



PLENARY SESSION V

Moderator

William Green

Asia Editor, *TIME* Magazine

Panel Speakers

Bob Hawke

Former Prime Minister, Australia

Michel Rocard

Member of the European Parliament; former Prime Minister, France

Yoriko Kawaguchi

Special Assistant to the Prime Minister in charge of Foreign Affairs; former Minister of Foreign Affairs, Japan

Lee Hong-Koo

Former Prime Minister, Korea

Stapleton Roy

Managing Director, Kissinger Associates, Inc.; former U.S. Ambassador to China and Indonesia

Rising to the Challenge - Creating the Political Will

William Green (Moderator)

Five years ago, there was a cover story in *Time Magazine*, where I work. Talking about the Mississippi River, we had an interview with a scientist saying what would happen if Louisiana were struck with an enormous hurricane. This guy said that basically if they were hit with a four to five hurricane, the city of New Orleans would be virtually destroyed. It would be flooded; it would turn into a toxic swamp. The whole thing would be absolutely catastrophic. Now, here we are five years later, nothing has actually been done about this incredibly prescient research done all those years ago. Of course, as you can imagine, the reason for it was, as usual, money. They said at the time that it would cost about US\$14 billion to safeguard the city. They never managed to find the political will to act upon this very smart diagnosis of the problem. The reason that I mention this is not just to make a ruthless plug for my own magazine, but to point out that here we are in Seoul for the last couple of days with all these incredibly smart speakers making very erudite world-researched observations about what is needed to make the Pacific Region more prosperous and stable. But none of them actually counts very much unless you can find the political will to act on it. All these good ideas do not actually get you very far unless we can find a way of convincing political leaders to take action and to convert this sort of theorizing and splendid visionary thinking into reality in politics.

To do that, we have an extraordinary panel of people who are extremely knowledgeable about the political world. No one can complain that these folks do not have enough political experience to bring to bear on this issue. They do not need a great deal of introduction, so I will give you briefs. On my left here, you have Bob Hawke, Prime Minister from 1983 to 1991 of Australia. Then, to his left is Yoriko Kawaguchi, a former Minister of Environment and Foreign Minister in Japan and now a special assistant to the Prime Minister in charge of Foreign Affairs. Then, we have Lee Hong-Koo who all you know was Prime Minister of Korea from 1994 to 1995 and had enormous amounts of international experience as an ambassador to the U.K. and the U.S. Now as you know, he is the chairman of the Seoul Forum for International Affairs. Then, we have Michel Rocard, former Prime Minister of France from 1988 to 1991 and a very prominent, distinguished member of the European Parliament for the past six years. On his left, equally international and politically savvy, we have Stapleton Roy, three-time American Ambassador to Singapore, China, and Indonesia and now Managing Director of Kissinger Associates, the strategic consultancy in Washington. The format of this is basically to have about five minutes or so of speeches from each of the five panelists, after which I will ask the panel questions and then we will throw it open to the floor as well.

Bob Hawke

First of all, I would like to thank the organizers for the invitation to be here. My paper has been distributed, so I am not going to speak at any length because I think the most useful pattern of a forum is to maximize the opportunity of participation from the floor. Therefore, I will have just a few brief comments. This session is really about the question of political leadership, one of the requirements to produce the sort of results that lead to the emergence of a very strong and viable prosperous Pacific community. Let me start by making this point that political leaders should understand what good policy decisions are in regard to internal and external policies. Good policy decisions, almost by definition are always in the interest of the majority of the electorate. Therefore, politicians have to face up to this challenge of what I refer to occasionally as a "disabled democracy." Too often, we see the situation that those in the community who have a vested interest in opposing good economic policy are the ones who make the most noise. Politicians tend to listen to that disabled level and act according to them rather than to make decisions in accord within the interest of the majority.

Now, let me go to some specific examples from my own experience to illustrate what I think needs to be the approach of leaders in the region at issue. When I came to office in 1983, we inherited this sclerotic economy, one that existed behind very high tariff barriers. I made it clear to my colleagues that this was an unsustainable situation and had to be changed. Then, the loudest noise of course came when we came to the question of tariffs, which were mainly from textiles and shoes factories and to some extent a part of the automotive industry. I said that this would be the end of civilization in Australia. We finally made a decision to reduce the substantial tariff structure. We knew that they were wrong and that it was in the best interests of people in Australia. In this way, we could be constructive members of the Pacific community as we slashed tariffs and increased the viability of cheaper price and quality of goods from abroad in those areas. The way that we approached was to say that you should limit the impacts of those quite disabled levels that came from small but strong interest groups. If you got into the minds of the Australian electorate as a whole, it was in their interests to reduce tariffs. What we had done was just the beginning. We had the National Economic Summit with all representatives of Australian trade unions, small business, big businesses, charitable organizations, and churches and played up the fact, which we started a matter of weeks after coming to government.

We got into the understanding of the Australian electorate as a whole. We also saw that a good policy decision was the one that was in their interests and that this is what leaders in the region had to do. Korea also has a similar example, an agricultural sector, I think. Leaders in Korea have already lost something like, three quarters of a million of people in the agriculture sector. There is going to be a very strong representation from the remainder of that sector to resist any move on the part of leaders of Korea or to be a part of the decisions that really have to be made within this country. The essence of leadership is to face up to those vested interests and to make sure that you hear the great majority, the ones that are going to prevail. Michel Rocard comes from France, which has a part in the great travesty of common agriculture policy. The problem of the country was that the disabled level was extraordinary high in his country and others and this prevented an emergence of central policy in that area. I am simply making the point. The essence of leadership is making the decisions that need to be made and that are going to maximize their country's own welfare and capacity. To be the part of a growing strong community of the Pacific is to have the intelligence to explain to their own population that good policy is in their own interests.

Now, I moved from internal considerations to external issues. You can have political leaders making central decisions internally in regard to how to run their economies, but it may not be applied to international situations. In terms of having a strong and viable Pacific community, we will have a problem if we do not do everything that we can to stabilize political relationships between nations of the region and to avoid the possibility of conflict. Here again, the responsibility of leaders in the region is to face up very realistically to the issues which on the evidence seem most likely to provide a situation of potential conflicts. If you look at the region, two issues stand out -- Taiwan and North Korea. I believe that it is the responsibility of political leaders in the Asia Pacific region to quite clearly influence the United States and to make sure that the United States would not tolerate the unilateral use of military forces by Taiwan. The essence of leadership is to make the people of Taiwan behave in a way that is not going to endanger the security of the region. Of course, on the issue of North Korea we should be doing everything to support the leaders in the six-party talks. Again, the role of China is basically important even in this area. What is required for the leadership of all nations is to give all the support we can to the activities that are taking place at the time being. I think obviously that there are many other things we can do, but they are the basic points that I would like to make at this time.

Michel Rocard

My theme is regional cooperation -- creating political will. Let me begin by confirming what you probably know basically but can never be said enough. Regional cooperation, whatever form it takes, is a policy. All recent experiments show that it is beneficial for many fields, international and trans-border reconciliation, trade, development, trading and education, irrespective of the law. Asia, which is beginning something, can consider the take off firstly of four dragons, South Korea, Singapore, Malaysia, Thailand, and now China. All of them after Japan have taken a part in the opening of regional cooperation through free trade. Do not forget the MERCOSUR conference. Consider that belonging to a common market is an element for the re-equilibrium of terribly asymmetrical relationships that could be friendly but dangerous economically. Three years ago, APEC changed its form of collective organization. One can say that now APEC has an important tool to get better results for regional development.

Actually, today, it is Europe that seems to have achieved the most astonishing performance in terms of reconciliation, regional cooperation, and re-equilibrium development. Frequently, we hear that Asians are very different from Europeans, and so they may have many conflicts, I am not sure. By 1945, which means for two centuries after five wars between France and Germany, the two countries looked like Japan and Korea, or if you want to me to use a more European image, like Serbs and Bosnians. Catholics and Protestants in Ireland had up to a century of civil war only to enter Europe and to discover how ridicule they were. That is how it began and what it did. Then, what is the recipe? I would say that economy was the most important key. I agree with what Karl Kaiser told us yesterday. Economy is a product of welfare and profit, which is excellent naturally, but not a product of enthusiasm although it is a necessary component. European enterprises began clearly with the will to make wars impossible in the continent. Economy was a way to pass through political blockages. I have cultivated a friendship with my friend Bob Hawke for 15 years, and we did many things together from the beginning towards cooperation between our two nations. It was very difficult to find political leadership. However, regional cooperation grew

significantly when all actors felt free to build bilateral/multilateral projects. It easily begins with trade naturally, but trade cannot create emotion and enthusiasm. Trade itself is neither the whole of an economy nor the whole of society. However, heavy investment, for instance, needs some common economic and financial interests, and some strategic interests naturally need deep mutual knowledge.

Frequently there is a project that comes to birth by mutual knowledge that cultural and social events can produce. Do not forget that. Regional cooperation is not sectorally limited. Non-profit relations first created conditions for mutual interests and profits. This calls for political decisions, but it is always difficult to get. All these decisions diminish the power of someone in public administration. As most symbolic cases, those people who are losing power would claim that there is a denial or resignation of a nation's sovereignty. True or not, it is a sensitive argument. Even when the nature of the decision is not important enough to interfere with national sovereignty, a number of persons in administration who lose a bit of the pie would break the decision. I agree with what Bob Hawke said, but the fact is not easy at all. Good politics are one with the common interest. You can add that a regional policy falls into good policy that is in the common interest. You have to explain these new policies and regional cooperation. You can change habits, but what changes habits tends to demolish security. My final conclusion is that all these have a tool because regional cooperation is highly positive. We are fantastically benefiting in Europe. But the condition to get the political basis for leadership is the classification of aims that is to be followed in terms which show clearly that the choice of the unknown has a better chance to produce results than preserving the status quo. This is not easy to do.

What is the reason? Let's look at examples. The formation of the African Union has one motive, which is to manage development in common, giving to development a better meaning of not only growth but also a remedy to the scarcity of human resources, education, and furthermore a treatment and collective defense of customs, and trade interests worldwide. In fact, in MERCOSUR, things are clear. It is the unity not only around trade but also as a principal weapon to resist our American friends. However, they happen to be a bit inexperienced in managing a big stick commercially. MERCOSUR is a defensive idea to better equilibrate relations with the United States, which is a collective objective. In Europe, the fist that had been powerfully held by the Soviet Union in the times of the Cold War was a military threat against which European unity was strategically necessary. There is no such argument now, and maybe this is one of the reasons the European Union will be weakening clearly as you have discussed. But I think that in Asia, as in Europe, we have another problem that is precisely to manage correctly our relations with the powerful Americans.

Yoriko Kawaguchi

It is a great pleasure to be invited to speak at this 25th anniversary meeting. I would like to thank you all for participating. I especially appreciate KOPEC's endeavors in organizing this meeting.

I was a Japanese APEC senior official in 1990 when I worked for the Ministry of International Trade and Industry. Since then, I have been paying particular attention to the development of economic cooperation in the Asia Pacific region. PECC, since its establishment in 1980, has made considerable contributions to

the Asia Pacific region, with one example being the push for the establishment of APEC. As an organization concerned with policies, PECC influenced APEC in several crucial aspects, such as the selection procedure of members, its equality, and the concept of "Open Regionalism," taking an active and enthusiastic role from the early stages. Such activities of PECC have contributed to the expansion of intraregional trade. As an example, in 2003, the intraregional trade of NAFTA reached 46%, while that of East Asia rose to 54%. As such, the economic interdependence within both the North America and East Asia regions is gradually approaching that of the EU. Economic development in the Asia Pacific would not have been taking place without intensified cooperation in the private sector from the 1980s and among the governments of the Pacific Rim since the 1990s. However, it seems now that some of the enthusiasm that once existed in both APEC and PECC has been lost. Today, I would like to discuss how these organizations can regain their former vigor and bring a new dynamism to the Asia Pacific.

As we have seen, the economic development enjoyed by East Asia economies increased their economic interdependence. EPAs and FTAs contributed to the further enhancement of their interdependence. Interdependence, in turn, has enabled the region to share the fruits of economic development. In the process, there has been the gradual development of a new regional identity, that of "East Asia." With the focus being on "East Asia," attention given to the "Asia Pacific," and thus, the Asia Pacific identity, has in contrast become blurred. An Asia Pacific focus, however, is important and necessary. East Asia's economic development has been characterized by its export orientation. East Asia's economies will not be viable if they are confined to East Asia. Instead, they will have to join partners across the Pacific to maximize the benefit of trade and investment. The concept of "Open Regionalism" should be brought back to the center of thinking. Therefore, I believe it is essential to revitalize APEC. Here, I would like to suggest a rethinking of the role of APEC, which if we recall, was originally started as an organization to facilitate trade and investment. Liberalization of trade and investment and economic and technical cooperation join facilitation as important missions of APEC. In the future, we need to distribute more of APEC's resources to its activities, which APEC has only recently begun to carry out, to create a favorable infrastructure for business. Such activities include the sustainable and stable provision of energy; common action plans for disasters, environmental crises and terrorism; and the establishment of common frameworks, such as the protection of intellectual property rights. Work on such "behind the border issues" should be strengthened as a new focus of APEC in order to raise Asia Pacific economic cooperation to higher levels. APEC is sure to be the most suitable arena for the debate on such issues.

While APEC is revitalized, PECC needs to be remodeled as a think tank whose role is to draw a blueprint for medium to long-term Asia Pacific cooperation. One approach for PECC may be to streamline its activities and focus on providing intellectual input to the activities of APEC, as the OECD is doing for its member countries, playing a complementary role to other APEC stakeholders, such as ABAC. We need to mobilize all our intellectual resources that exist to create a prosperous future, given many unknown challenges that lie ahead. PECC must be the forerunner in this intellectual exercise.

Lee Hong-Koo

We stand today on the verge of starting a gigantic task of community building in Asia. To come this far, we have to give a great deal of credit to China. If China had not decided to join the market system and the global market, we could not have come this far. The fact that East Asia has enjoyed reasonable peace is also due to China's decision to opt for the development of the market economy. Without peace, the market economy cannot operate well.

The problem is whether these economic developments, particularly in China, could lead to a community-building venture in a political sense. As Karl Kaiser had pointed out yesterday and Michel Rocard has just reiterated, there existed a consensus in Europe after the World War II not to repeat another destructive war in the region and to promote a common political will of building a European community. In a way, it was a decisive political decision that helped to build economic integration in that region. In our region on the other hand, while we have a great deal of trade and economic cooperation, the task of building a real regional community in both political and social dimensions remain an unresolved challenge. So much depends on the success on this front, because every country in Asia will gain a great deal if we succeed.

Just think about the possibility of failure. Failure will be a tremendous loss to everyone in the region. To succeed in the community building, the role of leadership is extremely important. They have to overcome two gigantic blocks or handicaps. The one is nationalism. Nationalism is still very potent force in all of the Asian countries, and every time things get tough, there is a strong temptation to rely on nationalism to mobilize popular support and to build up national consensus. So, you have to get over this. The other danger is reemergence of hegemonism. Unless you have a spirit of partnership in operating in the region, whether you are big or small, you cannot build a true community. The real burden falls upon the shoulders of bigger countries in the region, to be more specific, China and Japan. Everybody is always concerned about their stance, which could be easily developed into traditional hegemonism. So, we hope that the Chinese leadership in particular would exercise a great deal of wisdom to show to the region that it operates in a spirit of partnership, making extra efforts to avoid hegemonism. In this regard, I hope that the United States will also act accordingly as a member of the Pacific community.

This year, in addition to PECC, there will be two more important meetings in Asia will be coming up very soon. In November, the city of Busan will host the APEC Economic Leaders' Meeting. As Yoriko Kawaguchi has mentioned, APEC has tremendous potential, but quite frankly in the last few years it has lost steam. A part of the reason is that one of the most important initiators of APEC, the United States, either has lost some interest in APEC or is just too busy with other things. I think the time is right for the United States to make a major and decisive move to restore the spirit of community building in Asia Pacific. Otherwise, everyone including the United States will be in trouble. I sincerely hope that President George W. Bush will make a major speech in Busan to create a greater mutual confidence in Asia in November. It will be vitally important, to create a positive atmosphere for the East Asian Summit in Kuala Lumpur in December. In addition to the ASEAN ten countries and the Three of China, Japan, and Korea, and India, Australia, and New Zealand will participate there. However, the U.S is not included. Now this could create a problem. I hope that APEC and the East Asian Summit will not see these two gatherings as being mutually exclusive. In fact, what we need is a very congenial attitude towards these meetings, and I hope that the U.S in particular will exercise a more magnanimous leadership to promote regional development through these two meetings.

Finally, on leadership for regional community building, in the case of Europe, you had the good fortune of very visionary leaders like Monet, Schuman and others, and networks of understanding -- personal understanding among the major leaders. For example, a special kind of understanding existed between Adenauer and De Gaulle and so on. Now in our case, we have very able political leaders in East Asia, but somehow we have failed so far to develop a personal relationship of being in a close neighborhood. So, we should have more visits to each other and more chances to know each other and talk informally about many issues. In the meantime, as Michel Rocard and Bob Hawke had said earlier, you always have to be very mindful of the people, your electorate. In order to get over the huddles of nationalism and more towards the vision of community, you need the support of people in country. Unless you have a very good understanding among the leaders, it is very difficult to persuade your own people. I think the time is ripe for that sort of cooperation among the leaders in the region.

In short, what I am really saying is that only by coordinating efforts among political leaders in the region, we could overcome the fear of the unknown. The time is very much right and ripe. In other words, the major political leaders should take chance with their political visions and will, which takes an extreme level of political courage. This is maybe too much to ask, but there is no alternative. We pray for their actions and cooperation.

Stapleton Roy

Let me begin by thanking the organizers of this conference for giving us an opportunity to address what I think is vitally important question: how to revitalize the Pacific community. Obviously, I am expressing an American viewpoint, but I do not speak for the U.S government, I am expressing my own personal views.

The premise that we have to proceed on is that the community is based on a sense of common interests. The reality is that in this region we have a variety of community-building exercises taking place. In some ways, it is confusing the picture. First of all, there are so many organizations involved that if you do not follow this issue closely, you will have difficulty in understanding the importance of processes that are at work. The second problem is that the community-building efforts are pulling in different directions. PECC played a vital role in trying to begin the process of developing a Pacific community sense, and we have the Pacific base and economic council. We had APEC emerging from that. We have the APEC Business Advisory Council, all working on the same effort. However, as some of the earlier speakers have noted, perhaps the steam has gone out of the process a bit, and it has shifted. In a sense, that reflects a shift in trade patterns. Because at the beginning of this process the trade patterns were cross Pacific, now the growth of the intra-Asian trade has reached the level where the focus of community building is moving to the East Asian Community. That is the second process that is under way, which has moved by fits and starts. However, now, with the regular meetings of ASEAN plus three plus three and the plans to hold the East Asian Summit later this year, we are getting some significant meetings around the concept of an East Asian Community. The summit will include Australia, India, and New Zealand, but not the United States.

Thirdly, we have an effort to bridge the division between East and South Asia, which is reflected in the

inclusion of India in the ASEAN regional forum and also in the East Asian Summit. Despite the fact that India has never been a factor in the East Asia balance of power in history, now countries of this region are turning to India for a balancing role rather than to the United States. This is something that Asians need to think about and certainly Americans needs to think about very seriously. Because we have a new phenomenon in this region, after 50 years, during which the United States thought itself a vitally important player in everything going on in this region.

We now see a phenomenon where we are an insider on some issues and an outsider on other issues. This is going to affect the way that the United States looks at the region and the way that our leadership responds to challenges here. The Bush Administration clearly recognizes the importance of Asia. However, for the next two years, our attention is going to be on the Iraq War which we will win or lose over the course of the next two years. An additional problem is that we have a deep ideological division in U.S leadership over how to play our roles in the world and how to view the rise of China. This division in our own leadership elements means that we will have difficulty in coming up with a coherent approach to a region like this, which ultimately determines the question of whether the United States remains as the hegemonic power, if you will, or whether it gives way to a more cooperative international system in which we are merely the strongest among many strong and developing countries. The United States has not resolved that issue in our own minds. An additional factor is that we are in a democracy and that how the American people look at these issues affects how the U.S. government behaves. Here, reality is that the American public tends to think that Asians are taking away American jobs, abusing our intellectual property rights and are manipulating their currencies at the expense of U.S. workers. I am not saying that this is true, but that is what the attitudes are in the United States, and these are directly relevant to the question of developing a Pacific community and revitalizing the process. A recent poll by the Chicago Council on Foreign Relations uncovered the interesting fact that the majority of the public believe that the number one goal of U.S. foreign policy should be protecting American jobs. It was not the case among the leadership surveyed in the poll, but the public attitude. This is very important.

The next thing that we must recognize is that while these community-building efforts, even when they are pulling in different directions, are all fundamentally positive in their character. There are other trends in the region that can negate these positive actions and have the potential of actually reversing them. We have to focus on these as we think about how to revitalize the Pacific community. First, as the Chinese economy continues to grow, it is quite natural to devote more resources for strengthening its military capabilities. It is inevitably affecting the attitudes in Japan and the United States on security issues and breaking down the concept of common interests. This is the leadership issue that needs to be addressed at the very highest level. Secondly, we see an emotional form of nationalism that has taken hold in Korea, Japan, and China. And I have to say, if you watch the debate in congress on the UNICAL issue, you also see it in the United States. The most dangerous aspect of this, I think, has to do with Sino-Japanese relations. How can we talk about a community anywhere in this region, if China and Japan are not able to work cooperatively together with a sense of common interests? As the earlier speaker, my friend Michel Rocard, pointed out, Germany and France, the ancient enemies, were engines behind the move for European unity. How can we expect to get the community in this region if the major powers of East Asia, China and Japan, are not able to work in harmony together to try to achieve a common goal? In the Taiwan straits, the situation has been stabilized fortunately, but we still do not have the makings for a permanent stabilization. There are two problems: the one is the inability to establish political dialogues

across the straits, and the other is the fact that China's focus on the improvement of its military capabilities against Taiwan is creating a growing perception in the United States and China. Then, the eventual military conflict between the United States and China may be simply down the road. This is undermining and affecting negatively the debate in United States over the outlook for U.S.-China relations. We have to acknowledge as well that Asians are worried about the U.S. security role in the region. That is one reason they are turning to India rather than to the United States as a balancing factor out here. In addition, we are in a sense contributing to this because we are engaged in a major realignment of our military presence in the region, and the precise object of that realignment is not entirely clear to everybody. So, what people wonder is whether the United States is going to be the force for stability of the region or whether we are in fact going to contribute to the security problems through unilateral intervention. This is here in Korea a very major issue that is affecting our bilateral relations with Korea.

Finally, in the paper that Fred Bergsten was supposed to be presenting at the session this morning, he outlined the potential for the separate free-trade area initiatives underway on both sides of the Pacific. What can be done? I think that we really have to take a look at this at the strategic level. The first challenge is that the U.S. and China simply have to find a better way of managing the growing strategic mistrust that is emerging between the two countries. Now fortunately, President Bush and President Hu are meeting more frequently than has ever happened before in U.S.-China relations. President Hu's visit to the United States was simply postponed. There are going to be two more occasions this year for the two presidents to get together to establish a better relationship and to address these strategic challenges. Secondly, ways have to be found to dampen down the frictions between Japan and China. The United States is vitally involved in this issue, because it is a good ally of Japan. Also, there exists a potential of creating a bipolarization in East Asia if that issue is not managed properly. We cannot think about a Pacific community with any vitality if that trend continues and is not adjusted affectively. Thirdly, I think that the United States needs to show much more sensitivity towards the way that Asians are thinking about these questions, and we need the same in reverse. We cannot talk about an effective East Asian community if it contributes to a sense of alienation on the part of the United States, feeling that it is no longer welcome as a full participant in this region.

Then I think that there needs to be an effort to address trade patterns. Fred Bergsten is a strong advocate of the concept of the Free Trade Area in the Asia Pacific, and some initial studies that have been done showed that there was potential in this idea. It is one of the ways that we can go about trying to get leaders throughout the region to concentrate on how trade and investment patterns can be used to strengthen the relations rather than being seen as potentially damaging our own domestic economy. The exchange rate issues also need to be addressed, which the earlier panel today looked at in depth. So, finally I will reinforce the point that earlier speakers have made. The issue is leadership, leadership, and leadership. If the leaders of our countries are able to focus on these types of issues at the high strategic level and to bring them under better control, then I think the efforts to revitalize the Pacific community and to create a vibrant East Asian community will be successful and can contribute to the outlooks that we want. Because this area has been the most successful area of the world over the last 25 years, it is up to us frankly to continue that process into the future.

PANEL DISCUSSIONS

William Green

Thank you for very cogent speeches. So, to continue from some of the points that you are making, who do we look to for leadership? Among individuals here at this time, do we look to George W. Bush who is clearly very much distracted? Do we look to Junichiro Koizumi? Do we look to Hu Jintao? As Bob Hawke has eloquently spoken about the need for someone with a kind of vision, who can go beyond the sense of nationalism? Is there anyone that you see in the region at the moment? Who can provide this kind of visionary leadership that you are looking for?

Bob Hawke

We cannot change the character of George W. Bush unfortunately. We can change the characters of none of them. So, what needs to be done is to get together a few days like this and to generate something worthwhile through these good discussions and provoking presentations. We go back, and in our individual and organizational ways we put pressures to the extent that policy makers could understand the issues and give them the intellectual framework. It is going to lead them, making all sorts of decisions that we collectively have done right here. If you want to be realistic about a gathering like this, it is the only thing that you can do. We cannot change leaders, but we can influence them to use their forces in a persuasive way and try to make them act more sensibly.

Yoriko Kawaguchi

Now I am not going to respond to your questions directly. Rather, I would like to say that I agree that leadership is very important in creating a community. The question that I would like to pose is whether leadership is everything. Leadership is a pre-requisite for community building, but we have many other important things without which we cannot create a community. And what else do we need to work under strong leadership? Prime Minister Koizumi talked about the East Asia community back in 2002, and when he did he talked about the diversity in Asia. He also said that it is like an orchestra playing music. The East Asia community at the end is something like an orchestra, in which each part plays its own music harmoniously. There are many parts to the orchestra. That is what he said. I think that it is a very good example of what the East Asia community is going to be. There were questions about the comparison of EU and Asia. I am not sure if that comparison is quite right. We have to be very careful first of all about

what we really mean by the community. We have not defined it. Political community? I do not know if the countries in East Asia want to create it in the sense that the EU is. It is a loose community that we are starting out with. I talked about the very cautious sense that existed among us in our countries. We are right now playing music. Each part is practicing, and we will see what will come at the end. Religions are different in this region, and political systems are also different. Income discrepancy is great, and we have uncertainties in this region that Europe does not have anymore. So, given these, I think that we should start out cautiously and slowly and start through economic cooperation, facilitation, and liberalization. Then, we will see what will come from it. Leadership is very important, but there are substances that we have to fill in.

Michel Rocard

I do agree with all these panels: leadership, leadership, and leadership, you are right. I will dig more to learn what was just suggested by Yoriko Kawaguchi. We need political leaders with vision and courage. We have a scarcity if none at all. What can we do? In the past, we, most of you, were not candidates to this function. I would like to underline that there are some conditions for that. First, no leader can emerge if the complexity of his message is not to be captured by public opinion. Now, we cannot take a strategically, financially, economically significant decision without knowing about internal affairs of at least thirty big countries. It is very new. It was sufficient to know well internal affairs of Indonesia or Malaysia, or all of yours until roughly 25 to 30 years ago. The second complexity was military and economic until 30 years ago. Now, we have to deal with media, ecology, and social affairs to meet the consequences of economic mismanagement and all that. Massive knowledge with history is integrated to produce the leadership, decidedly much bigger. However, no potential leader is now understood by his people. We, civil society, 99.99 percent of the population outside the leaders have jobs. The responsibility of the media system has been exacerbated for its drift with information that looks for sensationalism. About politics, less and less intelligent brilliant journalists make editorials and explain. They organize boxing matches between politicians in their columns of magazines -- so called debate and democracy. This is a very poor form of information. It seems to be very terrible. The school system of university should take maybe in terms of civil society the responsibility here. The last point is that the difference in incomes between publicly known people including politicians and company bosses has been multiplied by the new capitalism by five or six. And as you know, two percent are thieves in any profession. When it is a politician who steals and thieves, there is no such statistic in the press - we become all rotten and black. This job I tell you is less and less feasible for honorable persons. Politicians in democracies become more and more devils who have local responsibilities by professional failures. The production of leaders is a sociological question. That will be the scene for all of us: how to make the inclusion of intelligence, of brains acceptable for basic people. You would not have any leaders without that. This may be a task for PECC.

Lee Hong-Koo

Gathering current government leaders is not easy. This maybe self-serving, but we have three former Prime Ministers sitting here. Just to cite an example, former Prime Ministers and Presidents of some recently democratized countries have formed a club, the Club of Madrid four years ago. And just last week, a small delegation of three of us, myself, the former Prime Minister of Canada, and the former Prime Minister of Romania, were welcomed in Beijing and had very interesting conversations with a number of leaders there. We could frankly discuss some of the major problems that China faced. Chinese leaders, for example, were very much concerned about the fact that with the increased opening of the market and society, it gets more difficult to control people. How can the communist leadership control 1.3 billion people when more than 100 million young people are now hooked up to the Internet? So there are serious problems which they would like to discuss with visitors and neighbors because in the words of one leader, collapse of the Chinese system will mean a catastrophe for everybody in the region and indeed the world. The survival and continued development of China is in the common interest of the region and the world. I agreed. I would like to point out further that there has been a very sharp rise in the exchange of mass culture. For example, many Korean television dramas are now played in China and Japan. The daughter of the former Prime Minister Li Pung had dinner with me. I asked what her father is doing these days. She said that he is watching and enjoying the Korean Television Drama, "DaeJangkeum." While exchange of more culture is happening rapidly, there is remarkably scarce opportunity for leaders -- political, financial, cultural leaders -- of this region to get together and discuss frankly what the common problems are and how we should go about solving them. Unless new type of leadership cooperation developed rapidly, it would be very difficult for the current leaders to persuade the population, particularly at election time in democratic countries. That is why I am repeating the importance of developing a functioning network of leadership in the region.

QUESTIONS & COMMENTS FROM THE FLOOR

No. 1: Jusuf Wanandi from Indonesia

Well, so much has been said, I would like to give a sense of urgency for all of us. The real problem that we face and adjust to is the rise of China. Its rise has happened all of a sudden and is huge and encompassing. It is a fairly big proposition. The good thing is that in the mean time the integration of China with the world, particularly with the United States and Japan, has been so huge that we cannot even think about anything else except cooperation to solve common problems. I think that the idea of the Pacific community is still fairly relevant if we can adjust to all these new developments and challenges

that we are going to face. We have to be quick and agile, and at the same time we have to be coalescing and willing. We really expect that institutions are going to push for adjustments to these changes. Then, PECC has a big role in readdressing and changing itself.

William Green

Do you, the panel, feel that PECC or APEC has an important role?

Bob Hawke

I do not want to take much time responding to this question. The answer is clearly yes. PECC has a role, and APEC has a role. Any group of people who are interested in securing growing a prosperous and more secure community have to continue to have a role.

No. 2: Kim Jin Hyun from Korea

I would like to ask a question to the panel, probably an outrageous one. When we talk about political leadership, we generally classify it into two classes, statesmen or politicians. Statesmen are ones who lead to formulate the opinions of the nation and execute it, while politicians are ones who follow the best. The current process of selecting the leadership of course is increasingly becoming democratic, which means one man one vote. The process necessarily dictates the people who follow the best would become leaders. The question then is, "In the political rear, is the concept of modern democracy sufficient to handle the very complex issues in creating the proper leadership?"

Lee Hong-Koo

There is no choice. We are committed to democracy. People have made a choice for democracy, and we have to operate on the basis of democracy. That is why you need not only a visionary leader but also an able leader who could persuade people. It is a very difficult task. What I am really saying is that the fervor of nationalism in each country is such that unless you have a reasonably good understanding among the leadership in the region, it will be very difficult to persuade your people and at the same time promote the regional community. Then, how to transform the fervor of nationalism to forces for

community building in the region? This is a gigantic task, and you cannot do it alone. I am emphasizing repeatedly that we should accept democracy and we are in favor of it. But unless you develop the network of leadership in the region, you cannot succeed alone. That is the challenge we are facing together.

No. 3: Mangara Tambunan from Indonesia

I took the point from Yoriko Kawaguchi on political facilitation. APEC is necessary. As we remember, APEC has two pillars of the program: TILF and ECOTECH. I think that Less Developed Countries, LDCs, within APEC are not receiving any or much benefits from APEC meetings or whatever. We have to think seriously about how LDCs could take some benefits from this organization because from the second pillar we can develop a stronger APEC. Otherwise, APEC will decline. Many people who are interested in trade liberalization always participate in the APEC meeting, and therefore I can argue that whoever attends the Ministerial meeting should suggest the rethinking of this ECOTECH transformation of knowledge and technology for LDCs. I think that the organization should survive if it has the benefits of better distribution.

Yoriko Kawaguchi

As I said, facilitation, liberalization, and ECOTECH are three pillars of APEC. We should continue to strive. APEC, in order to revitalize itself, needs to offer to the members something that could benefit them. I think that we are trying just to do that. APEC is not the only organization that exists in this area. We have, for instance, ASEAN+3, ACD, and ARF. These different organizations and institutions, as someone said, are not mutually exclusive. So, utilizing all the mechanisms we have and a bilateral ODA, we are working toward that goal. We are making efforts. That is what APEC is for.

No. 4: Andrew Elek from Australia

I would like to hold out the question about the rise of China. A very important question is with the rise of China and the rise of India, if they can be accommodated at least in a global trading system. Economists are not able to give an answer because they play with the general equilibrium models that appear to show two big ones are better than one little one. I would like to hear, and let's see what that means for open regionalism.

Stapleton Roy

Yes. The answer is of course it could be accommodated, but not easily. The significant thing about the rise of China is that it raised many people from poverty to middle-class status in a fast period of time. That has never happened in human history. How can we be opposed to letting that type of the rise occur with India following the same path? The answer is that although other major powers of the world find that the rise of India and China is something that they cannot live with, our political systems may not address the problems in the world. So, I think that we need leadership of the highest order and that the historical record is not good. The rise of countries tends to destabilize the regional and global system, which is the record of history. Why can't we learn from history? I think that we can and we should.

No. 5: Jiang Chengzong from China

My question is simple. The panel has been trying to educate our leaders as to what to discuss and what to do. My feeling is that many people, particularly the media, are democratic. Most reports are about problems, conflicts, disasters, tragedies and disputes, whatever. For me, it loses sights of a basic picture. It is just like looking at the tree while losing the sight of the whole woods. As for the China's rise, is it too good for the people of China? Yes, the lives of Chinese people have improved. But those, the majority of people, are still poor. Has it been good to the region of Asia? Yes. Has it been good to United States? Yes. When we think back over nearly thirty years ago, when Richard Nixon made his breakthrough trip to China, practically nothing has been said about the volume of trade between China and the United States, which is now huge. So a lot of great benefits have been brought about. Then, my question is how to educate our leaders. We just pose problems, issues, and conflicts to our leaders and ask them to handle them? Or do we have to give them a picture of the woods which is a very good, green woods?

Bob Hawke

It is a very interesting point. I do not know if you have heard of him or his work. There is very interesting article written sometime ago, I think in 1996, by Henry Rowen, at the Hoover Institute. He has impeccable right-wing credentials. He was Chairman of the U.S. combined military intelligence unit. He talked about the adverse impact of media reporting in the United States on China. Reviewing some newspapers, such as The New York Times, Wall Street Journal, Washington Post, Newsweek, and Time, he looked at the ratio of good stories to bad stories. He reported that ratio of bad stories was one of enormous disproportion, all basically negative. He pointed out in these articles that, remember it is 1996, positive changes were occurring in China. He saw, under the heading of rule of law, the increasing of democratization and the widening of media liberalization. By the stance of United State's democracy, the restrictiveness of nature of those issues in China had not reached its ideal stage. However, China made significant changes and improvements for the better. On the other hand, each of these issues was hardly reported in the United States. He asked, why is it that we have this massive disproportionate bad

reporting in the major media of the United States about China? I think this is a tragedy that reflects the enemy deficiency syndrome of the United States. China has been seen as an enemy. I think that one of the fundamentally important things that we all need to involve in coming back to this topic of leadership is trying to ensure that there is a clear understanding in the United States that all of us have many relationships with the people in the United States. China is not an enemy, but a force for good.

Michel Rocard

Two quick remarks. The first remark is about democracy in answer to the question from Korea. Be careful with that judgment. It is true that no company could work without a process of politics. I have been paid all my life to know that. Still there is no other choice or recipe than democracy, as Lee Hong-Koo said. However, in fact, your question points not only to principle but also to modality; how do we do it? From the French experiment of selecting a king, I came progressively to the idea that indirect election is better: it is still democracy. It may be that choosing leaders with great experience of other countries, traveling in the world and knowing international problems rather than only national ones cannot be extracted directly from the basic people of political life. This concerns France and the United States. Plus, I propose the fact that democracy could probably work with more participative democracy consultancy, which is a key for peace. My second remark is once again on leadership. How can we live with China and India? There is richness in the world, and it does change absolutely everything. It is possible and must be brought here: leadership, leadership and leadership. May I point out that there is no leadership without knowledge and that this knowledge has to be produced? Look at the Uruguay Round that was finished in Marrakesh. We developed enormous efforts of expertise on national bases. Every nation went and tried to have their best expertise in the Marrakesh conference room. Two thirds of the experts were Americans, the rest were mostly Europeans, and rare were Africans, who had one expert. African countries were naturally great losers of that type of negotiation. Very little expertise was spent on the development of regional bases. PECC is a part of that. There is absolutely no world expertise of a world's general interest that could be more significant or important than our own national or even regional interests. In negotiations like the Uruguay Round, where we were all fighting against one another on purely national interests with national bases, there was no confrontation of data to verify that ours is more elaborated on the same criteria. No leader can get out of the expertise that he receives to integrate intuitively the interests of other partners. The integration of China and India, as they grow in the world, is not only an Asia-specific question. It concerns all of us. Leaders must think of what we have to do and make provisions for the difficulties we shall have to face. This is the prerequisite for leadership. Sorry to be too pessimistic, but this is the way it works.

William Green

Thank you very much. Ladies and Gentleman, please join me in giving thanks to the panelists.