

**POLITICS OF REGIONALISM AND US PARTICIPATION
IN APEC, 1993-2008**

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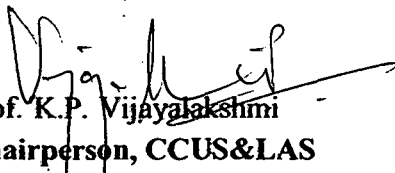
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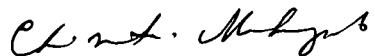
I declare that the dissertation entitled "**Politics of Regionalism and US Participation in APEC, 1993-2008**" submitted by me for award of the degree of **Master of Philosophy** of Jawaharlal Nehru University is my own work. The dissertation has not been submitted for any other degree of this University or any other university.


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CERTIFICATE

We recommend that this dissertation be placed before the examiner for evaluation.


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Preface

This dissertation is an attempt to simplify the understanding of US-APEC relations. This work traces the genesis of APEC and focuses particularly on the era involving the Presidencies of Bill Clinton and George W Bush. From the initial exclusion of the US from APEC to becoming an important member, it has been an arduous journey for the US.

Many sources of literature on the US-APEC relations have been consulted throughout this dissertation. Both primary and secondary sources have been consulted in this work. Data published in government documents, official declarations/statements and speeches are used as primary sources to discern similarities and differences in the perception and policies of Democratic and Republican Administrations. Secondary sources like books, journals, periodicals and newspaper articles have also been used as Literature to assist research. The primary motive of the research has been to reach the bottom of the nature of US-APEC relations. Major developments between US and APEC members in the period 1993-2008 have been examined thoroughly. The materials available from APEC's official website (www.apec.org) have been consulted. Official reports such as CRS Reports and excerpts from congressional hearings are also used to assist the research work. Four major libraries, Jawaharlal Nehru University library, IDSA (Institute for Defense Studies and Analysis), American Centre library and Teen Murti library have formed the basic source of literature and study materials to be collected on the topic. Before reaching any conclusive view point, a range of perspectives have been thoroughly analyzed to measure their pros and cons.

While the historical and analytical methods are largely adopted to examine the US approach towards APEC, international relations theories

like Neo-realism, Liberalism and Hegemonic Stability Theories have been engaged to deconstruct the complex involvement of the US in APEC related processes.

The dissertation consists of five chapters. The introductory chapter gives a brief background of the conditions that led to the formation of APEC. The first chapter analyzes the nature and dimension of the term "Open Regionalism" as incorporated by APEC. The chapter also tries to probe as to why a particular form of Regionalism was required by APEC. The second chapter delves into the US response to its initial non-inclusion in APEC and the pre-APEC idea of the East Asia Economic Caucus. The third chapter looks into how US-APEC relations changed post the Seattle summit in 1993 during Clinton's Presidency. As a matter of comparison, it will also look into the Senior Bush Presidency and his approach towards Asia Pacific region. The fourth chapter examines US-APEC developments post the Mexico summit of 2002. It focuses on how the Bush Presidency strived to mend US' relationship with APEC, particularly after it started on a low note in the Mexico summit. The conclusive chapter tries to bring out the comparative analysis of US-APEC relations in the two Presidencies of Clinton and Bush. It also shows how there seem to be a contrasting picture of US-APEC relations in the two presidencies. The chapter ends with the overall picture of US-APEC relations at the end of Bush Presidency.

Introduction

A Background to the formation of APEC

Since the mid 1960s various proposals were made to create Asian regional organizations, but the idea gained prominence only in the 1970s. Led by Japan, ideas about the integration of Pacific countries based on mutual interdependence started floating. The idea based itself on the realization that bilateral relations alone were not sufficient and that a proper channel or mechanism should be constructed for association among the members of the Asia-Pacific region (Soesastro 1993). Fifield (1981) supported the need for regional cooperation by saying that “bilateralism is no longer adequate, while regional rather than global considerations are more suited to the circumstances”

Hadi Soesastro (1993) systematically gives a phase-wise development of the idea of a Pacific economic cooperation. His study identifies three consecutive periods in the development of Pacific economic cooperation ideas. The first phase is from early 1960s to around 1967. This period was marked by almost exclusive Japanese efforts at developing Pacific economic cooperation ideas. One of the earliest proposals came in the first phase by Morinosuke Kajima, a Liberal Democratic Party (LDP) politician when he raised the issue of the possibility of creating a pan-Pacific organization in the Upper House of the Diet. This proposal did not catch the attention of the leaders. Kajima’s proposal was followed by a series of studies and research undertaken by Japanese economists such as Saburo Okita and Kiyoshi Kojima. These studies helped immensely in the formulation of the concept of Pacific economic cooperation. A major development in the first phase was the establishment of Japanese Economic Research Center (JERC). Japanese business circle and Japanese Economic Research Centre (JERC) provided the stimulus for the growth of the Pacific economic cooperation idea. It was a paper published by JERC titled “Economic Cooperation in the Pacific Area” which proposed an annual meeting between Australia, Canada, Japan, New Zealand and

the US to discuss issues of common interest. Then it was in May 1967 that for the first time such an idea was taken up at the official level in Japan. In April 1967 came an important development, at a meeting of Japan-Australia Business Cooperation Committee, Pacific Basin Economic Council (PBEC) was established. This was a private organization with five national committees (Australia, Canada, Japan, New Zealand and the US).

The second phase, from 1968 to 1977, saw the "internationalization" (Soesastro 1993) of the idea of Pacific economic cooperation. This phase saw the involvement of many countries towards the realization of this idea, as a result of which a lot of conferences were conducted with the support of the Japanese government. Japanese Foreign Minister Miki was particularly active and organized many conferences including the first Pacific Trade and Development (PAFTAD) in January 1968. The PAFTAD conference in the following year discussed the possibility of a Pacific Free Trade Area (PAFTA) among the five developed Pacific countries. There was still a lot of uncertainty about the future of a Pacific economic cooperation. Then the Asian region saw the birth of ASEAN in 1967. In Soesastro's (1993) words, "The emergence of Association of South-east Asian Nations (ASEAN) as an effective institution helped to resolve the uncertainty. With ASEAN's successful conclusion of its first summit meeting in Bali in 1976, it appeared to have definitely proved itself in Japan's eyes." This phase also included the October 1972 first ministerial conference between Australia and Japan. The two governments agreed to finance 'The Australia, Japan and Western Pacific Economic Relations Research Project'. But there was hardly any support for these ideas.

The third phase which started from 1978 saw attempts to translate this idea into action. This phase saw an increased involvement of the governments of various countries. It was the third phase that saw the

emergence of consensus for the first time on the principles of organizing Pacific economic cooperation.

Two very important events took place in the year 1978. In relation to the US-APEC relations, this year marks the time when the first seeds of US-APEC relations were shown. In April 1978 Senator John Glenn, Chairman of the Subcommittee on East Asian and Pacific Affairs, Committee on Foreign Relations of the US Senate, made a request to the Congressional Research Service (CRS) of the Library of Congress to examine the possibility of a regional economic organization. The CRS in turn commissioned a study by Hugh Patrick of Yale University and Peter Drysdale of the Australian National University. Their report submitted in May 1979 was titled "Evaluation of a Proposed Asian-Pacific Regional Economic Organization". Their study examined the interest of the participation of the US in an Organization for Pacific Trade and Development (OPTAD) (CRS 1979). This event was very high in importance for the development of an Asia-Pacific economic community. It was for the first time that such an idea was put on the table of US and given a policy level importance. And participation of the US in Pacific economic community would mean a rise in significance of the Pacific region.

The third phase also saw an official support from the Japanese Prime Minister Masayoshi Ohira for a "Pan-Pacific Association". In 1980, following a meeting between Prime Minister Ohira and his Australian counterpart Malcolm Fraser the Pacific Economic Cooperation Conference (PECC) was established. PECC started on the ideas in the OPTAD report. It was a completely new initiative for bringing together the government, business and the academics on regional economic cooperation. Although PECC began as a series of informal meetings, its success lay in convincing and integrating ASEAN for participation. The ASEAN

countries were 'averse' to wider involvement beyond the scope of their own organization (Higgot et al 1990).

PECC became a vehicle for consensus building and government involvement. It included most of the important members of the Pacific community apart from organizational members such as the Pacific Basin Economic Council (PBEC) and PAFTAD. In 1989 PECC was strengthened and the Pacific economic cooperation process extended to the ministerial level by the formation of an inter-governmental forum, Asia Pacific Economic Cooperation (APEC), led by Australian Prime Minister Bob Hawke. APEC soon caught the eyes of other Pacific countries including Canada and the United States. This led to the formation of a 12 nation forum comprising six ASEAN members and other countries like Australia, Japan Canada, New Zealand and the US. Slowly the membership has been extended to include other members of the Pacific community as a result of which the total membership of APEC has reached 21.

APEC: an introduction

APEC began in 1989 as an Australian initiative in view of the growing interdependence among Asia-Pacific economies and in response to the free-trade areas which had developed in Europe and North America. Originally intended to exclude the United States and Canada, APEC was to provide an institution and forum for consultation and coordination on economic issues of importance to East Asia, Australia and New Zealand. Ultimately, membership was opened to countries in the Americas. Membership in APEC initially included twelve economies (Hong Kong and Taiwan are not considered to be countries) but grew to twenty-one. The founding members were the United States, Canada, Japan, South Korea, ASEAN (Brunei, Indonesia, Malaysia, Philippines, Singapore, and Thailand, but not Vietnam), Australia, and New Zealand. In 1991, the

People's Republic of China, Taiwan, and Hong Kong joined. In 1993, Mexico and Papua New Guinea were admitted, as was Chile in 1994. In 1997, APEC extended membership to Peru, Russia, and Vietnam (who became members in 1998) and declared a ten-year period of consolidation before additional membership applications would be considered (CRS 2002).

In the Congressional Research Service Report brought out by the US Library of Congress in 2002 titled "APEC Free Trade and the 2002 Summit México", Specialist in Industry and Trade Foreign Affairs, Defense, and Trade Division, Dick K Nanto lists the broad objectives and principles of APEC.

The broad objectives of APEC are: (Nanto D (2002), CRS: RL31038).

- to sustain growth and development of the region;
- to encourage the flow of goods, services, capital, and technology;
- to develop and strengthen the multilateral trading system; and
- to reduce barriers to trade in goods and services and investment.

APEC's principles of operation are:

- that APEC is a voluntary association in which participants do not cede powers of regulation or enforcement to a supra-national institution;
- that decisions are based on consensus; and
- that decisions are implemented by individual members on a voluntary basis and by collective actions (the voluntary actions are coordinated and aimed at accomplishing a common goal).

APEC: Structure and Activities

The APEC chair rotates annually and since 1989 has been held by Australia, Singapore, South Korea, Thailand, United States, Indonesia, Japan, the Philippines, Canada, Malaysia, New Zealand, and Brunei. China held the chair in 2001. The focal point of APEC activities is the annual Leaders Meeting in which the APEC leaders set goals, publicize them, and provide momentum for the process. This is usually held in November of each year, and is attended by heads of state except for those from Taiwan (Chinese Taipei) and Hong Kong who send other representatives. The major APEC decisions are affirmed and announced at this meeting. The summit also provides a platform for and gives momentum to major APEC initiatives. The Leaders' meeting was begun in 1993 by former President Clinton who invited the leaders to Blake Island near Seattle. Although APEC confines its agenda to economic issues, the heads of state at bilateral meetings conducted before and after the Leader's Meetings have discussed concerns over international security, human rights, and other issues (CRS 2002)

Most of the decisions of APEC are first considered in ministerial meetings. These include the respective ministers dealing with trade, finance, transportation, telecommunications, human resources development (education), energy, environment, science and technology, and small and medium-sized enterprises. The largest ministerial meet is the annual Joint Ministerial Meeting which precedes the Leaders Meeting. It usually is attended by foreign and trade or commerce ministers from member states. Management of substance is handled under ministerial direction through Senior Officials Meetings (held four times per year). In 1993, APEC created a Secretariat in Singapore with an Executive Director, 23 officials seconded by member economies for fixed terms and a similar number of locally recruited support staff (CRS 2002).

Most of the specific tasks before APEC are being addressed in committees or working groups or expert groups that deal with economic issues of importance to the region. For implementing the Bogor declaration/goals¹, the Committee on Trade and Investment plays the key role. Other committees are the Economic Committee and the Budget and Administrative Committee. APEC also has ten working groups which work on specific areas of cooperation and facilitation: (1) Trade and Investment Data, (2) Trade Promotion, (3) Industrial Science and Technology, (4) Human Resources Development, (5) Energy Cooperation, (6) Marine Resource Conservation, (7) Telecommunications, (8) Transportation, (9) Tourism, and (10) Fisheries. Each working group has one or more ‘shepherds’ (members) who take responsibility for coordinating the work of the group (CRS 2002)

In 1992, APEC formed the Eminent Persons Group (EPG) and charged it with developing a “vision” for APEC’s future. In 1994, the EPG recommended that APEC establish the goal of free trade, and, in 1995, as it completed its work, it recommended ways to achieve that vision.

In 1995, APEC established the APEC Business Advisory Council (ABAC) which consists of up to three members appointed by each APEC member. It provides advice on implementing the APEC agenda and other specific business-related issues. For 2000, ABAC focused its activities on maintaining momentum in trade and investment liberalization, building capacity in APEC financial systems, and improving access to new opportunities through technological progress. In 2001, ABAC expanded the work of its Action Plan Monitoring Committee and developed recommendations from three task forces dealing, respectively, with finance, technology, and trade and investment. In 1995, the issue was raised whether APEC should be expanded to include consideration of

¹ In their 1994 Bogor Declaration, APEC Leaders agreed to the common goals of free and open trade and investment by 2010 for industrialized economies and 2020 for developing economies.

regional security issues. Until then, consideration of non-economic issues was confined to bilateral summit meetings surrounding the Leaders Meetings. APEC had carefully kept its distance from security matters for fear that such issues would cause divisions within the group — particularly among China, Taiwan, the United States, Japan, and Russia. Such divisions could thwart cooperation in achieving economic goals. The consensus in 1995 among APEC members seemed to be that regional security issues should be discussed in the ASEAN Regional Forum (ARF) and other fora rather than in APEC. The ASEAN Regional Forum usually meets after the ASEAN Ministerial Conference and, in addition to the seven members of ASEAN, includes the United States, China, Russia, Japan, South Korea, Australia, New Zealand, Canada, and the European Union. It provides the largest pan-Pacific forum for discussing security issues (CRS 2002)

APEC Summits

The inaugural ministerial meeting in Canberra in 1989 was attended by 26 ministers from 12 economies, namely the six ASEAN countries, South Korea, Japan, Australia, New Zealand, Canada and United States. They agreed on the basic principles that would guide APEC. The objective of APEC was to sustain growth and development in the region. The next meeting in Singapore was held in 1990. Seven work projects were established in this meeting. These projects were designed to enhance cooperation between members and regional flow of goods, services and investments. APEC ministers in Singapore issued a declaration in which they emphasized their commitment to the successful commitment of the Uruguay Round.² This would show APEC's support for a multilateral trading system. The third meeting was held in Seoul in 1991. In this

² The Uruguay Round was the 8th round of Multilateral trade negotiations (MTN) conducted within the framework of the General Agreement on Tariffs and Trade (GATT), spanning from 1986-1994 and embracing 123 countries as "contracting parties". The Round transformed the GATT into the World Trade Organization.

meeting the Seoul APEC Declaration was adopted highlighting the scope of activity of APEC, mode of operation and principles for participation in APEC. APEC's scope includes: exchange of information and consultation on relevant economic policies: development of strategies to reduce impediments to trade and investment: and promotion of economic and technical cooperation. This declaration was a big step in the history of APEC (CRS 2002)

The next meeting was in Bangkok in 1992. This meeting marked the beginning of the process of institutionalization. In this meeting it was agreed that a permanent international secretariat would be set up in Singapore. Along with this an APEC central fund was created to finance APEC activities. The fifth meeting took place in Seattle in 1993 and was a big boost to the APEC process. It was in this meeting that APEC included Mexico and Papua New Guinea as members of APEC. Apart from this a decision was made to include Chile the very next year and to stop the membership in APEC from after that for a period of three years so that there was enough time for the organization to consolidate itself. The Seattle meet was important for APEC in more than one way. It was the first meeting which took the meeting to the level of the government. The US President Bill Clinton was very instrumental in involving APEC at the governmental level. APEC held an informal meeting along with a ministerial meeting in this meeting and the leaders came out with an Economic Vision Statement (APEC 1993) which comprised three main elements. The first was the support and endorsement shown by the members to its policy of multilateral trading system along with an emphasis to produce the strongest result out of the Uruguay Round. The second important element in the statement was a vision of a community of Asia-Pacific economies which would be based on a spirit of openness and partnership. There would be a successive reduction of trade and investment barriers and the organization will work in the interest of a global free economy. The third element in the statement consisted of a list

of initiatives of APEC which included formation of Asia-Pacific Business Advisory Council (ABAC) and the development of a code for non-binding issues (CRS 2002).

The next meeting of APEC leaders was held in Bogor (Indonesia) and is considered to be one of the most decisive meetings of APEC. This meeting produced the Bogor Declaration of Common Resolve which set the goal of a free and open trade in the region by the year 2010 and 2020 for developed and developing APEC economies respectively. This was an important achievement for APEC as for the first time a serious deadline had been set to achieve the goals of the organization. The Bogor declaration also became important because it laid down the process in which these goals would be achieved. It was decided that APEC would be working in a GATT-consistent manner to meet its goals thereby ending all speculation and criticism that APEC was working in a manner which was opposed to GATT/WTO. This institutional parallelism augured well for the further growth of the organization. After this declaration APEC became an organization that was no more considered to be an inward-looking trading bloc but as an organization that encouraged and strengthened trade and liberalization globally. But having said this, Bogor summit did not mean a complete resolution of the contradictions within the organization. There was still some ambiguity about the way in which the goals set at the Bogor summit would be achieved (CRS 2002).

Next came, the 1995 Osaka Agenda which included the elimination of all border barriers to trade and investments. There were 15 areas of cooperation that were charted out in this agenda. In order to implement the goals of the agenda ten agreed principles were laid down by APEC namely: comprehensiveness, WTO consistency, comparability, non-discrimination, transparency, standstill, simultaneous start, continuous process and differentiated timetables, flexibility and cooperation (CRS 2002).

In the seventh meeting in Manila in 1996 saw the submission of IAPs (Individual Action Plans) and CAPs (Collective Action Plans) by its members. The IAPs and the CAPs together form the MAPA (Manila Action Plan) and are related to three pillars of APEC: trade and investment liberalization; facilitation and economic and technical cooperation. In the Manila Action Plan the other members of APEC accused the United States with presenting a 'minimalist Individual Action Plan' and therefore of 'free riding' within APEC (CRS 2002).

The 1997 Ministerial and Leaders Meetings took place in November in Vancouver, British Columbia. As the leaders met, several of the Asian APEC members were coping with severe financial crises in which the value of their currencies had gone down, the value of stocks on their equity markets had dropped, and many of their financial institutions had become bankrupt. The International Monetary Fund had already arranged support packages for Thailand and Indonesia and was in the process of doing the same for South Korea (CRS 2002).

The 1998 APEC Joint Ministerial and Leaders' Meetings were held in Kuala Lumpur, Malaysia. Former President Clinton had announced his intention to attend, but sent Vice President Al Gore³ in his place because of the likely attack on Iraq. At the Malaysia meetings, APEC leaders gave support to Early Voluntary Sectoral Liberalization (EVSL) at the WTO which would liberalize trade in nine key sectors as APEC had proposed in the previous Leader's Meeting. Two other issues dominated the APEC meetings in Malaysia. The first was the global economic turmoil that began in Asia in 1997. Another issue was Malaysian Prime Minister Mahathir Mohamad, who hosted the APEC meetings, had been a severe

³ Albert Arnold "Al" Gore, Jr. (born March 31, 1948) served as the 45th Vice President of the United States (1993–2001), under President Bill Clinton.

critic of the APEC trade liberalization process. As the Asian financial crisis battered the Malaysian economy, Mahathir imposed currency controls and restrictions on capital flows to and from Malaysia and stifled dissent within the country. The capital restrictions were in conflict with the goal of free trade and investment in APEC but had attracted sympathy from other nations that had suffered the flight of short-term capital (CRS 2002).

On September 12-13, 1999, the Seventh APEC Leaders Meeting was held in Auckland, New Zealand. The APEC leaders endorsed the launching of a new WTO round of multilateral trade negotiations in this meeting. In the Brunei summit, the APEC leaders reaffirmed their determination to realize the goal of free and open trade and investment among member economies and agreed on the need to expeditiously launch a new round of trade negotiations under the World Trade Organization in 2001. In 2001 APEC leaders met at Shanghai in China. In this meeting global economic slowdown and terrorist strikes on the US drew attention of APEC. In Los Cabos, Mexico in 2002 fighting terrorism was included among the priorities of APEC and a reiteration of Bogor goals was made. Human security, globalization and liberalization of trade and investments dominated the 2003 Bangkok summit and 2004 Santiago summit. In 2005 in Busan, South Korea, a pledge to stick by the Bogor goals and to build a freer trade environment was made. The next three meetings at Hanoi, Sydney and Lima in 2006, 2007 and 2008 respectively reiterated the basic goals of APEC and a commitment to achieve these goals (CRS 2002).

US policies towards Asia-Pacific cooperation: history and evolution

It was only in the 1980s that the United States started thinking of Asia-Pacific cooperation at the policy level. The question that arises then is what was the nature of US response towards Asia-Pacific cooperation? And what was the role of the government of the United States in the dialogue process?

According to Borthwick (1987) it was only in the post 1980s phase that global economic participation became important in US' scheme of things. In the aftermath of the recession (economic downturn in the early 1980s), it was important for the United States that they considered the global economic challenges that faced them in Asia. According to Borthwick (1987) other factors that necessitated US involvement in Asia were an economic resurgent Japan, dynamic growth of Newly Industrialized Countries (NIEs) and the opening of the economy by China. The rise of ASEAN as a political and economic organization had also made the US curious about an economically fast developing Asia-Pacific region. Slowly the Asia-Pacific region became impossible to ignore and attracted a lot of attention by the US. From gaining a membership in APEC to strengthening its relationship with APEC particularly during the presidencies of Bush and Clinton (1991-2001) tells a lot about the change in US policies towards the Asia-Pacific region.

The interest of the US government in Asia-Pacific region was a reflection of the interest of the US Congress. In April 1978 Senator John Glenn, then chairman of the Subcommittee on East Asian and Pacific Affairs in the Senate Foreign Relations Committee, requested that the Congressional Research Service (CRS) provide an evaluation of proposals for a Pacific area economic association. It was in this regard that Peter Drysdale (Australian National University) and Hugh Patrick (Yale University Economist) came out with a study (published in July 1979) which

suggested that the United States should join in discussions concerning the formation of a regional cooperative institution. It was for the first time that a policy level research had been done on the need for a US involvement in the Asia-Pacific. The Drysdale/Patrick study pointed out that that the US could not overlook its interest in the Pacific. As a result it was suggested in the study that an Organization for Pacific Trade and Development (OPTAD), comprising free market economies, would become the forum for discussion and cooperation. The Report focused on a few points and argued why it is necessary for the US to engage the Asia-Pacific. The various interests of the United States were pointed by the committee as:

- a) Preservation of US interest leadership in liberalizing international trade
- b) Improved adaptability to shifts in relative economic power and intent within the Pacific region.
- c) Better prospects for resolving problems in international economic competition.
- d) Furtherance of US relations with the Communist states of Asia
- e) An expanded network for US-Japan relationship which would cover the entire Asia-Pacific region.

(Borthwick 1987 11-15)

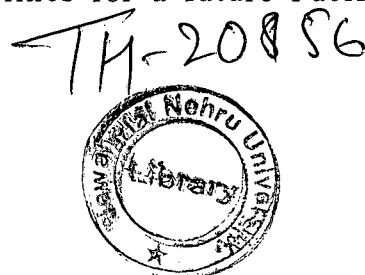
US policy in Asia was until then dominated by US-Japan relations. The CRS report (Drysdale/Patrick Study) argued for the broadening of the US perspective in Asia. But such an idea was not without opposition within the US Congress. CRS Senior Specialist in International Economics Alfred Reifman took a "skeptical view" of the OPTAD proposal by the Drysdale/Patrick study. Reifman gave an argument that was already considered invalid. According to Reifman an increased focus on regional aspects would diminish the global importance in trade and investment.

This view was rejected by Senator John Glenn as he found Reifman's argument not so convincing (Borthwick 1987).

The research conducted by Drysdale and Patrick went on to become the base for a US economic involvement in the Asia-Pacific region. While the Drysdale/Patrick study pointed out the positives of a possible US participation in the Asia-Pacific region, it also noted down certain plausible negative fallouts of such a move by the US. The Report says that US involvement on a completely new basis would undermine the already existing basis of US cooperation with the Pacific. Japan, Australia and ASEAN had their own areas of cooperation with the US before APEC came into existence. US involvement on a completely new basis could go on to alter the dynamics of relationships of the US vis-à-vis Japan, Australia or ASEAN (Borthwick 1987).

This was not the only research level analysis done by the US before getting involved in the Asia-Pacific region. Another committee showing an interest in the Pacific Community was during the 96th Congress. The House-Senate Joint Economic Committee (JEC) chaired by Senator Lloyd Bentsen, gave attention to America's trade relationship with the Pacific region. Bentsen conducted a research study in 1980 and led a committee to Asia and conducted unofficial meetings in Manila, Hong-Kong, Taipei and Seoul. The committee in its report did not emphasize a US involvement in Asia-Pacific rather it underscored a growing stake of the US in Asia-Pacific trade. The committee also expressed its concern on the decline of the US market share in East Asia.

Another member of Joint Economic Committee (JEC), Senator William Roth took interest in Pacific trade issues and in mid-1979 argued in support of an intergovernmental organization. These guidelines were issued in the interest of the US by Senator Roth to be taken up for consideration. He advocated a few guidelines for a future Pacific Basin institution:



- a) Institutions created should be in tandem with the needs.
- b) Initially the institutions created should be consultative rather than an activist one.
- c) Membership and leadership should be flexible.
- d) Progress should be made by trial and error method

(Bothwick 1987 10-14)

It was not just the Senate that was involved in the idea of US participation in the Pacific. In the House of Representatives, the Congressional inquiry was led by the chairman of Subcommittee on Asian and Pacific Affairs, Lester Wolff. In 1979 the Subcommittee held a series of hearings on the Pacific Community idea with the clear goal of encouraging movement "from academic debate to concrete action". The hearings were conducted to develop a basic structure of a Pacific institution. This report was viewed by a number of US experts in Asian Affairs that considered both academic and committee views about the idea of a Pacific economic cooperation. The committee's report endorsed the idea of a closer cooperation with the Asia-Pacific region but it could not be translated into a policy level initiative by the US government (US Congress 1979).

Even before these proposals were considered for implementation, the idea of a deeper US-Asia-Pacific cooperation got a setback in the 1980 election. Major proponents of the idea of a US role in Pacific regional cooperation were affected by the 1980 election. Congressman Wolff was defeated and Senator Glenn lost the chairmanship of the Senate Subcommittee on East Asian and Pacific Affairs after the Democratic Party lost its Senate majority. But a rescue came in the form of Senator Daniel Inouye who supported the US bid for a Pacific regional cooperation and criticized the slow nature of development on the issue by the US. He criticized the US response by saying

"We need to develop long term policies for our relations with Pacific Basin countries, particularly by creating an institutional mechanism to

stimulate cooperation in the economic, foreign-assistance and political spheres. We must be more responsive to opportunities to construct multilateral institutions that emphasize regional harmony.....The time has come to end our rhetorical obeisance to Pacific cooperation and formulate policies that will translate the proposal into reality”

(Inouye 1984 23).

This was the beginning of how the US Congress began its pursuit of a Pacific economic cooperation. By early 1980s it was clear that the intent of US Congress was well in the direction of establishing a US-Asia-Pacific economic cooperation on fresh parameters. So it becomes important to see the chain of administrative responses that led to the translation of the idea onto a reality. Mark Borthwick (1987) in his essay “United States Policies toward Pacific Cooperation” traces the sequence of administrative responses that led to the US involvement in the Asia-Pacific region, culminating into a US membership in APEC.

Borthwick says that the post second World War concerns of the US in Asia was primarily guided by security considerations. The main concern of the US was to prevent an anti-US offensive from the Asian region. The prosperity of the Asian region was not a factor to consider for the US as the whole region was still reeling in post-war economically deprived conditions. The economic and political relationships between the US and Asia-Pacific were hardly conducive until the 1970s. But according to Borthwick (1987) the concept of a Pacific Community had developed within the State Department by 1979 to support a mission to Asia for the purpose of exploring ASEAN and other related issues. In September 1979 East Asia Division’s deputy assistant secretary for economic affairs, Erland Heginbotham and Donald Zagoria, Columbia University, visited several South-East Asian capitals to assess a few Asia-Pacific economic

institutions and to governmental discussions about economic issues. Although this mission did not represent an official move of the US government it was of great help to the US government as it was conducted with great research-oriented aplomb.

During the Carter administration, Richard Holbrooke (Assistant Secretary of State for East Asian and Pacific Affairs) attended the Canberra seminar and showed interest in the Pacific community. For the rest of the Carter administration it was the reaction of ASEAN that went on to shape US response towards Asia-Pacific. During the Reagan administration the fanfare of such a cooperation died down as the Bangkok meeting held in 1982 was treated with US skepticism. It was not before the entrance of George Shultz as secretary of state that the US interest in a Pacific cooperation in the Pacific was revived. Shultz's May 5, 1983 speech before the World Affairs Council of San Francisco stressed the need for involving the Pacific (Shultz 1983).

The US trade representative William Brock was also very instrumental in building trade relations of the United States with the Pacific countries. In a speech in Singapore in February 1983, Brock proposed a "phased elimination of all barriers to trade between the US and the ASEAN", although this proposal went mostly unnoticed. The Pacific cooperation got the most attention in United States in May 1983 when the National Security Council (NSC) director of international economic affairs, Norman Bailey, expressed the importance of such cooperation. Apart from these Reagan also made trips to countries like China, Japan and Korea to boost trade. All in all, the Reagan Presidency was very important in planting the seeds of US-Pacific cooperation (Borthwick 1987).

Borthwick (1987) further believes that an active US involvement in the Asia-Pacific region began with the formation of APEC. Beginning with the Presidency of Clinton and the beginning of the Seattle summit US involvement saw a new resurgence. First it was in the form of an almost

coercive diplomacy by the US to get a membership in the APEC followed by an active Presidential involvement by the Clinton Presidency. Bob Hawke's APEC initiative was supported by US Secretary of State James Baker and at the G-7 Summit in July 1993 President Clinton announced his administration's support of the APEC Ministerial Meeting in Seattle in November 1993. Along with the support Clinton administration also emphasized the importance of APEC and its advantage to the US policy. He referred to formation of APEC as a "a new Pacific community". Since then the main objectives of APEC have been to encourage regional institutional building, to avoid sub-regional trade wars and protectionism and to stimulate trade. APEC was created out of a need for an improved regional dialogue and cooperation in the Asia-Pacific region than what PECC had to offer (Borthwick 1987)

President Clinton also made major strides to end the "Mahathir conundrum" by trying to engage Malaysia in the core priorities of APEC. After Clinton it was President George W. Bush who carried the legacy of US-APEC relations. After the terrorist strikes of September 11, it became imperative for the US to see security as an indispensable agenda on the APEC list. This left many Asian countries miffed about almost a coercive diplomacy by the US to include security as one of APEC priorities. But this is considered to be a slight aberration in the history of APEC which can be forgotten. Posts the Mexico summit in 2002, US-APEC relation has been inching slowly towards more cooperation. The years 1993-2008 spanning the Presidencies of Bush and Clinton saw the best of US-APEC relations thus far. While the Clinton Presidency established a strong and hitherto unprecedented base for cooperation with APEC, the Bush Presidency was decisive in taking the relations forward, although marred with a few hiccups (Borthwick 1987).

According to Borthwick (1987) when APEC began, many thought it would be just another "talk shop." The movement in APEC toward voluntary free trade and investment liberalization, however, has gone beyond initial expectations and seems to reflect a change in world economic circumstances and attitudes. The nations belonging to the WTO already have agreed to reduce tariffs and eliminate most non-tariff barriers. For the industrialized nations, in particular, tariffs already are so low in many sectors.

In terms of U.S. interests, APEC promotes trade and cooperation among economies that have been the most dynamic in the world, encourages open trading systems rather than trading blocs, helps U.S. businesses remain engaged in the region, and provides the Asia-Pacific region with a counterweight to the European Union. In response to APEC, the European Union in 1996 initiated ASEM, the Asia- Europe Meeting, which excludes the Americas. At the same time, countries in the Americas are pursuing the Free Trade Area of the Americas (FTAA) a free-trade arrangement that would stretch from Canada to Chile.

APEC is maturing as an organization and has now drawn most major players in the Asia-Pacific region into its membership. Its long-range goals are lofty, but it seems to be moving steadily toward achieving them. It is becoming a credible vehicle to discuss and coordinate issues in the region as well as to achieve trade and investment liberalization.

CHAPTER 1

Politics of Regionalism and formation of APEC

Politics of Regionalism

As opposed to the 'old' regionalism of 1950s and 1960s, there was an emergence of a new regionalism in the 1980s in the Asia-Pacific region. This new regionalism is characterized by a complex economic interdependence and is largely market-led. Regional economic linkages and interdependence necessitate economic agreements among them. The distinctive feature about this form of regionalism is that "politics tends to follow markets". Politics within this new form of regionalism also arises because of the different needs of different members. For instance within APEC, differences in opinion have led to the 'open' versus 'closed' regionalism debate (Connors et al 2004).

Politics of regionalism as played out in APEC concerned itself with issues like membership (which countries should be included and which ones should be excluded?), scope of the institution (what issues should be included in the APEC agenda?), and finally about the nature of the organization. Politics was inevitable in a region that saw a tremendous increase in economic interactions among its countries. Politics was also a result of fast changing domestic conditions, growth in trade and a desire to remain central to a regional institution. In a region which had overlapping membership in different organizations, politics was but inevitable (Crone 1992).

The emergence of Asia-Pacific Regionalism

According to Garnaut and Drysdale (1994), the role of the governments in the emergence of an Asia-Pacific regionalism cannot be overstated. The government's role of removing all trade and payment barriers at the borders of participating economies was a process of facilitation. The governments of various countries like the US, Canada and Japan were involved in several rounds of multilateral trade negotiations under the

General Agreement on Tariffs and Trade (GATT). Japan also saw major liberalizing steps being taken in the 1980s in relation to manufacturing activities and some steps to resolve bilateral trade disputes with the United States which included early steps in liberalizing some trade in services and farm products. In countries like China, Australia and New Zealand, liberalization of manufactured goods trade was mostly guided by domestic economic strategy. Hong-Kong and Singapore were virtually free trade economies from the beginning. In the early 1960s, Taiwan and Republic of Korea adopted the policy of liberalizing payments and trade and took other important decisions that marked the beginning of a sustained growth. ASEAN economies like Malaysia, Thailand and later Indonesia took similar steps in the early 1970s and through the 1980s. Australia and New Zealand started gradually but took on radical import liberalization after the mid 1980s as they got integrated internationally and with Asia-Pacific region.

The United States was putting pressure on Korea and Taiwan from the early 1980s and this in turn increased the momentum for trade liberalization. Later, it was extended from manufacturing sector to politically more sensitive areas in agriculture and services.

These developments were accompanied by an internationally-oriented economic growth in East-Asia and the Pacific. As a result of which the intra-regional trade witnessed a boom. This tremendous increase in the regional trade was followed by protectionist tendencies. Even official discrimination was promoted by some states which hindered the expansion of intra-regional trade. This came to an end only after Cold War legacies had been put to rest.

Some more important developments came in the last quarter of the 20th century. After the diplomatic recognition of People's Republic of China in 1979, the US' economic relations with China picked up. The Sino-British agreement of 1984 on the future of Hong-Kong was a major step for rapid

expansion of investment and trade. Trade relations between Taiwan and mainland China had to wait until 1987 when Taipei lifted many restrictions on contact with the mainland. Sino-Korean trade also expanded rapidly after mutual diplomatic recognition in 1992. Normalization of US-Vietnam relations came in 1994. Nesadurai (1996) holds that economic regionalism took off in Asia-Pacific in 1989 only after APEC was formed. This development was soon followed by ASEAN Free Trade Agreement (AFTA) in 1992. These two institutions dominated the economic scene at least throughout the decade of the 1990s. Thus beginning from the mid-1960s, Asia-Pacific region saw an eventual easing of bilateral and multilateral relations. The subsequent lowering of tariffs and breakdown of trade barriers in the Asia-Pacific region was a shot in the arm of the idea of an Asia Pacific Economic Cooperation and economic regionalism (Garnaut and Drysdale 1994).

Politics of Exclusion and the formation of EAEC

Even Japan rejected the initial APEC proposal which many thought was under the US pressure. Members of ASEAN like Thailand and Malaysia were worried about the US dominance such an alliance would lead to. Malaysia came up with a counter proposal called the East Asia Economic Group (EAEG) which was later changed to East Asia Economic Caucus (EAEC). Mahathir proposed that the membership should include the ASEAN states – Brunei, Indonesia, the Philippines, Malaysia, Singapore and Thailand- Taiwan, Hong-Kong, South Korea and Japan. He later included China to the list of possible members. The EAEC excluded the US, Canada, Australia and New Zealand. The Indonesians questioned the ability of Japan to lead alone as a joint role in the organization was preferred by the members. The US too did not show much enthusiasm as its traditional stand favoured universal economic forums rather than regional ones. According to Higgott and Stubbs (1995) The Bush

administration was putting pressure on Japan and South Korea to reject the idea of EAEC. But the Japanese government was in a state of confusion as on one hand it felt that an expanded Asia-Pacific region would immensely benefit the country while on the other hand it did not want to spoil its relationship with the US.

So what was the politics behind the formation of EAEC? According to Higgott and Stubbs (1995), the idea behind such a move was to create an exclusive Asian group free of Western dominance. This politics of exclusion by the EAEC did not limit itself to dominance, power and economics but ran deep into questions of culture history and ethnicity. All these were accompanied by a search for a regional identity. They further note that the EAEC proposal was a response to challenges coming from the global economy. The main difference was that unlike APEC, the EAEC was prepared to counter the political power of the US and Europe as much as it was ready to advance its cause of economic liberalism.

The timing of the proposal for EAEC by Mahathir was linked to the Malaysian government's frustration with the lack of attention being paid to Malaysia and ASEAN internationally (especially in the Uruguay Round of GATT). The possibility of a North American Free Trade Agreement (NAFTA) and European consolidation had left ASEAN thinking about its role in Asia. ASEAN was not able to act as a counterweight in terms of developing a free trade area. In such a case, EAEC developed as an alternative. Mahathir emphasized the need to have 'a strong voice for East Asian countries in trade negotiations with rest of the world, particularly European Commission (EC) and NAFTA (Saravanamuttu 1992). Analyzing the formation of EAEC, Camroux (1993) says,

“Certainly at a strategic level, EAEC is seen to offer a more independent Asian voice than is possible within APEC. As Malaysia’s Finance Minister, Anwar Ibrahim, put it: The East Asian group should be able to sit with North America or Europe on an equal footing. This would not be possible if we relied on APEC because the US and Canada also belong to the North America free trade area. We would say we have a platform to deal with one monster (US) and another monster (Japan). Small countries have to be smart in dealing with large nations.”

(Camroux 1993 102)

Higgott and Stubbs (1995) also point out the elements of ‘North-South politics’ were involved in the support of EAEC. Mahathir was seen as a leader in defending South’s and Asia’s interest on issues such as environment and human rights. Mahathir established a group of fifteen developing countries which met in Kuala Lumpur in 1989 to promote South-South economic ties. The US too was cynical about various North-South points of difference getting resolved through cooperation among Asia-Pacific countries. It continued its engagements with the countries of the Asia-Pacific region on bilateral basis because of its own apprehensions about a successful economic organization in the Pacific. Higgott and Stubbs (1995) conclude that the economic focus by the US in the Asia-Pacific region was eclipsed by its political interest in this region.

Politics of Membership

Gallant and Stubbs (1997) write that the issue of membership was central to the future of APEC. Since APEC in the beginning was guided by a few rules and regulations, the nature of membership would eventually decide the way APEC would evolve. The question of which countries should be invited to the inaugural meeting in Canberra proved to be ‘contentious’. The initial Australian proposal did not include the United States and

Canada. Japan however insisted that North American countries should be included so that the trans-Pacific relations remain unperturbed (Gallant and Stubbs 1997). The Canberra meeting brought together 27 ministers and delegates and observers from 12 countries. China's was not called for participation as it was marred with controversies surrounding the Tiananmen Square massacre. Hong-Kong and Taiwan were also not invited. The meeting had four principle items on its agenda (1) world and regional economic developments; (2) the role of the region in global trade liberalization; (3) specific opportunities for regional co-operation; and (4) future steps in the co-operation process (Higgott et al 1990). In spite of the initial efforts of Japan and Australia, the meeting could not come out with a final institutional structure for APEC. According to Higgott et al (1990), "The other key issue left unresolved was that of longer term participation. Who belongs to APEC? Does the Asia-Pacific include all countries which rim the ocean? Should there be a minimum size for membership? Should membership be confined to democracies? If so, how is that notion to be defined? Similarly, should participants be only market economies?" Apart from these issues, there were questions of different cultures and ethnicity and the process of their incorporation.

According to Gallant and Stubbs (1997), the nature of membership within APEC was so diverse and vast that there was bound to be differences within the organization. Its varied membership presented APEC with a clear dilemma. On one hand, APEC from the beginning has emphasized its inclusive, trans-Pacific, non-discriminatory character. It has shown an enthusiasm for more trade and increased liberalization. This is certainly consistent with APEC's interest of expanding membership. But on the other hand, the key issue to the smooth functioning of APEC is 'consensus.' Having a diverse and big group of countries in the membership list minimizes the possibility of a consensus within the

organization. Lack of consensus has been witnessed on almost all meeting of APEC and has hindered its progress since its inception. APEC realized in the 1993 Seattle summit that, "more systematic means of addressing the issue of new members" was needed and imposed a moratorium on future membership and ordered a study to examine the possibility of expanding its membership further.

The second issue about the formation of APEC is what Crone (1992) holds to be an attempt at nipping APEC in the bud or at least to look for ways of controlling APEC indirectly by United Nations Economic and Social Commission for Asia and the Pacific (ESCAP). In the words of Crone (1992) "The major concern, in the context of ESCAP was that APEC [a regional organization] should provide a mechanism for strengthening the growth momentum in the region and should enable the weaker economies to join the regional mainstream of development." APEC was pointed out by ESCAP to be an organization which has a less than regional scope and influence. Therefore the ESCAP Secretariat proposed a wider regional organization in the general meeting in 1990 based on all the members of ESCAP. This was certainly a response to the formation of APEC by the West. Crone (1992) says that "The proposal was very much a response to the formation of APEC, combined with the aspiration of the executive secretary to leave behind an expanded organizational legacy."

Vestiges of Cold War Politics

The third case regarding the politics in the formation of APEC, according to Crone (1992), was the issue of membership of what has been called the "three Chinas"- China, Taiwan and Hong-Kong. Both the US and Japan held that Hong Kong should be included as a member, while China should be included as an official observer and Taiwan as an unofficial observer.

China was willing to join as proposed by the US but was unwilling to let Taiwan and Hong Kong attain such a status. And Taiwan and Hong Kong wanted to be a part of APEC as full members and not otherwise. There was a further lack of consensus as three other members of ASEAN opposed the inclusion of the “three Chinas”. The result of all these was reflected at the first APEC Ministerial meet. It was only in the second Ministerial meeting that APEC members were able to build some consensus among them. Slowly APEC was seen gaining some ground and political clout as it showed intra-organizational solidarity. Major countries like the Soviet Union started showing inclination to join APEC and applied for its membership. But the US and Japan made sure that Soviet Union remained out of the membership of APEC. The formative years of APEC saw lingering vestiges of Communism still affecting bilateral and multilateral relations. Although tacitly, but communism played a vital role in deciding the membership in APEC. Soviet Union being kept out of the membership of APEC by the US and Japan is a classic case of how the undertones of Communist-Capitalist rivalry still worked in the dying years of Communism (Crone 1992). The politics of this Cold-war antagonism was again reflected in the case of Vietnam. Crone (1992) holds that the initial exclusion of Vietnam was also for the same reason. Majority of the Latin American countries also had partial or no membership which included Peru and Argentina as observers. New Zealand pushed for the membership of Papua New Guinea as it was the “heart” of the Pacific. Thus each country was trying to create a space for its ally or erstwhile ally within APEC.

APEC: the post formation phase

Post the phase of its formation, APEC showed a remarkable progress as it emulated many developmental programmes from ASEAN. The scope of these programs under APEC also increased including trade and investments. Apart from these transfer of technology was also included

under the agenda of APEC which met the demands and expectations of many countries. The scope of cooperation increased to include marine resources, telecommunications and energy.

In its earlier form and nature of membership, APEC came in for a lot of criticism. It was understood as an exclusive economic organization that was set up comprising only the strongest Asian and Pacific economies and North America. This view of the APEC also influenced the kind of membership that the organization gained later. For example, all those countries that were opposed to the inclusion of the US were reluctant to join the organization. On the contrary it was also claimed that it was precisely the inclusion of the US in APEC that kept a few countries at bay from joining APEC (Crone 1992)

The initial agenda and the membership of the organization looked very formidable particularly to the countries of Europe. But the promise and potential of the organization stood belied in the face of an absence of any achievement of APEC. APEC failed miserably in its formative pursuits for building an intra-organizational consensus. The closest it came towards building a consensus was over the support for continuing GATT negotiations. The initial years of APEC were characterized by a "clash of preferences" between two factions of the organization, one led by the US and Japan and the other by members of ASEAN. The prime concern was the nature of the organization and hence the topics that should be included under APEC's agenda. The US along with Japan pushed for security and political issues to be included under APEC's agenda while the members of ASEAN wanted APEC to remain only economic in its concerns (Crone 1992).

APEC was among the first organizations to come out with the principle of informal control over its members. Crone (1992) in his work points out that this new trend of informal control had two important influences on the nature of future organizational membership. By the time APEC was

formed most of the organizations had overlapping members. As a result the member countries could not be put under pressure or compulsion as they would easily switch their loyalty to other organizations. With the coming of APEC, there grew a competition of sorts in the Asia-Pacific among various organizations. It was in the backdrop of these developments that a liberal and informal trade and investment control was anticipated. As most of the organizations had overlapping members a competition to retain the most number of members was subtly in progress. Most of the organizations felt the need to develop their institutional structures in the wake of the growing competition in the Asia-Pacific region. According to Crone (1992), this competition has largely been in the favour of the newer organizations like APEC. Organizations like the APEC and PECC posed different challenges to ASEAN which for long enjoyed almost an institutional monopoly in the Asia-Pacific region. APEC had the advantage of learning from the experiences of ASEAN and PECC and thus inherited a wider scope.

While some see the emergence of APEC as an advantage to ASEAN, most analysts see it as a challenge to ASEAN and PECC. There were initial apprehensions about APEC among these organizations. Crone (1992) is of the view that both the organizations had to undergo intra-organizational changes to cope up with the emergence of APEC. As ASEAN failed to expand its PMC (Post Ministerial Conference) to include the APEC, it tried its best to see that there was no siphoning off of its agenda to APEC. Moreover the ASEAN Free Trade Agreement (AFTA) was in many ways discriminatory in nature and hence had a relatively minor influence on regional trade flows. PECC on the other hand saw the emergence of APEC as an opportunity to develop its own scope. There was a need felt to increase the profile of PECC. In fact it was PECC that posed challenge to APEC in many ways. PECC established its Secretariat as soon as APEC came into existence. It extended its membership to countries of Latin America and included the Soviet Union as an associate member. In the

subsequent years that followed, PECC established closer ties with the PAFTAD with whom it shares overlapping member countries. While PECC responded to the formation of APEC with new initiatives, ASEAN remained more defensive in its approach.

Politics behind the US involvement

The US on the other hand was feeling the pressure from a prospective East-Asian Bloc that it thought was developing in the form of upcoming Asia-Pacific integrations. The year of 1989 saw a zealous diplomacy from the US secretary of State James Baker to influence APEC for the inclusion of the US as the original proposal had excluded the US. The US had been putting pressure on East Asia, especially Japan to oppose Mahathir's proposal of an East Asia Economic Caucus.

Thus the politics of regionalism was very much evident before and after the formation of APEC. This politics was largely over the kind of membership that the organization would go on to have and the agenda that would drive the organization. APEC presumed cooperation between the countries divided by the Atlantic but failed to become a bridge between the countries across the Atlantic as member countries of East Asia and North America opposed each other's membership.

What were the reasons for the involvement of the US in APEC? The basic question behind the US diplomacy for an involvement in the Pacific economic community was concerning the interest of the US in the Asia-Pacific economy. Drysdale and Patrick (1979) list the priorities of the US in the Asia-Pacific community. According to these writers, the nature of interest of the United States in the Pacific region has undergone a change since the years of the Cold War. During the Cold War, security and strategic concerns dominated the US interest in this region. While these still remain the core points of American interest in the Pacific, they are

not the only ones. With the rise of Asian economies a shift in the relative economic dominance was felt by the US. There was a growing sense of regional consciousness among the countries of the Asia-Pacific and a need for regional stability along with an economic rise. The post Cold war period saw the politics of economic realignment shifted to the Asia-Pacific. But it took a while before the US gained access and trust of the members belonging to the region. The economic relations of the US with the People's Republic of China (PRC) only materialized in 1979. The normalization of the US-Vietnam economic relations had to wait till 1994. All of these go on to show why members of ASEAN and APEC were initially apprehensive of US involvement in the region. These changes brought in the new paradigm in which the West, particularly the US viewed Asia-Pacific.

Since the end of the Cold War economic issues have gained an equal importance as the strategic issues if not more or at least the two have become indispensable in foreign policies. Drysdale and Patrick (1979) list some "broad interests" of United States in the development of its overall relationship with the Asia-Pacific economic group of nations. Being the largest economy, it had a major interest in the region in preserving its leadership in a new economic order of free and liberalized trade, capital and service controls. According to these writers, the American indulgence in the Pacific economic community was necessitated by their own track record of foreign policy. The first reason pointed out is the legitimacy and the credibility of the leadership of the US which needed to be upheld. The second was based on a moral principal of values of a democratic society and the third was a willingness to provide a world leadership. A combination of these factors ensured that the US would be actively involved in the Asia-Pacific economic community. The Pacific community through its cooperation was endorsing a kind of society which promoted free and liberal mechanisms of trade and investment, something that the US had already stood for. Non-involvement in the Pacific economic

community would mean a retrograde step for US foreign policy and an endorsement of protectionism. The openness and free trade environment that the US had endorsed thus far was being replicated now in the Pacific, which is why APEC witnessed a vigorous diplomacy by the US for a membership in the organization when the original Hawke proposal excluded it. But the Drysdale and Patrick study (1979) points out that the US initially in double minds to pursue its membership in APEC, as there was a risk involved. The smaller member states in APEC would look forward to a "quid pro quo" from the US. These apprehensions of the US were superseded by other geopolitical needs of the US. The US had a deep interest in the strategic position of the Western Pacific countries. Moreover the early alliance with Japan paved the way for US involvement in the Asia-Pacific region. A further development in the US-Japan relations was the rise of Japanese economy as the second largest economy of the world. The collaborative effort of the two largest economies of the world was bound to attract attention and make APEC a heavyweight in the region. It was also in the interest of the US to propagate its interests in the region as economic actions of these large economies were bound to influence other smaller states within the organization. The rise of Pacific economic cooperation in the form of institutions like APEC, ASEAN, and PECC etc changed the way US viewed Pacific region. The US began to look for a new framework in dealing with the Asian-Pacific economy. The US made an attempt to clear all disputes and trade differences with countries like Japan. The US was putting pressure on Korea and Taiwan from the early 1980s for trade liberalization to extend it to hitherto unprecedented sectors like agriculture and services.

The rise of China and its relation with other countries of the Asia-Pacific provided yet another challenge to the US. In an environment of high degree of economic independence the US was finding it difficult to carry on its leadership role in the same way as it did in the Atlantic region.

Until the formation of various Asia-Pacific institutions there was an institutional inadequacy felt in this region. Although bilateral relations were strong among various countries, there was a need for an institutional collaboration in the region based on a need for a wider, flexible and non-bureaucratized institutional association. The existing institutions were reeling under limited accomplishments. The UN's attempt at establishing The Economic and Social Commission for Asia and the Pacific (ESCAP) was a comprehensive one but failed in its policy implementation over a diverse membership. The Asia-Pacific region saw one of the boldest attempts of institutional formation in the form of ASEAN. It was seen as an attempt to develop a common foreign policy for the region. But the nature of its membership was said to be unrepresentative of the economic interests of the region. In other words, ASEAN despite its broad agenda was considered limited in scope.

Open Regionalism

Open regionalism is an important element of APEC that has evolved with the evolution of the organization and has redefined regionalism as a concept. Various characteristics of open regionalism like conditional and unconditional MFN (Most Favoured Nation) induce its own politics within the concept of regionalism. According to Drysdale et al (1998) "open regionalism is the idea that has defined the approach to the development of Asia Pacific Economic Cooperation (APEC) and Asia Pacific economic integration from its beginning." The basic tenets of 'Open Regionalism' were set out for the first time at the Pacific Community Seminar held in Canberra in September 1980 at the initiative of Prime Ministers Ohira of Japan and Fraser of Australia. There is no concrete definition of Open Regionalism and views differ on its exact nature and various ways in which it can be implemented, in fact the meaning of the term has changed with the evolution of cooperation between member economies.

The term 'Open Regionalism' was first used by PECC in 1980 and later by APEC Ministerial meeting in Canberra in 1989 as a model for future cooperation in the Asia-Pacific region. APEC formally incorporated open regionalism at its Osaka meetings in 1995. The Osaka Action Agenda formulated in this meeting was premised on the voluntary nature of APEC and constitutes an indispensable part of open regionalism. Garnaut (1996) contrasts Open Regionalism with 'discriminatory regionalism' as practiced by Customs Union, Free Trade Area and the Preferential Trading Area.

Open Regionalism emerged in contrast to the 'discriminatory regionalism' as practiced by organizations such as European Community(EC) and North Atlantic Free Trade Agreement(NAFTA). With the creation of APEC the Asia-Pacific region saw an opportunity to select the trade policy options for the region. Based on the principles set up by PECC the organization focused on an outward-looking cooperation. Slowly as the East Asian and Pacific economies developed, all speculations about institutional contradictions were laid to rest. Irrespective of overlapping memberships among various organizations most of the organizations were able to establish their own identity and autonomy. Now the Asia-Pacific region is the world's most dynamic centre of growth in trade and economic output.

Then the question which strikes us is in spite of institutional overlapping how did APEC manage to retain its uniqueness in the Asia-Pacific region? There are certain characteristics that distinguish it from other organizations. But one of the most important characteristics of Asia-Pacific regionalism and APEC is Open Regionalism. According to Garnaut (1996), open regionalism involves regional economic integration without discrimination against economies outside the region. This form of regionalism included a high importance of market processes in bringing about market integration and there is relatively more freedom from official controls on international trade and payments. Open Regionalism

contains no element of exclusion or discrimination against outsiders and there is mutual reduction of trade barriers. According to Drysdale and Garnaut (1994), this principle of non-discriminatory partnership and inclusion formed the basis of its initial stance against discriminatory regionalism which characterized the West, in particular the US. Drysdale and Garnaut (1994) try to explain the genesis of the idea of open regionalism as undertaken by APEC by saying that such a form of regionalism was necessitated rather than chosen by APEC. Organizations like ASEAN and PECC had many examples to offer to APEC. In an environment of an already clustered regionalism in the form of overlapping memberships, it was difficult for APEC to find an exclusive membership in the Asia-Pacific region. This in turn necessitated a need for a liberal and relatively free trade and investment control. The web of intense ties that currently bind the members of Asia-Pacific is a result of mutual cooperation between them. Countries like the US, Canada and Japan came together in successive rounds of negotiations under GATT to remove the barriers of trade and payments.

The three most important principles of Open Regionalism as practiced by APEC are listed by Elek (1992) in his essay "Trade Policy Options for the Asia-Pacific Region in the 1990s: the potential for open regionalism". The three principles are an outward-looking approach to regional cooperation, a process based on consensus building and an open-ended process of regional participation. APEC in its promotion of Open Regionalism has been unique as it was for the first time that a powerful group of economies came together to promote a 'global economic interest' rather than defend their own (Elek 1992). This form of cooperation was unprecedented even in ASEAN or PECC. But having said so, it is important to mention that APEC's experimental regionalism was not an instantaneous success story. Instead it came under for a lot of criticisms. The launch of APEC was definitely a huge positive for the Asia-Pacific region as it tried to bridge the countries across the Atlantic. But according

to Elek (1992) it was not well timed. He believes that APEC was formed a little late to expedite the Uruguay Round.

Bergsten (1997) in his essay "Open Regionalism" explains it as a compromise between booming regional trade and the specifications of a multilateral trading system like the WTO. The working principle of Open Regionalism is based on the fact that regional cooperation will form the basis of a globally liberalized trading system. Bergsten also lists five 'definitions' of Open regionalism. The first is 'open membership' whereby any country that shows a willingness to accept the rules of the institution is invited to join the organization. The second property listed by Bergsten is 'unconditional MFN (Most Favoured Nation)'. The emphasis under this characteristic is the countries' own will to liberalize trade where there is a 'reliance on individual action.' The next principle that concerns open regionalism is conditional MFN. Conditional MFN in APEC would mean that APEC as a group would offer to generalize its reduction of barriers to all non-members that agreed to take similar steps. The fourth characteristic that is listed is 'Global Liberalization'. Under this the APEC members continue reducing trade barriers on a global basis while pursuing their regional goals. And the fifth is 'trade facilitation.'

According to Bergsten (1997), the US which had been a supporter of multilateral free trade under the GATT system was initially confused in its support to open trade. It was only in the Bush Presidency that trade reforms were carried out and open regionalism was considered. In its new form, open regionalism provided the US with an opportunity to interact with the Asian economies which had hitherto remained out of US economic policy.

Open regionalism has its own advantages. It reinforces the GATT-based multilateral system of trade cooperation. It is based on a principle of consensus rather than stern governance. This should not imply that it is without a leadership. On the contrary a relatively loose control from its

leadership provides open regionalism with an extra maneuverability in trade relations. The accommodation of new members is easily done in the case of open regionalism. The extent to which a member gets involved in open regionalism is also something that depends on the members themselves. Each member interacts in the organization within its own capacity to maintain trade relations and cannot be compelled by the needs of the organization. But it is also not without its problems. Bergsten (1997) holds the nature of Open Regionalism, at times, as contradictory as it presents a scenario of "globalism versus regionalism". And the challenge of Open Regionalism lies in reconciling this contradiction. Bergsten (1997) points out two schools of thought that have emerged as explanations to this contradiction. First is the one which supports multilateral trade system and the other is the one that supports open regionalism. The first school of thought is against the second precisely because open regionalism includes even non-members on a non-preferential basis. Another issue with open regionalism is that many analysts think that too much attention on regional trade will hamper the multilateral trade balance. They think that it will not be in the interest of multilateral trading system if small and regional trade associations develop. The third and the last concern pointed out about open regionalism is that it gives rise to political rivalry.

While each of these concerns can be contested by the school of thought that supports Open regionalism over a multilateral trading system. The proponents of Open regionalism argue that regional economies contribute to both the regional as well as the global growth and prospects of trade and hence growth. And at the regional level trade negotiations are faster than they are at the global level. The concept of Open regionalism is best understood in its explanation as reconciliation between the global and the regional. Bergsten believes that it can be the stepping stone to achieve

global trade liberalization. Although Open regionalism was adopted by APEC in the year 1989, the Bogor declaration went a long way in establishing it as one of its goals. The APEC leaders at Bogor added that 'the outcome of trade and investment liberalization in the Asia-Pacific will not only be the actual reduction of barriers among APEC economies but also between APEC economies and non-APEC economies.'

Some countries in Asia like Japan and Korea have liberalized unilaterally. Bergsten (1997) points out that many countries in the Asia-Pacific region have reduced trade barriers as part of their 'national development strategy' without any international negotiations. The reason that he gives for countries like Japan and Korea to do so is the combination of pressure from the United States and other trading partners and their own need to do so.. According to Bergsten, such a step of voluntary trade liberalization was taken up by some countries because the Asia-Pacific countries strongly wanted to end the discriminatory nature of trade liberalization process. And hence Open regionalism was adopted as one of the guiding principles of APEC.

Open Regionalism and APEC

Drysdale et al (1998) point out that regionalism in Asia-Pacific is a market driven integration rather than an institutional integration. Member countries of APEC for instance are at various levels of economic development unlike the Western associations where there is a relative parity among the members. According to Bergsten (1997), 'APEC liberalization' has not yet taken place. Bergsten contends that APEC is yet to decide the nature of its open regionalism. This according to him is one of the primary causes of APEC's failure. There has been a lack of exploration of the idea of open regionalism within APEC. The initial goals that were set in the Bogor declaration about achieving free trade and

investments by 2010 and 2020 are yet to be achieved. The issue of Open regionalism remained under contradiction throughout the decade of the 1990s and after. There are conflicting views among the members about the nature of open regionalism. A few members have referred to the 'conditional MFN' of open regionalism APEC as another form of discriminatory regionalism, something that the organization always stood against. One of the primary reasons why APEC has thus far failed to implement open regionalism successfully and in its right spirit is because of its own internal contradictions and lack of consensus.

No other regional organization had advocated such an idea prior to APEC. Organizations like the European Union, the North America Free Trade Area, Mercosur (South America) etc were all based on principles of exclusion. Members from outside a certain region were not allowed to be the members of these organizations. APEC certainly could not work on the same principles that were adopted by its predecessor organizations and therefore went on to adopt open regionalism as its working principle. The reason why APEC adopted open regionalism is not one but a combination of reasons. APEC wanted to incorporate new process of cooperation because the old way of discriminatory regionalism, as practiced by a few Western associations was based on exclusion of members. APEC on the other hand wanted to incorporate everyone who was willing to comply with the rules of the organization. Secondly the trading interests of APEC extended beyond Asia-Pacific and that's why it was essential for APEC to leave its membership open for all, if it were to expand beyond the scope of other functional organizations like ASEAN/AFTA. The 1995 Osaka Action Agenda is important in this regard as it guided the goals of liberalization and facilitation of free trade and investment by the year 2020 in APEC (Bergsten 1997)

Bergsten (1997) has also refuted the claim of various critics that open regionalism runs against the tenets of GATT/WTO system of trade

liberalization. According to him, article 24 of the WTO acknowledges the compatibility of regional and multilateral trade liberalizations. Apart from this, open regionalism has another disadvantage that it lacks official control of the government. This leads to lack of genuineness on the part of the member countries towards regional goals and objectives. According to Garnaut (1996), the advantages of open regionalism override its disadvantages. Open regionalism has a major advantage that it can easily accommodate new participants and it gives the member economies enough freedom on trade liberalization front.

Chapter 2

The US Response to its non-inclusion in APEC

The US Response

According to Beeson (2006), since the 1960s the US policy makers have reacted with suspicion towards new forms of regionalism in Asia. Even to precursors of ASEAN and to the Japanese proposal of an Asian Development Bank, the US reacted warily. In the 1980s the Bush administration reacted almost in the same way at the initial exclusion of the US from the APEC proposal. With the end of the Cold War, there was a breakdown in the system of cooperation at the global level and a simultaneous rise in cooperation at regional levels. There was a new emphasis on the 'regional' aspects of cooperation (particularly economic cooperation) among countries. This period was also preceded by the fast-paced rise of the NIEO (New International Economic Order). In fact regional cooperation became the experimental basis, on which global cooperation was based (Higgott et al, 1993; Mack and Ravenhill, 1995).

Along with this there was a simultaneous decline in the relative economic strength of the US and a rise in regional cooperation in South –East Asian region. A general decline of belief was noticed in the Hegemonic Stability Theory as individual nations looked forward to regional and global cooperation rather than the unipolar dominance of a hegemonic nation (Aggarwal 1993). Aggarwal (1993) says that such a change in dynamics of International Relations was seen because there was no other individual country that would replace the US. The multilateral cooperation that was getting popular needed a leadership that would be with the common effort of the members. APEC was trying to build its structure on the collective leadership model of the WTO. Thus APEC was never completely dominated by an individual nation. The conflict between the Western countries led by the US and the South-East Asian countries was regarding this leadership over APEC. The reason behind the opposition to the inclusion of the US in APEC was a presumption that given the economic and military might of the US, it would dominate over other members of

the organization. The US on the other hand had realized the importance of the Asia-Pacific region and therefore the natural reaction of US was to get a membership in APEC.

According to Drysdale and Elek (1997), the United States was opposed to the voluntary nature of economic cooperation within the framework of APEC. The American trade policy was more accustomed to international cooperation based on formal structures and negotiations leading to binding and enforceable agreements. The US participation in APEC certainly demanded certain changes in its trade policy. Because of which there was both support and objection as to whether the United States should be a part of such an innovative organization? The US participation in APEC would mean that the country (US) had to make important decisions to reduce impediments to international economic transactions. These important decisions required the approval of the US Congress. The debate over its inclusion in APEC was set in the US because any such move would give an equal access to rest of the members of APEC in the US. Even the non-members like the European Union would benefit without undertaking any measure required by APEC. Conditions like these made the United States skeptic of APEC. Irrespective of how "open" the US economy was, it still required major policy changes in its international trade policies once it became a member of APEC. Trade liberalization was to be taken up by APEC on a large scale as 2010 was the year by which its developed members had decided to remove all tariffs and quantitative restrictions in the Bogor declaration. The response of the United States to its non-inclusion in APEC was mired in a dilemma. The question that exactly faced the US was of the nature of 'to be or not to be' a member of APEC.

Central to this dilemma was the issue of 'leadership'. The US in its role and capacity of a global leader until then had its own objectives and purposes. Whether these would be accomplished or hindered upon gaining

a membership in APEC was a matter of risk taking for the policy framers. The US certainly wished to be a leader country within APEC. Along with Japan, which had been its long time ally in the Asia-Pacific region, the US wished to provide a structural leadership to APEC but this has not happened because of divergent national interests of both these countries within APEC and the structure of the organization. (Rapkin and Strand 1997).

In the year 1989, the US policy towards the Asia-Pacific region was overhauled. As a result of this review, the US led by its Secretary of state James Baker became one of the greatest proponents of Pacific economic organization. This marked the change of US priorities in the Asia-Pacific region. But it was not an easy decision to take for the United States whether or not to acquiesce to the process of open regionalism as adopted by APEC. The United States was in a dilemmatic position because open regionalism was not the same as free trade that the United States otherwise stood for. As a promoter of free trade under the framework of General Agreement on Tariffs and Trade, the US could still maintain its hegemony over rest of its members. Its political and economic dominance went a long way in facilitating the same for the US. But in APEC the US was presented with a completely new and different scenario.

The first and the foremost thing was that the nature of the organization was completely different. In its new form APEC was an organization which limited the role of individual nations. As there was limited role of the government of individual nations, the US found it difficult to assimilate open regionalism in its essence and reality. The United States was left with two options. Either it agreed to the tenets of open regionalism or withdrew from APEC's membership. The second option was definitely not the way out for the US, having already made tremendous efforts to gain the membership in APEC after the initial exclusion. Therefore the second option became the natural choice for the

US. The United States continued both regional as well as global pursuits of trade liberalization. The US was initially skeptic about liberalizing its trade for Asian members of APEC as it seemed to benefit the smaller countries more than it would help the US economy. But getting access in the fast emerging Asian market was the priority for the US. However some critics have a different view. Garnaut (1996) in his essay on open regionalism says that that open regionalism presented the US with as much an opportunity as it did to the Asian members of APEC. The rise of Japan, opening of Chinese economy and direct foreign investment from Japan and later Taiwan and Korea in the late 1980s facilitated rapid trade expansion and rise of an economically strong Asia. In fact the economic balance had already started shifting in favour of the Asia-Pacific region.

In spite of these institutional changes there were practical problems among the countries regarding intra regional trade. The informal participation of the member countries (within APEC) prevented a formal and serious interaction. The member economies that were at relatively higher stages of development, felt that the idea of open regionalism mostly favoured the relatively less developed members of APEC (countries of South-East Asia and adjacent regions). The United States in particular was initially opposed to the idea of open regionalism precisely because of the above reason. The United States claimed that there was a practical problem in the process of liberalization because of the mismatched levels-of development and need among the members of APEC separated by the Pacific. In other words, the area or the sector that the United States thought was best in its interest to liberalize would not have been the same area that other members wanted to liberalize and vice-versa. In such a scenario member economies reverted to their individual goals, thereby defeating the purpose of a regional cooperation.

As noted by Ravenhill (2001), between mid-1988 and early 1989, Ronald Reagan's Secretary of State George Shultz and two important members of

the US Senate responded to these changed circumstances by calling for the creation of ways and means of intergovernmental economic consultation in the region. But as Baker (1998) points out, there was hardly any formal initiative from the United States government to follow up or implement these suggestions. In the words of Baker (1998), the US government was placed in a rather 'uncomfortable position' of having to react to a situation in the formation of which it had not even been consulted or even invited as an invitee. The United States took a formal position on APEC only after the Secretary of State, James Baker, mentioned that the United States would await the response of the ASEAN countries. The US also wanted to wait for ASEAN's response before it could finalize its decision on attending the Canberra Meeting of APEC held in 1989.

The US changed its passive policy toward multilateral institutions in mid-1989. The official confirmation came in the form of Secretary of State James Baker's speech delivered in June 1989. His speech supported the idea of regional multilateral institutions. In his speech he credited Asia with the world's fastest growing rate of economic expansion. He said Asia was the largest trading partner of the US and together they account for half of the world's GNP (Gross National Product). In December 1989 the first APEC meeting was held in Canberra. Kai (2009) cites a few reasons why the US changed its position on APEC in the post 1989 period. He points out two possible explanations for this. The obvious reason according to him was the United States did not want to be left out of APEC as it would pit the US against Australia and Japan and their idea of an Asian bloc. Secondly, the economic success of the Asian economies had "reduced the political and economic leverage of the US in the region." (Kai 2009) He goes on to quote Donald Crone in this regard,

“For the US, the prospect of extensive erosion of security and economic positions in the Pacific induced new enthusiasm for regional cooperation.” (Crone 1993)

(Kai 2009: 66)

The major reason for the change in US policy toward Asia-Pacific was the increasing economic weight of Asia and the relative decline of the US. Another change in US policy was seen in the case of EAEC. The senior Bush administration opposed the EAEC, but the Clinton administration at the APEC Leader’s Meeting in 1993 showed a rather tolerant attitude towards the EAEC. At the APEC Meeting President Clinton said that he favours the efforts for an increased economic cooperation and an advancement of the economic interests of the people, as long as long as they do not close off economic opportunities for others (Downing 2003). The US officials under the Clinton administration had problems with an institution like the EAEC, but had not rejected it outright (Downing 2003). Thus the priority of Clinton administration was to establish a good relation with APEC, even if it meant tolerating an institution like the EAEC (which was against US’ inclusion in APEC).

“One would have to be a fool to think APEC is America’s ticket to the ball. The economies of Asia are indeed increasingly intertwined. But the thread that is tying them together is not APEC, nor any other formal body or treaty. It is, to a large extent, Japanese developmentalism....”

(Hatch and Yamamura 1996:192)

The above quotation summarizes the reasons why US was willing to engage the Asia-Pacific region after years of neglect. Two very important

factors that necessitated and framed the nature of response from the United States are the historical political conditions and the American national interest. Crone (1993) has dealt with the first factor mentioned above in great detail. According to him, changing patterns of Pacific relations went a long way in deciding the kind of response the US would have towards the Asia-Pacific region in general and APEC in particular. According to Crone (1993), the first two decades after the war, the United States was clearly hegemonic, both economically and militarily in the Pacific Basin. But by the 1990s it lost a 'clear pattern' of dominance in the region. The first among a few factors that were responsible for such a change was the economic resurgence of Japan. Japan had risen to become a significant challenger and direct foreign investor. In foreign aid too, Japan had clearly replaced the US as the predominant provider. The Japanese viewed foreign aid as a foreign policy tool in the absence of military might. The second factor influencing the change in the nature of Pacific relations was the rapid economic development of a number of countries in the Asia-Pacific region that reduced the GNP (gross national product) vis-à-vis the United States. The third factor listed by Crone (1993) was the reduction of the US military presence and its subsequent 'disaggregation' from the economic issues. The Guam Doctrine (also called Nixon Doctrine) which outlined less direct involvement in political conflicts reduced the US military presence. By the 1990s even the threat of an increasing Soviet presence in the region had lessened. These factors conditioned the kind of response the US would have in the post-1990 phase towards the Asia-Pacific region.

The US response to its non-inclusion in the Asia-Pacific Economic Cooperation can be characterized by three important phases. The first phase consisted of a major setback for the US, which was the exclusion of US along with other countries like Australia and New Zealand in the

initial APEC proposal by Bob Hawke. The second important development that influenced American policy in the Asia-Pacific region was the formation of EAEC. And the third important phase was the period between the formation of EAEC and the Seattle summit. Thus the Seattle summit of 1993 was seen as a culmination of the US response towards the Asia-Pacific region according to Crone (1993). In the wake of Asian development and increased risk of growing protectionism in the region, the US felt the need to involve the Asia-Pacific region. The US response to its non-inclusion becomes important because it was a subtly differentiated response. In other words, there were two kinds of responses. One was due to America's own understanding of the importance of Asia-Pacific region and the other that was necessitated by Asian developments.

The exclusion of the US in Bob Hawke's Proposal and its response.

As discussed in the previous chapter, the initial proposal on APEC given by Bob Hawke excluded the US. The exclusion came both as a surprise and disappointment to the US. Having already influenced the formation of ASEAN the non-inclusion came as a setback. However Australia and Japan had to modify their proposals because of a strong opposition from ASEAN countries and the US (Kai 2009). Kai (2009) feels that the inclusion of the US in APEC was considered almost necessary by the ASEAN members as for them the US would play a balancer to Japanese political and economic ambitions in the region. To quote Goh (2000) [in Beeson 2006],

“There is a grudging acceptance that the US continues to be a stabilizing factor in the region. While there are differences in how each ASEAN country sees the US security presence, there is an underlying that without it, the politics of the region would be more complex and troublesome.”

Asia Pacific Economic Cooperation had already become a major centre of attraction. Riding on the back of an unprecedented economic success the organization (APEC) was already accounted for more than half of global production. The US State Department and the Congress had worked vigorously to bring the Asia-Pacific region within the economic peripheries of the US. Understandably, after its initial exclusion the US started pushing to gain membership in APEC. This was opposed by a few countries and especially Malaysia's Prime Minister Mahathir. He did not want APEC to be an institution which would be open to Western countries. And therefore to counter any bid to membership by the US Mahathir proposed the EAEG (East Asia Economic Group). The EAEG would have an exclusive Asian membership. The original intent of the proposal by Mahathir was to include all of East Asia, from ASEAN through Japan (which was nominated as a leader) in the Asian bloc that would counter Western blocs. The primary agenda of Malaysia was to form a regional organization which should remain 'regional' and not 'global'. The inclusion of the United States would mean that APEC would no longer remain regional in the Asia-Pacific sense. According to Higgott and Stubbs (1995) when Mahathir proposed the EAEG, his primary aim was that it should remain more 'Asian' and less 'Pacific'. He thus poised APEC against the EAEG. Higgott and Stubbs (1995) further emphasize that the APEC versus EAEC case is of particular importance because of the nature of difference between the two organizations. EAEC was an organization that was reactionary in nature, coming up in opposition to the structure of APEC.

The apprehensions regarding opening of the membership to countries like the US were many. One of the most important concerns of the members of APEC was that the rest of the members would be playing second fiddle to the economic dominance of the US-Japan alliance. The other concern was

that APEC emphasized the preference of structure in policy formation by arguing that size is important because larger the number of participants, the higher the probability that their preferences will diverge (Haggard (1997). This necessitated the creation of a forum that would have countries having economic parity as members. In such a scenario the process of decision-making would not be dominated by the economically powerful member. There was another very significant apprehension in the minds of people who opposed the membership of Western countries in APEC, which was political in nature. With the inclusion of the US and other Western countries the concept of a common Asian space would vanish. Moreover, the US by then was already a member of an exclusive trading bloc NAFTA. Since NAFTA by its very nature did not allow Asian countries why would the EAEC? (Higgott and Stubbs 1995)

East Asia Economic Group

In 1990, Malaysian Prime Minister proposed that Asian nations combine to form an East Asia Economic Caucus (EAEC) led by Japan. Its members would comprise six ASEAN countries, Japan, South-Korea, China, Taiwan and Hong-Kong, but not the Americas and Oceania. In the beginning the EAEC would serve as a consultative forum but eventually could also be a forum for trade and investment liberalization.

East Asia Economic Caucus was an important Asian development that necessitated a changed response from the US towards the Asia-Pacific region. Mahathir Mohamad, the Malaysian Prime Minister, first made his proposal for an East Asian Economic Grouping (EAEG) in December 1990. Later, it was thought that the EAEG sounded too much like a trade bloc, so it was renamed the East Asia Economic Caucus (EAEC) with greater stress on its role as a group for the discussion of regional economic issues. Mahathir proposed that the membership should include

the ASEAN states - Brunei, Indonesia, the Philippines, Malaysia, Singapore and Thailand - Taiwan, Hong Kong, South Korea and Japan. He later added China and the countries of the Indochina region to the list of possible members. Mahathir argued that it was not a new idea because earlier South Korea had proposed an Asian Common Market in 1970 and Japan an Asian Network in 1988 (Saravanamuttu, 1992).

Despite this, the EAEC proposal was given a rough reception especially by the senior Bush administration which put pressure on Japan and South Korea to reject the idea. Japan was already in a dilemma. While recognizing that Japan always wanted an expanded economic link in East Asia, the government did not want to spoil Japan's special relationship with the United States. Within ASEAN, Indonesia, in particular, was wary of the proposal. Indonesia did not want an arrangement of regional trading blocs. Mahathir, however, continued to push the idea and it was agreed to at the 1992 ASEAN summit in Singapore. However, no consensus was reached as to how the EAEC was to be established in practice. As a consequence, after much diplomatic activity by Singapore, the EAEC was formally accepted as a caucus within the APEC framework at the June 1993 ASEAN Foreign Ministers' Meeting (Saravanamuttu, 1992).

The most important question in this regard is that on what conception of the Asia Pacific region was the EAEC formed? And it seems to be one which includes the Asian economies and excludes the non-Asian countries of Australia, New Zealand, Canada and the United States. It is meant to be an Asian-only caucus or 'East Asia without the Caucasians' as it became known in some regional capitals. Like APEC, the EAEC proposal was a response to challenges coming from the global economy. But, unlike APEC, the EAEC was geared as much to combating the political power of the US and Europe as it was to advancing the cause of economic liberalism. The proposal for an EAEC and the timing of the announcement was clearly linked to the Malaysian government's frustration with the lack

of attention being paid to Malaysian, and indeed ASEAN, concerns in major international negotiations such as the Uruguay Round of the GATT. Faced with a consolidation of Europe and the prospect of a North America Free Trade Agreement and with ASEAN not yet able to act as a counterweight, in terms of its lack of progress in developing a free trade area, the obvious alternative was to look for a wider East Asian organization that could take on the other two main economic regions (Higgott and Stubbs, 1995). In this sense the EAEC was clearly a response to the western economic order.

Once it became clear that there was little support for any regional trading arrangement, Mahathir emphasized the need to have 'a strong voice for East Asian countries in trade negotiations with the rest of the world, particularly the European Community (EC) and NAFTA' (Saravanamuttu 1992). He later noted that with the EAEC having 'a population of more than a billion, with huge economic clout, people will have to listen' (Mahathir, 1993: 11). Certainly, at a strategic level, EAEC was seen to offer a more independent Asian voice than was possible within APEC. The attitude of EAEC towards APEC, Japan and in particular the US was clear by what Malaysia's finance minister Anwar Ibrahim had said,

“The East Asian Group should be able to sit with North America or Europe on an equal footing. This would not be possible if we relied on APEC because the US and Canada also belong to the North America free trade area. We would say we have a platform to deal with one monster (the US) and another monster (Japan). Small countries have to be smart in dealing with large nations.”

(Camroux, 1993: 33-4)

Moreover, Malaysia along with other members of ASEAN feared that the evolution of APEC would undermine the status of ASEAN. Similarly there were elements of North-South politics involved in support for EAEC as a

potential counterweight to US hegemony. Mahathir was instrumental in establishing the group of fifteen developing countries which first met in Kuala Lumpur in 1989 to promote South-South economic ties. Moreover, Mahathir had been seen as a leader in defending the South's and Asia's, interests on issues such as the environment and human rights. He had consistently railed against American hegemony and what he saw as attempts by the North to 'subject us to imperial pressures' (Vatikiotis, 1992: 22; Mahathir, 1991 in Higgott and Stubbs 1995). Mahathir's interest in developing the EAEC was, therefore, consistent with his concern not to have the United States dictate economic policy in the region.

Apart from the above apprehension there are many other apprehensions about US involvement in Asia-Pacific. There are many who believe that as a concept, 'Asia Pacific' makes little sense. Unlike East Asia or South Asia or Southeast Asia, it has no shared history or common cultural traits. Asia Pacific is not even an accepted geographical entity. The US has vast economic ties with Europe but is not part of the European Community which jealously protects its own historical, cultural and political identity. Similarly, Japan is deeply involved in the US economy but it is not part of the North American Free Trade Agreement. It is only in the case of Asia, more specifically East Asia that there is a concerted attempt to suppress its collective identity and thwart its legitimate quest for a common identity. (Chandra 1993: 13 in Higgott and Stubbs 1995)

But the apprehensions about a potential US membership within APEC were not just limited to economic and political domains. There was a very important cultural and identity politics at the centre of the exclusion of the APEC. Malaysia's proposal was an anticipation of the Third World identification by forming a group of 15 for South-South cooperation and consultation. There was a combination of cultural and power concerns which came in the form of challenges to APEC. Understandably, there was a widespread criticism and opposition to Mahathir's proposal by the US.

The United States argued that it was precisely to end this 'exclusion' that it had joined APEC. Thus in the face of a huge criticism, any proposal to form an East Asian Bloc was diluted.

Baker (1998) identifies three principles of American policy in the Asia-Pacific region on which the United States based its response towards APEC: 'to secure economic access to the region; to spread value systems preferred by Americans; and to prevent domination of the region by other powers.' All these principles were based on the presumption of the United States that these would be shared by their old ally, Japan, in the Asia-Pacific region. But Baker points out that none of these were necessarily shared by Japan.

Baker (1998) goes on to analyze the US response to its non-inclusion in APEC. According to him, the timing of Australian Prime Minister Bob Hawke's proposal was a problem for the Senior Bush's administration in the United States. First of all it had barely been two weeks for the Bush administration in office by then and secondly the Bush administration remained "opposed to multilateral approaches to political security in the Asia-Pacific throughout its tenure in office." So a reserved response of the United States was out of the compulsions of the Bush administration. It was this reserved nature of response of the US towards the Asia-Pacific region that the Clinton administration tried to set right.

Starting with the November 1989 meeting the United States became an active member of APEC. An active participation was seen from the United States in the second Ministerial meeting in 1990 held in Singapore which was accompanied by a US proposal to host the 1993 meeting (Baker 1998). A number of possible reasons for an eventual US involvement in the Asia-Pacific region are pointed out by Baker (1998). According to him, the United States saw a deep interest in the long time involvement of

a stable Asia-Pacific region. A relationship based on an economic cooperation would help the US to increase its footholds in the Asia-Pacific region. Most importantly in reviving its economic relations with the Asia-Pacific region, the US saw a long term economic gain, greater transparency and availability of information. In other words there was a lot of business interest in the region that caught the eye of the US.

Baker (1998) adds that as the Uruguay round of trade talks were stalled at the time of formation of APEC, the United States saw APEC as a possible channel to resolve this issue. The US saw APEC as an institution which could either be used as a possible means to resolve the stalled Uruguay round or as an alternate group, should the efforts to salvage the GATT rounds fail.

Participation in APEC established the US as a member of the Asia-Pacific community and was a reassertion of its erstwhile links with the region and established a broader influence in the region. An institutional involvement in the region would further mean that America could fend off domestic pressures for a pullout from the Asia-Pacific region (Baker 1998). These pressures, he says, were for both political and economic (budgetary) reasons. Related to this there was an expectation that the United States could possibly solve its economic disputes with members of the region. Further, according to Baker (1998), there was a lack of existing institutions in the region which underscored the importance of a broad institution like the APEC. Neither GATT nor Economic and Social Commission for the Asia and the Pacific (ESCAP) was effectively operating in the region. These factors necessitated a US involvement in APEC.

The Seattle summit

The response of the United States of America to its non-inclusion in APEC is characterized by the phase from the initial proposal of Australian

Prime Minister Bob Hawke until the Seattle summit. This phase was characterized by various attempts by the US to gain the confidence of APEC. The Seattle summit came as an important break in this pursuit of the US. The Seattle summit under Clinton administration was a decisive point in US-APEC relations as it increased the level of engagement between them. The Seattle summit of 1993 is most often than not considered as a policy response from the side of the US to the Asia-Pacific Economic Cooperation. The meeting saw an enthused United States President in the form of Bill Clinton taking an active part in the meeting. In this meeting the United States was trying its best to persuade other members of APEC for an increased role of individual governments in the organization. This, critics hold, was done so that the United States could leverage its position of an economically dominant nation. All such efforts of the US were thwarted by the rules of APEC which try to ensure that there is parity among the member economies.

The Seattle summit was the first APEC Economic Leaders' Meeting (AELM) at Blake Island. Leaders met for informal discussions on the newly established community of Asia-Pacific economies. This historical meeting was preceded by the 5th APEC Ministerial Meeting, also at Blake Island, from November 17-19, 1993. The Seattle summit was accompanied by protests and considerable amount of debates about the roots of WTO's problems in Seattle (Aggarwal, Ravenhill 2001). Multilateral trading system seemed to be facing a lot of challenges. As both the WTO and APEC pursued free trade and other common goals, the Seattle summit was also considered to resolve global problems. Apart from the oppositions the Seattle summit was also considered significant as it was a major boost to the Uruguay Round of negotiations. The Seattle summit showed that the United States was willing to move forward with trade liberalization in the Asia-Pacific region. Many critics hold the Seattle summit to be the first stepping stone for trade liberalization on a global level.

Once it became a member of APEC, the US certainly had the opportunity to lead the Asia Pacific Economic Cooperation by setting an example for rest of the members by liberalizing economy. Instead it too was caught in the controversial Early Voluntary Sectoral Liberalization (EVSL) and other issues of conflict within APEC. The member economies disagreed on the issue of trade liberalization, both the extent and the nature of liberalization. Kai (2009) assesses that the APEC group was divided into two groups, that of developed and developing economies. The camp of the developed comprised Australia and the US while developing countries mainly consisted of China and ASEAN countries. The developing countries were well aware of the demerits and competition they would face on opening their economy to the US. So these countries insisted that APEC should follow voluntarism in liberalizing trade. In other words the developing countries did not want to be bound by any legal compulsion and wanted autonomy to fulfill the goals according to their own capacity, willingness and economic conditions. Thus even after the successful summits of Bogor and Osaka, APEC's progress stood hindered by a passive resistance from the developing countries within APEC.

The response of the US was clearly in the direction of gaining a membership in APEC and that is why after its initial exclusion the United States pushed very hard to get a membership. The United States came out with such a decision because of two very important reasons. Having already involved itself considerably in ASEAN, the US was well aware of the long time benefits and implications of being economically involved in the Asia-Pacific region. This was backed by a researched attempt to understand and engage the Asia-Pacific region since the late 1970s when for the first time both the State Department and the Congress in the United States had set up a commission to study the feasibility of an economic engagement with the Asia-Pacific region. Moreover, it was around this time that a separate department for the Asia-Pacific region

was established.⁴ The interest of the United States in the Asia-Pacific region became more pronounced after the mid and late 1970s. Borthwick (1987) is of the view that before the 1970s the political conditions were not conducive for the development of US-Asia-Pacific relations. Following the initial stages, the US took part in various meetings in the Asia-Pacific region.

Although the Seattle summit of 1993 was a positive start for the US-APEC relations, the real results began to show from 1994. In 1994, APEC agreed to create a permanent business/private sector advisory body, to establish APEC Education Foundation. In the same year a meeting of APEC transportation ministers was also established to discuss the infrastructure of the Asia-Pacific region. These developments were followed up by 'Bogor Goals' in Bogor, Indonesia. As per these goals, the industrialized economies committed to the goal of free and open trade and investment not later than 2010 and the developing economies by 2020. These developments were followed up by the Osaka Action Agenda (OAA), which was a dialogue for facilitation of the goals set in Bogor (Kai 2009).

Kai (2009) gives a few reasons why the US decided on engaging APEC. The US wanted to create a "more open economy" in Asia. An engagement with Asia-Pacific based on free market and economic liberalization would benefit the US economy more than the Asian economies as the US economy is more productive, technologically advanced and competitive. Secondly, for APEC, the transaction cost would be lowered considerably in a multilateral association than what US had to pay on bilateral basis to individual countries. Another reason for the US engagement is given by Ellis Krauss, who is of the view that APEC "would enable the US to work

⁴ In April 1978 Senator John Glenn, then chairman of the Subcommittee on East Asian and Pacific Affairs in the Senate Foreign Relations Committee, requested that the Congressional Research Service (CRS) provide an evaluation of proposals for a Pacific area economic association. CRS enlisted the help of then Yale University economist Hugh Patrick and Australian National University's Peter Drysdale to provide the analysis. It was their report published in July 1979 which suggested that the United States should join in discussions concerning the possible formation of a regional cooperative institution.

with other countries of the region to pressure Japan to promote change (to open its domestic economy) in a more effective way than a bilateral pressure had done.”

Different phases of US-APEC relation have experienced different ways of handling by the US. Under the Clinton administration, the US showed clear intentions of engaging the APEC while at the same time protecting its own national interest. According to Kai (2009), the importance of APEC in US policy towards Asia declined in the later part of the 1990s during the Clinton administration. He believes, partly it was because of the less institutionalized nature of APEC and partly because of an unclear policy of the US on trade and economic liberalization.

Although the response of the United States towards the Asia-Pacific region in the post 1990 phase is identified with realism, the theory fails to explain the US response in its entirety. Some of the assumptions of Realism like unitary nature of state, rational deduction of the national interest etc. do not exactly explain the US-APEC relations fully. Under the Clinton administration, the nature of US response towards Asia-Pacific region in general and APEC in particular has varied from being at the beginner's level (Seattle summit, 1993) to a vigorously contended one (conflict over EVSL). There is no 'one' thing that characterizes or summarizes the nature of US response towards the Asia Pacific Economic Cooperation and therefore it becomes hard to theorize upon it critically. Such a situation arises also because while theory and practice run in tandem at one level, they are seriously at odds at another in the Asia-Pacific region (Higgot and Stubbs 1995).

Chapter 3

Clinton's role in enhancing US leadership in APEC: Seattle summit and after

The challenge for the Clinton administration

“We (the US) do not intend to bear the cost of our military presence in Asia and the burdens of regional leadership only to be shut out of the benefits of growth that stability brings.....we must use every means available in the Pacific, as elsewhere, to promote a more open world economy.....”

(Clinton, quoted in Kai 2009)

The above quote of Clinton in the 1993 Seattle summit draws a clear picture of the Clinton administration’s policy in Asia-Pacific (Kai 2009). Kai (2009) believes that it was the Clinton administration that made APEC the top priority of US policy in Asia. In 1993, the Clinton administration announced ‘three pillars’ of its foreign policy. They were economic growth, military strength and support for democracy compared to erstwhile Bush government’s policy of security, democracy and trade. Kai (2009) believes that while not much had changed in the basic tenets of American policy, the difference between the two governments was in prioritization. While the Bush administration thought that security should come first, for Clinton administration it was the economic factor above security and democracy. The high priority of trade in Clinton administration becomes clear through a quote from Winston Lord, Assistant Secretary of State for East Asian and Pacific Affairs (1993),

“Economics is increasingly supplanting military considerations on our foreign policy agenda. More than ever our national security depends on our economic strength. With domestic renewal now America’s highest priority, trade and investment are critical. And no region is more central to American economic interests than the world’s most dynamic one---Asia”

(Source: Kai 2009: 67)

For the Clinton administration it was a double challenge in the field of trade. Domestically it had to strengthen the health of the economy that was reeling under high trade deficits with Asian countries during the 1990s. And outside the country it had to start as well as strengthen its engagement with the Asia-Pacific region. As a means to pursue its trade policy in the Asia-Pacific region, the Clinton administration launched its “Asia first and trade first” policy in its engagement with APEC (Kai 2009).

Clinton also visited Japan and South-Korea in July 1993 and officially launched his “New Pacific Community” policy toward Asia. The basic aim of this new community was to “a more open regional and global economy” in Asia-Pacific. Thus from the US attitude of reluctance towards APEC in 1989, it was a transition to an attitude of enthusiasm by 1993 (Kai 2009). The year 1993 also saw the elevation of APEC Ministerial meetings to Leader’s summit with the US playing host in Seattle. Kai (2009) is of the view that there were possible reasons for the Clinton administration to elevate the ministerial meeting to a leader’s summit. Kai (2009) quotes Secretary of State during Clinton administration Warren Christopher when he said that the Clinton administration hoped

“The intense media coverage of the summit would focus public attention on our message (of pursuing free trade in the Pacific)” and “APEC was an important part of our broader international economic agenda. Along with attaining Congressional approval for NAFTA and concluding GATT’s Uruguay round by December 15, a successful APEC meeting was a critical part of an economic ‘triple play’ for which we aimed.”

(Kai 2009: 132)

According to Kai (2009), the US resumed its leadership in building multilateral economic institutions in the Asia-Pacific region by the elevation of ministerial meeting to a leader's summit in 1993. According to Kai (2009), many scholars have compared the Clinton administration to President Truman's efforts of building economic structures in Europe in the post war period. In the words of (Nanto 2003), the Clinton administration supported the APEC process and viewed it as an institution that can bridge relationships with the Asia/Pacific in a manner similar to the post-war trans-Atlantic institutions bridged relations with Europe. Explaining the reasons for the American efforts to elevate APEC ministerial meetings, Secretary of State Christopher said,

“Compared with other international forums, APEC was developing slowly, with little visibility-----After Second World War, the United States led the effort to create multilateral institutions that sparked European recovery and helped sustain prosperity.....In this new era, we wanted to bring the same approach to engaging our Asian partners. Strengthening APEC fit squarely into that vision.”

President Clinton was determined to establish strong trade relations with Asia-Pacific. According to Baker (1998), when the Clinton administration came to power, he emphasized that his administration would use a combination of “global, regional and bilateral/unilateral approaches to pursue America's international objectives.” Mickey Kantor, the Clinton administration's trade negotiator showed a zealous attitude in the direction of an active trade negotiation. According to Baker (1998) Clinton administration's policies toward Asia-Pacific were in contrast to that of the Senior Bush administration. The Clinton administration from the beginning had regional cooperation and multilateralism as important objectives of his policy.

After the Seattle summit, Clinton administration's East Asian policy team continued to focus on regional cooperation. A lot of persuasion was seen from the Clinton administration for the adoption of the objective of regional free trade at the 1994 APEC meeting in Indonesia. In the 1995 APEC meeting in Osaka the Clinton administration worked round the clock to ensure that the Osaka summit turned out to be a successful one or at least did not meet with any obstruction as the agenda of the Bogor meeting was considered problematic due to its highly sweeping nature (Baker 1998). A budgetary stalemate and a temporary government shutdown in Washington prevented Clinton from attending the APEC summit in Bogor and it was also without a Congressional authority.

Baker (1998) holds that after the Seattle summit, Clinton administration's relations with Asia were largely dominated by tensions with China and Japan and a reliance on unilateral actions and bilateral negotiations. Tensions with these two countries proved to be impediments in US-APEC relations at times. To add to the problems of the Clinton administration there was a lack of support from the Congress.

Baker (1998) sums up that the Clinton administration followed a two pronged approach in its Asia-Pacific economic policy. An advocacy of American economic interests in the region through unilateral/bilateral approach while pursuit of regional trade goals through a multilateral approach.

The initial response of the US according to Baker (1998) was a restrained one. The US thought that it would have been inappropriate to make too many demands having had a delayed membership in the organization. Otherwise the US had all intentions to press for establishing a link between trade and security issues (which it did later during the Bush's (Junior) administration)

Both the Seattle summit and the Bogor summit held in 1993 and 1994 marked important milestones in the history of APEC. Baker (1998) points out that these two meetings transformed APEC from a loose consultative body to an organization with concrete goals. The Seattle summit helped in formalizing three basic principles of APEC. Trade and investment liberalization, facilitation and development cooperation would be these three principles. These meetings also marked a shift from planning to policy implementation in APEC.

At the APEC Leader's meeting held Brunei in 2000, President Clinton also held bilateral meetings with other members of APEC like China, Japan, Russia, Singapore and South-Korea after which he travelled to Vietnam. As part of these bilateral initiatives, the Clinton administration managed to clinch important deals with these countries. For example, the US and Singapore together agreed to work on a bilateral free trade agreement. And with countries like Brunei, Chile, New Zealand and Singapore it entered an "open skies" agreement which would eliminate restrictions on air flights. The US entered an agreement with China through which Chinese would ban certain missile-related exports and in turn the United States would lift sanctions enabling China to launch American satellites (Nanto 2003).

The Clinton administration's attitude towards Asia Pacific Economic Cooperation can be broadly characterized into three important phases. A serious resolve toward resurrecting the US-APEC relation was seen for the first time in President Clinton's Waseda University (Japan) speech in July 1993. The second and more important phase comprised of the Seattle summit and its repercussions. The third and final phase constituted the post-Seattle summit phase, particularly in the form of Bogor, Osaka and Manila meetings of APEC. These subsequent meetings of APEC, to a large extent, helped in enhancing the US-APEC relation.

The Waseda University speech and Clinton administration's resolve

As a very important precedent to the Seattle summit and the beginning of a serious US involvement in the Asia-Pacific region came a declaration by President Clinton himself. The declaration was a part of the US Department of State Dispatch (US Dept. of State, July 1993) Speaking at the Waseda University in Japan Bill Clinton laid down the basic framework that the US would follow henceforth in its engagement with the Asia-Pacific region. The President went on to say that

“The time has come for America to join with America and others in this region to create a new Pacific community. And this, to be sure, will require both of our nations to lead, and both of our nations to change. The new Pacific community will rest on a revived partnership between the United States and Japan....”
(Terada 2005: 147)

Through his speech Clinton tried to assure Japan that the new Pacific community would progress toward more open economies, would have greater trade and a wider support for democracy. The speech clearly shows that the US wanted to start its relations with the Asia-Pacific region afresh and this relation would be based on the foundations of an old and trusted alliance with Japan. The US had felt the need for a new relationship with Japan. President Clinton acted as if it was his government's responsibility and priority to resurrect America's relationship with Japan in particular and the Asia-Pacific region in general.

The Clinton administration had understood the importance of the new economic order that had emerged in the Asia-Pacific region. Since the formation of APEC till the Seattle summit, the US had witnessed a resistance from the member economies of the Asia-Pacific Economic

Cooperation. If Seattle summit was the defining moment in US-APEC relations then the Clinton administration was the key to it. Not only did the Clinton administration start afresh an almost moribund US-APEC relation but it actively took part in rest of the APEC meetings and ensured a future course of the relationship. Particularly in comparison to the Senior Bush era that had preceded it, the Clinton administration was pioneering in nature in as far as improving the ties of the United States with the Asia-Pacific region was concerned.

The new Pacific community that President Clinton had been emphasizing would be based on two very important principles. The new community would be based principle of 'openness'. This openness would come by incorporating the Asia-Pacific region and subsequently reducing the trade tariffs. Clinton also talked about resisting protectionist pressures from other countries along with Japan. Apart from these he said that the essential starting point to the idea of a 'new pacific community' would be a successful completion of the Uruguay Rounds of trade talks of General Agreements on Tariffs and Trade (GATT). While Clinton said "I am committed to doing that by the end of this year (1993)", he also urged Japan to do the same regarding the resolution of disputes over the Uruguay rounds of trade talks (US Dept. of State, July 1993).

Further in his talks Clinton called APEC as "the most promising economic forum" and an organization that was capable of debating most of the issues that were incorporated in the new pacific community envisaged by him. The new Pacific community according to Clinton would have a new organizational set up for the Asia-Pacific Economic Cooperation (APEC). APEC at the time of this speech made by Clinton comprised of just 15 economies and yet constituted half of the world's output and world's fastest growing economies. President Clinton had realized the importance

of the region and wanted to end America's non-involvement in the Asia-Pacific region (US Dept. of State, July 1993).

His speech at the Waseda University in Japan also laid down the importance of the forthcoming Seattle summit in November, Clinton looked committed to engage the Asia-Pacific region and reduce trade barriers among the member economies. It was outlined by President Clinton that his country was changing dramatically in its domestic set up but that was not enough to just change from within. He emphasized that a country's change from within should be accompanied by a proportional change from the outside. To do so it was important to increase jobs, raise the incomes and improve the quality of people's lives in general. And doing so was his government's priority.

The Seattle summit

The United States hosted the first APEC Economic Leaders' Meeting (AELM) at Blake Island, near Seattle. Leaders met for informal discussions on the newly established community of Asia-Pacific economies. This historical meeting was preceded by the 5th APEC Ministerial Meeting, also at Blake Island, from November 17-19, 1993. The Seattle summit was accompanied by protests and considerable amount of debates about the roots of WTO's problems in Seattle (Aggarwal, Ravenhill 2001). Multilateral trading system seemed to be facing a lot of challenges. As both the WTO and APEC pursued free trade and other common goals, the Seattle summit was also considered to resolve global problems. Apart from the oppositions the Seattle summit was also considered significant as it was a major boost to the Uruguay Round of negotiations. The Seattle summit showed that the United States was willing to move forward with trade liberalization in the Asia-Pacific

region. Many critics hold the Seattle summit to be the first stepping stone for trade liberalization on a global level.

Leaders seized this opportunity (Seattle summit) to share their vision for APEC. In their Declaration, they stressed the importance for the new forum to strengthen cooperation and promote prosperity in the region while harnessing the energy of its diverse economies. They pointed to the reduction of trade and investment barriers as one of the vehicles to achieve these goals through the expansion of trade in the region. Ministers established the Committee on Trade and Investment (CTI) to increase cooperation on issues such as global trade and investment, flow of goods, services, capital and technology within the region and globally in a manner consistent with World Trade Organization principles. A Budget and Administrative Committee (BAC) was also created to handle budget and administrative issues. It is now known as the Budget Management Committee (BMC).

The end of the Cold War, coupled with the ushering of the era of globalization in 1993 had driven Washington to assert its leadership role in promoting free markets around the world and in liberalizing global trade and investment. And the Pacific region was becoming a central arena for promoting this ambitious American geo-economic agenda. In 1993, a new US president was trying to adjust American policy to the new geo-political and geo-economic realities in a way that affected the American approach towards APEC. It was President Clinton and his top economic officials, including Fed chairman Alan Greenspan and treasury secretary Robert Rubin, who succeeded in mustering the necessary political support among Democrats and Republicans in Congress for an ambitious trade liberalization agenda, and in particular, for making the needed American concessions that allowed the normalization of its trade relationship with China, as well as for resisting protectionist pressures in Washington and demands in East Asia for creating an exclusive regional

financial club during the global financial crises and the trade wars of the 1990s (CRS 2002)

The message coming out of the APEC meeting was that the Pacific Rim economies, brought together through US leadership and ready to integrate rising China as a major partner, would not only help reduce barriers to trade and investment in the region and serve as a basis for the evolution of an Asia-Pacific economic community, but could also become the powerful political-economic locomotive driving forward the liberalization of the global economy. Clinton had presided over a process that led to diminishing the control of the federal government over the American economy, the deregulation of the financial markets, the liberalization of global trade and the normalizing of the trade relationship with China.

The Seattle summit certainly was an American response in terms of the timing and the place of meeting. Assembling the first APEC Economic Leaders Meeting in Washington State where the headquarters of Microsoft, Boeing and other leading American high-tech giants were located had a clearly symbolic value. It highlighted the dominant US role in the new global economy as well as its commitment, under Clinton, to liberalize global trade and investment. President Clinton summarized the unique session by declaring,

"We agreed that the Asian-Pacific region should be united, not divided."

The APEC session ended shortly after and was deemed a success by most attendees. In 1996, Seattle was selected for APEC's permanent U.S. headquarters. The Seattle Summit of 1993 under the Clinton administration went a long way in making the journey of the US from being just a member of APEC to being an active and important member of the organization. The 1993 meeting in Seattle elevated APEC from a Ministerial level forum to a leader's summit attended by member countries' heads of government.

A non-supportive Congress

The Seattle summit was expected to focus on the agenda for a new round of multilateral trade talks. In as far as the serious intention and the participation of the United States was concerned, it was an important legislative issue for the US Congress. The Clinton Administration lacked the backing of a supportive Congress. The Congress during the Clinton administration was very unsupportive of trade liberalization. The Congress ultimately denied the Clinton administration the renewal of his fast-track⁵ negotiating authority. Due to the lack of approval from the negotiating authorities, the Clinton administration had to attend the Seattle summit without a mandate from the US Congress. In other words, the absence of fast-track authority meant that the process of multilateral trade negotiations would be delayed. This was a major hurdle in front of the Clinton administration, having already committed itself to resolving the Uruguay Round disputes. The US government thus had little to offer at the APEC meetings on trade liberalization (Ravenhill 2001). For instance the United States in its Individual Action Plans (presented at the annual APEC meetings outlining the intended measures of trade liberalization) failed to go beyond its earlier commitments made in the Uruguay Round of trade talks. Thus the other members of the organization began doubting the intent of the United States and sharp criticisms began to flow (Ravenhill 2001). During the Clinton administration policy towards trade liberalization and hence APEC was constrained due to the actions of the Congress (Ravenhill 2001).

⁵ Fast-track negotiating authority enables the executive branch to negotiate trade liberalization agreements and then have them voted up or down as a package (rather than item-by-item) by the Congress. If the fast-track authority is absent the US government is not able to offer much by the way of concessions and foreign governments are understandably reluctant to concede to the US demands.

Ravenhill (2001) further notes that the American enthusiasm for APEC started waning after 1994. It only showed interest in APEC once it realized that that APEC could be the gateway to reach its trade goals in the Asia-Pacific region (for example, in the promotion of Information Technology Agreement in 1996). Ravenhill (2001) sums up that during the Clinton years Washington did not consider APEC as an institution that could warrant “a sustained commitment of material, bureaucratic or intellectual resources.” To quote Snyder (1999), the attitude of the Clinton administration was ‘ad hoc, utilitarian or instrumental.’

Another challenge in front of the Clinton administration was to douse the growing fire of debate on various issues both domestically and outside the country. Within the United States a serious debate arose whether this was the right way to move forward for the Clinton administration? Involving the Asia-Pacific region was seen by most Americans at their cost. The job of convincing the Americans at large that their country’s cooperation with the Asia-Pacific region and with APEC in particular, was in their national interest was left to the Clinton administration. Outside the country there were widespread speculations about the further role of the United States in world trade. Questions on the sustainability of the United States as a world leader and whether it was bowing to the Asian pressure began to arise (Ravenhill 2001).

Problems before the Clinton Administration

As the US had shown serious commitment toward resolving the dispute in the Uruguay Rounds of trade talks, the United States had to abide by the rules of trade and tariff within the Asia Pacific Economic Cooperation. There were many outstanding trade issues on which a general agreement had to be reached if the United States was looking forward to long term viability within APEC. This in turn necessitated several changes in United

States' policies. The main problem facing the Clinton administration was that while it wanted to be an active member of APEC, it was opposed to the voluntary nature of economic cooperation. The American system was more favourable to economic cooperation based on formal structures and negotiations leading to binding and enforceable agreements. APEC on the other hand was not based on binding agreements. These were immense challenges facing the Clinton administration. Overcoming these challenges would require the Clinton administration to carry out a double task, one that of convincing the US Congress of the required policy changes and the other of implementing these changes successfully.

The Clinton administration's role in enhancing the US-APEC relations was also scuttled by the US Congress regarding the matter of the controversial 'down payment', which was a market opening measure. As the two largest and most advanced economies of APEC and as the most vocal proponent of liberalization and as host and chair of the Bogor Summit, the United States and Japan were expected to offer exemplary down payments for others to emulate. The US Congress had not renewed the Clinton administration's 'fast-track' negotiating authority.

Due to weak down payments and the lack of fast-track authority, along with the last minute decision of the Clinton administration not to attend the Osaka summit, the US role as a credible advocate of the process of liberalization was significantly constrained. Without strong contributions from the US and Japan even the other members contributed modestly as down payments. This Ortbold (1996) believes, was a lost opportunity for the US as well as Japan. In his words "Osaka offered a major opportunity for the two countries to exhibit the true meaning of shared leadership in a region where they are the only economic superpowers...."

It was very difficult for the Clinton administration to stand up to its commitments in the face of an unprecedented number of problems. Although the Seattle summit showed true intentions of cooperation by the

United States, the issues remained largely unresolved due to the unusually high number of disagreements between the member economies of APEC. Coming to the Seattle summit many countries were still against the reduction or elimination of agricultural export subsidies and other assistance. Another area of conflict that dominated the Uruguay round and led up to the Seattle summit was the one between the United States and the European Union over agriculture. The United States had charged that the EU was pushing a comprehensive agenda for the new round to take attention away from agriculture. The United States also opposed the EU position on the "multifunctionality" of agriculture. The United States had a conflict with Canada over state-trading enterprises. Although Canada and the United States shared many objectives on agricultural trade, Canada insisted on maintaining its marketing boards, including the Wheat Board. U.S. farmers on the other hand wanted discipline on Canada's Wheat Board and claimed that the promotional efforts of the Wheat Board gave an unfair advantage to Canadian farmers.

Post- Seattle summit

The gains of Seattle summit were furthered by the 1994 summit in Bogor, Indonesia. Unlike the Seattle summit the Bogor meet was also attended by the Malaysian Prime Minister Mahathir. Thus on the outset the Bogor summit was showing a lot of promise and confidence. The leaders met and agreed upon a comprehensive trade liberalization plan. This agreement came to be known as the Bogor Declaration. This was a major achievement in APEC's history as it marked a major move of APEC toward free trade in the region. Bogor also saw the expansion of APEC to 18 members with the inclusion of Chile. In spite of the success of the Bogor meet, differences with the United States existed. America was opposed to granting unconditional most favoured nation status to Europe. The United States had stressed that progress made through APEC should

be made conditional on reciprocal action from non-members. The United States also mentioned its desire to set a single target year for liberalization. Another important decision that came from the Clinton administration was regarding the 'concerted unilateral action.'⁶ APEC's modality is rooted in the idea of "concerted unilateralism," according to which each member economy prepares its own plan to liberalize trade and investment. Each individual plan is then subjected to peer-review to help assure compliance in achieving the ultimate goal. The APEC process relies on "peer pressure" to ensure members' adherence to their commitments. This approach allows APEC members to take small but concrete steps and gain greater confidence among themselves as the process of liberalization moves forward. The United States was hesitant to support 'Concerted Unilateral Action.' In the wake of such a decision there were a series of accusations against the United States. It was alleged that the United States was not committed to implementing a tariff-free Asia-Pacific region by the year 2020.⁷ The United States led by the Clinton administration was responsive enough to immediately deny these allegations by issuing a formal declaration that "The United States' commitment to open and free trade and investment by 2010/2020 remains firm and has not changed."⁸

The official position of the United States on various issues within APEC was made clear by the Clinton administration through clarity of thought on various issues. On the issue of Comprehensive action, the United States had argued that APEC liberalization should cover all areas, while Japan and Korea had maintained that certain sectors like agriculture should be excluded. On the issue of consultation, Australia and New Zealand have maintained that consultations are needed prior to action. On the issue of MFN, the United States had argued that that GATT rule of

⁶ The term was coined by Hong Kong trade secretary Tony Miller.

⁷ The allegation was made by APEC Executive Director Shojiro Imanishi.

⁸ The declaration was a part of a joint press release by the US embassy in Singapore and the APEC Secretariat.

consistency is adequate to cover APEC's liberalization. And on the issue of Concerted Unilateral Action (CUA) the United States was opposed to it.

In November 1994, the members of APEC, following the advice of an APEC-sponsored Eminent Persons Group (EPG), issued the Bogor declaration at their annual meeting in Indonesia. This agreement cleared the way for trade liberalization for the APEC members with a target of achieving open trade for developed nations by the year 2010 and developing nations by 2020. APEC leaders met in Osaka in 1995 after Indonesia to decide on how to reach the free trade goals set in the earlier meeting. APEC members supported the idea of 'open regionalism' and agreed on working under the WTO.

The major achievement of APEC activity to-date was the Seattle Summit of November 1993 and the Jakarta Summit of November 1994. In substantive terms little came of the Seattle meeting. Other than a rhetorical commitment, enshrined in the Vision Statement, to 'expand economic dialogue', agreement was also reached at Seattle to: (i) hold a second summit in Jakarta in 1994 - perhaps the most important outcome; (ii) convene a meeting of APEC finance ministers; (iii) approve a work agenda on trade and investment matters and set up a permanent committee on trade and investment; and (iv) establish a Pacific Business Forum. Items (ii), (iii) and (iv) could almost certainly have been achieved without a summit. The Jakarta summit was similar to the Seattle summit. Its major outcome, a commitment, driven by the US and Australia, to reach full trade liberalization by 2020 (albeit 'indicative and non-binding' for Dr Mahathir) lacked any detail.

Two summits took place, the need to define the structure of APEC rather than the substance of its activities still remained the number one need, but most difficult, priority. In effect, the summits at best confirmed the inevitably gradualist nature of any future evolution. Both Seattle and

Jakarta were, to borrow the language of Europe, exercises in widening rather than deepening. Moreover, the rhetorical euphoria failed to mask real differences amongst members over the respective agendas for APEC and over the range of differing views about the organization of the region in the closing stages of the twentieth century.

Individual Action Plans (IAPs)

The Osaka Action Agenda instructed members to begin development immediately after the Individual Action Plans (IAPs), which would include the details about the process of liberalization and their timeline. The IAPs submitted at the Manila meeting in November 1996 covered only voluntarily offered products and sectors. The most disappointing IAPs were submitted by the United States and Japan. With the Clinton administration facing an election just before the Manila meeting, and still lacking the fast-track authority, the US IAP offered little beyond the declaration that the US had already achieved a degree of openness sufficient to satisfy APEC requirements. In its IAP the US proposed an elimination of tariff on information technology and aviation sector⁹. In both these sectors the US held strong competitive advantage over other members.

Information Technology Agreement

The US became highly dissatisfied with the loss of momentum on APEC's broad liberalization agenda, and unable and unwilling to provide the kind of leadership needed to give it a push, the Clinton administration chose instead to seek instead a dramatic breakthrough on a limited sectoral basis. The US with support from Japan put forward a proposal for an Information Technology Agreement (ITA) that would eliminate tariff on a

⁹ Agreements called 'open skies agreement' tried to reduce tariff in the commercial air travel.

range of computer, software, semiconductor and telecommunications products by the year 2000. The Clinton administration emphasized that since a number of APEC members are large scale producers and consumers of IT products, the ITA would result in widely shared benefits.

But the developing countries which were attempting to establish a manufacturing presence in ITA industries, especially Malaysia and China, argued that the US' ITA proposal would disproportionately benefit APEC's developed members, whose tariff tended to be much lower. China's foreign minister suggested that APEC needed to develop sectoral initiatives that more directly benefit developing countries, specifically mentioning textiles, a sector in which the US maintains high levels of protection. In the face of this opposition the Clinton administration was able to muster only a diluted APEC endorsement for the ITA, and this was obtained only with President Clinton's personal intervention at the leaders' summit. This is counted as an important role of Clinton administration towards improving the US-APEC relations.

Even in the Manila Action Plan the role of the Clinton administration went a long way in improving US-APEC relations. The Manila Action Plan instructed its members to submit proposals for Early Voluntary Sectoral Liberalization (EVSL); it was agreed that the final selection of the sectors for EVSL would be finalized at the November 1997 APEC ministerial meeting in Vancouver.

Chapter 4

US-APEC Relations under the Bush era; broadening the agenda

Introduction

According to Buckley et al (2011), after the Cold War, the US attitude towards regional community building underwent a pronounced shift during the Clinton administration. There was a new interest in multilateral dialogues as the US became interested in a “new Pacific community”. To promote his vision for a more liberalized trade, the Clinton administration had hosted the Seattle summit. In the same year Washington also participated in ASEAN Post-Ministerial Conference which led to the formation of ASEAN Regional Forum (ARF) in the next year. However, Buckley et al (2011) note that, during the George W. Bush administration, Washington’s policy began to move towards ‘passivity’. Though the Bush administration was not vocal about its opposition to institutional developments in Asia (like ASEAN +3 and EAS), it followed a policy of ‘selective engagement’ in Asia. The Bush administration was active in its engagements with the Asia-Pacific Economic Cooperation. Washington’s entire attention after the September 11 attacks was on the ‘War on Terror’. Buckley et al (2011) are of the view that although the Asia-Pacific region saw an active institutional development in the Bush period but Washington was “strategically distracted, looking at something else.”

According to Buckley et al (2011) the Bush administration chose to neglect some Asian institutional developments because it was suspicious about the effectiveness of such Asian community building projects. With its policy of ‘selective engagement’, the Bush administration thus chose to engage with APEC and ARF and also engaged itself in the Six Party Talks. Bush administration’s Asia-Pacific policy thus lacked clarity and was backed by a “politics of convenience”. There was lack of any clear regional agenda towards the Asia-Pacific region.

A further clarity on the policy of Bush administration towards the Asia-Pacific region is perceived through the following quote,

“President Bush had not demonstrated, at least up until September 11, an abiding interest in foreign or defense policy. Moreover, Bush has indicated little interest in the Asia-Pacific and prior to entering the White House visited the region only once—during the mid-1970s when his father was charge d’ affaires in Beijing. Yet, breaking events forced East Asia foreign policy issues to the top of the agenda early in his administration”.

(Scobell 2002: 343)

Evolution of a New Asia Policy under Bush Administration

The above quote describes the cold attitude of the Bush administration towards the Asia-Pacific region. Asia Pacific region drew Bush administration’s attention after a series of events that necessitated the US involvement in Asia. First came the U.S.S. Greeneville’s accidental sinking of the Japanese fishing boat Ehime Maru off Hawaii on February 9, 2001. Next was the collision of a Chinese fighter with a U.S. Navy EP-3 surveillance aircraft in international airspace near Hainan Island on April 1. Then came the September 11 terrorist attacks on the U.S. The attacks prompted the Bush administration to build a global anti-terrorism coalition and in October launch an air and ground war in Afghanistan against the apparent mastermind of the attacks and his supporters. This was the decisive point when the policy of US underwent a change. Asia was a key area of concentration for President Bush’s national security team. According to the *Quadrennial Defense Review* issued in September 2001 by the Pentagon, Asia had replaced Europe as the prime focus of the

U.S. defense community. The report stated that it is now a critical region that “contains a volatile mix of rising and declining powers” (Rumsfeld 2001).

According to Albinski (2001), the Bush administration has signaled that, in political-military matters, there will be a shift to Asia from the Eurocentric orientation often ascribed to the Clinton period. According to Albinski (2001), Bush administration’s policy towards Asia saw an increased focus due to need for greater involvement in Asia. The reason behind such a need, according to Albinski (2001), was China’s rise. “Security role in Asia according to the Bush administration had much to do with China. China's behaviour towards Taiwan, energetic military modernization, and the Hainan Island incident convey to influential Washington planners a definition of Sino American strategic competition rather than partnership. In what it has regarded as proper, but to much Chinese chagrin, the Coalition government essentially endorsed the US decision to step up Taiwan's military reequipment, and concluded that Bush had simply underscored that the US carried a responsibility to defend Taiwan, with details remaining deliberately ambiguous” (Albinski 2001).

On October 20-21, 2001, the ninth APEC’s meeting was hosted by China in Shanghai. Bush administration’s Secretary of State Colin Powell, US trade representative Robert Zoellick, Commerce Secretary Donald Evans and other members of the Administration attended this meeting, asserting the importance of the meeting. The official theme for 2001 was “Meeting new challenges in the new century; achieving common prosperity through participation and cooperation” with other sub themes like 1) sharing the benefits of globalization and new economy, 2) advancing trade and investment and 3) promoting sustained economic growth. But the issues that were debated the most were that of terrorism and the slowing down of

economic growth. It was for the first time that a non-economic issue like terrorism was the centre of discussion in an APEC meeting. This was evident from the Leader's statement on counter-terrorism in the meeting. In the meeting it was also reaffirmed that the goal of achieving a free trade and investment would be achieved (Nanto 2003).

APEC Summits under Bush Administration

The APEC Economic Leaders Meeting (AELM) took place in Shanghai October 20-21. It was preceded by the Annual Joint Meeting of Ministers of Foreign Affairs and Trade on October 17-18. In the first major meeting of heads of governments since the September 11 terrorist attacks on the United States, APEC Economic Leaders identified specific measures to combat terrorism, called for a new round of multilateral trade negotiations to reinvigorate the world economy, and approved a "Shanghai Accord" to revitalize APEC's trade and investment liberalization efforts. According to Nanto (2003), President Bush by attending the Summit even as American forces were fighting in Afghanistan, confirmed the value of APEC as a forum bringing together a uniquely useful combination of world leaders. Leaders clearly expressed the view that, in order to help reverse the current economic downturn, it is essential to increase economic confidence through commitment to trade and investment liberalization and a new round of trade negotiations. APEC has an important role to play in this process. To quote an assessment of the Shanghai summit from the website of Chinese APEC Development Council,

“The issue of terrorism was an unprecedented foray for APEC into political issues. It shaped the deliberations in three important ways: the need to agree on a statement that combined political messaging as well as specific cooperative measures; a greater urgency to addressing the economic downturn and bolstering consumer and investor confidence; and an enhanced discussion among Leaders of the regional economic situation and the impact of terrorism”.

(www.chinaapec.org)

The next APEC Economic Leaders Meeting (AELM) took place in Los Cabos, Mexico in 2002. The Leaders' Meeting focussed on the battle against terrorism and the promotion of shared prosperity as a consequence of globalization. The juxtaposition of the two issues served to highlight the interdependence of security and economic prosperity. In the immediate aftermath of the hostage-taking in Moscow,¹⁰ and the bombings in Indonesia and the Philippines, Leaders re-committed APEC to the battle against terrorism and launched the Secure Trade in the APEC Region (STAR) initiative, a specific program of measures to enhance security in the transportation sector. The Mexico summit's reiteration of APEC's commitment to fight terrorism was a pleasing moment for the Bush administration.

At the third APEC meeting under the Bush administration in Bangkok in 2003, the United States tried to push for the progress of the stalled talks on the Doha Round and once again showed firm resolve to fight terrorism. The theme of the meeting "A World of Differences: Partnership for the Future" focused Leaders' discussions on international trade and the fight

¹⁰ The Moscow theater hostage crisis, also known as the 2002 Nord-Ost siege, was the seizure of a crowded Moscow theater on 23 October 2002 by some 40 to 50 armed Chechens who claimed allegiance to the Islamist militant separatist movement in Chechnya.

against terrorism. The Leaders firmly reaffirmed their support to the ongoing negotiations in the World Trade Organization (WTO) under the Doha Development Agenda (DDA). Furthermore, Leaders expressed their will to better co-ordinate their counter-terrorism activities and to increase their technical assistance activities aimed at helping developing economies better fight terrorism. The declaration contains commitments with respect to dismantling trans-national terrorist groups, eliminating the severe and growing danger posed by the proliferation of weapons of mass destruction, and confronting other direct threats to the security of the APEC region (Connors 2004).

The 2004 Leaders' Declaration contains important references to both trade and security initiatives in the Asia-Pacific region. The APEC Summit in Santiago made progress in several policy areas. This summit once again highlighted the importance of security in APEC's agenda after the persuasion of the Bush administration. Counter-terrorism figured prominently in this meeting. Some of the important declarations made are:

- Leaders agreed to a roadmap to move forward on the ambitious counter-terrorism commitments on MANPADS (portable anti-aircraft missiles), export controls best practices, and IAEA Additional Protocols that were agreed at last year's Summit.
- In fulfillment of specific Canadian objectives, APEC Leaders encouraged APEC members to ratify and implement the 12 UN counter-terrorism conventions, and Ministers recognized that terrorism must be combated in accordance with international humanitarian and human rights law.
- Leaders once again stressed the importance and urgency of the Doha Round of WTO negotiations, and endorsed the package of decisions reached by the WTO General Council in July.

- APEC Leaders agreed to an anti-corruption action plan to improve governance in the region. To complement APEC's plan, Canada announced a major judicial reform program in Vietnam.
- The Prime Minister spoke extensively about the Responsibility to Protect and the proposed L20 Summit, making headway in the effort to convince other Leaders to embrace these concepts.
- Leaders endorsed in full the Joint Statement agreed by Ministers at the 16th APEC Ministerial Meet.

(www.international.gc.ca)

The 2005 Leaders' Declaration contained important references to both trade and security initiatives in the Asia-Pacific region. Leaders exchanged views on the economic challenges facing the region and gave direction to APEC's wide-ranging activities in support of trade and investment liberalization and facilitation, and the security of the Asia-Pacific region. Once again APEC's resolve to fight terrorism found a mention. Among other things, the summit declared the, "First ever commitment by APEC Leaders to ensure that counter-terrorism measures comply with international human rights, refugee and humanitarian law".

The 2006 APEC Economic Leaders' Meeting held in Hanoi, Vietnam. In their annual two-day meeting chaired by Viet Nam's President Nguyen Minh Triet, Leaders of 21 APEC economies discussed the theme "Towards One Dynamic Community for Sustainable Development and Prosperity". The Leader's declaration once again found a balance between security and trade issues. The two most important declarations were,

- Expressing their strong preferences for a timely conclusion of the Doha Development Agenda round of WTO negotiations with an ambitious and overall balanced outcome, Leaders issued a separate statement on this issue that includes practical measures to resume the negotiations.
- With unanimous agreement that terrorism poses a grave threat to peace and security in the world and the region, Leaders reiterated commitment to promoting cooperation to alleviate and eventually eliminate this danger.

(www.international.gc.ca)

The 15th APEC Economic Leaders meeting took place in 2007 in Sydney, Australia. For the first time, APEC Member Economies issued a Declaration on Climate Change, Energy Security and Clean Development outlining future action in support of a new international climate change arrangement and announcing a forward program of practical, cooperative actions and initiatives. Leaders also adopted a major report on closer Regional Economic Integration, including structural reform initiatives, and welcomed the new APEC Trade Facilitation Action Plan which will reduce trade transaction costs by a further five per cent by 2010.

The 16th APEC Economic Leaders meeting took place in 2008 in Lima, Peru. APEC Economic Leaders began their 2008 meeting with a discussion on the impact of the global financial crisis and the actions APEC members are taking, both individually and collectively, to restore confidence in member economies and maintain the Asia-Pacific region on a path of long-term growth. Under the APEC 2008 theme of “A New Commitment to Asia-Pacific Development”, APEC leaders discussed the major economic, human security, environmental, and social challenges

facing the region. They reviewed progress made this year on APEC's key priorities and considered how we can continue to work together to create greater prosperity, security and stability in the region.

In their final Declaration, APEC Leaders committed to "strengthening the social dimension of globalization and ensuring that all members and sectors of our economies can access skills and opportunities to participate and benefit from trade as well as regional and global investment". Leaders also issued a separate statement on the Global Economy, which reflected their discussion on this issue and reaffirmed their commitment to free and open trade in the Asia-Pacific region.

Bush Administration's APEC Policy: an Assessment

If there was one thing that figured in almost all the APEC summit declarations, it was security considerations and a resolve to fight terror globally. The Bush administration's 'war on terror' was overwhelmingly supported by APEC. This was also a sign of a clear policy change from the erstwhile Clinton administration. Starting from the second half of the Clinton administration the US policy saw a waning of interest in the multilateral system. Cappling (2005) notes that that the US started exploring the possibility of a new trade policy in the wake of two developments. An increasing trade deficit coupled with the fear of free-riding on US trade liberalization and collective goods of multilateral trading system. Cappling adds that the US was also growing frustrated with the slow nature of multilateral trade negotiations.

Although the US under Bush administration maintained that its priority was WTO negotiations, but, according to Cappling (2005), it spent most of its time in negotiating discriminatory trade agreements. An important trade policy initiative under the Bush administration was the successful

extension of NAFTA to 34 countries in North and South America. In addition to this the Bush administration continued its bilateral relations and expanded it to include Chile, Singapore and Australia.

According to Green J Michael and Gill Bates (2009), historically the US has viewed Asia-Pacific institutions as a means to foster greater political, economic cooperation, enhancing regional security and supporting US interests. However all US support in the Asia-Pacific region comes with the caveat that no US government will likely allow to compromise US bilateral equations in the region. The relationship of the Bush administration with APEC was based on the same approach.

In 2002, APEC leaders decided to introduce “Secure Trade in the APEC region” (STAR) initiative to conduct strong anti-terrorism measures. In the following year (2003), the counter-terrorism task force was set up within APEC. Its role was to “identify and assess counter-terrorism needs, coordinate capacity building and technical assistance programs on counter-terrorism issues.....and counteract terrorist threats from the supply chain” (Kai 2009). Due to rising terrorist threats globally and particularly in Asia, Kai (2009) notes that, anti-terrorism has become a regular point of discussion in annual APEC meetings. It is also felt by many that US’ anti-terrorism campaign has changed the nature of the organization from an economic forum to a comprehensive institution with a broad political and security agenda. The successful inclusion of counter-terrorism in the APEC agenda reaffirms the negotiating power of the US.

According to Green J Michael and Gill Bates (2009), although formed during the Clinton era both APEC and ARF Leader’s meetings witnessed a strong support from the Bush administration. Bush attended the 2001 APEC Leader’s summit and all Leaders’ summit after that. Bush

administration's support for multilateralism was evident with the formation of National Security Strategy for the United States of America which came with the promise of "multilateral institutions can multiply the strength of freedom-loving nations." It went on to state another resolve that the US would build on the stability provided by institutions like ASEAN and APEC, "to form a mix of regional and bilateral strategies to manage change in this dynamic region." This commitment by the Bush administration was further stressed in the 2006 National Security strategy which stated that ARF and APEC can play a "vital role" when it comes to "the spread of freedom, prosperity and regional security."

According to Green J Michael and Gill Bates (2009), President Bush used APEC 2001 summit as an important channel to present Washington's war on terror to the members of APEC to garner their support. In the meeting, apart from the usual APEC Leader's Declaration, the assembled leaders also came out with "APEC Leader's Statement on counter-terrorism". This was a historical event in APEC's history as the organization had come out with its first political document in its thirteen years of history. This statement on counter-terrorism unequivocally condemned the September 11 attacks and held it "imperative to strengthen international cooperation at all levels in combating terrorism in a comprehensive manner." This was seen as a moment of success by the Bush administration and increased APEC's importance in his eyes.

Kai (2009) says that the US also used APEC for political purposes besides economic gains. The US wanted to expand the APEC agenda from just economic cooperation to include security and political issues. It was in the 1995 APEC meeting that US Defense Secretary William Perry proposed the inclusion of security issues within APEC framework. However it was resisted by China and ASEAN countries which were apprehensive that the US could exert its political and economic pressure through APEC. Thus APEC primarily focused on economic cooperation

until September 11 attacks in 2001. In the 2001 Shanghai summit, the US initiated anti-terrorism issue for inclusion in APEC agenda. Due to both the gravity of the situation (attacks on the US) and political pressures from the US, the Leader's summit issued its first political issue related statement, "Leader's Statement on Counter-terrorism" in support of the US' initiative of global war against terror.

According to Lincoln (2004), the Shanghai summit of APEC was also an important one for Bush Presidency as it provided President Bush with his first opportunity to meet with Chinese president Jiang Zemin. APEC in the guise of a diplomatic meet provided with an easy venue for the two Presidents. This meeting between the two presidents was seen as assuaging Sino-US relations in the backdrop of a recent trouble. In the month of April in 2001, a US reconnaissance plane and a Chinese jet fighter had collided over the South China Sea. In the APEC meeting China showed a willingness to fight terrorism and the two countries agreed on fighting terrorism. Cooperation on security and other issues continued in the Bush administration. In the Leaders' Meeting in Bangkok in October 2003 leaders agreed to cooperate on combating WMD proliferation. In the same meeting President Bush conducted side meetings with leaders of South Korea, Japan and China to put pressure on North Korea to abandon its nuclear aspirations. While the Bush administration put diplomatic pressure on North Korea, it also convinced Asian members, particularly China, that it would not attack North Korea. (Green J Michael and Gill Bates 2009).

Next came President Bush's joint meeting with seven ASEAN members of APEC at the sidelines of 2005 APEC's Leader's Meeting. This also formed the first US-ASEAN meeting. The leaders agreed to make this meeting a frequent activity as a result of which President Bush again met the "ASEAN Seven" in November 2007. There was a growing debate that the resurgent involvement of the US in Asia-Pacific region was because of

its rising concern on the growing Chinese influence in the region. The US State Department was quick to negate any such intention behind an enthused involvement of President Bush. The US Department of State came out saying “China’s re-emergence does not mean that the US is any less involved or less of a critical actor in the Asia-Pacific.” Although unofficially the Bush administration realized the importance of Chinese inroads in the Asia-Pacific and therefore wanted to use the opportunity provided by APEC to its fullest. APEC had presented the United States with the opportunity to meet and interact with Asian leaders. (Green J Michael and Gill Bates 2009),

Not just the issues of security and politics, but Washington also used APEC meetings to push its trade agenda. In fact during the Bush administration US’ priority in APEC meetings was its trade agenda followed by security. In the 2006 Hanoi Leader’s Meeting the Bush administration pushed APEC to issue a statement aimed at reviving the stalled round of Doha global trade talks. The statement was eventually issued at the meeting. In the meeting, the resolve to fight terrorism was reiterated. Other issues discussed at the meeting were WMD proliferation and other threats to regional security and stability.

In the same meeting, President Bush proposed a Free Trade Area for the Asia-Pacific [FTAAP] for the consideration of the leaders. This proposal by the Bush administration was thought to restore the loss of momentum on global trade talks while some other thought that it would be an alternative to a relatively more restrictive East Asia Summit [EAS] or APT [ASEAN plus Three]. The leaders eventually agreed to “undertake further studies on ways and means to promote regional and economic integration” including a Free Trade Area of the Asia-Pacific as a long term prospect but only to check whether such an institution can be a long term objective for APEC (Green J Michael and Gill Bates 2009),

Thus the Bush administration supported the Asian and Asia-Pacific multilateralism in contradiction to his policy of unilateralism elsewhere. The Bush administration also expected that initiatives like the Six Party Talks and the Proliferation Security initiative [PSI] would instill greater consensus among the Asia nations so that a smooth functioning of multilateral institutions like the APEC will take place. The Six Party Talks was a great opportunity for the Bush administration to work with the Asian countries.

The APEC-US relation during the Bush administration was a series of coercive diplomacy from Washington to push its agenda. Although the Bush administration used Washington's clout to change the basis of further US-APEC relations, it remained most modest in admitting it. This is evident from an extract of Bush's speech given below.

“As a nation that straddles two great oceans, a nation tempered by painful war-time experience, the United States remains committed to engagement in the Atlantic community and the Asia-Pacific region and we are unalterably opposed to isolationism. That's my vow to you, as long as I am President of United States of America.”

(Bush 1992)

Conclusion

In many ways APEC is an organization which is unique. The uniqueness of the organization lies in the fact that it has the most diverse membership of all organizations and yet it strives towards building a common goal. This diversity cuts across economic, political and cultural issues among its members. Economically, the members of APEC are at different levels of development, each member has its own political baggage and above all they are culturally very different. All these factors have become impediments in the path of APEC from time to time. Yet the organization has shown resilience in its pursuit of goals. The other important feature marking its uniqueness is the size of the organization. APEC groups together the three largest economies in the world as well as the most dynamic developing countries under one roof. APEC's members account for 67 percent of global output, 81 percent of world merchandise trade and 53 percent of world foreign direct investment (www.apec.org).

The period which is stipulated for the evaluation of US-APEC within the scope of this dissertation, 1993-2008, has seen an unprecedented activism in US-APEC relations. This period was preceded by a very wary and lackluster response from the Senior Bush Presidency. After this the successive Presidencies of Clinton and George W Bush took the US-APEC relations to a new high. This period saw an increase in US participation in APEC meetings to influence the agenda of the organization and often the rest of the Asian members acquiesced to US demands. But in spite of this new bonhomie and collaboration, the US-APEC relations remained marred in controversies. The Presidencies of Clinton and George W Bush had very different ways of shaping the US-APEC relations. This was probably because the geo-political and geo-economic conditions as well as need were different during the two Presidencies. One stark difference between the two Presidencies in dealing with APEC was the change of priorities. The Clinton administration had a different approach to US-APEC relations in that it prioritized trade over other US concerns in the Asia-Pacific

region. Although the first phase of the Clinton administration saw a tremendous rise in the US-APEC relations, the second phase saw a dip. The George W Bush administration saw a shift in its priority post the September 11 attacks on the US. Trade became the most discussed topic in APEC Leader's summits until the Bush administration was able to ensure a security agenda in APEC. Thus the Bush administration followed a different approach towards the Asia-Pacific region than the Clinton administration. While Clinton's approach was largely based on trade engagements, Bush's policy has been termed as 'selective engagement' by many. The Clinton administration focused on a broad based cooperation with APEC, under the Bush administration, cooperation was more necessitated than intended in the wake of September 11 attacks on the US.

But the basic question is how much have the Presidencies of Clinton and Bush influenced/affected/changed APEC as an organization? It's a long journey for the APEC-US relations since the exclusion of US in the initial APEC proposal. It would be fair to say that although the two Presidencies of Clinton and Bush have failed to resolve all issues of disputes between the US and APEC, they were the first Presidencies who thought on the lines of engagement with APEC. But neither of the two Presidencies used their political and economic clout to resolve the issues of APEC (which the US could have).

Employing the 'rational actor model' of the decision-making theory to analyze the decision of the United States to join APEC gives a completely different picture. Looking at the role of United States in APEC over the years, one can analyze the decision of the US to join APEC and the actual motives behind such a decision. Neither the US took the initiative to facilitate in resolving the issues among the members of APEC nor did it back the efforts of APEC to help it become a successful regional organization that would resolve global disputes. APEC remained marred in disputes and disagreements which in turn hindered the growth of the

organization. With hindsight, a lackluster policy response from the US certainly seems to be a major cause for APEC's stagnancy. The United States could have contributed much more to better coordination among the members of APEC had it been more deeply involved with the economies of APEC. The 'rational actor model' analysis of the US response to the formation of APEC hints at a more superficial nature of US-APEC relationship rather than a deep one that normally comes to characterize regional bonding.

Neo-Realism also becomes an important tool for analyzing regionalism as practiced by APEC. One of the most important reasons for the lack of success of APEC in spite of world's major economies being its members is the personal agenda of the member countries. In spite of the various FTAs and rules of intra-regional cooperation the personal goals of the member economies remain at the centre of each country's agenda. Individual nation states continue to remain the most important factor while bilateral and multilateral obligations become secondary. The relative gain becomes more important than the net overall gain. According to the Neo-realists, there is lack of consensus and cooperation among member economies due to these factors which in turn hampers the process of community building and regionalization. Another important point in the Neo-Realist theory is that while it accepts that international structures can condition the behaviour of nation-states, it is ultimately determined by nation-states themselves. For instance, countries like the US may use their political and economic clout to influence the rules of trade policy in their favour. The case of EVSL (Early Voluntary Sectoral Liberalization) can serve as an example here. The US was trying to use its political and economic clout to influence the decision of other member countries on the issue of the sectors that needed to be opened for trade liberalization, while it could have thought for ways of improving intra-regional solidarity within APEC.

Critics have argued that the role played by the US in APEC is opposite to the anticipated role of an economic superpower. This is also, according to them, one of the main reasons for the lack of organizational stability within APEC. Proponents of HST (Hegemonic Stability Theory) hold that hegemonic states play a stabilizing role in an anarchical international economic system (Kindleberger 1973, Krasner 1976, Lake 1991, Milner 1998). While America played its hegemonic stability role in the twentieth century, it failed to continue with the same intent and zeal in promoting regional organizations within the Asia-Pacific region. Self-interest remained at the core agenda of the US in its economic indulgence in the organizations of the Asia-Pacific. Thus at the end of the dissertation the hypothesis that the two presidencies of Clinton and Bush did not do as much as they could for the resolution of intra-organizational disputes, stands validated.

With the end of the Cold-War, geopolitics paved way for geo-economics as the importance of individual countries as economies increased. There was an increasing economic interdependence that changed the course of the erstwhile polarized political alliances. Even the largest of the economies felt the need to engage itself in economic integrations. The agenda of APEC is a very ambitious one. It tries to balance and harmonize tariff and trade investment rules on either side of the Pacific which no other organization has even attempted till now, let alone accomplish. In the wake of three financial crises¹¹ of the past, the importance of an economic organization like APEC could not be underscored more firmly. The above study has tried to probe the nature of the APEC and why has the organization failed to achieve substantially? With members like the US, Japan and China it boasts of the world's three largest economies and

¹¹ The Western financial crisis of the 1980s, the Asian Financial crisis and the most recent global financial crisis of the 21st century are the three crises being referred to here.

having control over more than 50% of the global trade. But the moot point is why the organization hasn't transformed these figures into statistical records for the organization (which it could). The study has to find out reasons as to why APEC has not used its membership and the amount of global trade that falls within its ambit to its advantage?

Fresh from the memories of a recent financial crisis that started from the US and plagued the entire world, the importance of an economic organization is highlighted all the more. APEC now has been witness to two economic recessions, one during the Asian Financial Crisis of the last century and the other one of the present century. As a forward looking organization it could utilize the vast amount of experience from these two downturns to achieve what it has failed to achieve till now. In fact in the most recent economic recession that plagued the whole world and in particular the US, APEC showed a smarter trade, investment and overall economic management than it did during the Asian Financial Crisis. In spite of the US being so severely hit by the recession, APEC managed to ward off the 'domino effect' to the Asian countries. A fact which cannot be doubted is that the importance of APEC as an economic integration is on a continued rise. The question is whether it can deliver now?

The US being the largest economy naturally plays a vital role in the scheme of things for APEC. The organization's relation with the US is another factor poised for transformation. With yet another regime change in the US, APEC can hope for the resurrection of its relations with the US. APEC till now has been a battleground for internal political bickering between countries along the Pacific Rim. Considering the fact that all the member countries within APEC will naturally want a smooth function of the organization, the US being its most powerful member will certainly want that. What does the US do to ensure a smooth functioning of the organization, remains to be seen. Will US change its until-now stand on various issues of APEC? Or will it leave the organization fraught with

political tension, rendering APEC virtually defunct (as many have argued it already is)? All these questions leave APEC's character at an interesting juncture where it is in all likelihood poised for a change. These questions make APEC an important topic to study and research upon. A study on APEC becomes all the more relevant since the future role of the organization is contingent upon how the member economies behave in the present era of economic vulnerability.

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