For the first time on my mission I sensed a serious failure.

But he courageously went on to respond:

I said to Li Peng that I understood his position. Australia recognized one China and Taiwan as part of it. But Taiwan had its own vigorous economy. What Prime Minister Hawke really had in mind, I said, was a ministerial-level meeting of major economies in the region. I added that this formulation could meet China’s objections about Taiwan and Hong Kong participating in a meeting of Ministers. To my relief, Li Peng said China could consider the formulation I had suggested.

The tragic events of 4 June 1989 subsequently made it impossible to resolve the participation of the three Chinese economies in 1989. An option for including them was discussed in detail, and agreed in principle, by members of the Chinese and Australian PECC committees

in May 1990 and accepted by APEC ministers at their 1990 meeting in Singapore. The details were worked out during the next year, the Korean year of chairing APEC. Ambassador Lee See Young orchestrated the informal negotiations, including in the corridors of PECC VIII in May 1991. All three Chinese economies joined APEC, essentially using the PECC formula, at the ministerial-level meeting in Seoul in November 1991.

After China, the team went to Canada and the United States. Canada was eager to join. The United States was still organizing incoming administration, so could not give a formal response. The main interlocutor was Robert Zoellick, then Special Counsel to Secretary of State James Baker. US support was confirmed during Bob Hawke’s June visit to the United States. Using a phrase at the heart of Woolcott’s brief, James Baker stated that a new mechanism to increase economic cooperation throughout the Pacific Rim was an idea “whose time has come”.²²

ASEAN’s formal joint endorsement of their participation in a ministerial-level meeting was made at the ASEAN post-ministerial consultation in early July 1989. ASEAN ministers expressed a preference to have the meetings conducted within the post-ministerial consultation framework, but agreed to be invited to an exploratory meeting in Canberra in November, provided the meeting left open all options about whether to continue inter-governmental cooperation and, if so, how.

Hawke then wrote to the heads of government of the then six members of ASEAN, Canada,

²² Speech at the New York Asia Society, June 1989.

BACK TO CANBERRA: FOUNDING APEC

Korea, Japan, New Zealand and the United States to send ministerial-level representatives to a meeting to discuss the potential objectives and nature of cooperation. Partly to avoid conflict between ministries, especially in Japan, and partly to avoid pre-empting the scope of discussion, it was left to each government to decide which ministers should represent them.

Jusuf Wanandi attributed ASEAN's acceptance to move forward to the "gradual process of socialisation" of the idea of wider cooperation to deal with the continuously closer interdependence and changing division of labor in the Asia Pacific.²³ In an August 1989 article in the *Far Eastern Economic Review*, Wanandi listed some of the conditions under which ASEAN might be prepared to engage in ongoing cooperation. These principles subsequently shaped those of the Chairman's Summary of the Canberra Meeting. The first-ever APEC senior officials meeting was held in Sydney in mid-September 1989. It was the first time that the name Asia Pacific Economic Cooperation was used to describe the process. The challenge was to define an agenda for the proposed meeting which struck a balance between prejudgment of outcomes and the wish to see the Canberra meeting as the beginning of a substantive, ongoing process.

There was a day and a half of constructive and amicable discussion among the officials. ASEAN had no difficulty in ensuring that the consensus reached during Woolcott's round of consultations, then summarised by Wanandi,

was respected and sustained. Japan's MOFA was thus finally reassured that an inter-governmental forum could be launched. Terada (1999: 301) notes that MOFA's report on the senior officials meeting admitted that "its most striking feature was ASEAN's positive approach". Dr Pracha Guna-Kasem from Thailand was particularly helpful. He was the informal leader of the ASEAN officials, as Thailand was the Chair of ASEAN Economic Ministers in that year. It was agreed that APEC would build on the foundations of ASEAN and PECC and that the ASEAN Secretariat, PECC and the South Pacific Forum should be observers at APEC meetings.

Ambassador Lee See Young from Korea said that Korea would be willing to host a ministerial-level meeting in 1991. All senior officials welcomed that offer, implicitly approving the beginning of an ongoing process. A five-item agenda (including other business) was drafted, along with a brief, annotated "Notes on the Agenda".²⁴

²³ Wanandi (1989), cited in Terada (1999: 300).

²⁴ A calculation after the senior officials meeting indicated an average of 15 minutes to agree on each word, including "and", "to" and so on. But that was well worth it: the careful discussions allowed a wide range of preferences and cautions to be widely understood.

BACK TO CANBERRA: FOUNDING APEC

APEC I: 5–7 November

The first ministerial-level meeting opened with a dinner at Parliament House, hosted by the meeting's chairman, Foreign Minister Gareth Evans; Prime Minister Hawke gave the keynote address. All members of the PECC Standing Committee were invited, but not all could come at relatively short notice.²⁵

The plenary sessions on 6 and 7 November confirmed the will to initiate an ongoing process of cooperation. There was a cordial and collegial atmosphere. In what may be unprecedented in international diplomacy, the very brief Joint Statement of Ministers was actually drafted during the meeting, not negotiated beforehand. In that statement the ministers acknowledged:

... the important contribution ASEAN and its dialogue relationships have played in the development to date of APEC.

As noted in the Joint Statement of Ministers:

The discussions on world and regional developments, and on global trade liberalisation, focused on the need to advance the present [Uruguay] round of Multilateral Trade Negotiations. Every economy represented in Canberra relies heavily on a strong and open multilateral trading system, and none believes that Asia Pacific Economic Cooperation should be directed to the formation of a trading bloc.

The statement called for APEC ministers responsible for trade to meet in September 1990 to discuss the progress in the Uruguay Round and consider:

.. how to unblock any obstacles to a comprehensive ... result.

The statement also noted that:

.. it was premature at this stage to decide on any particular structure either for a Ministerial-level forum or its necessary support mechanism, but that – while ideas were evolving – it was appropriate for further consultative meetings to take place and work to be undertaken on matters of common interest and concern.

Officials were asked to launch work on possible topics and participation in future meetings and other issues related to the future of cooperation for ministers, confirming that future meetings would be held in 1990 and 1991, in Singapore and Korea, respectively.

The discussions covered a lot of other ground, as recorded in the Chairman's Summary Statement. The Australian delegation had prepared a draft summary statement which anticipated some potential outcomes, and had shown it to, but not cleared it with, other delegations. In the event, the discussions ranged much further than anticipated and Minister

²⁵ Terada (1999: 302 n92) notes that Saburo Okita – who first began to promote Pacific cooperation in the 1950s, attended the first PAFTAD meeting in 1968, promoted the PECC concept as Foreign Minister and attended the Canberra Seminar of 1980 – was deeply moved by the opportunity to attend APEC I as the Chair of the Japanese PECC committee and as a senior advisor to the Japanese government delegation. Jusuf Wanandi was part of the Indonesian delegation and was very visible in terms of giving advice to Foreign Minister Ali Alatas as well as all ASEAN ministers and officials. The welcome presence of Dr Koo Chen Foo at the dinner caused some concern from the Chinese Embassy. People with PECC affiliations who attended APEC I are listed in Appendix 5.1 of this chapter.

BACK TO CANBERRA: FOUNDING APEC

Evans rewrote the summary almost completely while other ministers had lunch and watched the Melbourne Cup.²⁶ He then read the draft at the closing plenary. It was accepted unanimously as a fair summary which could be distributed immediately to the waiting media. Some of the main points of the Chairman's Summary Statement are as follows.

It was agreed that Asia Pacific economies not only should support the successful conclusion of the Uruguay Round, but also had a long-term interest in promoting world-wide trade liberalisation. In particular, paragraph 11 of the summary states:

By working together, the region can inject positive views into a range of important international economic forums, including not only the GATT but the OECD and sectoral bodies (e.g. the International Telecommunications Union). It was acknowledged that our regional economies would be better placed to show such leadership if we can continue the recent trend of reducing impediments to trade among ourselves, without discriminating against others.

It was also agreed (paragraph 13) that there should be early cooperation between countries in several specific areas. In particular, there should be:

- exchange of information on scientific, technological and industrial indicators, policies and developments;
 - an effort to make foreign direct investment statistics more comparable; and
 - an examination of the scope for collaborative research and development projects.
- Following discussion of opportunities to cooperate on specific issues, including human resource development, infrastructure, natural resources and energy, there was consensus on the following principles for APEC (paragraph 16):
- The objective of enhanced Asia Pacific Economic Cooperation is to sustain the growth and development of the region, and in this way contribute to the growth and development of the world economy.
 - Cooperation should recognise the diversity of the region, including differing social and economic systems and current levels of development.
 - Cooperation should involve a commitment to open dialogue and consensus, with equal respect for the views of all participants.
 - Cooperation should be based on non-formal consultative exchanges of views among Asia Pacific economies.
 - Cooperation should focus on economic areas
- cooperative programs for human resource development;

²⁶ It is an Australian tradition for the nation to stop to watch, or listen, in groups to this classic horse race. Each member of the group usually drew a horse, each betting a token amount, to be won by whoever drew the winning horse. At APEC I, the draw was "rigged" to assign a horse named "Pacific Mirage" to the chairman. As a good omen, that horse did not win.

BACK TO CANBERRA: FOUNDING APEC

where there is scope to advance common interests and achieve mutual benefits.

- Consistent with the interest of Asia Pacific economies, cooperation should be directed at strengthening the open multilateral trading system: it should not involve the formation of a trading bloc.
- Cooperation should aim to strengthen the gains from independence, both for the region and the world economy, including by encouraging the flow of goods, services, capital and technology.
- Cooperation should complement and draw upon, rather than detract from, existing organisations in the region, including formal inter-governmental bodies such as ASEAN and less formal consultative bodies like PECC.
- Participation by Asia Pacific economies should be assessed in the light of the strength of economic linkages with the region, and may be extended in future on the basis of consensus on the part of participants.

The essence of these principles was reiterated in the 1990 Kuching Consensus among ASEAN economic ministers, which sets out the basis for ASEAN's agreement to participate in APEC. The principles agreed in Canberra and Kuching then provided the basis for the Seoul APEC Declaration of APEC Ministers in 1991.

The Seoul APEC Declaration is comparable to PECC's Vancouver Statement in terms of defining the objectives and the mode of cooperation in each of these organizations.²⁷

At APEC I, it was agreed that it would be desirable to include the three Chinese economies in the APEC process as soon as possible. Participants noted that it should be feasible to do so, since APEC was a non-formal forum for consultations among high-level representatives of significant economies in the Asia Pacific region.

It was also agreed that senior officials should continue to meet to prepare for subsequent meetings as well as to consider potential support structures and modes of cooperation.

Acknowledging the contribution and expected central role of ASEAN in the APEC process, it was agreed that if the series continued, it would be appropriate for at least every second such meeting to be held in an ASEAN member economy.²⁸ The contribution of PECC was acknowledged by many ministers as well as in the Chairman's Summary Statement.

Brian Talboys, the 1989 Chair of the PECC Standing Committee, welcomed the launching of inter-governmental cooperation in the region which could advance the aims of APEC and build on its work; he stated the readiness of PECC to support APEC in whatever way proved appropriate.

PECC VII was held a few days after APEC I.

²⁷ The Vancouver Statement is one of the five main historical annexes which follow Chapter 9. The Kuching Consensus and the Seoul APEC Declaration are Appendix 5.2 and Appendix 5.3 of this chapter, respectively.

²⁸ That understanding was put into practice from 1990 to 2000.

BACK TO CANBERRA: FOUNDING APEC

Chairman Talboys read out a letter of appreciation from Chairman Evans, which acknowledged that APEC could not have been launched without the preceding decade of effort by PECC. The letter also noted that, thanks to PECC, a significant group of governments was able to launch economic cooperation using a concept better than creating yet another trading bloc.

The PECC International Standing Committee formally welcomed and endorsed support for APEC, including giving a positive response to a request to become involved in the tentative work program attached to the Chairman's Summary of APEC I. In his keynote address, Mike Moore, New Zealand Minister for External Relations and Trade, also welcomed the launch of APEC. In his view, APEC did not diminish the relevance of PECC; indeed, if PECC had not already existed, it would now need to be invented to provide the analytical support needed for APEC to be effective.

APEC senior officials next met in Singapore, in March 1980. They approved a work program to cover seven areas:

- review of trade and investment data;
- trade promotion (programs and mechanisms for cooperation);
- expansion of investment and technology transfer;
- an Asia Pacific multilateral human resource development initiative;
- regional energy cooperation;
- marine resource conservation; and
- telecommunications.

In most cases, these were areas where PECC already had active task forces and forums. Drawing on the approach pioneered by PECC, the APEC tasks were to be managed by working groups led by the member economies most interested in particular areas. These groups would report to regular meetings of APEC senior officials, whose functions resembled those of the PECC International Standing Committee.

The next chapter of this volume is a "sampler" of the many ways in which PECC forums and task forces have been able to make an effective and influential intellectual contribution to the APEC process.

BACK TO CANBERRA: FOUNDING APEC

References

Drysdale, Peter (1990), "Australia's Asia-Pacific economic diplomacy", *Current Affairs Bulletin*, 66(10).

Drysdale, Peter (1988), *International Economic Pluralism*, Sydney: Allen & Unwin.

Elek, Andrew (1991), "Asia Pacific Economic Cooperation (APEC)", in *Southeast Asian Affairs 1991*, Singapore: Institute of Southeast Asian Studies.

Harris, Stuart (1989), "Economic cooperation and trading blocs", speech presented at University House, Australian National University, Canberra, 16 March, cited in Terada (1999).

MITI (Ministry of International Trade and Industry) (1988), "Aratanaru Ajia Taiheiyoku Kyoryoku-wo Motomete" [Towards A New Asia Pacific Cooperation], Tokyo: MITI.

Terada, T. (1999), "Creating an Asia Pacific Economic Community: The Roles of Australia and Japan in regional institution-building", Ph D dissertation, Australian National University, submitted February 1999.

Woolcott, Richard (2003), *The Hot Seat: Reflections on Diplomacy from Stalin's Death to the Bali Bombings*, Sydney: Harper and Collins.

Woods, Lawrence (1993), *Asia-Pacific Diplomacy: Nongovernmental Organizations and International Relations*, Vancouver: UBC Press.

Wanandi, Jusef (1989), "The role of PECC in the 1990s and Pacific institutions", Occasional Papers, M6/89, Center for Strategic and International Studies, Jakarta, cited in Terada (1999).

Appendix 5.1 People with PECC links at APEC I, Canberra, November 1989

At ministerial level:

Dr Jesus Estanislao, Secretary of Socio-Economic Planning and Director-General National Economic and Development Authority, Philippines

Official observers:

Mr Brian Talboys, Former Foreign Minister of New Zealand, Chairman PECC VII

Mr Henry Naisali, Secretary-General, South Pacific Forum

Members of the PECC International Standing Committee: (members who attended the dinner at Parliament House)

Australia: Sir Russell Madigan

Chinese Taipei: Koo Chen Fu

Indonesia: Jusuf Wanandi

Japan: Saboru Okita

New Zealand: Brian Talboys

Singapore: Chandra Das

South Pacific Forum: Henry Naisali

PAFTAD: Peter Drysdale

Members of government delegations:

Australia: Richard Woolcott, Andrew Elek, John Richardson, Chris Conybeare

Brunei Darussalam: Lim Jock Seng

Canada: Allen Kilpatrick, Ron MacIntosh

Indonesia: Jusuf Wanandi

Japan: Saboru Okita, Yuichiro Nagatomi

Korea: Lee See Young, Kim Chul-su

Malaysia: Asmat Kamaluddin

New Zealand: Tim Hannah, Alastair Bisley

Philippines: Antonio Basilio

Singapore: Chandra Das

Thailand: Pracha Guna-Kasem

United States: Robert Fauver

Appendix 5.2 Kuching Consensus

The Kuching Consensus contains the following principles:

(a) ASEAN's identity and cohesion should be preserved, and its cooperative relations with dialogue partners and third countries should not be diluted in any enhanced APEC;

(b) an enhanced APEC should be based on the principles of equality, equity, and mutual benefit, taking fully into account the differences in stages of economic development and socio-political systems among the countries in the region;

(c) APEC should not be directed toward the formation of an inward-looking economic or trading bloc but, instead, it should strengthen the open, multilateral economic and trading systems in the world;

(d) APEC should provide a consultative forum on economic issues and should not lead to the adoption of mandatory directives for any participant to undertake or implement;

(e) APEC should be aimed at strengthening the individual and collective capacity of participants for economic analysis and at facilitating more effective, mutual consultations to enable participants to identify more clearly and to promote their common interests and to project more vigorously those interests in the larger multilateral forums; and

(f) APEC should process gradually and pragmatically, especially in its institutionalization, without inhibiting further elaboration and future expansion.

BACK TO CANBERRA: FOUNDING APEC

THIRD APEC MINISTERIAL MEETING
SEOUL, KOREA
12–14 NOVEMBER 1991
SEOUL APEC DECLARATION
OBJECTIVES

Representatives of Australia, Brunei Darussalam, Canada, the People's Republic of China, Hong Kong, Indonesia, Japan, the Republic of Korea, Malaysia, New Zealand, the Philippines, Singapore, Chinese Taipei, Thailand and the United States of America, meeting in Seoul from 12 to 14 November 1991 at Ministerial level,

Recognising that the dynamic growth of economies of the Asia-Pacific region has brought with it growing economic interdependence and strong common interests in maintaining the region's economic dynamism;

Conscious of the vital interests shared by the Asia-Pacific economies in the expansion of free trade and investment, both at the regional and global level, and of the dangers inherent in protectionism;

Recognising that the healthy and balanced development of economic interdependence within the Asia-Pacific region based upon openness and a spirit of partnership is essential for the prosperity, stability and progress of the entire region;

Convinced that closer cooperation is needed to utilize more effectively human and natural resources of the Asia-Pacific region so as to attain sustainable growth of its economies while reducing economic disparities among them and improve the economic and social well-being of its peoples;

Recalling the productive outcome of their two previous meetings held in Canberra, 5–7 November 1989 and in Singapore, 29–31 July 1990, the basic principles for Asia-Pacific Economic Cooperation which emerged therefrom, and the process of consultations and cooperation evolving among the participating Asia-Pacific economies;

Acknowledging the important contribution made by the Association of South-East Asian Nations (ASEAN) and the pioneer role played by the Pacific Economic Cooperation Conference (PECC) in fostering closer regional links and dialogue;

Recognising the important role played by the GATT in fostering a healthy and open multilateral trading system, in reducing barriers to trade and in eliminating discriminatory treatment in international commerce;

Believing that Asia-Pacific Economic Cooperation should serve as an exemplary model of open regional cooperation;

Do hereby declare as follows:

1. The objectives of Asia-Pacific Economic Cooperation (hereinafter referred to as APEC) will be:

(a) to sustain the growth and development of the region for the common good of its peoples and, in this way, to contribute to the growth and development of the world economy;

(b) to enhance the positive gains, both for the region and the world economy, resulting from increasing economic interdependence, including

BACK TO CANBERRA: FOUNDING APEC

by encouraging the flow of goods, services, capital and technology;

(c) to develop and strengthen the open multilateral trading system in the interest of Asia-Pacific and all other economies:

(d) to reduce barriers to trade in goods and services and investment among participants in a manner consistent with GATT principles, where applicable, and without detriment to other economies.

SCOPE OF ACTIVITY

2. APEC will focus on those economic areas where there is scope to advance common interests and achieve mutual benefits, including through:

(a) exchange of information and consultation on policies and developments relevant to the common efforts of APEC economies to sustain growth, promote adjustment and reduce economic disparities;

(b) development of strategies to reduce impediments to the flow of goods and services and investment world-wide and within the region;

(c) promotion of regional trade, investment, financial resource flows, human resources development, technology transfer, industrial cooperation and infrastructure development;

(d) cooperation in specific sectors such as energy, environment, fisheries, tourism, transportation and telecommunications.

3. In each of these fields, APEC will seek –

(a) to improve the identification and definition of the region's common interests and, where appropriate, to project these interests in multilateral forums such as the GATT;

(b) to improve the understanding of the policy concerns, interests and experiences of economic partners, particularly of their international implications, and to help promote consistency in policy making in appropriate areas;

(c) to develop practical programs of economic cooperation to contribute to economic dynamism and improved living standards throughout the region;

(d) to enhance and promote the role of the private sector and the application of free market principles in maximising the benefits of regional cooperation.

MODE OF OPERATION

4. Cooperation will be based on:

(a) the principle of mutual benefit, taking into account the differences in the stages of economic development and in the socio-political systems, and giving due consideration to the needs of developing economies; and

(b) a commitment to open dialogue and consensus-building, with equal respect for the views of all participants.

5. APEC will operate through a process of consultation and exchange of views among

BACK TO CANBERRA: FOUNDING APEC

high-level representatives of APEC economies, drawing upon research, analysis and policy ideas contributed by participating economies and other relevant organisations including the ASEAN and the South Pacific Forum (SPF) Secretariats and the PECC.

6. Recognising the important contribution of the private sector to the dynamism of APEC economies, APEC welcomes and encourages active private sector participation in appropriate APEC activities.

PARTICIPATION

7. Participation in APEC will be open, in principle, to those economies in the Asia-Pacific region which:

(a) have strong economic linkages in the Asia-Pacific region; and

(b) accept the objectives and principles of APEC as embodied in this Declaration.

8. Decisions regarding future participation in APEC will be made on the basis of a consensus of all existing participants.

9. Non-participant economies or organisations may be invited to the meetings of APEC upon such terms and conditions as may be determined by all existing participants.

ORGANISATION

10. A ministerial meeting of APEC participants will be held annually to determine the direction and nature of APEC activities within the framework of this Declaration and decide on

arrangements for implementation. Participants who wish to host ministerial meetings will have the opportunity to do so, with the host in each case providing the chairman of the meeting.

11. Additional ministerial meetings may be convened as necessary to deal with specific issues of common interest.

12. Responsibility for developing the APEC process in accord with the decisions of the ministerial meetings and the work program determined at those meetings will lie with a senior officials' meeting of representatives from each participant. The senior officials' meeting will be chaired by a representative of the host of the subsequent annual ministerial meeting, and will make necessary preparations for that meeting.

13. Each project on the work program will be pursued by a working group composed of representatives from participants, coordinated by one or more participants. The working groups will identify specific areas of cooperation and policy options relating to each project.

THE FUTURE OF APEC

14. Recognising the ongoing and dynamic nature of the APEC process, APEC will retain the flexibility to evolve in line with the changes in regional economic circumstances and the global economic environment and in response to the economic policy challenges facing the Asia-Pacific region.

Seoul, 14 November 1991.