

# Back to Canberra: Founding APEC

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*As APEC celebrates its 25th anniversary in Beijing, we are publishing an abridged version of the chapter on the founding of APEC that was part of PECC's own 25th anniversary publication in 2005. The chapter was written by Dr Andrew Elek, the chair of APEC's first Senior Officials Meeting.*

## **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.

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.

### **Background**

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.

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.

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. 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.

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

At the PECC Standing Committee meeting in Tokyo in September 1987, the NPCC Chairman, Russell Madigan, proposed a ministerial meeting to discuss Pacific cooperation.

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. Well aware of the sensitivities which had surrounded the establishment of PECC, Australian officials were treading carefully, heeding the motto of "hastening slowly".

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.

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. 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".

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.

There was also extensive informal communication between NPCC, DFAT and Prime Minister Hawke's office. 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.

### **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).

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.*

The initial reaction from the region was positive but cautious. 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 participants to learn their views and to seek their approval for convening a ministerial-level meeting in late 1989.

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.

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.

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.

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.

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".

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.<sup>20</sup>

Woolcott's visits to Hong Kong and China were in late May 1989. 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. 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.

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".

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, 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. 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.

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".

### **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.

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.

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

Evans rewrote the summary almost completely while other ministers had lunch and watched the Melbourne Cup. 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.

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 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.

At APEC I, it was agreed that it would be desirable to include China, Hong Kong (China), and Chinese Taipei 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. The contribution of PECC was acknowledged by many ministers as well as in the Chairman's Summary Statement. PECC VII was held a few days after APEC I. 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.

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