



# Launching APEC 1989: Recollections of an Insider

By Andrew Elek

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Cover Image: Ministers from Australia, Brunei Darussalam, Canada, Indonesia, Japan, Republic of Korea, Malaysia, New Zealand, The Philippines, Singapore, Thailand, and the United States gathered in Canberra, Australia on 6-7 November 1989 to discuss how to advance the process of Asia Pacific Economic Cooperation (APEC), marking the first APEC ministerial meeting. (Source & Credit: Asia Pacific Economic Cooperation via APEC.org, open use)

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# About the Author

**Dr Andrew Elek** is a Visiting Research Fellow of the Crawford School of Economics and Government at the Australian National University (ANU). He has worked extensively in development economics in South Asia and the South Pacific, and as a Senior Economist with the World Bank.

From 1985 to 1987, Dr Elek served as Chief Economist in the Economic Planning Advisory Council of the Australian Government. From 1987 to 1990, he was head of the Economic and Trade Development Division of the Department of Foreign Affairs and Trade. In 1989, he was the inaugural chairman of APEC Senior Officials, with a central role in the establishment of the Asia Pacific Economic Cooperation (APEC) process. From 1990 to 1994 he was a Senior Research Fellow at the ANU. Since then, he has been a self-employed economic policy researcher and part-time consultant.

He has published many papers on international economics and economic cooperation, including the APEC process and, more recently, the G20 and the Belt and Road initiative.

Dr Elek was appointed a Member of the Order of Australia in 1991, for service to international relations.



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# Foreword

**T**he Asia-Pacific Economic Cooperation (APEC) forum was launched in November 1989. Ministers from twelve regional economies gathered in Canberra to commence effective consultations among the region's decision-makers in order to:

- » help strengthen the multilateral trading system;
- » assess prospects for voluntary cooperation to reduce impediments to trade and investment in the region; and
- » identify, then pursue shared economic interests.

By the third meeting of Ministers, it was possible to set out the guiding principles for APEC in the Seoul APEC declaration, to find a way to include the three Chinese economies (PRC, Chinese Taipei and Hong Kong) and to prepare annual meetings of APEC economic leaders.

The first of those Economic Leaders' Meetings took place three decades ago, in November 1993, hosted by the Clinton administration on Blake Island near Seattle. A year later, the "Bogor Goals," APEC's foundational goals of free and open trade and investment in the Asia-Pacific by 2010 for industrialized economies and by 2020 for developing economies, were adopted at the leaders' meeting in Bogor, Indonesia.

This November, with the APEC leaders convening in San Francisco and issuing their *Golden Gate Declaration*, it is worth recognizing the distance traveled by APEC over the past thirty years and more. APEC anchored China's external liberalization program in the 1990s, with Beijing committing to 50 per cent tariff cuts at the 1995 summit in Osaka on the way to its WTO accession, and APEC today reciprocally is anchored by China's meteoric international economic rise. In the mid-1990s, APEC helped frame the Information Technology Agreement (ITA) at the onset of the digital age and today APEC countries constitute the world's most dynamic and interconnected regional economic area for IT and digital products. At the onset of the COVID-19 pandemic, APEC played a key role in supporting supply chains for essential goods and services. And going forward, APEC will be key to realizing the 'green transition' by making the Asia-Pacific region the most dynamic and interconnected regional economic area for the production and trade in environmental goods and services.

It is a testament to APEC's longevity as well as to its singularity that even as the "Bogor Goals" have given way to the Putrajaya Vision 2040, APEC remains the only regional economic framework in the Indo-Pacific to count the United States and China as its members. As the Australian economist and thinker and the key intellectual architect of APEC, Peter Drysdale, has memorably observed, "the United States and China both have skin in the APEC game... the setting in which they must deal is multilateral and their dealings are on full display to all other 19 members."

APEC's longevity and durability can be ascribed in very significant measure - not just to its vision and ideals but also - to the malleability inherent in its founding design.

APEC's intellectual architects were sensitive to the region's economic, cultural and ideological diversity. They knew a one-size-fits-all framework would not suffice. They proposed a variable geometry of step-by-step but sustained approaches to cooperation that deferred to local sensibilities.

APEC's intellectual architects were keen to ensure that the institutional agenda should not be dominated by the largest members, nor should it crowd out existing forums such as ASEAN. They devised a framework which eschewed binding obligations in favor of one without compulsory elements and where every cooperative liberalization flowed from a common and conscious interest – nudged on, no doubt, by peer pressure. In time, this would come to be known as 'concerted liberalization'.

APEC's intellectual architects were aware that some of the regional actors at the time did not enjoy diplomatic relations. With ingenuity, they sidestepped this dilemma by framing their envisaged body as a club of regional economies – not one of regional states. To this day, the APEC summit meeting is an economic leaders' meeting. The idea had the added virtue of bringing Hong Kong and Taiwan creatively into the fold.

And, foremost, APEC's intellectual architects were sensitive to the imperative that any region-wide preferential trading arrangement should complement and strengthen – and not serve as a substitute to – the open, non-discriminatory multilateral trading system. 'Open regionalism', a concept coined and championed at the Pacific Community seminar that laid the foundations of APEC in 1980, has since come to be known, praised and admired widely.

In sum, the institutional edifice visualized by APEC's intellectual architects was crafted in the image of the Asia-Pacific region, and its colors tied to the mast of trade multilateralism. The depth of conception was stunning and, as a consequence, APEC continues to deliver even today, three decades later. So long as the decisive weight of a majority of the Asia-Pacific's economies is in favor of trade and investment liberalization, APEC will continue to remain a prominent feature of the region's landscape.

This report is a first-hand account of one of the senior officials 'present at the creation' of APEC in Canberra in November 1989 (the first Economic Leaders' Meeting was still four years away). Andrew Elek was an Australian government official who served as the chair of senior officials. He worked closely with Foreign Affairs Minister Gareth Evans and Secretary Dick Woolcott. First, to shape the APEC concept, then conduct a year of intense diplomacy. That led to a successful meeting of senior officials in September, then the ministerial-level meeting in November.

This is his personal account. It is also both a lighthearted one as well as a riveting one of the delicate task of broaching and obtaining buy-in for the APEC concept, first from the Australian government itself, then from a broad set of the Asia-Pacific's powerful sovereign actors on terms that hewed to the vision and founding design of APEC's intellectual architects. For those inclined to savor a taste of history, there is even a cameo appearance by Premier Li Peng at the peak of the Tiananmen protests.

Our thanks go out to Andrew for compiling this fascinating record of events leading to the creation of APEC in 1989.

Buckle up and enjoy the ride.

Sourabh Gupta

*Senior Fellow, Institute for China-America Studies*

# APEC at 30

*A Region in Constant Change*



The first APEC Ministerial Meeting in Canberra, November 1989

*“What we are seeking to develop is a capacity for analysis and consultation on economic and social issues, not as an academic exercise but to help inform policy development by our respective governments.”*

- AUSTRALIAN PRIME MINISTER ROBERT HAWKE, Seoul 1989  
when he first introduced the idea for APEC

FOUNDING PRINCIPLES	FIRST SEVEN PROJECTS
<p><b>Openness</b> Wider participation with transparent and non-discriminating economic policies</p> <p><b>Equality</b> Mutually beneficial for all participants with differences in economic and political structures in mind</p> <p><b>Evolution</b> Gradual, sustainable and pragmatic approaches to cooperation based on consensus building</p>	<p><i>Since the beginning, APEC’s agenda was not only about cross-border trade and investment, but also about inclusion, sustainability, and innovation.</i></p> <ul style="list-style-type: none"> <li>Review of Trade and Investment Data</li> <li>Trade Promotion</li> <li>Expansion of Investment and Technology Transfer</li> <li>Multilateral Human Resource Development</li> <li>Regional Energy Cooperation</li> <li>Marine Resource Conservation</li> <li>Telecommunications</li> </ul>

*Since APEC was formed, the region’s economy has expanded by leaps and bounds*

Real GDP in the APEC Region



*Trade has been a key driver of growth, while new technologies have pushed the boundaries of the global economy*

Current Value of APEC Trade



*This led to growing average incomes, vast reductions in poverty and a growing middle class*

Real Per Capita GDP in the APEC Region



A two-page infographic released by APEC summarizing its progress and successes over its first three decades in celebration of its 30 year anniversary. (Source: Asia Pacific Economic Cooperation via APEC.org, 2019, open use)

**But this growth has not been shared equally:  
long-term trends are towards widening  
income gaps**



Between 1990 and 2015, average real monthly income per person among the poorest 5% of the population increased by \$50, while it increased by almost \$3,000 among the richest 5%.



**Despite the use of more environment-friendly technologies, the region's carbon footprint continues to grow.**

*When it was created, APEC took a holistic approach to economic policy cooperation that addressed both cross-border and behind-the-border issues. APEC met these challenges head-on through regional cooperation, multilateralism, and the incubation of new ideas.*

*APEC will need to strengthen the holistic and innovative spirit of 1989 if it is to step up to the challenges of the next 30 years.*

**The APEC Region**



- 1989 APEC Created: Ministers meet in Canberra
- 1990 Ministers meet in Singapore
- 1991 Ministers meet in Korea
- 1992 Ministers meet in Bangkok
- 1993 First Leaders' Meeting in the United States
- 1994 Indonesia: *Establishing the Bogor Goals*
- 1995 Japan: *Setting the Osaka Action Agenda*
- 1996 Philippines: *"From Vision to Action"*
- 1997 Canada: *"Connecting the APEC Community"*
- 1998 Malaysia: *"Strengthening the Foundations for Growth"*
- 1999 New Zealand: *"The Auckland Challenge"*
- 2000 Brunei Darussalam: *"Delivering to the Community"*
- 2001 China: *"Meeting New Challenges in the New Century"*
- 2002 Mexico: *"Expanding Benefits & Cooperation for Economic Growth"*
- 2003 Thailand: *"World of Differences, Partnerships for the Future"*
- 2004 Chile: *"One Community, One Future"*
- 2005 Korea: *"Towards One Community: Meet the Challenge, Make the Change"*
- 2006 Viet Nam: *"Toward a Dynamic Community for Sustainable Development & Prosperity"*
- 2007 Australia: *Strengthening Our Community, Building a Sustainable Future*
- 2008 Peru: *"A New Commitment to Asia-Pacific Development"*
- 2009 Singapore: *"Sustaining Growth, Connecting the Region"*
- 2010 Japan: *"Change and Action"*
- 2011 United States: *"Strengthening Regional Economic Integration, Expanding Trade, Promoting Green Growth"*
- 2012 Russia: *"Integrate to Grow, Innovate to Prosper"*
- 2013 Indonesia: *"Resilient Asia-Pacific Engine of Growth"*
- 2014 China: *"Shaping the Future through Asia-Pacific Partnership"*
- 2015 Philippines: *"Building Inclusive Economies, Building a Better World"*
- 2016 Peru: *"Quality Growth and Human Development"*
- 2017 Viet Nam: *"Creating a New Dynamism, Fostering a Shared Future"*
- 2018 Papua New Guinea: *"Harnessing Inclusive Opportunities, Embracing the Digital Future"*
- 2019 Chile: *"Connecting People, Building the Future"*

A two-page infographic released by APEC summarizing its progress and successes over its first three decades in celebration of its 30 year anniversary. (Source: Asia Pacific Economic Cooperation via APEC.org, 2019, open use)



# The Foundations of APEC

**A**PEC was not dreamt up on Prime Minister Bob Hawke's flight to Seoul in January 1989. The foundations of Asia Pacific Economic Cooperation (APEC) were laid and reinforced over several decades.

Many people have already written about the evolution of economic cooperation in the region from the 1960s and the events leading up to the first ministerial-level meeting in Canberra in November 1989.<sup>1</sup> This personal account seeks to complement what is on the record and add some significant details which may not be known to others.

The account pays what will appear to be undue attention to my role – not to overstate my input, but to facilitate any future effort to write a comprehensive history of the APEC process.

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As described in Chapters 1 to 4 of *The Evolution of PECC: the first 25 years*,<sup>2</sup> the effort to promote economic cooperation among the diverse group of Asia Pacific economies began long before the first meeting of Asia Pacific ministers in 1989.

The shared interests of the Asia Pacific region began to be explored in the 1960s by organizations such as the Pacific Basin Economic Council (PBEC), the Association of Southeast Asian Nations (ASEAN) and academics participating in the Pacific Trade and Development (PAFTAD) annual conferences. The consultations among these groups identified many opportunities where cooperation among Asia Pacific economies could lead to mutual benefits. Foremost among these was, and continues to be, an overriding interest in a rules-based non-discriminatory multilateral trading system.

It was hard to find a way to foster cooperation among a very diverse set of economies around the Pacific Ocean. In the 1970s, the United States was by far the largest economy in the world, while others like Brunei Darussalam were some of the smallest. A 1979 report to the United States Congress recommended the establishment of an Organization for Pacific Trade and Development (OPTAD).<sup>3</sup> Modelled on the Organisation for Economic Cooperation and Development (OECD), OPTAD was to be a formal intergovernmental organization which would commission research on freer trade, structural adjustment, regional development financing, direct foreign investment, resources, energy security and trade with non-market economies.

<sup>1</sup> For example, Woolcott, R (2003) *The Hot Seat, reflections on diplomacy from Stalin's death to the Bali bombings*, Harper Collins, and Terada, T (1999) *Creating an Asia Pacific Economic Community: the roles of Australia and Japan in regional institution-building*, PhD dissertation, Australian National University. The latter provides a thorough review of Japan's contribution to making APEC possible.

<sup>2</sup> *The Evolution of PECC: the first 25 years*, ed. A Elek, Pacific Economic Cooperation Council (PECC) International Secretariat, Singapore, 2005.

<sup>3</sup> Patrick, Hugh and Peter Drysdale (1979), *An Asian-Pacific Regional Economic Organization: An Exploratory Concept Paper, prepared for the Senate Committee on Foreign Relations by the Congressional Research Service*, Library of Congress, Washington DC: US Government Printing Office.

Comments on this proposal identified a long list of sensitivities that would need to be handled carefully on the way to Pacific-wide economic cooperation. These included:

- » awareness of economic, cultural and ideological diversity;
- » potential damage to existing forums, especially ASEAN;
- » potential domination by the largest participants;
- » the absence of diplomatic relations at that time among several potential participants, some of which were not sovereign entities (Hong Kong and Taiwan);
- » concern that a formal inter-governmental organisation might impose binding obligations;
- » concern that economic cooperation may lead to a trading bloc, which would undermine the shared interest in an open non-discriminatory multilateral trading system.

Taking these concerns into account, further discussions led to a consensus that organizational models developed elsewhere, whether the European Union or the OECD, could not be simply transplanted to the Pacific. Successful cooperation in this region needed to have three common features: openness, equality and evolution.

These principles were 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 requires mutual respect and mutual benefit and accommodating 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.<sup>4</sup>

Intensive consultations around the region led to the establishment of the Pacific Economic Cooperation Council (PECC) in 1980, based on these key principles.

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<sup>4</sup> Consensus on these principles evolved gradually during the 1980s. They were expressed along the above lines in Drysdale, P (1988), *International Economic Pluralism*, Sydney: Allen & Unwin.

# The Pacific Economic Cooperation Council

Following the successful Pacific Community Conference in Canberra in 1980, PECC set up working groups and task forces to initiate policy-oriented discussions on the topics suggested in the OPTAD proposal. These groups included researchers, business people and governments officials who participated in a private capacity.

Their consultations led to improved communications and better understanding of the nature, constraints and opportunities of their diverse economies. The groups also nurtured mutual respect and identified shared interests. Their work was considered by plenary PECC conferences, held at 18-month intervals.

ASEAN was also paving the way for region-wide cooperation. 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 process had expanded to embrace 12 members (the then six members of ASEAN and six "dialogue partners"). By then, PECC had also found a way to involve China, Taiwan and Hong Kong in international economic cooperation and generated an agenda for mutually beneficial economic cooperation for consideration by Asia Pacific governments.<sup>5</sup> Inter-governmental cooperation was becoming urgent as weakening support for the GATT-based international system threatened the future of Asia Pacific economies.



A photo of the 1992 Pacific Economic Cooperation Council taking place in San Francisco.  
(Source: Wikimedia, Public Domain)

<sup>5</sup> By 1989, PECC included the then six members of ASEAN, their six "dialogue partners" (Australia, New Zealand, South Korea, Japan, Canada and the US) as well as China, Hong Kong and Taiwan (participating as Chinese Taipei).

# Early Steps Towards APEC

returned to Australia from the World Bank in 1985. After some time as Chief Economist of the secretariat to the Economic and Planning Advisory Council, I moved to the Department of Foreign Affairs and Trade (DFAT) in 1987 as First Assistant Secretary for Economic and Trade Development.<sup>1</sup>

Several of the main drivers of progress towards region-wide economic cooperation in the Asia Pacific believed that the time had come to move beyond networking with government officials in their private capacity. Consultations among Asia Pacific Ministers needed to be initiated in order to begin to build consensus on inter-governmental cooperation to address shared problems and act on opportunities for mutual benefit from economic cooperation.

In Australia, Peter Drysdale, who was one of the founders of PECC, Stuart Harris, who was the Secretary for DFAT at the time and Sir Russel Madigan who chaired the Australian Pacific Economic Cooperation (AUSPECC) committee were in favour of a ministerial-level meeting to be convened by PECC.<sup>2</sup> Drysdale encouraged me to assess the prospects for launching inter-governmental cooperation within the Australian Government and then with other governments.

In May 1988, along with Joanna Hewitt and Bob Lim from DFAT, I had dinner in Canberra with Haruziko Okumura from Japan's Ministry of International Trade and Industry (MITI). He explained that MITI was interested in initiating inter-governmental cooperation. At the same time, he was aware that it would not be easy for Japan, then the largest economy in East Asia, to take the leading role where it risked being seen as dominating. Moreover, Japan's Foreign Ministry, which was responsible for Japan's involvement in PECC, could be expected to be opposed to any initiative from MITI.

Could Australia take the lead – was this the right time?

Some early feedback was not encouraging. On the side-lines of a PECC Standing Committee meeting in New Zealand, I asked Jusuf Wanandi (a senior Indonesian statesman) about going beyond PECC. He responded, emphatically:

*“Beyond PECC, there is nothing”*

<sup>1</sup> It was a two-step move. In mid-1987, I was appointed to head the Economic, Science and Culture Division of the Department of Foreign Affairs. Very shortly afterwards, that was merged with the Department of Trade to form the Department of Foreign Affairs and Trade (DFAT). After the reorganization of the merged ministry, I became head of the Economic and Trade Development Division

<sup>2</sup> 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, and Harris stayed on the committee. The NPCC was renamed the Australian Pacific Economic Cooperation Committee (AUSPECC) in 1989.

His view was in line with a broader ASEAN concern that inter-governmental cooperation among a broader group might diminish its own efforts to deepen cooperation in Southeast Asia. I raised the issue with some Korean officials in Seoul in mid-1988; they were quite dismissive about inter-governmental Asia Pacific cooperation.

On the other hand, others were advocating inter-governmental consultations around the Pacific. Yasuhiro Nakasone, who became Japan's Prime Minister in 1983 re-invigorated interest in regional cooperation. During 1988, former US Secretary of State, George Shultz, canvassed the need for a Pacific intergovernmental forum to encourage co-operation in specific sectors. US Senator Bill Bradley proposed a Pacific coalition on trade and economic development designed to reinforce the Uruguay Round and remove barriers to economic growth in the region.

Some in Japan were also 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. 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.<sup>3</sup> 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".

Drysdale, Ross Garnaut and I participated in a PAFTAD meeting in Washington D.C in September 1988 which discussed the international economic system and regionalism. We detected some support for intergovernmental cooperation in the Asia Pacific, provided it did not lead to a trading bloc.<sup>4</sup>

Drysdale communicated intensively with many PECC colleagues around the region. The prospect of holding 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. I recall driving home, quite exhilarated, thinking "it can be done".

All of these developments were discussed at an AUSPECC meeting in late 1988. Participants agreed that it was time to encourage the Australian Government to support launching an inter-governmental process. As a middle power in the region, Australia could lead without being seen to dominate such a process. An initial ministerial-level meeting, initiated by the PECC's Standing Committee, could be expected to be seen as a natural progression within an existing framework. AUSPECC decided to write to Senator Gareth Evans to consider that idea. Then, Madigan and Drysdale met with Evans, proposing that PECC could facilitate a ministerial-level meeting on Pacific cooperation.

Subsequently, DFAT submitted a report to the Australian government on options for regional economic cooperation. DFAT's report recommended an early initiative.

<sup>3</sup> See MITI (Ministry of International Trade and Industry) (1988), "Aratanaru Ajia Taiheiyoku- wo Motomete" [Towards A New Asia Pacific Cooperation], Tokyo: MITI. Their 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.

<sup>4</sup> Fred Bergsten chaired the meeting as head of the hosting institution, the Institute for International Economics. His summing up rejected the idea of an Asia Pacific trading bloc, but that was not mentioned in the book on the PAFTAD meeting. By the time the book was published in 1993, he had become an ardent advocate of a Pacific Free Trade Area (PAPFTA). See *Pacific Dynamism and the International Trading System*, eds. C F Bergsten and M Noland, Institute for International Economics, 1993.

There was an opportunity to capitalise 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 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.

There was no immediate response to the DFAT report so it was not easy to decide on next steps. My immediate superior in DFAT was Deputy Secretary Michael Lightowler who disliked the PECC network. That made it hard to pursue the idea within the department. Fortunately, in December 1988, Peter Field was acting as my division's Deputy Secretary. He met with some of us in late December 1988, where we discussed ideas floating around the region for stepping up regional cooperation. We agreed that it was time to make a move – the next step would be to sound out the views of the Prime Minister's office.

That was no problem. Bob Hawke's economic adviser at the time was Rod Sims, whom I knew well.<sup>5</sup> Based on Hawke's consistent interest in strengthening Australia's links to Asia, he was sure that the Prime Minister would welcome an opportunity to initiate a process leading to inter-governmental cooperation in the Asia Pacific region.<sup>6</sup> We agreed that the next step would be to draft a speech for the Prime Minister.

## Preparing for Bob Hawke's Speech

Contrary to most reporting, Hawke's speech to call for inter-governmental cooperation in the Asia Pacific was not drafted in haste on the way to Seoul.<sup>7</sup> I wrote the first draft for the Prime Minister in December 1988, emphasising:

- » the potential benefit of fostering mutual understanding, mutual respect among Asia Pacific economies and of their aspirations, constraints and opportunities;
- » the shared interests of Asia Pacific economies, especially in a confident, rules-based environment for international trade.
- » that any sustained and successful process of cooperation among such a very diverse group needed to be open, based on mutual respect, mutual benefit and careful evolution.

Responsibility for the speech passed to the Prime Minister's office, who were broadly happy with the draft and allowed me to comment on some of their early suggestions. They decided to recommend to Bob Hawke that he announce an initiative for upgrading Asia Pacific cooperation. His visit to Seoul, during his already planned visit to several capitals in late January, would be a suitable opportunity.

<sup>5</sup> Rod Sims worked for me in the Papua New Guinea Department of Finance in the 1970s. After a distinguished career in the Australian public service, he became the head of the Australian Competition and Consumer Commission.

<sup>6</sup> Some of Hawke's efforts to encourage cooperation in the region, especially in East Asia, were summarized in his speech launching APEC in January 1989. They are detailed in T Takashi "The Genesis of APEC: Australian-Japan political initiatives" Pacific Economic Papers, no.298, Australian National University, available at <https://crawford.anu.edu.au/pdf/pep/pep-298.pdf>.

<sup>7</sup> As cited in Graeme Dobell's introduction to: <https://www.lowyinstitute.org/the-interpret/great-australian-foreign-policy-speeches-apecs-creation-bob-hawke> Graeme Dobell

I decided not to discuss the draft speech any further within the DFAT. I believed that I was the most appropriate point of contact with the Prime Minister's people. Aware of divergent views within our recently formed Department, I anticipated (correctly) that there would be disagreement with details of the proposal. Quibbles would not be welcomed by the Prime Minister's office and some important options for translating the proposal to reality could be needlessly closed. Nor did I mention to the Prime Minister office that no one else in DFAT knew what was brewing – it was best for them to assume that DFAT had no problems.

I left Canberra in late January for a visit to China, then to the OECD's first meeting with emerging East Asian economies (Korea, Singapore, Taiwan and Hong Kong). I alerted some people, for example, from Canada, about the forthcoming announcement. I was fairly cautious at the OECD but less so in Malaysia on my way back to Australia. By then, some hints about launching a new forum had appeared in the Australian press and the announcement was only a couple of days away. I shared the latest draft of the speech with the head of Malaysia's Institute for Strategic and International Studies. Fortunately, I heard no more about that, since the next draft contained some surprises.

There was some last-minute redrafting on the way to Seoul. Quite a lot of Korea-specific material was added and the rhetoric was certainly improved. However, the substance of the ideas discussed in late December remained intact. The only significant surprise was an explicit reference to the new initiative playing an OECD-like role in the Asia Pacific.<sup>8</sup>

## Launching the Initiative – Seoul, 31 January, 1989 –

Hawke took careful soundings before announcing his proposal. He visited his former economic adviser Ross Garnaut in Perth on his way to Seoul. Garnaut's support for the initiative was based on his extensive links in the Asia Pacific, including through the PECC network. Korean President Roh Tae Woo provided further encouragement; supporting the idea strongly when Hawke met him on 30 January.<sup>9</sup>

The next day, Hawke delivered the speech to launch what became APEC.<sup>10</sup> He stressed the need for regular consultations among the region's governments to:

- » identify shared interest, particularly in support for the multilateral trading system underpinned by the GATT;
- » discuss, frankly, the constraints faced by economies, including obstacles to open trade; and
- » look for ways to conclude the ongoing Uruguay Round of GATT negotiations.

<sup>8</sup> Like the OECD, the Asia Pacific initiative was intended to encourage consultations, information sharing and cooperative policy development. The OECD was not mentioned in earlier drafts, recalling the objections to the earlier DPTAD proposal for a formal organisation.

<sup>9</sup> Terada (1999, p280) suggested that the final decision required "the concerted effort of eight senior Hawke staff and public servants sitting around a hotel room between the hours of midnight and 4 am on the morning of 31 January" to make a final decision. Discussions about the final draft of the speech and the immediate questions it would raise were certainly warranted. However, I have no doubt Hawke was already firmly committed to go ahead.

<sup>10</sup> B. Hawke, Speech by the Prime Minister: "Regional Co-operation: Challenges for Korea and Australia", Luncheon of Korean Business Associations, Seoul, 31 January 1989, <https://pmtranscripts.pmc.gov.au/sites/default/files/original/00007475.pdf>

Hawke made it clear that his support:

*for a more formal vehicle for regional co-operation must not be interpreted as suggesting by code words the creation of a Pacific trading bloc. Australia's support for non-discriminatory multilateral trading solutions in the GATT framework is clear, long-standing and unambiguous.<sup>11</sup>*

The speech did not prescribe who should participate. At his press conference following the announcement Hawke did not mention the United States, leading many to assume that participation was to be limited to economies of the Western Pacific.

Dobell noted that the omission of the United States certainly attracted a lot of early attention to the proposal.<sup>12</sup> Later on, it became a major obstacle to building consensus on the shape of what was to become APEC.<sup>13</sup>



The Right Honourable Robert J Hawke (Prime Minister), left, at the opening of the J. G. Crawford Building of the Australian National University in September 1986.  
(Source: Australian National University Archives Centre, Permission Granted)

<sup>11</sup> Unambiguous support for non-discriminatory multilateral trade was ended by Australia's next Prime Minister Paul Keating. In 1993, he opened the way to negotiating discriminatory trade deals and supported the emergence of an Asia Pacific region-wide trading bloc.

<sup>12</sup> See Dobell *op cit*.

<sup>13</sup> From Seoul, Hawke's team headed for South Asia. I was worried that Korea's enthusiastic support for cooperation might lead Hawke to invite India to participate. At that time, India was definitely not an outward-looking economy, so its involvement would have made it impossible to reach consensus towards the broad objectives outlined in the Seoul speech. Knowing that all overseas calls were monitored, I decided not to warn against that - fortunately, the new initiative was not on the Prime Minister's agenda in South Asia.



# Achieving Consensus Within the Australian Government

The speech took many in Canberra by surprise. I had the opportunity to lead the follow-up without asserting any role in setting it up. I knew there was a lot to be done. As DFAT Secretary, Richard Woolcott wrote:

*...it is one thing to announce a major regional initiative without prior consultation with the potential participants or any details of what might be involved – it is quite another to make it work.<sup>14</sup>*

He was not quite right about the first of those points. As discussed above, the PECC network had prepared much of the ground – the potential participants already had experience of policy-oriented consultations and thought about involving governments. Many of those we met on our round of consultations around the region were members of their economies' PECC committees. But his second point was all too true. A delicate and sustained effort was needed to define the details of the initiative within Australia, then to bring other governments aboard.

I asked to meet Stuart Harris and Ross Garnaut for lunch on 1 February. They had both been involved in creating the PECC process in 1980, along with Peter Drysdale. Between the three of them, they had generated much of the ideas in Bob Hawke's speech. Both Stuart and Ross had extensive high-level experience of shaping government policy in Australia and gave me a lot of good advice.

We had very few resources to tackle the urgent task of preparing a briefing for Woolcott and our Minister Senator Gareth Evans – just a few people in my Division. Tony Hely and John Richardson were magnificent leaders of that tiny team.

## - Who Should Participate? -

Among many difficulties we foresaw was to agree on which governments might be invited to participate in the initial ministerial-level meeting. There were fifteen economies with strong existing and/or potential economic links, namely the six members of ASEAN, the three Chinese economies (the People's Republic of China, Hong Kong and Taiwan), Australia, Canada, Japan, South Korea, New Zealand and the United States. It was certainly desirable to engage all of them, but how?

It was essential to include the PRC. Mainland China was a low-income economy in 1989, but the reforms begun in the late 1970's had already sparked a rapid increase in productivity. If this new momentum could be sustained, China was on track to regain its historic role of being the world's largest economy.<sup>15</sup> Its share of global trade could also be expected to grow rapidly.

We knew that both Hong Kong and Taiwan were also keen to participate and, as significant Asia Pacific economies, it was highly desirable to include them.

It was well understood that it would be difficult to engage the PRC in international institutions alongside the two other Chinese economies. The PRC claimed these two as its territory and opposed

<sup>14</sup> Woolcott, R (2003) *The Hot Seat, reflections on diplomacy from Stalin's death to the Bali bombings*, Harper Collins, page 233/

<sup>15</sup> I was made aware of this historic trend by a 1988 speech by Ross Garnaut at the ANU when he was Australia's Ambassador to the PRC.

their participation in any international organization. As an informal forum, PECC had been able to overcome the problem, with Taiwan included as 'Chinese Taipei', but it was far from certain that this formula would be acceptable at an inter-governmental level.

It was also essential to decide whether the United States should be included. Backed by strong advice from my PECC colleagues, our team was convinced that the United States had to be in there. While China could be expected to become a very important trading partner of all Asia Pacific economies in the future, the United States, followed by Japan, were their vital trading partners in 1989. Meaningful economic cooperation in the Pacific region needed support from both. Moreover, the United States was the main security ally of both Australia and Japan. Japan would certainly refuse to join a process of regional economic cooperation without the United States.

On the other hand, the DFAT Deputy Secretaries who had come across from the former Department of Trade were adamantly opposed to including the United States. One of them had experienced the problems of dealing with the United States in multilateral trade negotiations. Another took Hawke's omission of them in his Seoul press as an instruction. Once again, I had to skip past the chain of command.

I phoned Rod Sims' wife (also a good friend from Papua New Guinea days) asking her to make sure that Rod spoke to me before anyone else on his return to Australia, about following up the Seoul speech. I thought it was important to make him aware that the Prime Minister's initiative would not succeed without United States participation. I warned him of the opposition to United States by some in DFAT. I hoped that he could help resolve the issue. Rod advised me there was a lot of caution within the Prime Minister's office about including the United States, so we could not expect an immediate favourable decision from the Prime Minister.<sup>16</sup>

I spoke to Michael Costello, who was the head of the DFAT division responsible for relations with the United States for help. He was able to convince John Bowan, the Prime Minister's foreign affairs advisor that the political ramifications for Asia Pacific cooperation could not be separated from the economic dimensions. That provided breathing space to resolve the participation issues along with the need for Government-wide agreement on several other decisions about the nature of the potential inter-governmental forum.

While Australia was considering whether the United States should participate, the Americans had reacted. Secretary of State, James Baker, scolded Senator Evans when they met in March. In Evans's words, Baker placed the 'mark of Zorro' on him, stating that our open-mindedness about their participation while we consulted others was not good enough for a close ally. Nevertheless, Baker was pleased with the proposal, which was in line with his own interest in regional economic association in the Asia Pacific.<sup>17</sup>

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<sup>16</sup> In *The Hawke Memoirs*, the former Prime Minister explained that he had never intended to exclude the United States but wanted to seek Asian views before defining potential participation in his Seoul initiative.

<sup>17</sup> See Terada (1999, p294, footnote 81).

## - Gathering Support -

Within the Department, my team briefed Secretary Woolcott about options for giving shape to the initiative. He agreed readily with our recommendations that:

- » cooperation among such a diverse group of economies should be voluntary;
- » any formal structure, such as a secretariat, should be left for later consideration;
- » the agenda for cooperation should stick to economic issues, with an emphasis on support for the multilateral trading system;
- » we should aim for initial participation by 15 economies listed earlier;
- » consultations should create opportunities for these economies to learn about, and from each other.

We also launched the meme: “APEC is an idea whose time has come”.<sup>18</sup> We would aim to hold an initial ministerial-level meeting by late 1989. We were well aware that there had been no decision on including any North American economies and that it would be very hard to reach agreement about including all of the three Chinese economies. We also decided that Australia should take the lead in consultations to define the Hawke initiative, rather than fall in line with the proposals being discussed by Japan’s MITI.

The next step was to invite Evans to the Department to discuss these ideas. The meeting with the minister included my small team, Woolcott, Deputy Secretary Lightowler (and possibly others). I was delegated to lead the presentation of the ideas from the Department. Senator Evans sought answers to relevant questions, then agreed with our proposals, noting that we would need to find a way to obtain the Prime Minister’s agreement to include the United States. He instructed the Department to prepare a Cabinet Paper on the initiative which would, among other proposals, set out options for participation.

I was worried that the paper we prepared would sound biased about including the United States, since we had found it very hard to think of any convincing arguments for its exclusion. Fortunately, we had no further difficulty in clearing the paper with either the Prime Minister’s Department or his office. The proposals were subsequently endorsed by the Cabinet. That cleared the way for me to brief the United States and Canadian mission that they would be invited to participate in Australia’s initiative.

Hawke decided that consultations with the region about the proposal be commenced as soon as possible. He wrote to the heads of the governments of all potential participants explaining that Australia would outline its ideas for economic cooperation in the Asia Pacific and would be genuinely open to ideas from others. Woolcott was designated to lead the consultations as a Special Envoy of the Prime Minister. He was to be backed by John Bowan from his office and by me from DFAT.<sup>19</sup>

<sup>18</sup> That phrase became the title of the APEC chapter in Woolcott’s memoirs.

<sup>19</sup> John Richardson from my team accompanied us for some of the consultations, taking advantage of his knowledge of Japan and regular informal interaction with Okumura from MITI.

## - Warnings -

Early warnings about the potential difficulties to be overcome came from within DFAT. Lightowler told my team that “...even Jesus Christ would not be able to have Ministers from the PRC and Taiwan in the same room for a meeting”. Darren Gribble, the head of the East Asia division asserted that there was no alternative to falling in behind MITI’s lead. In his memoirs, Dick Woolcott recounts his concerns after his appointment as Special Envoy:

*I sensed that we were on a knife edge. On the one side lay failure and the idea of being consigned to the scrapheap of history, along with previous unrealized regional initiatives. But on the other side was the potential prize of a new era of greater economic cooperation and enhanced free trade in the region with the opportunities this would open up for Australia as an isolated trading nation.<sup>20</sup>*

I was rather more optimistic. The hardest part of taking new international initiatives is, all too often, gaining domestic support. It is hard to weave a way through competing interests of Ministers and their bureaucracies to forge consensus about the details and objectives of any initiative. I remain certain that if the Department of Foreign Affairs had not been merged with Trade in 1987, either one would have shot down any adventurous ideas from the other.

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<sup>20</sup> Woolcott (2003) page 234/235.

# Seeking Regional Support

**D**uring March, DFAT was preparing for consultations, seeking feedback through diplomatic missions in potential participants. My small team was writing a brief for Woolcott including the expected reactions of other governments.

We were well aware that we needed consent from ASEAN before other vital participants, especially Japan, would consider participating. Early feedback suggested that ASEAN might decide to try to absorb the new initiative as part of their existing dialogue with partners, which included many of the potential participants in Australia's proposal.<sup>1</sup>

We took these concerns seriously. ASEAN deserved respect for pioneering successful inter-governmental cooperation among a diverse group. To a large extent, we had designed the details of Australia's proposal by drawing on the ASEAN experience. In all our consultations we stressed that the Hawke proposal was to be seen as a complement to ASEAN and its network of dialogue partners.<sup>2</sup>

Feedback from the region raised two other serious concerns that would need to be addresses during the forthcoming consultations. We needed to reassure potential participants that Australia did not have any hidden agenda to create a trading bloc in response to those in Western Europe and North America. We also need to explain that Hawke's mention of the OECD was intended to illustrate the range of analyses desirable to improve understanding of the challenges and opportunities facing the Asia Pacific. There was no intention to set up an organization of anything as large and expensive as the OECD; we would look for other, far more modest, ways to begin to identify shared interests.

<sup>1</sup> Woolcott (2003) pp238/239.

<sup>2</sup> Woolcott (2003), p239.

## First Round of Consultations

### - New Zealand -

Woolcott had already been scheduled to visit New Zealand in mid-March to participate in a meeting of the Cairns Group of agricultural free trading economies.<sup>3</sup> This provided the opportunity to discuss the Hawke proposal with New Zealand ministers and officials. He recalled that New Zealanders were 'miffed' that they had not been consulted in advance, but were quite happy to endorse it. By April 3, their Prime Minister David Lange was pleased to tell the press that New Zealand was the first to be 'fully briefed'.<sup>4</sup>

### - Indonesia -

There would be no chance of success without Indonesia's backing. Woolcott knew Indonesia well from his time as Ambassador in the 1970s and he was known and respected by many senior Indonesians. His long and close friendship with Foreign Minister Ali Alatas proved to be crucial.

We were met at the aircraft door by our Ambassador Philip Flood. He ushered us straight to our cars, with luggage to follow.<sup>5</sup> Flood quizzed me about the origins of the Hawke initiative. My response was factual, but not quite complete about the extent to which the Minister for Foreign Affairs had been involved.

We had a fine dinner at the Australian Embassy with many Indonesians interested in the region. To my surprise no one seemed to want to talk about economic cooperation – but the atmosphere was very cordial.

Woolcott met President Suharto on April, accompanied by only our Ambassador and John Bowan. Woolcott reported that the President was attracted to the Australian proposal to move more closer to free trade on a regional basis and asked that we brief his Ministers for Economic Coordination, Trade and Foreign Affairs.<sup>6</sup>

Our meeting with Ali Alatas was lengthy. He was quite positive and helpful. His view was that the economic ideas behind the proposals were sound and could be expected to foster cooperation. However, it was vital to avoid pushing the pace – he explained, in detail, all of the traps the Australian initiative could fall into and how we might avoid them. The need to respect and acknowledge ASEAN's role was the most important. But there were many others. For example, the People's Republic of China (PRC) did not have diplomatic relations with Indonesia, Singapore and the Republic of Korea (ROK). We needed to heed Indonesia's status in the Non-Aligned Movement. Care was needed when seeking to convene a meeting which the PRC and ROK were invited, without inviting North Korea or the Soviet Union.

<sup>3</sup> For all of the below first consultations, I have not inserted the exact dates of visits to capitals. They are available elsewhere. The Cairns Group of economies backing free trade in agricultural products was an encouraging example of an international economic cooperation initiative by Australia.

<sup>4</sup> Woolcott (2003) p 235. Woolcott's briefing on the Asia Pacific economic cooperation for his New Zealand visit had to be prepared in great haste. He was quick to absorb it and use it effectively. The only drawback was that he stuck to it perhaps too closely later on, rather than 'updating' his mind with some additional material in the next brief prepared for the vital consultations with ASEAN leaders.

<sup>5</sup> Not having had to present my passport to be stamped on entry, I wondered whether I would be allowed to leave Indonesia – but there was no problem.

<sup>6</sup> Woolcott (2003), page 236.

We also discussed the challenge of including the United States. It might prove easier to leave them out, in order to avoid them dominating the process. On the other hand, Woolcott quoted former United States President Lyndon Johnson who said it is better to have people “inside the tent pissing out, than outside pissing in”.

Alatas emphasised the need to ensure that any new process of cooperation must be voluntary, based on genuine mutual respect and aimed to generate mutual benefits. We should be patient, since building consensus and trust would not be easy. We should certainly avoid premature institutionalisation. An initial ministerial-level-meeting might be acceptable, but it should be seen as an exploratory one, with no presumption about the future of the initiative. Alongside all of these warnings, we received sufficient encouragement to proceed, provided we listened carefully and took account of constructive advice

Meetings with other Ministers were positive courtesy calls. Afterwards, Philip Flood organised a press conference, where Woolcott gave a very upbeat account of the support he had received. Quite accurate, but skipping over the warnings. We certainly took all those caveats on board, but did not consider it necessary to share potential problems with the press. Flood insisted we compose a cable to Canberra before departure – that was a very good idea which we adopted for each of our consultations. Writing up the views of the people we had learned from, provided the opportunity to sum up the full range of feedback (leaning towards the positive) then to start to think ahead to the next destination.

#### **- Thailand -**

After Jakarta, Woolcott’s team flew first-class with him. My flight routine was to go through the brief for the next stop, highlight the key points to the Secretary, then enjoy the superb service.

The Bangkok consultations were packed into one day. Prime Minister Chatchai Choonawan brought his Ministers for Foreign Affairs and for Commerce to our meeting with him. The meeting was preceded by and inspection of the old Thai Air Force plane which had been converted to a bar in the Prime Minister’s home garden. Woolcott recalled that we did not sample the contents, but the “inspection of this unusual facility got our meeting off to a relaxed start”.<sup>7</sup>

We left with support for Hawke’s initiative and, importantly, for a ministerial-level- meeting in late 1989. However, Chatchai did not support United States participation.

A meeting with officials and academics in the afternoon was interesting. As reflected in many cables from Bangkok, Thai officials felt quite free to hold differing views and express them to outsiders. We heard some nationalist and mercantilist views as well as some strong support for openness. On balance, all that was fine.

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<sup>7</sup> Woolcott (2003), page 236.

## - Malaysia -

We were worried about the feedback we had received in cables about Malaysia's lack of enthusiasm for our proposal, in particular, about any new formal organisation which might overshadow ASEAN and their concern about including either North American or Chinese participation.

Mahathir Mohamad had only just returned to work after major heart surgery, but agreed to meet with Prime Minister Hawke's Special Envoy. Mahathir listened to us courteously but committed to little more than to 'take note' of the initiative, referring us to the Minister for Trade and Industry (Rafidah Aziz, who was to be in charge of Malaysia's response and the Minister for Foreign Affairs (Dato Abu Hassan). Neither minister wanted to include the United States, Canada or China.

Rafidah was a lady with strong views – with gentlemanly understatement, Woolcott (2003 p238) describes her as 'feisty'. Luckily, she supported our initiative and the convening of an exploratory ministerial-level-meeting, albeit with some of the reservations we had been warned about. At end of the meeting, Woolcott asked Rafidah whether he could speak to the press already outside. Boleh-boleh,<sup>8</sup> she responded, whereupon Woolcott gave an upbeat interpretation of Malaysian support, which was swiftly aired on television.

## - Brunei -

As we travelled around Southeast Asia, John Richardson was in fairly regular contact with MITI's Okumura. We knew that their Vice-Minister Muraoka had also been travelling around East Asia, advocating a MITI initiative for economic cooperation in the Asia Pacific. We understood that they were also receiving polite expressions of interest.<sup>9</sup>

We had two advantages. Firstly, Woolcott's designation as Prime Minister Hawke's Special Envoy facilitated access to Ministers and, in most economies, to heads of government. That allowed us to obtain top-level support, to which we could point in subsequent consultations. Secondly, MITI did not visit Brunei Darussalam.

We knew that showing respect for ASEAN meant respect for all of its then six members. The added advantage was that our meeting in Brunei Darussalam were remarkably productive. The leadership group was small, but excellent.

Looking at the scheduled meetings, we saw that Lim Jock Seng was to participate in the meetings with each minister (we never expected to meet with the Sultan). He turned out be an astute and trusted adviser on almost everything. He and his younger brother, Lim Jock Hoi who also sat in on our meetings, had briefed their Ministers thoroughly.<sup>10</sup> They had a clear idea about the potential benefits and risks of what we were proposing. Brunei had consulted closely with others in ASEAN.

<sup>8</sup> 'You can – you can'

<sup>9</sup> See Terada (1999, pp281-286) for Japanese reactions to the Seoul initiative and MITI's consultations around the Asia Pacific about their proposal for meetings of Trade and Industry Ministers.

<sup>10</sup> It was surprising, but welcome, to find two Chinese to be so well embedded in a Malay-Islamic polity. Lim Jock Seng later rose to be a Minister and Lim Jock Hoi to be the Secretary-General of ASEAN (2018-2022).



Their support and suggestions were consistent with the basic ideas we had already adopted – those, in turn, drew substantially on the principles of openness, equality and evolution recommended by the PECC to be the foundations of cooperation among a diverse group of economies.<sup>11</sup>

Then off to Singapore, with gold-plated bathroom fittings in Royal Brunei Airlines first-class – but no grog.

### **- Singapore -**

We had two important meetings in Singapore. We met Lee Hsien Loong, then the Minister for Trade, in the morning. It was a fairly relaxed and informal discussion, allowing several from both governments to make comments. My input in favour of including North American participants was along the following lines:

*The United States tends to assume that economies which are catching up and competing successfully must be cheating. We needed a process of dialogue which clarified the sources of East Asia's dynamism. They were certainly taking advantage of an open international economic environment to escape from poverty, but that was not damaging other economies.*

The point seemed to well taken at the meeting, but has never been accepted by the United States polity.

The afternoon meeting was quite memorable. Woolcott did not have much opportunity to speak – nor did he need to. Lee Kuan Yew opened the meeting by saying he had been briefed in detail about our meeting with the Minister for Trade. He just wanted to have two small points to be clarified; Woolcott did so.

Then the Prime Minister expounded on the case for inter-governmental economic cooperation in the Asia Pacific. He certainly understood the opportunities and was conscious of the urgent need for dialogue to ensure that the United States remained committed to Asia and the need to defend a rules-based international order. Without that, East Asia could not sustain its recent rapid rise in productivity and prosperity.

I was struck by Lee's clear confidence that Singapore could not only catch up with the West, but soon surpass European standards of living – and they have. I left feeling deeply impressed by Prime Minister Lee Kuan Yew and his grasp of global security and economic realities, risks and opportunities.

### **- Republic of Korea -**

Next stop Seoul, via Taipei. Some in Canberra were worried whether it was wise to take a Singapore Airlines flight which landed in Taiwan. Our Special Envoy may have to enter the non-country if there was a problem with the flight. We took the risk and survived.

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<sup>11</sup> We were travelling during the month of Ramadan, so the Lim brothers took the team out to a modest, but tasty, lunch at a Chinese restaurant. At the end of the meal, I noted one of the reasons why they were trusted. They asked for 'doggie-bags' to take home the ample excess food – corrupt officials would not have bothered.

I remembered the negative response on regional cooperation from some senior Korean officials in 1988, so we were prepared to find that the support for Hawke's January 1989 speech had not been more than politeness. Therefore, it was a pleasant surprise to encounter great enthusiasm with a proposal they now felt they 'owned' since the proposal had been launched in Korea.

At the evening function after our arrival, a Korean official approached me to say they would be keen to host a ministerial-level-meeting at the earliest opportunity.<sup>12</sup> All of the meeting with Ministers, officials and researchers were very positive – not concerned with whether we should go ahead, but how soon and how to make it all work. At our meeting with the highly-reputed Korea Development Institute, I met Young Soogil for the first time. He was one of the main drivers of economic reform in Korea and a valuable member of the PECC network.<sup>13</sup>

At our meeting with the Foreign Ministry, Woolcott asked for advice about how to handle the expected opposing views of Japan's Foreign Ministry and MITI during our imminent visit to Japan. Korean advice was to listen to both and be prepared to enjoy dinners with both of them in one evening.

### - Japan -

John Richardson had flown ahead to Tokyo to meet with Okumura and other MITI officials and briefed us about the feedback from their consultations in East Asia led by Vice-Minister Muraoka. Our main challenge would be to find a way forward with one, not two, competing proposals for regional economic cooperation.

Our embassy briefed us about the problems erupting around Prime Minister Takeshita, whose private secretary had just hanged himself after a party financing scandal was exposed. I recall commenting that the Japanese government seemed to have "its pants around its knees". It might be hard for them to provide us with a response.

On our first morning, we met with Saburo Okita and Seizaburo Sato, who had both been at the Canberra Seminar which launched PECC in 1980. They were happy to support raising the policy-oriented consultations, which PECC had pioneered, to an inter-governmental level. Okita reminded us that he had been nurturing economic cooperation for a very long time, working with former Japanese Prime Minister Masayoshi Ohira and Australian Prime Minister Fraser supported by Sir John Crawford and Peter Drysdale.

Although Okita and 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 process. 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.

MOFA officials were also concerned, as we had been, that the United States had been omitted from the original list of proposed participants. That might have offended the United States and damaged the prospects for Asia Pacific cooperation. Woolcott had to explain that one of the objectives of our

<sup>12</sup> That official may have been Ambassador Lee See-young, who subsequently became Korea's senior APEC official.

<sup>13</sup> I also recall Dick Woolcott telling one of his favourite jokes as we drove to the meeting. He was very good at keeping us cheerful and optimistic.

consultations in Asia was to seek views about potential participants, including the United States and there was support for including them. Another correct, but carefully selective, statement.

The meeting with Foreign Minister Seizuke Uno did not go well. He seemed happy to listen, but was called out from the room. When he returned, along with one of their Vice-Ministers, he spoke rather negatively. In my draft reporting cable, I wrote that the meeting had been a setback. Woolcott, wisely amended that to “somewhat of a setback”. No alternative, but to press on.<sup>14</sup>

<sup>14</sup> Shortly after the successful APEC meeting in November, we were paid a compliment by Sadaaki Numata, the Deputy Head of Mission of the Japanese Embassy in Canberra. He was a quiet supporter and had followed the feedback from our meetings throughout the year. He was aware of some of the problems we had encountered, remarking that Australia was always able to look for the positive and ‘just kept walking’ towards our objective.



Peter Drysdale, one of the intellectual architects of APEC, circa 1970s. (Source: Australian National University Archives Centre, Permission Granted)

In a vital meeting between Woolcott and Vice-Minister Muraoka, the two teams discussed their somewhat parallel proposals. MITI confirmed that they were extremely eager to proceed towards inter-governmental economic cooperation. They were confident that they could overcome the Foreign Ministry's objections, since Prime Minister Takeshita had endorsed MITI's idea.<sup>15</sup> As expected, they stressed that the United States must be included.

Woolcott explained that we had received quite a lot of feedback from ASEAN about Muraoka's own round of regional consultations. 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.

But how to explain that we preferred to go forward with Hawke's initiative? A moment of awkward silence. As heads turned slightly, I realised it was up to me to be deniably firm. I stated, as gently as I could, that in view of the problems faced by MITI the practical option might be to subsume MITI proposal into the Australian initiative. We would of, course, take on board their advice and seek to achieve the objectives they had set out in their excellent 1988 paper. Muraoka did not seem too pleased, but did not demur. Referring to me, biting, as ‘Socrates’ he advised Woolcott that we should proceed along those lines and Canberra should host the first ministerial-level meeting.

MITI advocated a detailed feasibility study before ministers met. We were not keen on that idea, believing that the proposed nature of cooperation should not be over-defined. We agreed to take each other's view into account during preparations for the meeting. This led to agreement that senior officials should meet well before the ministerial-level meeting to agree on agenda. In addition, Australia would prepare extensive background briefing material and encourage all other participants to do likewise.

<sup>15</sup> See Terada (1999, p292).

A more difficult unresolved problem that MOFA remained opposed to any proposal from MITI on regional diplomacy. At a sumptuous dinner which MOFA officials hosted in Versailles-style surroundings, they referred to their terrific sense of strategy and diplomatic experience – presumably to help us to see ourselves as amateurs.

We will never know whether the ministerial-level meeting could have been held in 1989 without subsequent changes in the Japanese Government.

Shortly after our visit, Takeshita resigned and Uno became Prime Minister. 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 “bi-ministerial” Japanese support for a meeting in Canberra which would seek to include the United States, Canada and, if possible, the three Chinese economies.

### **- The Philippines -**

From Japan, Woolcott, Bowan and Richardson went to Manila.<sup>16</sup> Woolcott received a very positive response from President Cory Aquino. Her spokesman told the media that she approved the Hawke initiative in principle.

The team was aware that Foreign Secretary Raul S Manglapus was unhappy with the proposal; apprehensive about its potential dilution of ASEAN. Woolcott delayed his departure to reassure Manglapus that we envisaged a central role for ASEAN in any new regional forum.<sup>17</sup>

### **- Summing It Up -**

Woolcott sent a cable to Senator Evans to sum up his assessment of progress.<sup>18</sup> The main points were:

- » if Japan agreed to support the proposal, we were likely to be able to convene a ministerial-level-meeting in November;
- » that meeting could be expected to support an ongoing process with modest institutional arrangements and achieve consensus on a practical agenda for future cooperation;
- » we had made progress about including the United States, Canada, the PRC, Hong Kong and – subject to some workable arrangements – Taiwan.
- » ASEAN's concerns about the proposal had been less than we had accepted and would agree to an initial exploratory meeting as long as ASEAN's role was genuinely respected;
- » there was widespread opposition to any large, costly bureaucracy. We had been able to explain that, while the proposal was expected to draw on the example of the OECD, there was no intention to rush towards institutionalisation.

<sup>16</sup> I flew to San Francisco to brief a Standing Committee of PECC, as discussed below.

<sup>17</sup> (Woolcott, 2003), page 237)

<sup>18</sup> Woolcott (2003), pages 238 and 239.

In addition to these points, there a clear consensus among those consulted so far that:

- » cooperation should be voluntary, based on mutual respect and aimed to create mutual benefit;
- » cooperation should be consultative, not a forum for negotiating binding agreements;
- » an initial meeting of Asia Pacific ministers should be exploratory;
- » the region had a strong interest in sustaining and strengthening an open international trading system, at that time underpinned by the GATT;
- » economic cooperation should not aim to create a trading bloc which discriminated against other economies.

The team returned to Canberra in a confident mood. Too many of us wanted to attend the debriefing meeting in Bob Hawke's office. The Prime Minister frowned at the size of the DFAT group, but was very pleased with what Woolcott reported.<sup>19</sup>

## Second Round of Consultations

Quite soon, in early May, we were off on the next round of consultations.<sup>20</sup> We faced two difficult challenges.

Firstly, our mandate was to find a way to include all of the three Chinese economies. But we were not sure we could find a way to do so in a way which was acceptable to the PRC.

Secondly, we needed to try to obtain United States support for Hawke's initiative. As already mentioned, Secretary of State, James Baker had expressed his displeasure at not being included in Hawke's listing of potential participants. Our impression was that United States support for the initiative had certainly not been ruled out. On the other hand, they would oppose it unless they were invited to participate - that would abort the birth of APEC.

### - PECC and Second-Track Diplomacy -

PECC continued to provide help to overcome these potential pitfalls on either side of the Pacific Ocean.

The United States had been involved in early thinking about the need and potential for cooperation in the region. Professor Hugh Patrick was one of the founding members of PAFTAD. He worked with Peter Drysdale to propose OPTAD in a report to the US Senate. As discussed above, the feedback about that idea led to support for a less formal, evolutionary approach adopted at the first PECC meeting at the Australian National University in 1980.

Richard Holbrooke, who became one of the most respected United States diplomats was a keynote speaker at that meeting. Richard Fairbanks, a prominent member of the Republican establishment,

<sup>19</sup> As we re-entered the DFAT building, someone remarked that Hawke was showing his age. "Well, he is over 60". Woolcott, a little older than Hawke, but remarkably fit, smilingly commented that he would let that "go through to the keeper".

<sup>20</sup> The team was down to three, with John Richardson staying in Canberra.

chaired the United States PECC committee during the 1980s.<sup>21</sup> Based on these PECC links to the top levels of the United States administration, we were confident of United States support, once Australia jumped through a few hoops to atone for not consulting them before the Seoul speech.

The PECC links to the three Chinese economies were relatively more recent. Careful consultations, including through the PAFTAD process led to an agreement that the PRC would allow Hong Kong and Taiwan to participate as economic entities, with Taiwan participating as Chinese Taipei.<sup>22</sup> Once engaged fully in the PECC, it was possible to have regular contacts with senior officials from those economies, in their private capacities. We could be confident that all three would be interested in Hawke's initiative. However, it was far from certain that the arrangements agreed for PECC would be acceptable for more formal cooperation, especially if Ministers were to be involved.

The first of my many discussions about including the three Chinese economies in potential inter-governmental cooperation was at a PECC Standing Committee meeting in New Zealand in late 1988. Ambassador Chen Luzhi, who was leading the Chinese PECC team was politely interested in the potential of China's participation in inter-governmental cooperation evolving from the work of the PECC. But it was too early to discuss how Hong Kong and Chinese Taipei could become involved.

#### **- PECC Standing Committee Meeting, San Francisco, April 1989 -**

Woolcott agreed that after the consultations in Tokyo, I would split off from the rest of the team and fly to San Francisco for an imminent meeting of the PECC's Standing Committee. We believed that this group, which included some quite senior statesmen, researchers and business people, could provide valuable support for the Hawke initiative. To obtain that support, it was important to brief them fully on the nature and objectives of the proposed inter-governmental cooperation and on the progress made so far.

I had a rare free morning in Tokyo before leaving to fly across the Pacific. I remember walking all the way around the huge compound of the Emperor's palace, enjoying the opportunity to have some badly needed exercise and to think about how to brief PECC – how to explain the outcome of our consultations and the potential shape of an inter-governmental forum to people who had been preparing the ground for such an enterprise for many years.

I scrawled notes for my presentation and snatched some sleep on the overnight flight across the Pacific. I knew I had to go straight into the Standing Committee meeting, so I changed into a suit in a disabled toilet at Vancouver airport and was lucky to be able to stretch out for another nap on the next flight to San Francisco, arriving mid-afternoon. The Australian Consul collected me and drove me into town and, yes, straight into the meeting.

<sup>21</sup> After the election of President Obama, the United States PECC committee was chaired by Adlai Stevenson III, the son of the Democratic Party candidate for President in 1952 and 1956.

<sup>22</sup> Consultations with PRC about participation in PECC started soon after the first PECC conference in 1980. Discussions about ways for all three Chinese economies to participate intensified in 1984, and all three were invited to the PECC plenary meeting in Vancouver, Canada in 1986.

The Standing Committee appreciated my briefing and agreed to support Hawke's initiative and undertook to encourage their governments to participate. Their preference was for Ministers to meet after PECC's General Meeting scheduled for mid-November, so that they could convey an agreed message to ministers. I could not assure them about timing, but expressed confidence that the two processes would complement and support each other.

I walked out of the meeting, very tired, heading back up a steep hill to my hotel, where my bags had been dropped. Ready for a quick meal and a long, real sleep, I was intercepted by Peter Drysdale and ushered into yet another hotel for a formal dinner.

During the pre-dinner mingling, I met many people I had come to know and respect during earlier PECC interactions. I noted that Peter Drysdale engaged in earnest conversation with George Shultz (recently Secretary of State in President Ronald Reagan's administration). I assumed it was to encourage the United States to welcome and support Australia's efforts.<sup>23</sup>

At dinner, I was seated at a table with several members of the PECC Standing Committee. One of them was Koo Chen-fu from Chinese Taipei. He was a noble gentleman who had fled to Taiwan from the mainland in 1949, then regained wealth by creating a conglomerate business, including becoming the main supplier of cement to the economy. I thought that he might be the kind of person who could represent Taiwan at APEC meetings, if their participation could be negotiated.<sup>24</sup>

By the end of the main meal, I was nodding off when I heard Richard Fairbanks comment that they had heard about an Australian initiative for Asia Pacific economic cooperation; an Australian official may want to know whether the US might support it.

Snapping awake, I realized I was expected to address that question to George Shultz, who had floated the possibility of trans-Pacific economic cooperation in 1998. I must have framed the question and summarised the concept reasonably well, since Shultz said that it was an idea which he believed the United States should support.<sup>25</sup>

In my hotel room at last, ready for bed, the phone rang. The caller introduced herself as Ms Zhang Xiaokang and asked me to clarify further the nature of Australia's proposal. I managed to defer that to a constructive working breakfast. A couple of weeks later she was one of those who met our team at Beijing airport.

### **- Hong Kong -**

I briefed Woolcott on my side trip before the team headed to Hong Kong. I was met at the airport by Frances Adamson, who later rose to be Secretary of DFAT.

Some of us met with Edward K Y Chen, a member of Hong Kong's PECC committee, who gave us useful advice as well as encouragement. Woolcott's main meeting was with the Governor, Sir David

<sup>23</sup> I also overheard two United States bankers musing whether Alan Bond should be rescued. That was the first I had heard of Bond's impending financial debacle.

<sup>24</sup> He did represent Chinese Taipei at the first economic leaders meeting in 1993.

<sup>25</sup> Thanat Khoman, the head of Thailand's PECC committee, whispered in my ear that US support was "the kiss of death" for the initiative.

Wilson. As we had expected, he was anxious that Hong Kong should participate in a way which could be sustained after Hong Kong became a Special Administrative Region of the PRC. Hong Kong, as an economy which depended on international commerce, supported our aim of encouraging movement towards free trade – as long as it did not seek to discriminate against other economies.

Even in 1989, mainland China was rapidly becoming Hong Kong's main economic partner. At that time, many governments refused to assure the PRC of equal treatment. Therefore, Hong Kong was a particularly strong supporter of the GATT's fundamental principle of non-discrimination among trading partners.

### - China -

As we flew towards Beijing, we were well aware of the turmoil in China. The vast Tiananmen Square in the centre of the city had been occupied by pro-democracy students and others since April. By the time we flew in, it was evident that the Government was determined to restore order and disperse the demonstrators. They had not only dared to challenge the rule of the Chinese Communist Party, but had also caused them to lose face during the just-ended visit of Mikhail Gorbachev, the General Secretary for the Communist Party of the USSR.

Arriving in late evening in the midst of palpable tension, we were installed in one of the villas within the Diaoyutai State Guest House complex, where President Gorbachev had just left the grandest villa.

The next morning, we met with Foreign Minister, Qian Qishan. Woolcott led off by asking for a briefing on Gorbachev's visit. The Minister was very satisfied with its substance, which indicated the estrangement between China and the USSR was ending, essentially on China's terms.



An image of the crowds in Tiananmen Square in Beijing, China in 1989.  
(Source: AlcorBlack2 via Wikimedia, CC4.0)



Woolcott then presented the Asia Pacific economic cooperation initiative. The Foreign Ministers assured us that China would support it, being 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. However, he listened politely to our preference to include all significant Asia Pacific economies.

In the afternoon, I watched the televised meeting of student leaders from the Tiananmen Square with Premier Li Peng. There was no translation, but the body language was ominous. The Premier was stony-faced, while the students were quite rude, which was surely seen to be unacceptable.

The next morning, we heard reports that Zhao Ziyang, the General Secretary of the Chinese Communist Party, had visited the students in the square, imploring them to leave, lamenting that it was all too late. In theory, he was the most powerful person in the Party, but Deng Xiaoping was in ultimate control. Zhao was never seen in public again.

We were nervous about the scheduled meeting with Li Peng that afternoon. I decided to take a walk in the Guest House compound. Dick Woolcott must have seen me set off and caught up. We had a very long conversation about the forthcoming meeting, knowing that the issue of participation in the potential institution was sure to be discussed. We talked through various scenarios and whether the PECC solution was likely to be acceptable. The best we could hope for was to keep options open.

There was very little traffic on the streets when we were driven off to the meeting in Zhongnanhai, the compound for China's most senior leaders. We were taken, needlessly, on an obviously circuitous route.

The meeting began with a diatribe by Premier Li Peng about the turmoil in the capital – it was now necessary for international delegations to be escorted around problem areas to attend meetings. It became quite clear that we had been set up to be used as a reason for taking action against the demonstrators. There was little doubt that forceful action to end the protest was not only inevitable, but also imminent.

Nevertheless, Woolcott responded smoothly that we were aware of events and were confident that all would be settled in a peaceful manner.

He then briefed Li Peng on the Asia Pacific economic cooperation initiative and the support we had received so far. Li Peng asked for clarification on a couple of points from his officials. I was impressed by the calm and confident way Zhang Xiaokang, although only a middle-level official, dealt with one of those issues with no hint of subservience.

Then, Li Peng decreed firmly, and intentionally quite loudly, that only sovereign states could participate in the proposed new institution. What could we say in such a confronting environment? We were certainly expected to agree.

In his memoirs, Woolcott recounts:

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

But he rose to the occasion 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.*

To our relief, the option was, indeed, left open.

As we walked out, John Bowan, a very experienced diplomat, told me that was the finest example of diplomacy he had ever seen. In my view it was also a very brave example – very few would have had the courage to disagree, on the spot, with an explicit edict from one of the most powerful people in the world.

That evening, we dined at the Australian Embassy with some Chinese officials, including Chen Luzhi, from China's PECC national committee. He was quite familiar with the way the three Chinese economies had been accommodated in PECC and agreed that various options for participation in another institution could continue to be discussed.

As we were leaving the dinner, we heard that Li Peng had declared martial law. The Embassy was on the opposite side of Tiananmen Square to the Guest House, so we asked the driver to take us to the square. He was very reluctant, but drove us almost to the northeast entrance. Turmoil could hardly describe the noise, excitement and anxiety as people milled around. The driver was very happy when we realized we should clear out very quickly. A few days later, the People's Liberation Army fired on unarmed demonstrators from the spot where we turned around.

Machine-gun fire awoke me in the night; a grim reminder of my childhood experience of the Hungarian revolution, crushed by the Soviet Union in 1956. I was amazed to find the phone line from the Guest House to Australia was open. I called my father to explain we were OK. Our meetings had finished – we wrote our reporting cables and played tennis while waiting to leave early in the afternoon. More sounds of yelling and sporadic shots in the distance.

Chinese officials, including Ms Zhang escorted us to the airport. They were very friendly and apologetic about events. I recall showing Ms Zhang a news report about George Shultz's expression of support for our initiative.

After we boarded a plane bound for Japan, on our way to Washington DC, soldiers with automatic weapons walked the aisles to check that none of the people who were to be arrested were aboard. I was certainly happy when we took off.

## - The United States -

When we arrived in Washington DC, there was still some resentment that Australia had launched a major initiative without prior consultation with the United States, our long-standing ally.

George H W Bush's administration was still settling in, so we did not expect to have access at the highest levels. The most important meeting was between Woolcott and Robert Zoellick who was then Secretary James Baker's general counsel.<sup>26</sup> Woolcott was confident that Baker would ultimately support the initiative. Our next concern was to discourage the United States from seeking to dominate the process. We certainly wanted to head off any attempt to add political or security dimensions to the agenda which could wreck the prospects for economic cooperation.<sup>27</sup>

All those we met encouraged us to proceed, but were not in a position to commit to United States participation. We were content with that, knowing that Prime Minister Hawke was due to visit President Bush in June.

## - Canada -

After Washington, John Bowan flew back to Australia. Woolcott and I had cordial meetings in Ottawa with some senior officials from relevant ministries and were assured of strong support.

We enjoyed a lunch with officials and prominent business people.<sup>28</sup> After lunch, Woolcott left for a family visit to New York, while I responded to a request for a briefing by the Malaysian High Commissioner to Canada. I gave him a very upbeat progress report.

## Shaping the Proposal

On our return from the second round, we were able to report to the Australian Government that the new process of economic cooperation was widely supported. An exploratory ministerial-level meeting should be feasible. That meeting should be able to launch ongoing cooperation provided we respected the consensus that had emerged during our consultations.

We drafted a report for Woolcott to send to potential participants, seeking their comments about the expected nature and broad objectives of inter-governmental economic cooperation in the region. The consensus we believed to have formed was summed up as follows:

- » Any new initiative should build on existing foundations: in particular, ASEAN's identity and cohesion should be preserved.
- » Cooperation should be based on the principles of equality, equity and mutual benefit, taking account of the differences in stages of economic development and socio-political systems

<sup>26</sup> At that time, Zoellick was a whiz-kid who had been brought across to the State Department from the US Treasury by Baker. He later rose to be the United States Trade Representative, Deputy Secretary of the State Department and President of the World Bank.

<sup>27</sup> Woolcott, 2003, page 241.

<sup>28</sup> I was very pleased to meet and chat with Mr Thomas John Bata. Since 1932, he had headed the famous Bata Shoes enterprise. It was founded in 1894 in the Czech part of Austria-Hungary and continues to sell sound, inexpensive shoes all around the world.

- » Cooperation should not be directed towards the formation of an inward looking economic or trading bloc. On the contrary, any cooperation should strengthen the open multilateral economic and trading system.
- » Any new forum should be consultative, rather than seek to impose mandatory directives.
- » Cooperation should enhance the capacity of participants for economic analysis to enable participants to identify and pursue common interests, including in larger multilateral forums.
- » The process should proceed gradually and pragmatically, especially in its institutionalisation, without inhibiting further elaboration and future expansion.
- » Participation would be open to others who accepted the above principles, to be decided by consensus of existing participants.<sup>29</sup>

The above list did not list who was expected to participate at the outset, since we knew it would move a little way ahead of the consensus. The Australian Government decided to aim for participation by twelve governments in a November ministerial-level meeting. We began the process of encouraging the six members of ASEAN, Canada, Japan, Korea, New Zealand and the United States to accept an invitation.

We were also fairly confident that the United States would accept an invitation once it was made directly by Prime Minister Hawke to President G H W Bush. We were aware that there was some resistance to including the United States, but did not expect others to object, openly, to their participation.

All of the three Chinese economies had expressed interest in joining the new process. Unfortunately, following the tragic events in Beijing, especially in Tiananmen Square, on 4 June, it was no longer feasible to consider China's participation in 1989. The discussions needed to find a way to include the three Chinese economies had to be deferred.

#### - New Zealand -

As noted earlier, New Zealand had been the first to be consulted, but deserved further feedback from our consultations, as they were to host the next plenary meeting of PECC in November. I was sent to New Zealand to debrief their government and PECC people.

Brian Talboys was a former Foreign Minister and the 1989 Chair of the PECC process. He was pleased at the prospect of raising Asia Pacific economic cooperation to a new level. He hoped that the ministerial-level meeting would be held after PECC's plenary meeting in mid-November. That would allow the PECC to submit a proposed agenda and be perceived as a sponsor of the ministerial-level process. To his disappointment, I explained that the ministerial-level meeting was likely to be scheduled before the PECC plenary.<sup>30</sup>

<sup>29</sup> Woolcott, R, *Australia's Regional Economic Initiative: status as at June 1989*, DFAT, Canberra.

<sup>30</sup> Later I heard that Talboys thought I had been high-handed; not paying enough respect to PECC for making Australia's initiative possible. Subsequently, we did become friends.

While in Wellington, a phone-call from the team in DFAT warned me that the Japanese Foreign Ministry was still hoping to undermine what they saw as a MITI-Australia effort. They were advising ASEAN officials that New Zealand was unhappy with Australia's initiative – possibly elevating New Zealand concerns about the timing to concerns about the proposal as a whole. That potential problem was resolved by a phone call by Senator Evans to his New Zealand counterpart.

#### **- ASEAN -**

ASEAN remained uneasy about Australia's proposal over-shadowing the consultative process they had created with their dialogue partners. Jusuf Wanandi suggested that our initiative could be accommodated within their Annual Ministerial Meeting (AMM) process, within which their Foreign Ministers met with most of the potential participants in our proposal, bilaterally and collectively.

A cable alerted us that Senator Evans was sympathetic to Wanandi's option. That alarmed me and my team.

- » Firstly, the AMM consultations were focused on political issues, for example the future of Cambodia. We understood that Hawke's initiative had significant political implications. Foreign Ministers needed to be involved, but other Ministers especially those responsible for Trade needed to be just as involved.
- » Secondly, while we appreciated that ASEAN had paved the way for consultations on economic cooperation, we did not believe that there was any mandate for ceding effective control of Australia's proposal to ASEAN. Absorbing the new initiative within the AMM had not been raised explicitly by any ASEAN government. We had been instructed, firmly, not to allow Hawke's initiative to be subsumed into Japan's MITI's proposal – therefore, we should be careful to avoid its capture into ASEAN's orbit.

I expressed these concerns to John Bowan. He spoke to the Prime Minister and a message was sent to Evans to avoid making any commitment to Wanandi.

#### **- Consulting AUSPECC -**

Members of AUSPECC, including Stuart Harris, were very pleased that intergovernmental economic cooperation to consider the issues they had identified seemed imminent. At the same time, they backed Brian Talboys's preference for the ministerial-level meeting to be convened by PECC. Their international network was well placed to provide an agenda for consideration and help to sustain the momentum of cooperation.

Australian Ministers did not believe that was a practical option. Although the consultations had been largely positive it was still not certain that ASEAN governments were willing to accept invitations to even an exploratory meeting. It seemed essential to continue government-to-government interactions.

Stuart Harris was invited to a working lunch hosted by the Prime Minister. Some of his staff, Woolcott and I were present. Hawke was very grateful for the groundwork by PECC and looked forward to their ongoing contribution to the policy-oriented analysis needed for effective cooperation once the process was launched.

Consensus had emerged in support of PECC's advice to avoid a rush to institutionalisation. Economies would take it in turn to host ministerial-level meetings, set the agenda and provide necessary secretarial and logistic support.

Hawke did not agree to delegate the process to PECC. He wanted his officials to retain the responsibility for following up his initiative. Harris was not happy. As we left, he remarked that all government-managed processes started lean, but ended up bloated and tended to be unresponsive to new ideas. His worries have proved to be justified.<sup>31</sup>

### **- Confirming United States Support -**

In his memoirs, Woolcott recalls his discussions with Robert Zoellick, a senior policy adviser to Secretary of State Baker, before Prime Minister Hawke visited the United States in June. The first step was to deal with some residual rancour:

*...that Australia, an ANZUS treaty ally, could have launched such a major regional initiative without prior consultations.<sup>32</sup>*

Once feathers had been smoothed, he reiterated our hope that the United States would avoid showing 'excessive enthusiasm' given the reservations of some East Asian governments that the process would become dominated by its largest participants. Above all, it was essential to avoid any explicit political security matters intruding into an economic cooperation initiative. Zoellick, then Baker, accepted that advice.

During their June visit to the United States, Hawke and his team were able to engage the United States at top level. They confirmed their support for the initiative and looked forward to sending Cabinet members to a late 1989 meeting. James Baker stated that Australia's initiative was an idea whose time had come.<sup>33</sup>

### **- Obtaining ASEAN's Consent -**

ASEAN held annual meetings of their Foreign Ministers (AMM) and their Economic Ministers (AEM), the latter usually attended by their ministers responsible for trade. Each AMM was followed by post-Ministerial consultations (PMC) with their dialogue partners, who included all the potential participants in the Australian proposal, other than the three Chinese economies. We learned that

<sup>31</sup> The PECC network continued to contribute to the APEC process, especially in its early years, as detailed in Chapter 6 of *The Evolution of PECC: the first 25 years*, op cit. The Australian Government cut off funding for the policy work of PECC once the APEC Business Advisory Council was set up in 1993 and Prime Minister Keating jettisoned the Australian Government's support for open regionalism.

<sup>32</sup> Woolcott (2003) page 241.

<sup>33</sup> Hawke's team was accompanied by Senator Evans and Woolcott. Baker let it be known that he would appreciate an Akubra hat.

several significant ASEAN voices believed that the AMM process would meet the objectives of what they termed the initiative for Asia Pacific Cooperation (APC). One view could be paraphrased as:

*We'll come to Canberra to save Hawke's face, then we'll subsume the initiative within the ASEAN process.*

Against this background, we prepared to participate in the ASEAN AMM/PMC for 1989, scheduled for the first week of July. The Australian team was aware that the future of Hawke's initiative depended on obtaining ASEAN's consent to accept an invitation to send Ministers to a meeting in November. Rather than agreeing that the initiative be subsumed into the AMM process, we would agree on a compromise – to describe the planned meeting in Canberra as an exploratory meeting, which would decide whether, and how, the process should continue.

I was sent ahead to the AMM in Brunei, with James Baker's hat.<sup>34</sup> All ASEAN officials were busy with their own meetings and briefing their Ministers on ASEAN matters. They did not want to talk about Australia's proposal, until after the AMM.

Once the AMM was over, and before Senator Evans and his team arrived, I was briefed by officials from the Foreign Ministry of Singapore, Australia's dialogue partner within ASEAN in 1989. Led by K Kesavapany, they advised that Singapore wanted the Australian proposal to succeed, but warned us not to take the support of any other ASEAN members for granted. We needed to thank ASEAN for setting the precedent of region-wide cooperation at every opportunity. It was vital to reassure them that we would not seek to lock in the continuation of the process beyond 1989. We should continue make it clear that cooperation would be voluntary, not a forum for policy negotiations.

Bilateral meetings with ASEAN Foreign Ministers went smoothly. Senator Evans was carefully diplomatic and his counterparts all agreed that the kind of voluntary consultative process Australia proposed was desirable. At the same time, we knew that we would need to make our case again at the plenary meeting of the Foreign Ministers of ASEAN with all of their dialogue partners.

It was a long plenary meeting, with many items on the agenda, including the Vietnamese presence in Cambodia. By the time Asia Pacific cooperation came up, most Ministers were tired. Evans made a careful, detailed case for the initiative.

James Baker supported it strongly, pointing the need for a forum where the United States and East Asia could learn more about each other's aspirations, constraints and opportunities. ASEAN Ministers said little and seemed uncommitted. Evans leaned back and asked what we should say in summing up. I commented that "no one has said no".

We were both well aware that a lack of opposition was not a substitute for an agreement to support our initiative – in Southeast Asia, silence does not mean consent. But Evans decided to take a risk and looked forward to welcoming his counterparts in Canberra. Then the meeting concluded.

<sup>34</sup> After returning from the United States, Woolcott purchased the Akubra hat requested by James Baker and delegated me to take it to Brunei, where Evans could present it. My daughters were taken aback when I wore it into our house before the trip. The hat survived passage in overhead luggage racks. On arrival, I asked our High Commissioner to wrap it suitably. The nicely wrapped large box was then ripped apart by Baker's security team. Ultimately Evans presented the hat unwrapped.

Evans was heading off to a scheduled press conference. I assumed, correctly, that he was going to declare success. I caught up with Pak Louhanapessy (Director General, Political Affairs, Indonesia Foreign Ministry). He assured me that there was sufficient consensus for an exploratory ministerial-level meeting. I am not sure what would have happened if I had been obliged to ask Evans to amend his message to the press.

Senator Evans announced that the Canberra ministerial-level meeting would go ahead – a press release to that effect had been already prepared. He was careful not to overstate ASEAN's support, explaining that the future of the initiative was to be determined in November. A report in the Australian press praised him for “deft soft-shoe diplomacy.”<sup>35</sup>

The actual date for the ministerial-level meeting was set during the bilateral meeting with James Baker. He was very keen to advance consultations and a wide-ranging agenda – but did not want to include discussion of macro-economic issues. We agreed that was not a high priority, but kept the option open.

The bilateral with the European Union representative, Abel Matutes, offered a rare opportunity for comic relief. Although representing the biggest trading bloc at that time, he warned against trying to form an Asia Pacific bloc. Evans certainly did not miss the opportunity not to have to be diplomatic, for once, during this difficult week; he gave it to him with both barrels.

#### **- Refining the Proposal -**

The time had come to send out formal invitations. Prime Minister Hawke sent letters to eleven Heads of Government, inviting them to a meeting to discuss the future prospects and potential objectives of policy-oriented consultations in the Asia Pacific region. Each of them was invited to send one or more Ministers – we were sure that Japan would send the Ministers for Foreign Affairs and for MITI to keep an eye on each other.

The expected mode and agenda for cooperation had been set out in the report sent to all governments by Woolcott after our second round of consultations as summarized above. An August 1989 article by Jusuf Wanandi, from Indonesia, published in the *Far Eastern Economic Review*, recommended principles for cooperation which should:

- » ensure that ASEAN's identity and cohesion should be preserved;
- » be based on the principles of equality, equity and mutual benefit'
- » not lead to a trading bloc, but, instead, strengthen the open multilateral economic and trading systems in the world,
- » provide a consultative forum on economic issues and should not lead to the adoption of mandatory directives,

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<sup>35</sup> I recall these were the words used in an article by Graeme Dobell about the AMM.



- » be aimed at strengthening the individual and collective capacity of participants for economic analysis and to promote their shared interests;
- » proceed gradually and pragmatically especially in its institutionalisation.<sup>36</sup>

We were pleased, and relieved, that these concepts were very closely in line with the principles our team had summarised after our two rounds of consultations. Feeling assured of agreement about the nature, and broad agenda for economic cooperation in the Asia Pacific, we could proceed towards a more detailed agenda to be considered at the Canberra meeting and to decide on a name for the proposed process.

The primary objective was to defend an open non-discriminatory international trading system underpinned by the GATT and to encourage all Asia Pacific governments to reduce obstacles to trade consistent with GATT disciplines. In addition, we hoped to encourage cooperation on other economic issues, based on the opportunities identified by the PECC network. Stuart Harris contributed some good ideas at a meeting with Senator Evans. Work began on drafting a paper on a potential work program, which included consultations on:

- » world and regional economic developments;
- » trade patterns and policies;
- » investment and technology transfer;
- » economic infrastructure;
- » resources and energy; and
- » environment.<sup>37</sup>

It was decided to settle on a name close to the 'Asia Pacific cooperation' phrase used by many in ASEAN. Asia Pacific Economic Cooperation would pay respect to that phrase, acknowledge that Asian participation was at the heart of the concept and make it clear that the new forum would not stray into political, security or cultural issues.<sup>38</sup> The name's first public appearance was on the program directory board at the hotel where the Senior Officials met in mid-September.

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<sup>36</sup> These principles became the basis of the Kuching Consensus, adopted formally at the early February 1990 meeting of ASEAN Economic Ministers, which set out the conditions under which ASEAN economies would participate in APEC. Subsequently, they were reflected in the 1991 Seoul APEC Declaration of APEC Ministers. See [https://www.apec.org/Meeting-Papers/Annual-Ministerial-Meetings/1991/1991\\_amm/annex\\_b\\_seoul\\_apec](https://www.apec.org/Meeting-Papers/Annual-Ministerial-Meetings/1991/1991_amm/annex_b_seoul_apec)

<sup>37</sup> A final draft of this paper became "A paper on the development of a possible work program" submitted to the Canberra ministerial-level meeting; item (APEC I/4/3) in the DFAT Documentation of the meeting.

<sup>38</sup> A tongue in cheek option: Pacific Forum for Free Trade (PFFFT) was quickly dismissed.

# Meeting of Senior Officials

## Preparations

As suggested by MITI, regional governments were invited to send officials from whichever ministries they wished to a meeting of senior officials to prepare an agenda for the ministerial-level meeting scheduled for 6-7 November 1989 in Canberra. Officials were also expected to meet in Canberra, but plans were disrupted by a strike by the pilots of Australia's main domestic airlines. At very short notice, it was possible to secure a 3.5-star hotel, the Gazebo, adjacent to Sydney's red-light district of King's Cross for 14-16 September.<sup>1</sup>

I had never chaired such a large meeting, let alone a meeting of international officials. I was not asked about my experience and assigned to chair the meeting. Most of the team drove from Canberra to Sydney in the afternoon of 13 September in order to have time to meet as many other delegations as possible, to assess their views and assess potential problems.

The next morning, we met with officials from our Singapore APEC dialogue partners; Kesavapany from their Foreign Ministry and Lai Seck Hui from their Ministry of Trade and Industry.<sup>2</sup> They were very constructive; fully in support of a successful meeting in Canberra. They warned us, yet again, that we should not take the support of others for granted. It may not be possible to agree on an agenda and we should not assume that the process would continue after the initial ministerial-level meeting. ASEAN had agreed that their delegation would be led by the economic officials who serviced their annual meetings of economic ministers (EMM). Thailand was the EMM chair for 1989.

Early in the afternoon, a United States delegation, led by Robert Fauver (State Department) and Sandy Kristoff (USTR) swept into my room in the Gazebo, speaking confidently and smoking a lot. They supported the proposal; Fauver gave us useful advice on how to manage the ministerial-level meeting. We were stunned by their unworkable advice on how the three Chinese economies might be accommodated in future meetings, but we could safely ignore that for 1989.<sup>3</sup>

<sup>1</sup> The logistics team for the meeting was ably led by Roland Rich.

<sup>2</sup> It was a fine sunny morning so we chose a quiet outdoor table of a nearby café. It was not quiet for long when the staff started to roll empty beer barrels away past our table. That did not affect the substance of our discussions, but indicated that many more unexpected problems could be encountered.

<sup>3</sup> I am unsure of the details, but remember their suggestion that Hong Kong could become a full participant, but PRC could only be an observer.

Other bilateral meetings were mostly friendly, but non-committal. The meeting with Ambassador Lee See-Young may have proved more interesting, but it was cut short when Senator Evans wanted me on the phone from Canberra, seeking feedback.

When we inspected the room set up for the next morning, John Richardson wisely advised us to remove the little flags from the conference table – that would have closed, permanently, the option of including economies which were not sovereign states. Our team had a ‘bonding’ dinner at a nearby restaurant. I tried not to show my anxiety, thinking about options to persuade ASEAN to accept even a minimal agenda.

## Day 1 - 15 September

The elevators were all busy, so my team leader, Tony Hely, and I walked down 15 floors of steps, wondering whether today would be the first day of our next career.

I had prepared some notes for opening remarks to a roomful of senior officials and their supporting teams, asking other delegations for help to initiate a new kind of forum for potentially very mutually beneficial consultations. That would allow us to learn more about each other, our shared challenges and opportunities.

I took a risk in order to break the ice before introducing the agenda for the day. I reminded the room about the scheduled date for the November ministerial-level meeting and explained that it would be chaired by Senator Evans, supported by our Minister for Trade, Michael Duffy. Other Australian ministers would participate for relevant parts of the meeting. Then I went around the table asking officials from the other eleven potential participants which Ministers were likely to attend. The table was arranged in alphabetical order; therefore, I could be confident that the officials from Brunei, led by Lim Jock Seng, would respond positively. Then others did, fortunately, then feel either enabled or obliged to do likewise. We were not surprised to learn that Japan’s Foreign and MITI Ministers would both attend. But we were surprised to hear that the United States was considering sending three members of their Cabinet. After the ‘tour-de-table’ we could assume there would, indeed, be a ministerial-level meeting. I hoped that meant we could agree on an agenda.

The first item was not hard. All agreed that a discussion of world and regional economic developments would be a good way for ministers to open their November meeting. It could point towards shared perceptions, welcome the recent good performance of Asia Pacific economies and agree that outward-looking cooperation could lead to global as well as regional benefits.

The second item on the draft agenda was global trade liberalisation and the role of the Asia Pacific region. This was potentially more sensitive. There was a general acceptance that opening our economies to international competition had contributed significantly to the recent improvements in living standards, especially in East Asia. At the same time, each step of trade liberalisation is always politically difficult.

A consensus emerged, gradually, that economic cooperation should encourage voluntary opening to the outside world, but any new forum should not become a platform for negotiations about policy commitments. The diversity of participants meant that all should act at their own pace. Moreover, opening to regional trading partners should not seek to damage any other economy.

ASEAN's positive attitude was a pleasant surprise. Dr Pracha Guna-kasem from Thailand was extremely helpful. As the current chair of ASEAN economic officials, they looked to him to explain ASEAN's interests and any concerns. Once his smile, or body language, indicated he was happy to proceed, we could move on.

I expected discussion of other opportunities for regional cooperation in specific areas would be easier than putting trade liberalisation on the agenda. It should not be hard to support consultations about investment, technology transfer, human resource development and economic infrastructure. Unexpectedly, the discussions became quite difficult. All agreed that it would be desirable to promote investment and to exchange data and information on policy developments as well as the scope for technology cooperation and training. The problem was the assumption that the ministerial-level meeting would lead to ongoing cooperation. The topic required extensive informal exchanges during the morning coffee and lunch breaks.

A very short list of potential opportunities for cooperation was accepted, subject to the discussion of the fourth proposed agenda heading: future steps for Asia Pacific Economic Cooperation. Would there be a second ministerial-level meeting?

It was taken for granted, that if there was another meeting, it would need to be hosted by an ASEAN government. So far, none of them was ready to offer to be the next host. Then, another pleasant surprise, Ambassador Lee See-Young informed us that Korea would be very happy to host the third ministerial-level meeting in 1991. None of the officials around the table showed any resistance to the implication that there might be a third meeting. The Australian team was certainly thrilled, but I merely noted and thanked him for the offer, with no comment on a possible second ministerial-level meeting.<sup>4</sup>

Late afternoon was not a good time for further, detailed discussions about what future steps might be. At the end of the day, we just agreed that the agenda heading was acceptable. I am fairly sure that was the first official document in which APEC was spelled with capital letters – the name was thus accepted, once again implicitly.

The last proposed heading: 'Other Matters' was no problem. We now had an agreed agenda for consideration by Ministers.

1. World and Regional Economic Developments
2. Global Trade Liberalisation – the Role of the Asia Pacific Region

<sup>4</sup> Ambassador Lee and I became close friends and colleagues and I was able to help him when he became the third chair of APEC Senior Officials in 1991. He told me he had no mandate to make that offer in Sydney. He rang his Vice-Minister to tell him: "I have good news; we can expect to host the ministerial-level meeting on Asia Pacific economic cooperation in 1991".

3. Opportunities for Regional Cooperation in Specific Areas
  - 3.1 Investment and Technology Transfer and Related Aspects of Human Resource Development.
  - 3.2 Development of Infrastructure
  - 3.3 Other Areas
4. Future Steps for Asia Pacific Economic Cooperation
5. Other Matters

We all parted in a very positive mood, having agreed on five agenda headings for Ministers. We also agreed that, next morning, we should attempt to draft an annotated agenda – we owed it to Ministers to indicate the expected matters to be considered under each of these very brief headings.

Walking out of meeting room, past the front door of the hotel, I decided I deserved a quick beer at a nearby pub. As I had hoped, Tony Hely and John Richardson were already at work on a brief report of the meeting so far. Then they sketched out a draft annotated agenda.

Secretary Woolcott arrived from Canberra to host the officials for dinner. As we mingled, I was very pleased to hear many of the leaders of delegations tell the host that the meeting was going really well.<sup>5</sup>

Robert Fauver added to his earlier advice. In addition to a potential chairman's summary of the ministerial-level meeting, it might be possible to agree on a very brief joint statement. It may not contain any more than to record that the ministers had met and the agenda headings, but it would be an agreed record of the ministerial-level meeting. If the meeting went well it might be possible to foreshadow an ongoing process.

I read through the draft annotated agenda before going to sleep. The team had wisely decided to head it as a non-committal "Notes on Agenda". I made a few revisions, including a way to keep open the option of a joint statement.

## Day 2 - 16 September

Everyone was in a very good mood at breakfast and as we gathered in the meeting room to consider an annotated agenda. I remarked on the really beautiful day outside and I hoped we could get outside to enjoy it soon.

The notes for discussion about world and regional economic developments and on trade liberalisation were fairly easily agreed. They were drafted to emphasise the opportunity to exchange views on current circumstances and trends, including the recent good performance of participating economies; the role of and interest of the region in further global trade liberalisation and the successful completion of the then ongoing Uruguay Round of GATT negotiations.

<sup>5</sup> Grateful to Dr Pracha, I arranged for him to sit on Woolcott's right. Our logistic team was surprised that I was breaking the alphabetical seating order, but it gave us the opportunity for Woolcott and I to discuss the possible next steps for APEC with him.

The notes we had drafted on opportunities for regional cooperation were fairly detailed. They were discussed in detail and amended as necessary to indicate that the wide range of possible topics were not all expected to be discussed in detail by ministers. Each government could point to matters of particular interest.

Coming to future steps for APEC, we agreed to describe the expected discussion to be a review of the general nature for cooperation in the region, possibly including:

- » the general principles of regional economic cooperation;
- » a possible framework for future cooperation;
- » a second ministerial-level meeting, including an appropriate work program; and
- » participation.

We did not attempt to propose draft principles or detailed modalities, but agreed that consensus had already emerged about the kind of voluntary cooperation that was likely to be acceptable and fruitful. The positive atmosphere allowed us to mention a possible second ministerial-level meeting – surely ministers would be expected to discuss whether they wanted to meet again?

We all agreed that if the process did continue, it should be open to additional participants. All were aware of their own links to the three Chinese economies and the interest of all of the three to participate. We avoided going into any detail in these notes, but agreed that some existing regional organisations should be invited to be observers of the new process.

Representatives ASEAN and PECC deserved to be invited, to acknowledge their vital contribution to potential inter-governmental cooperation in the Asia Pacific region.

There are many, mostly very small Pacific Island nations – they could not all be included, but they should be encouraged to be familiar with the process and we should try to ensure they could participate and benefit wherever possible. Therefore, the Secretary-General of the South Pacific Forum would also be invited to observe the meeting.

We managed to finalise the notes on the agenda by lunchtime.<sup>6</sup> We parted in very good spirits. The High Commissioner for Singapore gave me a big hug. Our team headed for lunch at a nearby bistro. The Canadian delegation, led by Jean McCloskey (who had been remarkably constructive in the meeting and drafting) came in after us and we invited them to join our tables. At the end of the lunch, they intercepted my card, and paid for both teams.

My team drafted our reporting cable during the afternoon, then we headed off to dinner in the minibus which had been rented to transport most of the team from Canberra. A long happy evening to thank everyone. As I got off the bus back at the hotel, Bob Fauver kindly thanked me for “bringing the ship safely into port.”

So far so good, but a lot more to be done.

<sup>6</sup> In the afternoon, I calculated that reaching consensus had required 15 minutes per word (including and's and but's). The draft agenda and the notes on the agenda are available in the DFAT documentation of the Canberra ministerial-level meeting (APEC I/Admin/1 (Rev)) and APEC I/Admin.2.

# Towards the November Meeting

**W**oolcott placed Hugh Craft, who had organised many large international meetings, in charge of logistics. Once Hugh had been able to persuade the Hyatt Hotel to cancel its other reservations for early November, we were confident that all the physical aspects of the ministerial-level meeting would be handled well and my small team could focus on policy.

We prepared and commissioned background papers for the first three agenda items, setting out information and statistics on recent global and regional economic development; evolving trade patterns and some of the impediments to trade.

PECC's publications were valuable sources for identifying opportunities for cooperation in sectors including agriculture, minerals, energy, education and human resource development.

We prepared a detailed Cabinet Submission on desired outcomes from the ministerial-level meeting for Australia as well as on the potential outcomes based on our assessment of the expectations and reservations of others. For example, if it proved too hard to reach agreement on a second ministerial-level meeting of Foreign and Trade Ministers, Australia could propose some Ministers of Asia Pacific Ministers responsible for some sectors, such as energy or education.

Once the Cabinet endorsed the proposed strategy, we began work on a draft Chairman's Summary of the meeting. It was an optimistic draft, which we knew may need substantial amendment as we gathered more information from our diplomats around the region as well as from the PECC network.

## Sensitivities

Our policy team tended to be very cautious, while Senator Evans decided to be bold.

- APEC I? -

We cautioned against labelling the meeting as APEC I. Evans brushed that aside – we should assume there would be an APEC II and seek to persuade an ASEAN government to agree to host it.

- PECC -

The current chair of the PECC Standing Committee, Brian Talboys from New Zealand, was to be invited to observe the ministerial-level meeting. Should we invite all of the Standing Committee (the chairs of all the PECC National Committees) to attend the opening ceremony?

My strong view was that they should be, to thank them for their work. But all of the rest of my team was deeply opposed. Inviting PECC representatives for Chinese Taipei as well as from the People's Republic of China would anger the latter and prejudice prospects for subsequent inclusion of the three Chinese economies in the APEC process. The team had worked so hard, for so long, that I felt obliged to accept their view. Reluctantly, I signed a submission to Senator Evans that we should thank PECC, publicly, for their work, but not to invite all of the PECC Standing Committee.

I was very relieved when Evans rejected that cautious recommendation. As well deserved, all of the Standing Committee were invited to the opening dinner. To reduce risk, we requested that the PECC representative from Chinese Taipei, Koo Chen-Fu, should be driven to the public entrance at the lower level of Parliament House. PRC diplomats in Canberra were, nevertheless, upset.

## Final Preparations

A late bid for participation by several Ambassadors from Latin America was politely rejected and attention turned to the logistics of bringing delegations from eleven governments to Canberra. The pilot's strike had not ended, so the Royal Australian Air Force was engaged to help fly participants from Sydney or Melbourne to Canberra.<sup>1</sup> A threatened strike by drivers of Government cars was narrowly averted.

We were alarmed by a message that ASEAN wished to make some last-minute amendments to the draft agenda; then relieved that they did not insist on any changes at a meeting of senior officials held the day before the ministerial-level meeting. We distributed the draft Chairman's Summary and kept open the option of an agreed Joint Statement of Ministers.

### - Bilateral Meetings -

Among 12 delegations, 66 bilateral meetings could have been held in the days before the plenary sessions. Not all of them took place, but the layout of the Hyatt Hotel led to pedestrian traffic jams as delegations criss-crossed every hour, on the hour, to their next bilateral.

At our bilateral meeting with Lee Hsien-Loong, then Minister for Trade and Industry, he confirmed that Singapore was willing to host a second ministerial-level meeting in 1990. The Korean delegation confirmed they would be willing to host APEC III in 1991.

When we met United States Trade Representative, Carla Hills, Senator Evans reiterated his wish to launch a work program. Consultations among officials between ministerial-level meetings would provide 'ballast' for a sustained process of cooperation. Our background notes had set out ideas for consultations about joint interests in several sectors and policy areas, but we had not received any response from other governments. The two ministers agreed that another meeting of senior officials was needed to seek agreement on an initial work program.

Our other bilateral meetings were friendly and positive, but broke no new ground. We had reason to be confident that a new forum for regional economic cooperation would be launched successfully.

<sup>1</sup> United States Secretary for Commerce arrived in his private jet.



# APEC I

**T**his section is a brief summary of APEC I – DFAT’s documentation contains all of the statements and outcomes.

## - Welcoming Dinner -

The 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.<sup>1</sup>

Welcoming ministers and senior officials he noted that:

*This is the first time the region has met, as a region, to discuss the economic future of the region.*

He drew attention to the contribution of both ASEAN and PECC to making it possible to contemplate an ongoing process or inter-governmental cooperation.<sup>2</sup> His speech foreshadowed an ongoing process of cooperation to meet several challenges, including the need to integrate socialist countries, especially the People’s Republic of China, into an international economic order. He welcomed the offers of ASEAN and Korea to host future ministerial-level meetings to consider such policy options and made it clear that he did not wish to see a movement towards a Pacific trading bloc.

The plenary sessions on 6 and 7 November all took place in 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.

## Day 1 - 6 November

### - World and Regional Economic Developments -

There was some discussion of recent developments in opening statements, but most of them dealt with the APEC proposal. There was consensus on initiating an ongoing process of cooperation, subject to principles which had emerged from our consultations. These principles, reiterated in the opening statement by Indonesian Foreign Minister, Ali Alatas, were already in the draft Chairman’s Summary Australia had circulated for comment.

<sup>1</sup> Prime Minister Hawke’s speech is included in DFAT’s Documentation of APEC I/1/9.

<sup>2</sup> 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.

I soon reminded myself that my role was not just to take notes, but to facilitate the outcome. Circulating among the officials and members of the PECC network, I began to seek out any significant problems with the draft summary and seek to ascertain if there would be any resistance to a brief, agreed joint statement. It was essential to make sure ASEAN views were adequately respected and reflected, so I started the circuit by talking to my good friend Hadi Soesastro from Indonesia. The feedback was largely positive. Jean McCloskey from Canada complained, gently, that the summary was very dominated by Australia's interests, which warned us to take another careful look at the draft overnight.

#### **- Global Trade Liberalisation: The Role of the Asia Pacific Region -**

The discussions on global trade liberalisation focused on the need to advance the ongoing Uruguay Round of multilateral trade negotiations. The consensus which emerged, subsequently reflected in the agreed joint statement was that:

*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.*

#### **- Opportunities for Regional Cooperation in Specific Areas -**

The Australian team had prepared comprehensive briefing material on potential cooperation in a wide range of sectors. It was pleasing to see that other governments had also circulated useful materials which identified many opportunities for cooperation. Statements by Ministers indicated they had been well briefed on the potential agenda for cooperation.

Ministers did not discuss specific work to be undertaken after the meeting. Senator Evans stressed the need to agree on some items; he was quite upset with me when I told him I had not already convened a meeting of senior officials to agree on a program – I had expected that he would do that as Chairman, but had failed to remind him. Ministers agreed that the officials should meet after the official dinner that evening and to review their recommendations the next day.

#### **- Striving for a Work Program -**

Officials were all weary after a long day and a fine dinner. Some of them asked whether we really did need to meet to discuss a work program. I had no choice, so we reconvened in the main meeting room.

It was not a good meeting. There was no objection, in principle, to a work program to help prepare for subsequent ministerial-level meetings. But none of the ASEAN delegations had a mandate to agree on any specifics. Some believed that was premature before ministers discussed any possible next steps the following day. After a miserable hour or so, I gave up.

There were some positive developments. Pak Louhanapessy from Indonesia made a few quite

detailed, constructive comments on the draft Chairman's Summary. That was welcome, indicating that ASEAN did not object to the rest of the draft.

### **- An APEC Input to the Uruguay Round -**

Jean McCloskey proposed that APEC ministers responsible for trade policy should meet in Vancouver in September to discuss ways to bring the Uruguay Round of GATT negotiations to a successful conclusion. Then they should reconvene in Brussels just before what was hope to be the concluding set of negotiations. I leapt at that initiative. It was exactly what we hoped APEC could do; to exert a positive, collective influence in multilateral forums. Having denied any agreement on a work program, none of the delegations objected to my enthusiastic embrace of Canada's proposal. And the next day, all were happy to include the proposal in the agreed joint statement.

The officials meeting finished close to midnight. I left it to Tony Hely and John Richardson to update the drafts of the Chairman's Summary and the joint statement to reflect the proceedings of the first day. My final task for the day was to clear the Canadian offer with our multilateral trade negotiators. I knew that the Deputy Secretary responsible would object violently to such an intrusion into his jealously guarded policy territory. I decided to phone my counterpart Division Chief for Multilateral Trade Policy, who was far more open-minded to any good idea to help conclude the Uruguay Round – no problem.<sup>3</sup>

## **Day 2 - 7 November**

### **- Future Steps for Asia Pacific Economic Cooperation -**

At a breakfast meeting, I explained to Senator Evans that I had failed to secure consensus on any specific work program item. I was surprised that he was not upset, but turned immediately to a plan to secure agreement, in principle, to some options from Ministers.<sup>4</sup> In his brief opening remarks to the first plenary session of the second day, he reiterated the general desirability of cooperation in areas of investment, technology transfer and human resource development. Then Evans proposed two non-controversial options which warranted consideration:

- » review of data on regional trade flows and developments (covering trade in goods and services) and on capital flows (including direct investment); and
- » examination of mechanisms to facilitate identification of trade, investment and technology transfers.

Officials were asked to identify, for consideration by Ministers, potential additional opportunities for cooperation.

Several ministers then made constructive statements which accepted that APEC was to be an ongoing process. Canada's Minister for Trade, John Crosbie, outlined a potential agenda, with emphasis on

<sup>3</sup> Unfortunately, the Vancouver meeting was not able to develop any agreed APEC position on Uruguay Round issues and the Brussels meeting did not take place.

<sup>4</sup> I was also surprised to see Treasurer Paul Keating at the breakfast meeting, taking close interest in APEC. With hindsight, he was possibly thinking about participating in a future meeting of APEC heads of government.

input to multilateral trade negotiations, repeating the proposal foreshadowed by Jean McCloskey. He recommended a careful evolutionary approach to organisational issues. It was premature to consider a secretariat. Hosts of future meetings could deal with logistics, while meetings of senior officials could manage the work program, drawing on existing sources, including the PECC. He noted the need to consider wider participation, including by the three Chinese economies.

A paper submitted by ASEAN also called for a gradual and pragmatic approach. APEC should be based on existing ASEAN mechanisms, by modifying their annual meeting of foreign and economic ministers and post-ministerial consultations with dialogue partners. The paper did not call for such a modified forum to be held at the same time as their annual meetings.

George Yeo, Singapore Minister for Finance and Foreign Affairs, commented on an emerging consensus that other significant economic players in the region should participate in APEC; especially the three Chinese economies. He foreshadowed a mutually beneficial coexistence of ASEAN and APEC, explaining that:

*ASEAN does not intend to monopolise the APEC process. That would be counterproductive. ASEAN may coordinate but officials from other countries should contribute to the process of coordination. ... Singapore is comfortable with the proposal to alternate APEC meetings between ASEAN and the rest of the APEC community.*

Then, he made the formal offer by Singapore to host the second ministerial-level meeting.

During the discussions on the future of APEC and options for mechanisms to support any agreed work between ministerial-level meetings, some of my team were circulating behind the main table. We did not encounter any objections to the draft Chairman's Summary. We did not attempt to include any details of a work program in the joint statement, but encountered no objections to including the Chairman's non-controversial options for consideration in his summary.

All delegations were happy that a brief agreed joint statement could include:

- » acknowledgement of the contribution of ASEAN and its dialogue relations in the development of APEC and noting ASEAN's potential role to support the new process;
- » support for the successful conclusion of the Uruguay Round including Canada's proposal for meetings of APEC Ministers;
- » consensus that APEC should not be directed towards formation of a trading bloc;
- » agreeing that, while it was premature to decide details, further consultative meetings should take place, backed by work on matters of common interests and concern;
- » welcoming the offers of Singapore and the Republic of Korea to host the second and third APEC ministerial-level meetings.

That cleared the way for a draft my team had drawn up in the early morning hours to be updated and cleared with delegations for consideration by their Ministers.

The ministerial-level meeting was adjourned in a very cheerful atmosphere around mid-day, followed by a long lunch break which would allow everyone to watch Australia's most important horse race, the Melbourne Cup. Senator Evans walked back to his temporary office in the hotel and spent about half an hour updating, polishing and refining his Chairman's Summary and the Joint Statement. He then literally ran up the stairs to catch up with the other ministers at lunch.

Once Evans has left for lunch, I was free to grab some food from the buffet for officials and chat with them without the need to press for new approvals. I remember well, the symbolism of the horses being led into the starting gates for the Melbourne Cup. Then, they were off – and so was APEC.

## Concluding Session

Everyone seemed happy when the meeting re-convened in mid-afternoon. We certainly did not want to reopen any issue. Evans asked me whether he should read out his Summary. Certainly – that would be a good way to round off proceedings.

The Summary included the principles for future economic cooperation which had been developed during our consultations and firmly endorsed by Indonesia in the opening session of the ministerial-level meeting.

While Ministers listened to the Summary, we did not encounter any problems with the Joint Statement. I was on my way back to my seat when Dick Woolcott waved me over to tell me that the Chairman was to ask me and Hugh Craft to stand up to be thanked for our contributions. My immediate reaction was to ask Evans: "What about Dick?". He agreed, but did not look thrilled – large egos in play.<sup>5</sup>

There was a general sense of satisfaction as the meeting neared its conclusion. The round of thanks from other Ministers were far more than polite. Several thanked PECC as well as ASEAN making APEC possible. 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 reaffirmed that PECC was ready to support APEC in whatever way proved appropriate.<sup>6</sup>

I cannot remember whether the Statement was then read out or accepted by acclamation. Senator Evans then thanked Woolcott (as the Prime Minister's Special Envoy), me (as the chair of senior officials) and Hugh Craft (for his faultless organisation).

<sup>5</sup> At the end of The Hot Seat, Dick Woolcott's memoir, he recalls that one of the highlights of his career was: "... the standing ovation I received from the assembled ministers at the first APEC Ministerial Meeting in 1989."

<sup>6</sup> Towards the end of that tour-de-table, I was passed a note from Bob Fauver and Sandy Kristoff from the US delegation. They wanted some last-minute changes to the Joint Statement. I was just about to panic, but decided the only option was to turn, smile and signal "no way". They were grinning broadly.

**- Conclusion -**

The ministerial-level meeting was over. After a year of intense diplomacy APEC was, at last, a reality. But many challenges lay ahead. This is not the place to review the forum's successes and disappointments. However, it is fair to say that its launching was a worthwhile addition to the international public goods needed to foster peace and and sustainable improvement in living standards.

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# 1989 APEC Ministerial Meeting - Official Chair Summary -

## Introduction

1. This meeting has brought together in an unprecedented way key decision makers from 12 dynamic economies in the Asia Pacific Region: Brunei Darussalam, Canada, Indonesia, Japan, the Republic of Korea, Malaysia, New Zealand, Philippines, Singapore, Thailand, the United States and Australia. The presence here of ministers from across this vast region, addressing constructively and with great goodwill and commitment our common economic concerns, has shown that the time is indeed right to advance the process of Asia Pacific Economic Cooperation.
2. The stimulus for this meeting was Australian Prime Minister Hawke's call, in January 1989, for more effective Asia Pacific Economic Cooperation. That proposal stemmed from a recognition that the increasingly interdependence of regional economies indicated a need for effective consultations among regional decision-makers to
  - help strengthen the multilateral trading system and enhance the prospects for success in the Uruguay round;
  - provide an opportunity to assess prospects for, and obstacles to, increased trade and investment flows within the Asia Pacific region; and
  - identify the range of practical common economic interests.
3. In making and following up this proposal Australia, working closely with ASEAN and other participants, sought to give a sense of direction to a range of earlier proposals for closer regional economic cooperation. The intense process of consultation which has taken place since January, and culminated in this meeting, has succeeded in those terms: for the first time we have had the opportunity to assess collectively, and in some depth, the economic prospect of the region, the factors which can help us to maintain the impressive momentum of growth of recent years as well as the problems which, if not anticipated, could impede future development.
4. A key theme which has run through all our deliberations in the last two days is that the continuing economic success of the region, with all its implications for improved living standards for our people, depends on preserving and improving the multilateral trading system through progressive enhancement of, and adherence to, the GATT framework. By contributing to that effort through the Uruguay Round and beyond, this region can not only help assure its own economic future but improve economic prospects globally. We are all agreed that an open multilateral trading system has been, and remains, critical to rapid regional growth. None of us support the creation of trading blocs.

## World and Regional Economic Developments

5. Our exchanges on world and regional economic developments have underlined the extent to which the economic prospects of regional economies are interconnected. Our discussions have highlighted the pace of structural change which has occurred in the region in recent years, and to the opportunities provided by emerging new patterns of regional and international specialisation. They have also underlined the strong contribution which sound macro- and micro-economic policies and market oriented reforms have played in the region's growth, and provided a useful opportunity for us to compare experiences on these matters.
6. Participants noted the changing relative strengths and the growing interdependence of regional economies. Participants noted that the non-inflationary economic expansion of the United States, now nearly 7 years in duration, has played a key role in the economic performance of the region. They also welcomed the extent to which Japan and other Western Pacific economies are acting increasingly as engines of growth for the region as a whole. The increase in living standards in all parts of the region in recent decades was particularly welcome. It was agreed that an important aspect of Asia Pacific Economic Cooperation is to maintain conditions which will lead to accelerated development in the currently less developed parts of the region, including the Pacific Island countries, and that open access to developed country markets is essential for such development.
7. Ministers also noted some potential threats to further growth and to the further productive interdependence of Asia Pacific economies. The positive trends of recent years could be disrupted if, instead of continued willingness to undertake structural change, there were to be increased resort to protectionism and if instead of positive joint international action to further liberalise trade, there were to be increased resort to retaliatory or defensive measures.

## **Trade Liberalisation : The Role of the Asia Pacific Region**

8. There was general recognition that the Uruguay Round represents the principal, and most immediate and practical, opportunity before us to strengthen and further liberalise the multilateral trading system. All Ministers emphasised the importance, both for the region and for the world economy, of a timely and successful outcome to the Uruguay Round. In this regard, Ministers agreed that continued close consultation, and where possible, support for each others' Uruguay Round objectives could contribute significantly to achieving such an outcome.
9. In this respect, it was agreed that Ministers concerned with trade policy should meet in early September 1990 to discuss the emerging results and consider how to unblock any obstacles to a comprehensive and ambitious MTN result. Ministers would then meet again in Brussels in early December on the eve of the concluding session. In the meantime, senior officials should consult regularly in Geneva to exchange views on MTN progress.
10. Ministers expressed strong support for the timely and successful completion of the GATT Round. Ministers noted that much remained to be done if the December 1990 conclusion was to be achieved. They called on all Contracting Parties to work with them more vigorously to that end.
11. Ministers agreed that the Asia Pacific region has a long-term common interest in promoting world-wide trade liberalisation. 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 (eg 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 further agreed that the prospects for such further liberalisation of trade in the region would need to be based on better information about emerging regional trade patterns and developments, as well as the economic impact of such developments.

## **Regional Cooperation in Specific Areas**

12. Rapid growth and increasingly interdependence in the Asia Pacific are giving rise to both challenges and opportunities at the sectoral level.
13. It was agreed that it would be useful to focus further on the scope for cooperation in the area of investment, technology transfer and associated areas of human resources development. Areas which warrant consideration include:
  - cooperative programs for human resource development;
  - the scope to enhance exchange of information on scientific, technological and industrial indicators, policies and developments;
  - the scope to enhance the comparability of foreign direct investment statistics; and
  - the scope for collaborative research and development projects.
14. In discussing the adequacy of regional infrastructure, Ministers concluded that there would be merit in seeking to develop techniques which might help countries in the region to better anticipate the kind of bottlenecks which might occur as a result of rapid growth. There was general support for work to explore further cooperation in specific areas relating to infrastructure, including telecommunications, maritime transport and aviation.
15. Ministers also noted the need to identify more clearly the scope to extend cooperation in other areas, including energy, resources, fisheries, the environment, trade promotion and tourism and it was agreed that officials should carry forward preliminary work in other areas for consideration at future meetings.

## **General Principles of Asia Pacific Economic Cooperation**

16. The discussion of all these areas has served to underline the broad areas of economic interest participants have in common. In particular, a consensus emerged in the following principles of Asia Pacific Economic Cooperation:
  - the objective of enhanced Asia Pacific Economic Cooperation is to sustain the growth and development of the region, and in this way, to 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 those economic areas where there is scope to advance common interests and achieve mutual benefits;
- consistent with the interests 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 interdependence, 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 intergovernmental bodies such as ASEAN and less formal consultative bodies like the Pacific Economic Cooperation Conference (PECC); and
- 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 all participants.

### Carrying Forward Regional Economic Cooperation

17. Further Consultative Meetings. It is evident that there is a large range of significant issues confronting the region, and affecting each participant's fundamental economic interests. Ministers agreed that it was premature at this stage to decide upon any particular structure for a Ministerial-level forum (or its necessary support mechanism), but that while ideas were evolving it was both appropriate and valuable for further consultative meetings to take place and for work to be undertaken on matters of common interest and concern. Accordingly, Ministers welcomed the invitation of Singapore to host a second Ministerial-level Consultative meeting in mid 1990, and they also welcomed the Republic of Korea's offer to host a third such meeting during 1991. It was further agreed that it would be appropriate, in the case of any future such meetings, for at least every other such meeting to be held in an ASEAN member country.
18. Work Program. Ministers agreed that if cooperation is to lead to increasingly tangible benefits, the process of cooperation needs to progress beyond agreements on general principles. This will involve the identification and implementation of specific projects as well as enhancing the capacity for objective professional analysis to allow a more systematic identification of our common interests. In this context, Ministers identified the following broad areas as the basis for the development of a work program:
  - Economic studies: including the review and analysis of the economic outlook for the region and its implications for policy, and the improvement of regional economic and trade data;
  - Trade liberalisation: with an initial focus on consultations among participants at Ministerial as well as official level to pursue a timely and comprehensive outcome for the Uruguay Round of multilateral trade negotiations;
  - Investment, technology transfer and human resource development: including programs for information exchange and training; and
  - Sectoral cooperation: in fields such as tourism, energy, trade promotion, environment matters and infrastructure development.
19. Within these categories, Ministers further identified a wide range of specific activities or projects which has significant potential for enhancing the process of regional economic cooperation; these are listed in the Attachment to this Summary Statement. It was agreed that these subjects should be closely considered by senior officials, together with any other proposals that may be made by participants, with a view to setting in train a viable short to medium-term work program. Progress in the implementation of that work program would be reviewed at the next Ministerial-level meeting.
20. Ministers agreed that two particular projects should proceed as soon as possible, viz:
  - a. Review of data on regional trade flows and developments (covering trade in goods and services) and on capital flows (including direct investment) in order to:
    - identify areas where there is a need to improve the comparability of regional data;
    - identify gaps in data and improve country and industry sector coverage; and
    - develop new data bases as necessary.
  - b. Examination of mechanisms to facilitate the identification of trade, investment and technology transfer opportunities in regional countries, which might include:
    - the establishment of joint sectoral industry groups to identify specific projects, particularly the small and medium scale industry;
    - a data base on commercial opportunities;

- the promotion regional confederations of chambers of industry,
- specific joint project investment studies; and
- enterprise to enterprise linkages.

**It was agreed that senior officials would settle the detailed arrangements for implementation of these projects at their next meeting.**

21. Support Mechanism. While some Ministers expressed a preference for moving as soon as possible to servicing the future needs of the APEC process through specifically identified structural arrangements of one kind or another, it was agreed that consideration of the support mechanism would benefit from a further period of reflection and evolution of the cooperation process. Accordingly, Ministers agreed that arrangements for the next one or two Ministerial-level Meetings should be overseen by senior officials from participating economies, joined by representation from the ASEAN Secretariat.
22. It was agreed that this group of Senior Officials should convene at an early date, preferably no later than January 1990, in the first instance to advance a work program in the way outlined above.
23. It was agreed that follow-up work should draw on existing resources for analysis in the Asia Pacific region, including the work of PECC task forces. The Chairman of the Standing Committee of PECC indicated PECC's willingness to assist in this regard.
24. Participation. Ministers have noted the importance of the People's Republic of China and the economies of Hong Kong and Taiwan to future prosperity of the Asia Pacific region. Taking into account the general principles of cooperation identified above, and recognising that APEC is a non-formal forum for consultations among high-level representatives of significant economies in the Asia Pacific region, it has been agreed that it would be desirable to consider further the involvement of these three economies in the process of Asia Pacific Economic Cooperation.
25. It has been agreed that it would be appropriate for senior officials to undertake further consultations and consider issues related to future participation in the APEC process by these and other economics, including those of the Pacific Islands, and to report back to the next APEC Ministerial-level Meeting.

### **Conclusion**

26. I believe we have made very worthwhile progress during our two days of discussions. We have been able to build on the efforts of those who have sought to promote Asia Pacific Economic Cooperation in the past and are able to look forward to a further positive process of evolution. Such evolution will take place on the basis of further careful consensus building, drawing constructively on existing mechanisms, such as the valuable institutions and processes of ASEAN as well as the analytical capacity of the PECC.
27. We have all been pleased with the way in which leaders from this diverse and dynamic region have been able to reach consensus on a range of important issues. There is good reason for confidence that, by sustaining the spirit of goodwill and flexibility which has been shown at this meeting, we can develop Asia Pacific Economic Cooperation to benefit not only the region, but to enhance world wide economic prospects.

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