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**Japan's Policy Making in the APEC EVSL**  
**Consultations: Its Actors, Process and Interpretations**

**Tatsushi Ogita**

**MARCH 2000**

**APEC STUDY CENTER**  
**INSTITUTE OF DEVELOPING ECONOMIES**

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**Fuji Research Institute Corporation**

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## Preface

This paper serves as Part Three of the trilogy on the APEC policy making process in Japan, succeeding *The APEC Policy-Making Process in Japan* (Ogita 1996) and *The Making of the Osaka Action Agenda and Japan's Individual Action Plan: The APEC Policy Making Process in Japan Revisited* (Ogita & Takoh 1997). After Part Two was written, APEC faced fierce controversy/conflict concerning its aggressive trade liberalization initiative EVSL, and an unprecedented opposition from Japan of its modality, which had been leading the institution since its foundation. These events were interesting enough for the author to make another inquiry into Japan's policy on the initiative and its making process. This paper tries not only to depict them, but also to interpret them, referring to Robert Putnam's "two-level games" theory on foreign policy making as an analytical framework.

As were the cases with the preceding two papers, this paper is based on a great deal of information attained from many interviews the author has been conducting since 1995, when he embarked on the study on Japan's APEC policy making. Footnoting for quotations from the interviews is omitted not just for obvious editorial reasons, but also because some interviewees wished to remain unidentified. For the latter reason, the words of thanks are also omitted. Nonetheless, the author would like to note his sincere appreciation for the kind cooperation of all those interviewed, including governmental officials, interest group members, scholars, journalists and politicians in Japan and other APEC member economies. The organizations interviewed exclusively for this paper, in New Zealand, Malaysia and Japan from December 1999 to February 2000, are listed at the end of the paper.

The interpretations and opinions expressed in this paper are the author's own, and do not reflect official positions of the institutions he is associated with, namely, Fuji Research Institute Corporation and the Institute of Developing Economies.

March, 2000

## List of Abbreviations

ABAC	APEC Business Advisory Council
APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations
ASEM	Asia-Europe Meeting
ecotech	economic and technical cooperation (of APEC)
EVSL	Early Voluntary Sectoral Liberalization (of APEC)
GATT	General Agreement on Tariffs and Trade
<i>JA Zenchu</i>	Central Union of Agricultural Co-operatives of Japan
JPMA	Japan Plywood Manufactures' Association
LDP	Liberal Democratic Party (of Japan)
MAFF	Ministry of Agriculture, Forestry and Fisheries (of Japan)
MITI	Ministry of International Trade and Industry (of Japan)
MOF	Ministry of Finance (of Japan)
MOFA	Ministry of Foreign Affairs (of Japan)
NGO	non governmental organization
NPO	non profit organization
SOM	Senior Officials Meeting (of APEC)
USTR	United States Trade Representative
WTO	World Trade Organization
<i>Zengyoren</i>	National Federation of Fisheries Co-operative Associations (of Japan)

## I. INTRODUCTION

The Early Voluntary Sectoral Liberalization (EVSL hereafter) initiative was, or *has been*, significant for both the Asia-Pacific Economic Cooperation (APEC) and Japan, one of its core member economies. For APEC, EVSL was an unprecedentedly aggressive trade liberalization initiative and, as far as the element of tariff was concerned, it was the first major and obvious failure in the institution's decade-long history. For Japan, on the other hand, the modality of EVSL was incompatible with what the country had believed was APEC's principle or philosophy --- *voluntarism* --- and it was the first and only thing regarding the institution that the country objected to and invalidated.

Japan's stance in the EVSL consultation was impressive and interesting because, as widely recognized, the country did co-initiate the foundation of APEC in 1989, and has been leading its activities and development since. APEC has been important for Japan as the counterforce to the European and North American economic blocs (Ogita 1995: 18), and as the only regional body that the country is a member of. In spite of such a principal position in and the importance of APEC, however, Japan thoroughly resisted certain areas of the institution's ambitious project and fiercely confronted Australia, the other initiator of APEC, and the United States, the largest economy in the region. In fact, the deadlock over the EVSL tariff element instigated arguments of a *useless APEC*, spoiling enthusiasm in the Japanese government for the institution.

Why did Japan act in a way that would cost APEC a foreseeable loss of momentum, and a deterioration of international relations? This paper tries to examine the nature and background of Japan's actions in the APEC-EVSL consultation. In Part I, several actors in Japan's APEC policy making process will be introduced and discussed. Part II will summarize the chronology of the EVSL process, focusing on Japan's actions pertaining to it. After which, in Part III, some analysis will be given to try to interpret the background of Japan's actions in the EVSL consultation.

## **II. THE ACTORS**

In principle, the APEC policy making process in Japan has relatively been closed. Only limited actors participate in the process, and most of them are bureaucratic organizations. This is not only the case of APEC affairs, but is also true for most foreign policy making in this country. Such a tendency is the outcome of a simple and internationally common reason that those outside the bureaucracy, even politicians, are more concerned about domestic affairs than foreign issues (Ogita & Takoh 1997: 5).

The other side of the coin is that more are interested and participate in the making of foreign policies which have major domestic influences. Among such cases are trade liberalization affairs, including EVSL. Although the number did not exceed that of the GATT Uruguay Round, EVSL attracted more actors in its policy making process than did any other APEC affair. This was because, as aforementioned, EVSL was an unprecedented aggressive trade liberalization initiative brought about from APEC.

In the EVSL policy making process, the primary players were still the bureaucratic organizations: the Ministry of International Trade and Industry (MITI: 通商産業省), the Ministry of Foreign Affairs (MOFA: 外務省) and the Ministry of Agriculture, Forestry and Fisheries (MAFF: 農林水産省), each of which will be introduced first in this part of the paper. Additional major actors participating in and/or influencing the process, such as the prime minister and other relevant ministers, politicians, political parties and interest groups, will follow after the bureaucratic organizations introductory.

### **II-1. Ministry of International Trade and Industry (MITI)**

APEC policy making is considered unusual in the Japanese government in the sense that MITI officially takes the main charge together with the diplomacy-oriented MOFA. MITI sends its minister and official as the co-representatives of Japan, to the APEC Ministerial and Senior Officials Meetings. The ministry also shares the

Japanese subscription to the institution, bearing 40%, which is almost as much as MOFA's 45% (Ogita & Takoh 1997: 5-6).<sup>1</sup>

Such an exceptional position of MITI in APEC affairs can be understood by the fact that the ministry was the co-proposer of this regional body, with the Australian Department of Foreign Affairs and Trade, and the then Prime Minister Robert Hawke. According to Hisashi Hosokawa, a former MITI senior official, APEC originated in a report by MITI's study group in 1988, which advocated the promotion of a new Asia-Pacific cooperation, although it might not have developed into a ministerial-level forum had it not been for Hawke's proposal in 1989 (Hosokawa 1999: 139-144).

Hence, MITI seems to have been playing a bigger part in APEC affairs than could be seen, in representing the Japanese government at meetings and in sharing the subscription. Particularly in the early years of APEC, MITI was virtually the only organ for APEC policy making in Japan. Even after MOFA and other ministries/agencies became involved as APEC institutionally developed and gained higher profile with the establishment of Leaders Meeting, MITI was still considered the most enthusiastic and substantial player.

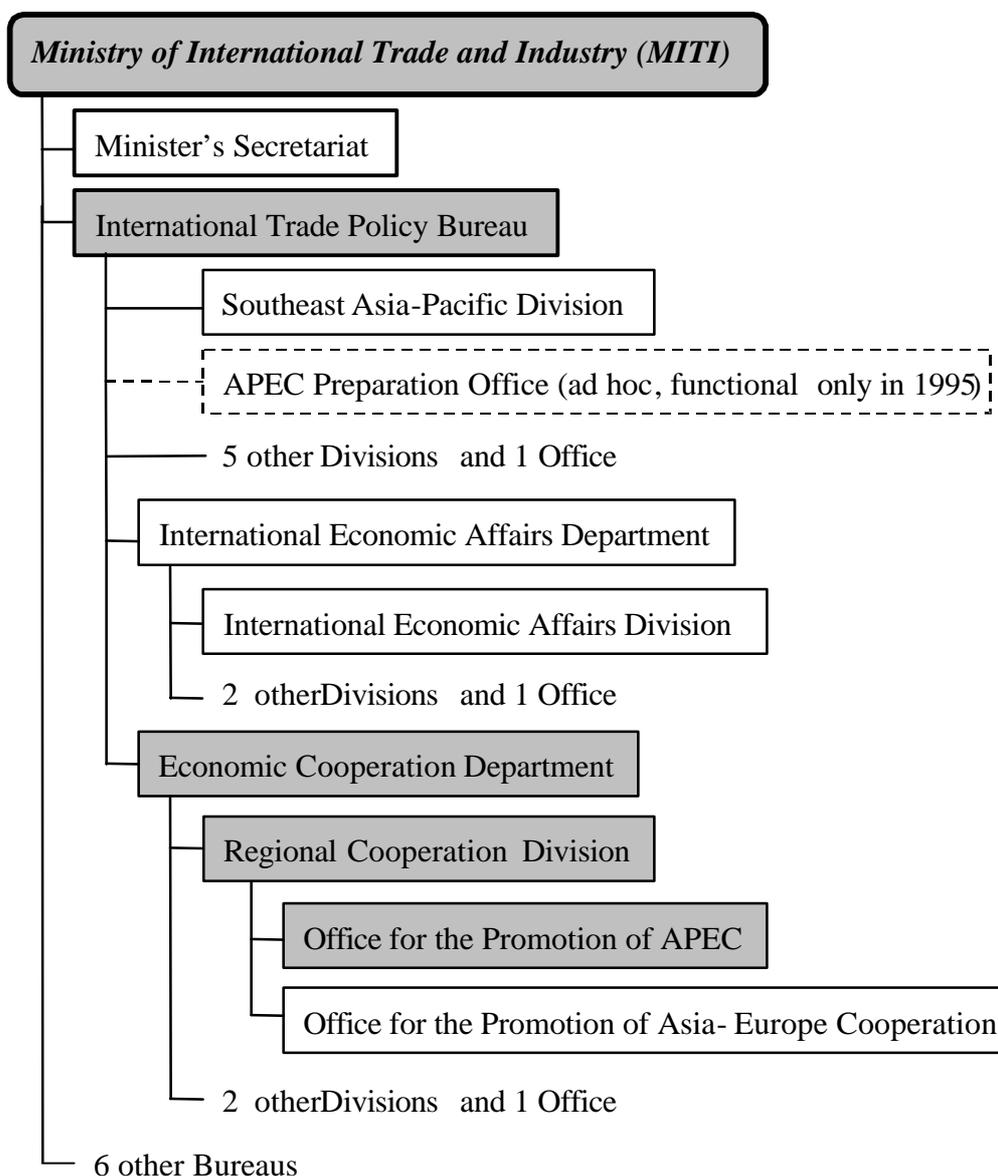
The ministry's current main section in charge of APEC affairs is the Regional Cooperation Division (地域協力課) in the Economic Cooperation Department (経済協力部) of the International Trade Policy Bureau (通商政策局/ refer to Figure 1). The division was established in 1997, the offspring of the Office for the Promotion of Asia Pacific Economic Cooperation (アジア太平洋経済協力推進室), reorganized in order to coherently treat Asia-Europe Meeting (ASEM) affairs. The APEC Promotion Office still exists as a sub-division in the Regional Cooperation Division, along with the Office for the Promotion of Asia-Europe Cooperation (アジア欧州地域協力推進室), and is the only body in the Japanese government whose name includes the word *APEC*. MITI's APEC policy making belt line is, from bottom up: (1) Director of the APEC Promotion Office (APEC 推進室長); (2) Director of the Regional Cooperation Division (地域協力課長); (3) Director-General of the Economic Cooperation Department (経済協力部長), or Deputy Director-General for Development Cooperation of the

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<sup>1</sup> In the preceding papers, the author incorrectly described that MITI bears 45% and MOFA 40% (Ogita 1996: 6 / Ogita & Takoh 1997: 6). He would like to apologize for and correct the mistake.

International Trade Bureau (通商政策局開発協力担当審議官), either of whom attends

**Figure 1: The sections in charge of APEC in MITI**



the APEC Senior Officials Meetings (SOMs); (4) Director-General of the International Trade Bureau (通商政策局長); (5) Administrative Vice-Minister of International Trade and Industry (通商産業事務次官), and State Secretaries of International Trade and Industry (通商産業政務次官); (6) Minister of International Trade and Industry (通商産

業大臣).

MITI's framework for APEC policy making has always been within the International Trade Policy Bureau. All the main sections were/are found in the bureau in the past, including the Southeast Asia-Pacific Division (南東アジア大洋州課) and the APEC Preparation Office (APEC 準備室: functional only while Japan chaired APEC in 1995), and supporting sections such as the International Economic Affairs Division (国際経済課) in the International Economic Affairs Department (国際経済部). This can be interpreted as a demonstration of the ministry's consistent commitment to APEC (Ogita & Takoh 1997: 6-8).

The International Trade Policy Bureau is known as a hard-core advocate of free trade in the Japanese bureaucracy. Its attitude has, in principle, naturally been reflected in MITI's stance in APEC policy making. When Japan, chairing APEC in 1995, drafted the Osaka Action Agenda (APEC Leaders Meeting 1995b), MITI initially looked forward to making a clear-cut APEC liberalization guideline advocating comprehensive-ness and withstanding flexibility (Ogita & Takoh 1997: 8, 15-17).

However, it is also true that the industrial side of the ministry sometimes gets the better of itself, rather than the being the Ministry of *International Trade* and Industry. For example, the Japanese government finally inserted into the Osaka Action Agenda the so-called Flexibility Principle at the request of not only MAFF and agriculture-concerned parties, but also of the intra-MITI sections overlooking the domestic (and less-competitive) industries. In 1996, MITI, along with MAFF, tried to make some portions of Japan's Individual Action Plan purposefully insignificant, in an effort to conceal that it had little in its jurisdiction to immolate to the APEC liberalization (Ogita & Takoh 1997: 15-27).

In spite of such occasional inclinations, however, MITI is nonetheless regarded as an internationalist in general (Kusano 1997: 85).

## **II-2. Ministry of Foreign Affairs (MOFA)**

MOFA has been sharing the Japanese delegation to APEC with MITI since the institution's establishment in 1989. In the preparatory and early days of APEC,

however, MOFA was not only indifferent, but sometimes even backward in the Japanese government's (i.e., MITI's) efforts in APEC issues. This attitude was explained by MOFA itself, standing from the viewpoint of several international concerns such as trying to deter any suspicion involving a rehabilitation of the Great East Asia Co-Prosperity Sphere, and to avoid Europe becoming excessively self-protective. Another explanatory factor observed in MOFA's attitude was that of antipathy towards MITI's intrusion into MOFA's sanctuary of Asian diplomacy, and so on (Ogita 1996: 12-14 / Ogita & Takoh 1997: 10-11).

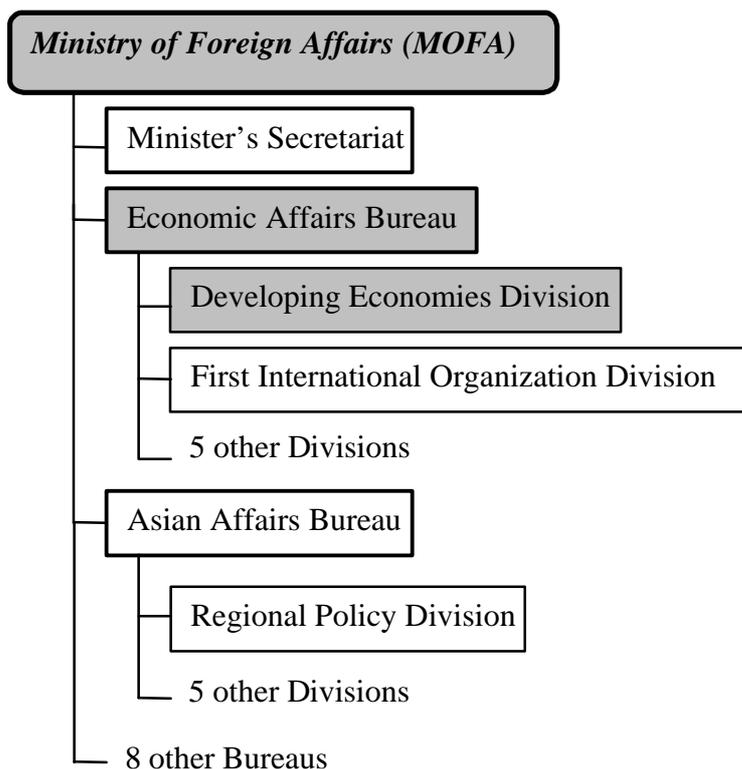
It was 1993 when MOFA began to play a substantial part in APEC affairs. This was driven by the necessity to coordinate a growing number of ministries/agencies concerned with APEC, and to manage the prime minister's participation in the newly established APEC Leaders Meeting (Ogita & Takoh 1997: 11). Japan's chairing of APEC in 1995 was another obvious reason for the emergence of MOFA, the prime diplomatic organ in the government. During the two years toward the Osaka Meetings, MOFA played an important role in APEC policy making. The ministry even proposed a new initiative for APEC economic and technical cooperation (ecotech) called, "The Partner for Progress" (Funabashi 1995: 194-195, 214). It was at this time that it also had an unusually cooperative relationship with MITI (Ogita & Takoh 1997: 10-12).

With the duty of the chair gone, however, MOFA's commitment to APEC affairs lessened. For example, in the making of the 1996 Individual Action Plan --- a bundle of the commitments for the APEC liberalization --- MOFA only literally *bundled* together the commitments presented by several ministries/agencies and did not actually *coordinate* the making. Its once-cooperative relation with MITI also deteriorated (Ogita & Takoh 1997: 23-27). The current situation is unclear, as officials seldom speak of negative matters that occur inside the bureaucracy. The 1996 situation, however, is thought to have remained the same as nothing has happened since then to change it.

Within MOFA, the Developing Economies Division (開発途上地域課) of the Economic Affairs Bureau (経済局) has been taking principal charge of APEC affairs from around late 1993 and early 1994 (refer to Figure 2). The time of replacement of the lead section was almost exactly coincided with the Ministry's positive change in

attitude towards APEC. The former lead section was the Regional Policy Division (地域政策課) in the Asian Affairs Bureau (アジア局), which meant that MOFA transferred

**Figure 2: The sections in charge of APEC in MOFA**



its base for APEC policy making from one bureau to another (Ogita & Takoh 1997: 8-9).

The current main section, the Developing Economies Division, is regarded as being not such a large or a powerful body in the ministry or the bureau. When making the Osaka Action Agenda, the division was substantially supported by the same bureau's First International Organization Division (国際機関第一課), made up of experts in trade liberalization and in charge of GATT/WTO affairs. The assistance, however, formally ceased after the Osaka Meetings as APEC affairs were withdrawn out of the GATT/WTO division's jurisdiction (Ogita & Takoh 1997: 8-9, 24). The Developing Economies Division only seems to play the role of a coordinator, not a substantial policy maker. This in turn seems to be reflected in the current function of

MOFA as a whole. MOFA is basically a pro-liberalization ministry because, according to a wide belief, its foremost concern is to promote and maintain good relations with the United States that is always advocating free trade (with the exception of some industries). In following a rule in the Japanese bureaucracy, however, the ministry has no mandate, power or will to overrule other ministries' anti-liberalization positions if they fall within each of other ministries' jurisdiction. As far as APEC policy making is concerned, MOFA has mostly been a modest coordinator (Ogita & Takoh 1997: 16, 28).

### **II-3. Ministry of Agriculture, Forestry and Fisheries (MAFF)**

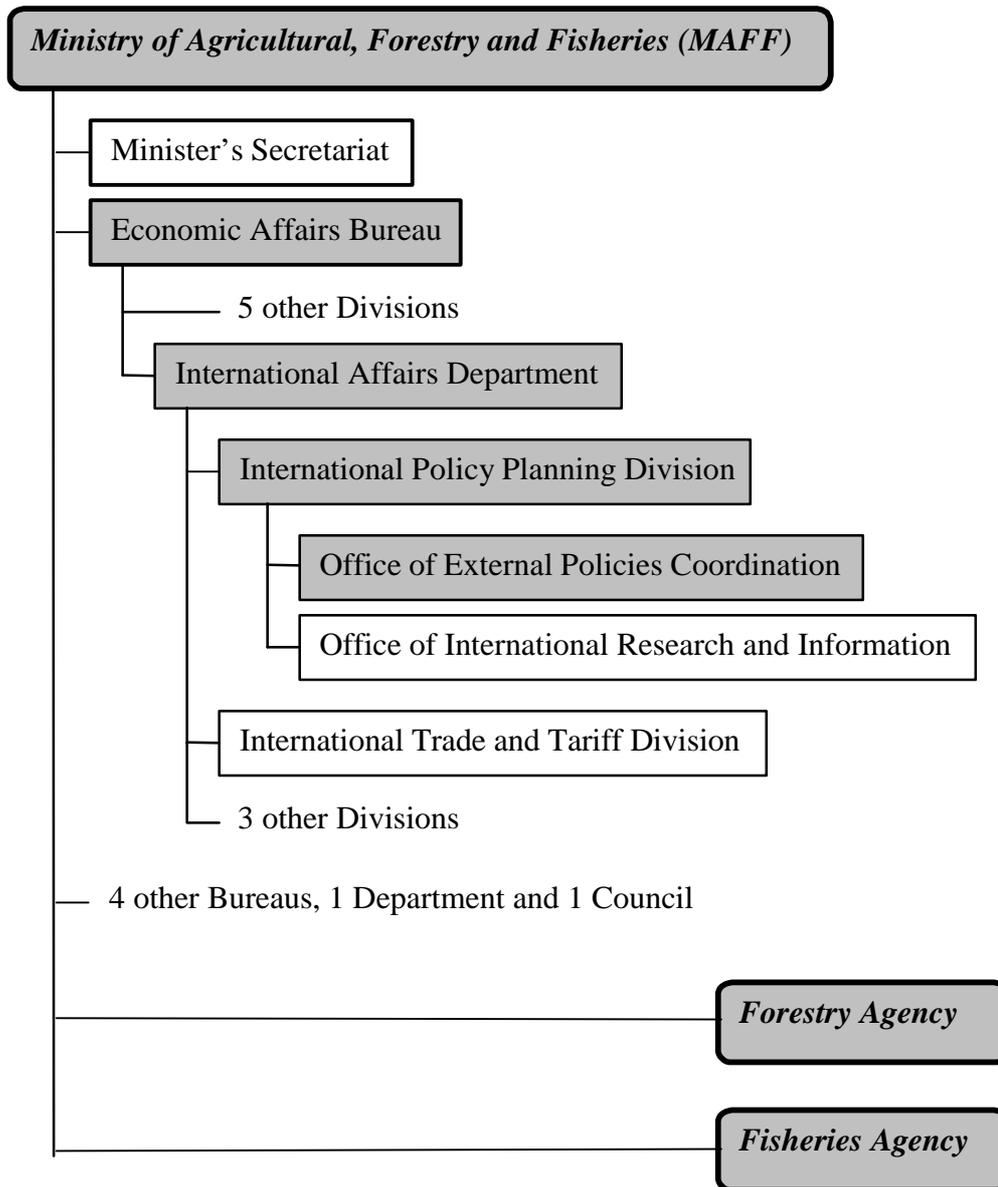
In APEC affairs, MAFF is the most active of all the Japanese ministries after MITI and MOFA, and may actually be considered more active than MOFA in a sense. Until APEC focused on its liberalization agenda in around 1993-1994, MAFF's relevance to APEC had almost been confined to the activities of the Fisheries Working Group and the Marine Resource Conservation Working Groups, with which the ministry's affiliated Fisheries Agency (水産庁) had close ties (Ogita & Takoh 1997: 12-13).

MAFF substantially embarked in APEC affairs when the Osaka Action Agenda started to be elaborated. After MITI and MOFA presented the agenda's basic outline at the Special SOM in April, 1995, MAFF was wary of APEC's liberalization. The ministry suggested the danger of the MITI-MOFA pro-liberalization standing to agriculture-concerned politicians (the so-called *norin-zoku*) and interest groups. In having their support, MAFF succeeded in inserting the Flexibility Principle as one of the General Principles of the APEC liberalization and facilitation, which declared, "flexibility will be available in dealing with issues arising from such circumstances in the liberalization and facilitation process" (Ogita & Takoh 1997: 3-4, 15-23 / APEC Leaders Meeting 1995b: Part One, Section A, Paragraph 8).

While MOFA's inability to overrule other ministries' positions when in their jurisdictions, MAFF has veto power in agriculture-related domains, and it was therefore able to overrule MITI-MOFA's initial position. MAFF's veto power seems to be stronger than any other ministry ruling, particularly after the GATT Uruguay Round

conclusion. Since then, the ministry's consistent and absolute golden rule regarding liberalization issues has simply been that "no more concession beyond the Uruguay Round commitments" can be made.

**Figure 3: The sections in charge of APEC in MAFF**



MAFF's lead section in charge of APEC is the Office of External Policies Coordination (对外政策調整室) in the International Policy Planning Division (国際企画課) of the International Affairs Department (国際部) of the Economic Affairs Bureau

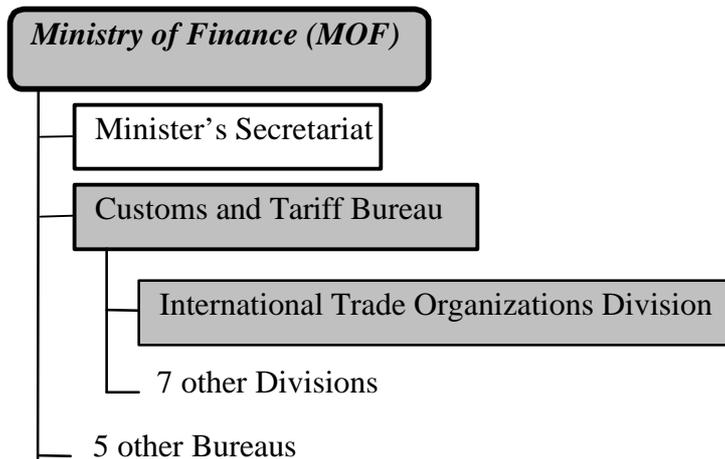
(経済局/ refer to Figure 3). The Department's International Trade and Tariff Division (貿易関税課) also shares administrative responsibility. In addition to these internal divisions, the ministry's affiliated Forestry Agency (林野庁) and the aforementioned Fisheries Agency were also involved in the EVSL affairs because the initiative targeted the sectors including "forest products" and "fish and fish products". The Forestry Agency's lead section is the Office of Wood Products Trade (木材貿易対策室) in the Wood Distribution Division (木材流通課) of the Forest Policy Planning Department (林政部). In the Fisheries Agency, the Fisheries Policy Planning Department (魚政部) seemingly takes charge.

#### **II-4. Ministry of Finance (MOF)**

Ministry of Finance (MOF: 大蔵省) completes the composition of the so-called *four APEC-relevant ministries* with the three ministries introduced above. It had been regarded the *third* APEC-relevant ministry in the Japanese government until MAFF became active in the liberalization affairs. The ministry has been bearing the remaining 15% of the Japanese subscription to APEC, and has been in charge of the affairs of APEC Custom Procedure Sub-Committee in the Committee on Trade and Investment, the Trade and Investment Data Review Working Group, and the Finance Ministers Meeting (Ogita 1996: 16-17).

However, MOF's relatively loud appearance in APEC policy making is considered without much reason; it may be a reflection of its traditional identity as *the Ministry of ministries* (Ogita 1996: 16-17). As far as the liberalization affairs including EVSL are concerned, the ministry's involvement is necessary simply because the affairs are connected with customs and tariff, which fall within its jurisdiction. This is illustrated in the fact that within MOF, APEC matters are overseen by the International Trade Organizations Division (国際機関課) in the Customs and Tariff Bureau (関税局) is in charge of APEC (refer to Figure 4). It seems that the ministry plays only a marginal and symbolic role, and its position concerning liberalization is irrelevant.

**Figure 4: The sections in charge of APEC in MOF**



## II-5. Inter-ministry Meetings

The *four APEC-relevant ministries*, namely MITI, MOFA, MAFF and MOF, have frequently held informal meetings at various levels, from Division Director (課長) up to Bureau Deputy Director-General (審議官). The meetings are sometimes held just to coordinate the ministries' requests and interests; on the other occasions, they are held to formulate and solidify APEC policies of the Japanese government.

In addition to the four-ministry meeting, before each APEC Senior Officials, Ministers, and Ministerial/Leaders Meeting, meetings are also held which summon the participation of all APEC-related ministries/agencies: the Ministry of Education (文部省); the Ministry of Labour (労働省); the Ministry of Posts and Telecommunications (郵政省); the Ministry of Transportation (運輸省); the Economic Planning Agency (経済企画庁) affiliated to the Prime Minister's Office (総理府); and others (refer to Table 1 / Ogita & Takoh 1997: 12-13). Nevertheless, EVSL affairs were mainly discussed at the four-ministry meetings. The Cabinet Secretariat (内閣官房), which is formally (and in fact, is only as a formality) superior to all the ministries, coordinated inter-ministry meetings in drafting the Osaka Action Agenda in 1995 (Ogita & Takoh

1997: 18-19 / Hosokawa 1999: 148-149). Since then, however, it has not played any role in APEC policy making.

Some important APEC policies are also discussed at the Administrative Vice-Ministers Meeting (事務次官会議), which is known as the substantial topmost policy making body in the Japanese government; among such policies were those related to EVSL.

**Table 1: The intra-APEC fora  
and the Japanese Ministries/Agencies in charge of them**

	<b>Intra-APEC fora</b>	<b>Japanese Ministries/Agencies</b>
<b>Working Groups</b>	<b>Regional Energy Cooperation</b>	<b>MITI</b>
	<b>Fisheries</b>	<b>Fisheries Agency</b>
	<b>Human Resource Development</b>	<b>Ministry of Education, Ministry of Labour, and MITI</b>
	<b>Industrial Science and Technology</b>	<b>MITI</b>
	<b>Marine Resources Conservation</b>	<b>Fisheries Agency</b>
	<b>Telecommunications</b>	<b>Ministry of Posts and Telecommunications, and MITI</b>
	<b>Tourism</b>	<b>Ministry of Transportation</b>
	<b>Trade and Investment Data Review</b>	<b>MITI and MOF</b>
	<b>Trade Promotion</b>	<b>MITI</b>
<b>Committees</b>	<b>Transportation</b>	<b>Ministry of Transportation</b>
	<b>Trade and Investment</b>	<b>MITI, MOFA, etc.</b>
	<b>Economic</b>	<b>MITI, MOFA, and Economic Planning Agency</b>
<b>Sectoral Ministerial Meetings</b>	<b>Budget and Administrative</b>	<b>MITI and MOFA</b>
	<b>Education</b>	<b>Ministry of Education</b>
	<b>Energy</b>	<b>MITI</b>
	<b>Environment</b>	<b>Environment Agency</b>
	<b>Sustainable Development</b>	<b>Environment Agency</b>
	<b>Finance</b>	<b>MOF</b>
	<b>Human Resource Development</b>	<b>Ministry of Labour</b>
	<b>Science and Technology Cooperation</b>	<b>Science and Technology Agency</b>
	<b>Small and Medium Enterprises</b>	<b>MITI</b>
	<b>Telecommunications And Information Industry</b>	<b>Ministry of Posts and Telecommunications</b>
	<b>Trade</b>	<b>MITI</b>
<b>Transportation</b>	<b>Ministry of Transportation</b>	

(Source) Ogita & Takoh 1997: 13

## II-6. Ministers

Since APEC has the annual Ministerial and Leaders Meetings as its basic and

topmost organs, along with a variety of Sectoral Ministerial Meetings, ministers are required to participate in APEC policy making. Their roles have, however, usually been insignificant and marginal. This is expected as most policies of the Japanese government are made from the bottom upward in the bureaucracy.

The first unusual example of minister's activeness concerning APEC was observed during 1994-1995. As early as the APEC Bogor Leaders Meeting in November, 1994, the then Minister of International Trade and Industry, Ryutaro Hashimoto (橋本龍太郎), discussed with officials about how to chair APEC 1995, and decided to make an "agenda" for the APEC liberalization to be adopted at Osaka. In 1995, he led the domestic coordination of interests with the Minister of Agriculture, Forestry and Fisheries, Hosei Norota (野呂田芳成: Hosokawa 1999: 148-149). Bilateral negotiations with other APEC members were also conducted by Hashimoto himself, as well as Norota and then Minister for Foreign Affairs, Yohei Kono (河野洋平). The then Prime Minister Tomiichi Murayama (村山富市) was said to be also active, although he did not play as important a role as Hashimoto and Kono, who were also his Deputy Prime Ministers at that time (Ogita & Takoh 1997: 20-22 / Ogita 1996: 21).

The second exception was seen at the climax of the EVSL controversy in 1998, where the then Trade Minister Kaoru Yosano (与謝野馨), Foreign Minister Masahiko Komura (高村正彦) and Agriculture Minister Shoichi Nakagawa (中川昭一) were active in establishing Japan's position against EVSL (refer to Table 2). Together with Prime Minister Keizo Obuchi (小渕恵三) and then Chief Cabinet Secretary Hiromu Nonaka (野中広務), they convened at the APEC-relevant ministers' meetings (APEC 関係閣僚会議) which were held three times between the Kuching Trade Ministers Meeting in June, and the Kuala Lumpur Ministerial/Leaders Meeting in November, 1998. Their roles are to be depicted later in Part III.

**Table 2: Main APEC-relevant ministers since 1996**

	<b>Prime</b>	<b>Trade</b>	<b>Foreign</b>	<b>Agriculture</b>
<i>Jan. 1996 – Nov. 1996</i>	<b>Hashimoto</b>	<b>Tsukahara</b>	<b>Ikeda</b>	<b>Ohara</b>
<i>Nov. 1996 – Sept. 1997 *</i>	<b>Hashimoto</b>	<b>Sato</b>	<b>Ikeda</b>	<b>Fujimoto</b>
<i>Sept. 1997 – Jul. 1998 **</i>	<b>Hashimoto</b>	<b>Horiuchi</b>	<b>Obuchi</b>	<b>Shimamura</b>
<i>Jul. 1998 – Oct. 1999 ***</i>	<b>Obuchi</b>	<b>Yosano</b>	<b>Komura</b>	<b>Nakagawa</b>
<i>Oct. 1999 –</i>	<b>Obuchi</b>	<b>Fukaya</b>	<b>Kono</b>	<b>Tamazawa</b>

(Note) At the very beginning of 1996, the Murayama Administration was in office but dissolved on 11 January. In September 1997, Yoshinobu Shimamura replaced Ihei Ochi, who resigned for health reasons only 15 days after his appointment as the Agriculture Minister.

\* During this period the APEC Manila/Subic Meetings were held.

\*\* During this period the APEC Vancouver Meetings were held.

\*\*\* During this period the APEC Kuala Lumpur and Auckland Meetings were held.

## **II-7. Politicians and Political Parties**

In principle, politicians and political parties are indifferent to APEC unless its liberalization initiative threatens Japan's agricultural market. In other words, they become active when a liberalization agenda emerges, and needless to say, they act *against* it.

Politicians involved in APEC liberalization affairs are mostly the *norin-zoku*. A *zoku* (tribe) is an individual or a group of legislators who have strong formal/informal influence in specific policy areas corresponding to ministries' jurisdictions. Its existence is due with each ministry's need for its own political "supporters" to protect and magnify its jurisdictional interests in the power struggle with other ministries. At the same time, it is a corollary of politicians' utilization of each ministry's substantial policy making capacity, in *pork-barreling* their constituencies or industries that support them. The *norin-zoku* is influential over agricultural and forestry policies, and is recognized as one of the most powerful *zoku* (Inoguchi & Iwai 1987: 19-29, 185-188). They are objects of MAFF's policy consultation, or *nemawashi*, and their goals and actions are naturally identical to those of the ministry. They objected to a comprehensive APEC liberalization regarding the Osaka Action Agenda, as well as to

EVSL, by anchoring themselves to the golden rule, “no more concession beyond the Uruguay Round commitment”. They headed a united front with MAFF and agricultural interest groups (Ogita & Takoh 1997: 17-22).

Among political parties, the only party that has played any true to meaningful role in APEC liberalization affairs is the Liberal Democratic Party (LDP: 自由民主党). The LDP has been in power both as a single ruling and as a coalition government since 1994, and the main APEC-relevant ministers since 1996 (refer to Table 2) have all been from the LDP. Most *norin-zoku* are also LDP politicians. They act within or in close cooperation with Agriculture and Forestry Division (農林部会), the Fisheries Division (水産部会), or with the Special Committee on Agricultural Trade (農業貿易対策特別委員会); all of which are subject to the Party’s Policy Research Council (政務調査会).<sup>2</sup> It was said that the Special Committee virtually directed MAFF’s operation in the EVSL consultation.

## II-8. Interest Groups

Agricultural, fisheries and forestry interest groups are the remaining piece of the anti-liberalization united front in Japan’s APEC policy making.

The most influential among them is the Central Union of Agricultural Co-operatives of Japan (*JA Zenchu*: 全国農業協同組合中央会), known for its fierce resistance on freeing Japan’s rice market discussed at the GATT Uruguay Round. It was the Bogor Declaration in 1994 which made *JA Zenchu* become wary of APEC liberalization. In 1995, it --- with MAFF and the *norin-zoku* --- maneuvered for and finally succeeded in hindering a comprehensive APEC liberalization with the injection of the Flexibility Principle in the Osaka Action Agenda. *JA Zenchu* cared mainly for the “food sector” and “oilseeds and oilseed products” of the so-called *back six* sectors in the EVSL process to be discussed in 1999, but also for “fish and fish products” and “forest products” in the *front nine* products negotiated in 1998.

EVSL also made other interest groups involved in the process. Among them, the National Federation of Fisheries Co-operative Associations (*Zengyoren*: 全国漁業

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<sup>2</sup> The LDP’s organizational chart is available on the Internet at <http://www.jimin.or.jp/jimin/english/outline/e-orgchart.html>.

協同組合連合会), the Japan Forestry Association (日本林業協会), and the Japan Plywood Manufactures' Association (JPMA: 日本合板工業組合連合会), which were relevant to the two sensitive sectors in the *front nine*. Their call was also simply, “no more concession beyond the Uruguay Round commitment”.

## II-9. Other Actors

The Diet (国会) as an organization has never made any decision on APEC matters because relevant policies have never required any enactment or amendment of laws, or ratification of treaties. Only some discussions have been made in the plenary sessions and in the committees (Ogita 1996: 22).

Non-governmental and non-profit organizations (NGOs, NPOs) were greatly powerful and influential at the WTO Third Ministerial Conference at Seattle in November, 1999, but not so in APEC affairs in Japan. It is true both have occasionally appeared in APEC affairs, but neither have had any actual impact on policy making (Ogita 1996: 25-27). In the EVSL process, some environmental NGO/NPOs sent appeals and met with MITI on the liberalization of forest products. They did not cooperate with anti-liberalization interest groups such as *Zengyoren* and JPMA, but they did for the WTO Seattle Conference.

## III. THE PROCESS

The commencement of the EVSL initiative was officially announced at the APEC Vancouver Ministerial Meeting in 1997, although it originally appeared at the Subic Leaders Meeting in 1996. The synopsis of this paper, however, starts Japan's chronology of actions concerning the EVSL process at the year 1995. This is because, firstly, EVSL should be “in accordance with the general principles set out in the Osaka Action Agenda”, adopted at the year's Leaders Meeting (APEC Ministerial Meeting 1997). Secondly, how Japan drafted and elaborated the agenda well suggested the nation's attitude towards APEC liberalization. Thirdly, the preliminary idea of EVSL

emerged earlier at Osaka, and it was interestingly different from that which was discussed at Subic.

### **III-1. November 1995: Osaka, Japan**

#### **III-1-(1). *The Comprehensive Principle***

It was the Flexibility Principle that was the most controversial among the nine General Principles of liberalization and facilitation in the Osaka Action Agenda (APEC Leaders Meeting 1995b). The controversy clarified Japan's reluctance to make APEC liberalization bold and aggressive (Ogita & Takoh 1997: 15-23).

In addition, the Comprehensiveness Principle also caused friction and was a telltale of the country's position, or strategy, towards liberalization. The Principle in the finalized agenda read as follows:

The APEC liberalization and facilitation process will be comprehensive, addressing all impediments to achieving the long-term goal of free and open trade and investment. (Part One, Section A, Paragraph 1)

In the first draft presented to the Special SOM four months prior to the Osaka Meetings, however, Japan, as the chair, proposed the following paragraph:

APEC actions toward liberalization and facilitation will cover areas related to trade and investment i.e., tariff / non-tariff measures affecting trade and investment / technical barriers to trade / sanitary and phytosanitary measures / standards and conformance / custom procedures / intellectual property rights / subsidies / safeguard / rules of origin / anti-dumping and countervailing duties / government procurement / competition policy / deregulation, etc.

This suggested that Japan wanted to interpret "comprehensiveness" in the APEC liberalization as covering all *areas of liberalization-related measures*, not all *industries* (Ogita & Takoh 1997: 1-2). Such a strategy of interpretation would appear again in the following year's discussion, in Paragraph 8 of the Subic Leaders'

Declaration which initiated EVSL, and in the succeeding EVSL controversy. It should be noted that the first draft of the agenda was drawn up after MAFF and the *norin-zoku* had successfully altered their government's (i.e., MITI-MOFA's) earlier pro-liberalization orbit (Ogita & Takoh 1997: 15-19).

### **III-1-(2). *The Emergence of the Idea of EVSL***

The other focus of interest in the Osaka Action Agenda was the first appearance of the founding idea that eventually led to EVSL. The Agenda stated as follows:

APEC economies will identify industries in which the progressive reduction of tariff [non-tariff measures] may have positive impact on trade and on economic growth in the Asia-Pacific region or for which there is regional industry support for early liberalization. (Part One, Section C, 1. / [ ] taken from 2.)

This paragraph was supposedly included under the initiative of the United States and other pro-liberalization members, and the other members --- including chair-country Japan --- had no reason to oppose it.

What are interesting in this paragraph is, first, the object of the verb "identify" is "industries". Second, the non-usage of the word, "voluntary", which later became the focal point in the EVSL controversy. How would these two change a year later?

### **III-2. November 1996: Subic, the Philippines**

The idea of early liberalization in specific *industries* developed in 1996 and appeared again in the Subic Leaders' Declaration (APEC Leaders Meeting 1996). Paragraph 8 from it is as follows:

We further instruct our ministers to identify *sectors* where early *voluntary* liberalization would have a positive impact on trade, investment, and economic growth in the individual APEC economies as well as in the region, and submit to us their recommendations on how this can be achieved. (*Italicized* by the author)

quoting)

Japanese officials today say that it was only natural for Japan to have felt cautious of the initiative --- proposed by the then Philippine President Fidel Ramos shortly before his chairing the Subic Meeting (*Nihon Keizai Shimbun*, 16 Nov. 1996, evening ed.) --- as it was a new idea whose character and modality were still ambiguous. In spite of current excuse that Japan was not particularly against the initiative, there exists another credible story at that time that confirms the country's reluctance.

According to an official, it was Japan that converted the word "industries", which had appeared in the Osaka Action Agenda, into "sectors". Moreover, the country had earlier proposed "areas of APEC works" as a substitute, but in the end, settled with a compromise of "sectors". This clearly suggests that Japan had had the intention of avoiding the new early-liberalization initiative addressed to specific industries, and to interpret its comprehensiveness --- if it were to be comprehensive --- as covering all the liberalization-related areas or measures. As easily understood is that this maneuver was analogous with what Japan had done with the Comprehensive Principle in the Osaka Action Agenda (Ogita & Takoh 1997: 1).

The other difference between the Subic and Osaka texts was the insertion of "voluntary". This adjective in the paragraph seems somewhat strange, as how positive an impact early liberalization would have has nothing to do with whether if it was voluntary or not. The word was supposedly forcibly added afterwards. Who, when and how the insertion was made is unknown. Considering Japan's later assertion on the voluntarism of EVSL, however, it is not unreasonable to guess that the country supported the injection.

In the 1996 process, MITI and MAFF worked in close cooperation with each other in the Japanese government (Ogita & Takoh 1997: 26-27). Thus, the two ministries may have maneuvered to alter the paragraph as mentioned above. If so, a somewhat wariness concerning EVSL was shared by the two APEC-relevant active ministries at the time, and it began as early as the initiative's official time of origin.

### **III-3. January 1997: Victoria, Canada**

When it originated at Subic, EVSL was considered an initiative subject to the sole area of liberalization, regarding tariff and non-tariff measures. At 1997's first SOM held at Victoria in January, however, APEC member economies from the Association of Southeast Asian Nations (ASEAN) and China demanded the initiative to address not only liberalization, but also facilitation and ecotech, which composed the entire *areas of APEC works*. This requirement was officially included in the Statement of the Chair at the Meeting of Ministers Responsible for Trade, held at Montreal four months later.

Japan probably supported the ASEAN and Chinese position at that time, as it complied with Japan's conventional strategy to interpret APEC liberalization as being comprehensive in addressing all the *areas of APEC works*, not necessarily all the *industries*. This extension of the scope for EVSL gave the country a basis on which it would later criticize EVSL as being excessively focussed on the tariff element, in order to dodge the calls for Japan to liberalize its own forestry and fisheries markets.

#### **III-4. May 1997: Montreal, Canada**

It was reported that at the Montreal Trade Minister Meeting in May, 1997, MITI was to propose a *cafeteria style* as an appropriate modality for the intra-APEC investment liberalization, where each member economy chose (a) liberalization menu(s) which it saw able enough to conduct (*Nihon Keizai Shimbun*, 8 May 1997).

Although this referred to *investment* liberalization, and not to *trade* or EVSL, it can be taken as a suggestion on how Japan and MITI saw the APEC liberalization overall. This style was identical with what Japan would later insist as an EVSL modality, where "liberalization is conducted on the basis of the APEC principle of voluntarism, whereby each economy remains free to determine the sectoral initiatives in which it will participate" (APEC Ministerial Meeting 1997: Annex).

#### **III-5. November 1997: Vancouver, Canada**

In spite of such early and substantial precautions taken, at the Vancouver Ministerial Meeting in November, 1997, Japan accepted the commencement of the EVSL initiative aimed at 15 sectors, including "fish and fish products", "forest

products”, “food sector” and “oilseeds and oilseed products”. The country seemed far less reluctant than it would be in the following year, although it was reported that it unofficially expressed its objection to liberalizing agriculture and forestry sectors under EVSL (*Nihon Keizai Shimbun*, 23 Nov. 1997).

Japan probably considered itself as being able to ensure a free hand in not participating (i.e., only participate in facilitation and ecotech) in the liberalization aspect of some sensitive sectors of EVSL, such as those given above. This seemed feasible, following the given sentences in the Annex to the Ministers’ Joint Statement for EVSL (APEC Ministerial Meeting 1997: Annex / *Italicized* by the author quoting):

... they (APEC ministers responsible for trade) also reaffirmed their determination to continue APEC’s leadership and credibility in trade liberalization *in accordance with the general principles set out in the Osaka Action Agenda*.<sup>3</sup>

They directed officials to examine the merits of pursuing liberalization in sectors ... having regard to ... APEC members, *taking into account the different levels of economic development and diverse circumstances of APEC member economies* ...

... the process of early liberalization is conducted *on the basis of the APEC principle of voluntarism, whereby each economy remains free to determine the sectoral initiatives* in which it will participate, we (APEC ministers) therefore call for the development of appropriate agreements or arrangements for market-opening and facilitation and economic and technical cooperation measures ...<sup>4</sup>

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<sup>3</sup> As mentioned above, the Agenda’s general principles included the Flexibility Principle, which stated “[c]onsidering the different levels of economic development among the APEC economies and the diverse circumstances in each economy, flexibility will be available in dealing with issues arising from such circumstances in the liberalization and facilitation process” (APEC Leaders Meeting 1995b: Part One, Section A, Paragraph 8).

<sup>4</sup> It should be noted that such a principle of voluntarism had never appeared in APEC’s official documents before this. Even the Seoul APEC Declaration (APEC Ministerial Meeting 1991: Annex), which “represents the principles, objectives and understandings of APEC ... and provides a firm foundation on which to base APEC’s work” (APEC Ministerial Meeting 1991: Paragraph 8), contains no “voluntarism” or “voluntary”. The same goes for the Osaka Action Agenda’s general principles for liberalization and facilitation (APEC Leaders Meeting 1995b: Part One, Section A). The first appearance of the word “voluntary” in the context of liberalization was in the Osaka Ministerial Meeting’s Joint Statement in 1995 (APEC Ministerial Meeting 1995: Paragraph 6). The word “voluntarism” was, as mentioned above, first, at Vancouver in 1997.

The third given paragraph in particular might make up to be the anchor excuse for Japan to believe that it would “remain free to determine” not to make any more concession beyond the Uruguay Round commitments in the agriculture, forestry and fisheries sectors.

Such interpretation of the *voluntary* EVSL modality seemed to be shared by the relevant actors in Japan. Officials of MITI, MAFF and MOFA speak in unison of *voluntarism* in EVSL. In fact, the acceptance of EVSL was agreed at the four APEC-relevant ministry (i.e., MITI, MOFA, MAFF and MOF) meeting before the Vancouver Meetings. Regarding interest groups, for example, *Zengyoren* received a document dated 20 November (the day before the opening of the Ministerial Meeting) from the Fisheries Agency, which explained that EVSL would not affect the sensitive sectors due to its *voluntary* mode of operation, even though *Zengyoren* was supposedly not fully aware of the initiative itself. It appears that the *norin-zoku* was also still not familiar with EVSL, and that ministers played few roles as well.

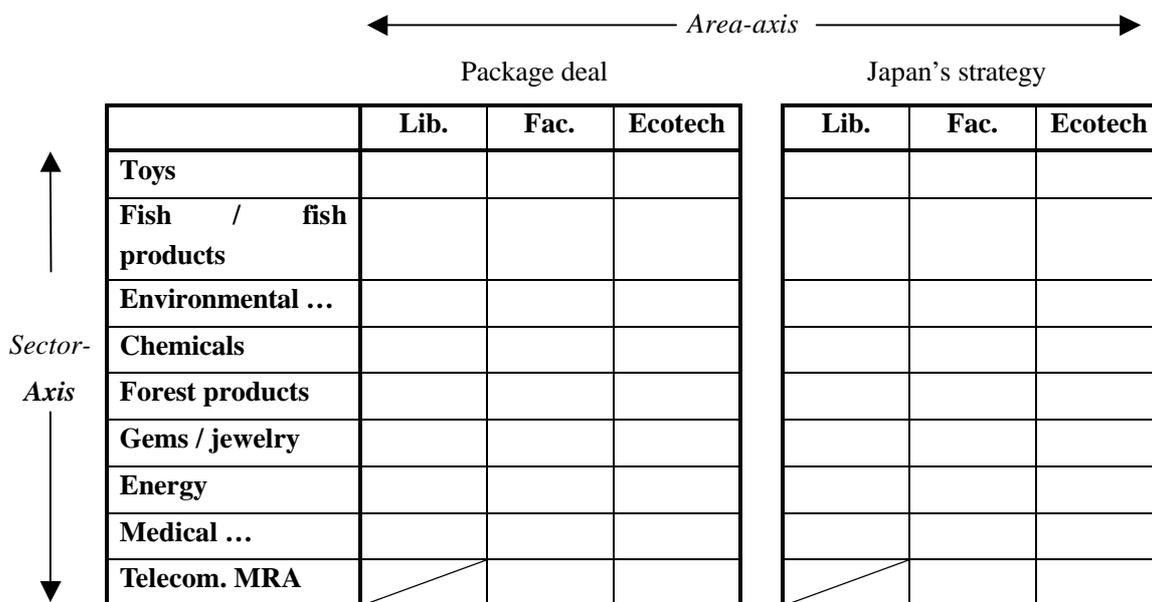
### **III-6. June 1998: Kuching, Malaysia**

#### **III-6-(1). *The Emergence of the Package Deal***

The APEC Meeting of Ministers Responsible for Trade at Kuching in June, 1998, was “to finalize detailed targets and timelines” (APEC Leaders Meeting 1997: Paragraph 6) for the EVSL *front nine* sectors, including “fish and fish products” and “forest products”. Up till then, EVSL had already headed for a comprehensive liberalization as a *package deal*. This was probably pressed forward by the United States, Australia, Canada and New Zealand, and was clearly apart from Japan’s understanding of and expectation for EVSL. The *package deal* would require each member economy to take action in all the three areas (i.e., liberalization, facilitation and ecotech) in each of the nine sectors, and its advocators’ goal was *liberalization* (not facilitation or ecotech) by *every member in all the sectors*. It hindered Japan’s conventional strategy of putting *area-axis* comprehensiveness ahead of *sector-axis*, where all the three areas should be collectively covered in all (and not necessarily in each of) the nine sectors, but all the nine sectors need *not* be covered in an (or in each)

area (refer to **Figure 5**).

**Figure 5: Package deal vs. Japan’s strategy in EVSL**



(Note) The figure for “Japan’s strategy” is just a model and does not necessarily reflect Japan’s real position. indicates special focus.

### III-6-(2). Japanese Opposition to the Package Deal

While the *package-deal* drive was progressing, the Japanese anti-liberalization united front also became active. MAFF and its affiliated Fisheries Agency and Forestry Agency began to consult closely with the relevant interest groups, such as *Zengyoren*, the Forestry Council and JPMA and with the *norin-zoku*. In the fisheries industry, *Zengyoren* and the All Japan Seafood Import Consultative Group (全国水産物輸入対策協議会) --- which belongs to the Fisheries Policy Department (魚政部) of *Zengyoren* --- appealed against EVSL liberalization on “fish and fish products” to MAFF, MITI, MOFA, the *norin-zoku* and the Prime Minister in December, 1997 and May and June of 1998. In May, they, along with the Japan Forestry Association and JPMA, also petitioned to Fuji Research Institute Corporation (富士総合研究所) which participated as one of Japan’s members at the APEC Business Advisory Council

(ABAC).<sup>5</sup>

Shortly before the Kuching Meeting, the relevant ministers also aggressively embarked on the EVSL problem. The then Trade Minister Mituso Horiuchi (堀内光雄) and Agriculture Minister Yoshinobu Shimamura (島村宜伸) both expressed Japan's reluctance to the EVSL liberalization in the forestry and fisheries sectors. Horiuchi stated at a press conference that Japan had already announced its principle of voluntary action on EVSL, and would clarify it at Kuching (*Nihon Keizai Shimbun*, 19 Jun. 1998, evening ed.). Shimamura met U.S. Agriculture Secretary Dan Glickman at Washington DC to say that Japan would reject any EVSL liberalization in the forestry and other sectors (*Nihon Keizai Shimbun*, 20 Jun. 1998: for such activities related to the EVSL problem until the Kuala Lumpur Meetings, refer to Table 3).

### **III-6-(3). Deadlock at Kuching**

At the Meeting, Japan carried out its position in postponing the conclusion, with the belief that the Vancouver agreement had been arbitrarily changed in its interpretation. Trade Minister Horiuchi made no compromise with U.S. Trade Representative (USTR) Charlene Barshefsky and other ministers, who fiercely criticized his position; he once even suggested leaving the negotiation table (*Asahi Shimbun*, 26 Jun. 1998). On the one hand of the "Statement of the Chair" (APEC Meeting of Ministers Responsible for Trade 1998), it noted in Japan's favour, "*specific concerns* have been raised by individual economies *in each sector*" (Paragraph 3: *Italicized* by the author quoting). However, on the other hand, it also stated, "(t)here is *emerging consensus* on product coverage, target end rates and target end dates" (Paragraph 4), in which Japan registered reservation. Horiuchi could not brush off the Statement itself because of its being "of the Chair" and not "of the Ministers", but canceled attending the joint press conference (*Nihon Keizai Shimbun*, 24 Jun. 1998 / *Asahi Shimbun*, 24 Jun. 1998).

## **III-7. September 1998: Kuantan, Malaysia**

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<sup>5</sup> In August *Zengyoren* also petitioned the Matsushita Electric Industrial Corporation (松下電器産業), which provided another Japanese ABAC member (refer to **Table 3**).

At the following official opportunity to discuss EVSL at SOM held at Kuantan in September, Japan again defended its position, sending in as many as 60 officials (*Nihon Keizai Shimbun*, 19 Oct. 1998). Before the meeting, the then

**Table 3: Chronology of the EVSL-relevant activities of Japan: from mid June to mid November in 1998**

Month	Prime Minister / Chief Cabinet Secretary	Trade Minister / MITI	Foreign Minister / MOFA	Agriculture Minister / MAFF	The <i>norin-zoku</i>	Interest groups
<b>Mid Jun.</b>		<b>19</b> Minister's press address; "Going to clarify Japan's principle of voluntarism in EVSL"		<b>19</b> Minister meets US Agriculture Secretary; Rejects forestry and other liberalization in EVSL		<b>15-19</b> <i>Zengyoren's</i> appeal to LDP, PM, MOFA, MITI and MAFF
<b>Late Jun.</b>		<b>22-23</b> APEC Trade Ministers Meeting at Kuching; Rejects forestry/fisheries liberalization in EVSL				<b>29</b> 1 <sup>st</sup> national meeting for seafood import
<b>Early Jul.</b>						
<b>Mid Jul.</b>						
<b>Late Jul.</b>	<b>30</b> (Obuchi replaces Hashimoto as Prime Minister)	<b>30</b> (Yosano replaces Horiuchi as Trade Minister)	<b>30</b> (Komura replaces Obuchi as Foreign Minister)	<b>30</b> (Nakagawa replaces Shimamura as Agriculture Minister)		
<b>Early Aug.</b>						
<b>Mid Aug.</b>						
<b>Late Aug.</b>						<b>27</b> <i>Zengyoren's</i> petition to Matsushita Electric (ABAC) <b>27</b> 2 <sup>nd</sup> national meeting for seafood import

<b>Early Sept.</b>	<b>8</b> 1 <sup>st</sup> APEC-relevant ministers' meeting	<b>6</b> MITI checks the ABAC in Taipei <b>8</b> 1 <sup>st</sup> APEC-relevant ministers' meeting <b>10</b> Administrative Vice-Minister's press address; "APEC has principle of voluntary liberalization"	<b>8</b> 1 <sup>st</sup> APEC-relevant ministers' meeting	<b>8</b> 1 <sup>st</sup> APEC-relevant ministers' meeting. Minister's press address; Emphasizes to keep the voluntary stance in EVSL		<b>6</b> <i>JA Zenchu</i> sends its staff to the ABAC in Taipei  <b>10</b> 3 <sup>rd</sup> national meeting for seafood import
<b>Mid Sept.</b>		<b>13-15</b> APEC SOM in Kuantan <b>17</b> Minister meets USTR	<b>13-15</b> APEC SOM in Kuantan <b>17</b> Minister meets USTR; "APEC is not for tariff negotiation"	<b>17</b> Minister meets USTR; Rejects forestry/fisheries liberalization in EVSL		<b>14-18</b> <i>Zengyoren's</i> appeal to LDP, PM, MOFA, MITI and MAFF
<b>Late Sept.</b>		<b>21</b> Minister meets Indonesian Industry Minister; "EVSL is voluntary" <b>22?</b> Minister meets Malaysian PM; Re-quests to understand Japan's position <b>23</b> Minister's lecture in Singapore; Criticizes the focus on EVSL in APEC				
<b>Early Oct.</b>						<b>7</b> 4 <sup>th</sup> national meeting for seafood import
<b>Mid Oct.</b>						<b>19-22</b> <i>Zengyoren's</i> appeal to LDP, PM, MOFA, MITI and MAFF

Month	Prime Minister / Chief Cabinet Secretary	Trade Minister / MITI	Foreign Minister / MOFA	Agriculture Minister / MAFF	The <i>norin-zoku</i>	Interest groups
<b>Late Oct.</b>	<p><b>23</b> 2<sup>nd</sup> APEC-relevant ministers' meeting; PM "Make efforts of adjustment", Chief "Cannot avoid addressing EVSL"</p> <p><b>28</b> LDP's Special Committee on Agricultural Trade; PM "Necessary to cooperate with other APEC members"</p> <p><b>29</b> PM meets Indonesian Minister to tell Japan not to conduct tariff elimination in EVSL</p>	<p><b>23</b> 2<sup>nd</sup> APEC-relevant ministers' meeting; Proposes assessment of fisheries liberalization</p>	<p><b>23</b> 2<sup>nd</sup> APEC-relevant ministers' meeting</p> <p><b>30</b> Minister meets Indonesian Minister; Requests to understand and support Japan's position</p>	<p><b>23</b> 2<sup>nd</sup> APEC-relevant ministers' meeting; Objects to fisheries liberalization</p> <p><b>23-30</b> State Secretary &amp; Forestry Agency's Director visits Malaysia, Thailand and Indonesia</p> <p><b>25-29</b> State Secretary &amp; Fisheries Agency's senior official visits China and Korea</p>	<p><b>28</b> LDP's Special Committee on Agricultural Trade; Requests PM to reject forestry/fisheries liberalization in EVSL</p>	<p><b>27</b> Appeal to LDP's Fisheries Division</p>
<b>Early Nov.</b>	<p><b>4</b> Chief's press address; "APEC should not focus on forestry/fisheries EVSL but financial/economic problems"</p> <p><b>10</b> 3<sup>rd</sup> APEC-relevant ministers' meeting; Confirms rejection of forestry/fisheries liberalization in EVSL</p>	<p><b>9</b> Administrative Vice-Minister's press address; "EVSL settlement depends on Asian members' perception"</p> <p><b>10</b> 3<sup>rd</sup> APEC-relevant ministers' meeting; Forecasts difficulties at Kuala Lumpur Meetings</p>	<p><b>3</b> Minister meets Indonesian President and Foreign Minister</p> <p><b>5</b> Minister meets Australian PM</p> <p><b>6</b> Minister meets NZ Foreign Minister</p> <p><b>10</b> 3<sup>rd</sup> APEC-relevant ministers' meeting; Proposes financial aid to Asian countries in forestry/fisheries sectors</p>	<p><b>2</b> Minister meets US Assistant to President, USTR and US Agriculture Secretary</p> <p><b>5</b> Minister's press address; "US recognized Japan's position firm"</p> <p><b>10</b> 3<sup>rd</sup> APEC-relevant ministers' meeting; Confirms rejection of forestry/fisheries liberalization in EVSL</p>	<p><b>4</b> Participates in interest groups' conventions</p> <p><b>5</b> LDP's Special Committee on Agricultural Trade; Confirms MOFA that EVSL is voluntary</p>	<p><b>4</b> <i>Zengyoren</i> &amp; Forestry Association's conventions; Objects to EVSL liberalization</p>

<p><b>Mid Nov.</b></p>	<p><b>14</b> PM's letter to Malaysian PM; Rejects forestry/fisheries liberalization in EVSL <b>17-18</b> APEC Leaders Meeting in Kuala Lumpur</p>	<p><b>12-13</b> APEC SOM in Kuala Lumpur; Rejects forestry/fisheries liberalization in EVSL <b>13</b> Minister meets USTR; Rejects forestry/fisheries liberalization in EVSL <b>13</b> Minister meets APEC members' ministers; Requests support to Japan <b>14-15</b> APEC Ministerial Meeting in Kuala Lumpur; Sends EVSL liberalization to WTO</p>	<p><b>12-13</b> APEC SOM in Kuala Lumpur; Rejects forestry/fisheries liberalization in EVSL <b>13</b> Minister meets APEC members' ministers; Requests support to Japan <b>14</b> Minister meets USTR; "Forestry/fisheries liberalization destabilizes the Obuchi administration" <b>14-15</b> APEC Ministerial Meeting in Kuala Lumpur; Sends EVSL liberalization to WTO <b>19</b> Minister meets US Commerce Secretary to be told regrets on the EVSL conclusion</p>	<p><b>15</b> MAFF welcomes the conclusion at Kuala Lumpur <b>17</b> Minister's press address; "Japan could carry through Japan's principle of voluntarism"</p>	<p><b>11</b> Participates in interest groups' joint convention <b>13</b> Meets Malaysian PM to confirm his support to Japan</p>	<p><b>11</b> <i>JA Zenchu, Zengyoren &amp; Forestry Association's</i> joint convention; Objects to EVSL liberalization  <b>16</b> <i>Zengyoren</i> welcomes the conclusion at Kuala Lumpur</p>
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(Note) **Bold numbers** indicate dates. Events inside ( ) are not directly related to APEC-EVSL affairs.

(Source) *Asahi Shimbun, Mainichi Shimbun, Nihon Keizai Shimbun, Sankei Shimbun, Yomiuri Shimbun*, etc.

Agriculture Minister Shoichi Nakagawa --- newly appointed at the end of July --- stated at a press conference that Japan should keep its voluntary principle. Also the Administrative Vice-Minister of International Trade and Industry Osamu Watanabe (渡辺修) also added that the APEC liberalization had begun with the principle of voluntarism (*Asahi Shimbun*, 13 Sept. 1998). The conclusion to the problem was again postponed until the final stage of the 1998 process, at the Kuala Lumpur Meetings in November, although an agreement on all the *front nine* sectors had reportedly become an expected possibility (*Sankei Shimbun*, 15 Sept. 1998).

Shortly before the Kuantan SOM, an ABAC meeting was held at Taipei. MITI communicated closely with Japan's ABAC member there and worked simultaneously from Tokyo, in an effort to defend Japan's position by consulting each word included in the Council's Report to the APEC Economic Leaders. *JA Zenchu* also sent its staff to the meeting to check the discussion and conclusion there. After the ABAC member could not help but endorse the report advocating a comprehensive EVSL, some *norin-zoku* tried to summon him to the Diet for an inquiry (but did not).

After the SOM, the relevant ministers met USTR Barshefsky, who visited Tokyo, to insist on APEC's principle of voluntarism, and for APEC to not be used for tariff negotiation (*Yomiuri Shimbun*, 18 Sept. 1998 / *Mainichi Shimbun*, 18 Sept. 1998). The then Trade Minister Kaoru Yosano, who was also newly appointed at the end of July, toured Southeast Asia to meet Indonesian Minister of Industry and Trade Rahardi Ramelan, and Malaysian Prime Minister Mahathir Mohamad. He asked for their understanding of his country's predicament, but only got negative responses (*Asahi Shimbun*, 23 Sept. 1998 / *Yomiuri Shimbun*, 24 Sept. 1998)

### **III-8. November 1998: Kuala Lumpur, Malaysia**

#### **III-8-(1). *Compromise Seeking?***

If Japan had sought a compromise in the EVSL controversy, it was during the last three weeks to the Kuala Lumpur Meetings.

At the APEC-relevant ministers' meeting on 23 October, Trade Minister Yosano proposed to assess the effects of liberalization on each fish product. Thoughts

on this proposal were divided. On one hand, as Yosano himself said, “It is just a study for negotiation”. A MITI official, too, explained that it was to make the other APEC members understand Japan’s disposition better. On the other hand, however, most newspapers reported that the proposal suggested the country was seeking a compromise, admitting tariff elimination on certain products. It was also reported that Prime Minister Obuchi had called upon ministers to make as much effort as they could for adjustment, and the then Chief Cabinet Secretary Nonaka commented at a press conference that Japan could not avoid addressing the EVSL issue as an official APEC agenda (*Nihon Keizai Shimbun*, 23 Oct. 1998, evening ed. / *Asahi Shimbun*, 27 Oct. 1998 / *Yomiuri Shimbun*, 30 Oct. 1998). Contrarily, Agriculture Minister Nakagawa reportedly repudiated the Trade Minister’s proposal, saying that “Assessment is okay, but it is separate to the acceptance of forestry/fisheries liberalization in EVSL”, and criticized MOFA officials for stirring up Japan’s anxiety over isolation (*Nihon Keizai Shimbun*, 24 Oct. 1998 / *Asahi Shimbun*, 27 Oct. 1998).

### **III-8-(2). *Anti-EVSL Counteroffensive and the Search for a Settlement***

The anti-liberalization united front, consisting of MAFF, the *norin-zoku* and the relevant interest groups, soon began to strike back. In late October, Agriculture State Secretary Tadahiro Matsushita (松下忠洋) and Forestry Agency’s Director-General Toru Yamamoto (山本徹) toured Malaysia, Indonesia and Thailand, while the other State Secretary, Hiroaki Kameya (亀谷博昭), visited China and Korea with the Fisheries Agency’s senior official, Shoji Miyamoto (宮本晶二)<sup>6</sup> (*Asahi Shimbun*, 27 Oct. 1998). Agriculture Minister Nakagawa also traveled at the beginning of November to the United States to meet the Assistant to the President for Economic Policy (Director of the National Economic Council) Gene Sperling, USTR Barshefsky and Agriculture Secretary Glickman, in an effort to make America recognize Japan’s difficult situation (*Nihon Keizai Shimbun*, 4 Nov. 1998 / *Asahi Shimbun*, 6 Nov. 1998). In the same period, the LDP’s Special Committee on Agricultural Trade requested Prime Minister Obuchi not to compromise (*Yomiuri Shimbun*, 29 Oct. 1998), and reaffirmed MOFA that EVSL should be on the basis of voluntarism (*Mainichi Shimbun*,

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<sup>6</sup> Director-General of the Fisheries Policy Planning Department (魚政部長).

6 Nov. 1998). *Zengyoren* and the Forestry Association held anti-EVSL conventions on the same day, 4 November, with the participation of *norin-zoku* (*Asahi Shimbun*, 5 Nov. 1998).

MOFA reportedly then showed an inclination towards a compromise. It seemed that the ministry did not have a strong policy preference, but rather only wished to avoid Japan's isolation. During the same time as Nakagawa, Foreign Minister Komura visited Indonesia, Australia and New Zealand to request their understanding of Japan's partial rejection of EVSL, but was unable to consolidate any support. MITI, the other reported compromise-seeker, kept relatively silent at that time (refer to Table 3).

Prime Minister Obuchi's leadership did not seem strong or coherent. Some say that, at the first APEC-relevant ministers' meeting on 8 September, Obuchi confirmed with ministers that Japan could not admit any liberalization beyond the Uruguay Round Commitment in agriculture, forestry and fisheries sectors (<http://www2.justnet.ne.jp/%7Easia/apec/apec02.htm>). As mentioned above, however, he reportedly showed an inclination towards a compromise at the second APEC-relevant ministers' meeting on 23 October. Furthermore, when requested not to compromise by the LDP's Special Committee on Agricultural Trade five days later, he is said to have suggested the possibility of a concession, saying that "It is also necessary to cooperate with other APEC member economies" (*Yomiuri Shimbun*, 29 Oct. 1998). Nevertheless, at the meeting with Indonesian Coordinating Minister for Economic, Finance and Industry Ginandjar Kartasasmita, on 29 October, Obuchi reiterated Japan's principle of not accepting tariff elimination in the two sensitive EVSL sectors (*Asahi Shimbun*, 6 Nov. 1998). Additionally, Chief Cabinet Secretary Nonaka, a close assistant to the prime minister, began to emphasize the Asian financial and economic problems, drawing away from EVSL as a top priority at Kuala Lumpur (*Nihon Keizai Shimbun*, 5 Nov. 1998 / *Asahi Shimbun*, 6 Nov. 1998).

It was finally reported that the Japanese government had, at around 5 November, consolidated its position to decline the EVSL liberalization in the two subject sectors (*Asahi Shimbun*, 6 Nov. 1998 / *Nihon Keizai Shimbun*, 8 Nov. 1998). The third APEC-relevant ministers' meeting on 10 November confirmed this decision (*Nihon Keizai Shimbun*, 10 Nov. 1998, evening ed.), and also endorsed Foreign Minister

Komura's proposal to offer approximately 27 billion yen in aid to Asian forestry and fisheries industries over the following five years (*Asahi Shimbun*, 11 & 14 Nov. 1998). However, Trade Minister Yosano still suggested a possible concession at the last moment at Kuala Lumpur, saying "Instructions from Tokyo may necessary [depending on the developments (there)]" (*Asahi Shimbun*, 10 Nov. 1998, evening ed.). His Administrative Vice-Minister Watanabe also forecasted various turns of events until the final stage, and stated that Japan's attitude would depend on the response of the other Asian members (*Asahi Shimbun*, 10 Nov. 1998).

In the latter days leading up to the Kuala Lumpur Meetings, while Asian member economies such as China, the Philippines, Thailand, newcomer Vietnam and chairing Malaysia began to assume a position more or less on Japan's side, the anti-EVSL actors tried to make sure that Japan would reject liberalization in the forestry and fisheries sectors. On 11 November, *JA Zenchu*, the Forestry Association and *Zengyoren* held a joint conference at the LDP's headquarters (*Asahi Shimbun*, 12 Nov. 1998). After which, the LDP *norin-zoku* left for Malaysia, to get confirmation from Prime Minister Mahathir that his government would accept Japan's position (*Sankei Shimbun*, 14 Nov. 1998). Obuchi also sent Mahathir a letter asking for his support (*Mainichi Shimbun*, 14 Nov. 1998).

### **III-8-(3). *The End of the Controversy at Kuala Lumpur***

What the Japanese ministers did at the Kuala Lumpur Meetings was to simply keep their position and to decline any concession. In spite of reported possibility of a political settlement taking place at the Leaders Meeting on 17-18 November, the EVSL controversy came to a conclusion at the Ministerial Meeting held 14-15 November. Ministers first recognized the following, satisfying Japan's conventional assertion:

The EVSL initiative, undertaken through the APEC principle of *voluntarism*, is an *integrated* approach to liberalisation through the *incorporation of facilitation and economic and technical cooperation measures*. (APEC Ministerial Meeting 1998: Paragraph 11 / *Italicized* by the author quoting)

Afterwards, they declared on sending the EVSL tariff element to the WTO agenda,

stating as follows:

Ministers ... agreed to improve and build on this progress in 1999 ... *by broadening the participation in the tariff element beyond APEC*, to maximize the benefit of liberalisation. In this regard, the *WTO process would be initiated* immediately ... (APEC Ministerial Meeting 1998: Paragraph 15 / *Italicized* by the author quoting)

On the same day of the ministers' statement, MAFF immediately released the following comment to welcome the conclusion at Kuala Lumpur:

At the current APEC Ministerial Meeting, as a result of much effort of Minister for Foreign Affairs and Minister of International Trade and Industry, our nation's assertion regarding forest and fish products was sustained.

- (1) Based on the principle of voluntarism, our nation will not participate in the tariff measures of EVSL in forest and fish products.
- (2) It will not be negotiated at APEC, which is originally not for negotiation, but at WTO. In such case, our nation's positions, which are that the next WTO round should be a comprehensive negotiation, and so on, will not change.

In suit with MAFF, *Zengyoren* released a welcoming comment, and Agriculture Minister Nakagawa said at a press conference that he appreciated the result (*Asahi Shimbun*, 18 Nov. 1998). A MAFF senior official reportedly depicted it as "an overwhelming victory" (*Asahi Shimbun*, 19 Nov. 1998).

### **III-9. September 1999: Auckland, New Zealand**

The tariff element of EVSL virtually ended in 1998, in a sense. Set on course at Kuala Lumpur, the Ministerial Meeting at Auckland in September 1999, decided that the EVSL tariff element in the *back six* sectors would also be sent to WTO. Although the *back six* included "food sector" and "oilseeds and oilseed products", which were the sensitive sectors for Japan, the country's anti-liberalization actors --- namely, MAFF, the *norin-zoku* and relevant interest groups --- kept generally quiet in 1999.

## IV. THE INTERPRETATIONS

As least in the APEC process, such a stubborn objection observed in the EVSL consultation was unprecedented of Japan. Although *what* the nation did was out of character, *why* or *how* it acted in that manner is rather simple but can nonetheless be analyzed from different angles.

For interpreting Japan's EVSL policy making, Robert Putnam's "two-level games" theory (Putnam 1988) provides an effective tool called, "win-set". In this case, the "two levels" are:

- (1) the "bargaining" at several APEC meetings "between the negotiators", such as senior officials, ministers and leaders from the member economies, "leading to a tentative agreement" (**Level I**); and
- (2) the "separate discussions" within Japan "about whether to ratify the agreement" (**Level II**).

(Putnam 1988: 436)

"Ratification" at Level II in this model is not necessarily "a formal voting procedure", but "any decision-process ... that is required to endorse or implement a Level I agreement" (Putnam 1988: 436). Then, in the following discussion, the "win-set" is the "the set of all possible Level I arrangements that would ... gain the necessary majority among the constituents" to be ratified at Level II within Japan (Putnam 1988: 437).

As Japan could not finally agree to the commencement of the EVSL tariff element in the specific sectors at Level I, its Level II win-set was basically *constricted*. There were observations of some *constant* factors that had been constricting it, as will be discussed. It is also believed that the *size* of the win-set, however, had not been constant but instead had been *shrinking* from 1997 to 1998. Japan, therefore, accepted EVSL in the first year but did not in the second. Inquiries of the factors affecting the

Level II win-set, as well as the Level I strategy, in both 1997 and 1998 will follow the discussion on constant factors.

#### **IV-1. Constant Factors Constricting the Win-set in Japan**

It was obvious as to *who* was constantly constricting the win-set in Japan. The reason *why* MAFF, *norin-zoku* and relevant interest groups rejected the EVSL tariff element was also clear. Additionally saying, the looming new round of the WTO trade negotiations --- where Japan would inevitably be pressed to open its agricultural market further --- surely stiffened their attitude in making no concession at any other or earlier opportunity than the round planned to start in 1999. The question is *how* their position bound the one of Japan as a whole nation, and constricted its Level II win-set.

Putnam takes Japan as an example in which “propensity for seeking the broadest possible domestic consensus before acting constricts the ... win-set, as contrasted with majoritarian political culture” (Putnam 1988: 449). Such a political or policy-making culture, in a broad sense, would be a primary constant factor in constricting the Japanese Level II win-set on EVSL consultation. It can be observed in both bureaucratic and political strata.

##### **IV-1-(1). Consensus Seeking in the Bureaucracy**

Consensus seeking among the actors may imply that each of them has veto power. In fact, as Yoichi Funabashi points out, “the different sectors of Japan’s bureaucracy seem to exercise veto power against each other” (Funabashi 1995: 217). As a rule in the Japanese bureaucracy, while each ministry has no authority to make any decision from the jurisdiction of others, it has the power to avoid the interference of others in its sanctuary.

It was such an institution (rather than culture) that made the Japanese government insert the Flexibility Principle to the Osaka Action Agenda in 1995. The insertion “just *occurred*, rather than consciously judged, *at the equilibrium point* ... among the three ministries’ intentions”; at the point where MITI and MOFA’s inclination towards comprehensive liberalization, and MAFF’s rejection of liberalization beyond the Uruguay Round commitment met (Ogita & Takoh 1997: 28).

Also in the EVSL process, neither MITI nor MOFA had authority, power or will to say anything about liberalization in the forestry and fisheries sectors. They had to comply to MAFF's assertion to reject tariff element in the two sectors, regardless of foreseeable conflict in the regional forum that they were in charge of. At the bureaucratic stratum, MAFF limited the win-set to "EVSL without tariff element in the forestry and fisheries sectors".

#### **IV-1-(2). *Consensus Seeking and the Lack of Discipline at the Political Stratum***

Although the bureaucracy is a substantial machine in policy making, in principle, it should be politicians or political leaders that make the final policy decision of a nation. As Funabashi continues to say that mutual veto power of bureaucratic organizations are exercised "especially when they lack strong direction from the political leadership" (Funabashi 1995: 217), political leaders ought to be able to make decisions regardless of bottom-up policy output from the bureaucracy, and to be able to overrule the decisions of a ministry.

Consensus seeking and mutual veto power, however, can be seen among ministers in the Cabinet as well as in the bureaucracy. Strong leadership is rare in Japanese politics, where even the prime minister has difficulty overruling other ministers' calls, despite his/her authority. As the President (総裁) of the ruling LDP, he/she can scarcely discipline the party powerfully, either. Although there have been exceptions like Yoasuhiro Nakasone (中曽根康弘), Keizo Obuchi did not seem to be a strong prime minister or party president during the final phase of the EVSL controversy in the latter half of 1998. He did not, or *could not*, persuade Agriculture Minister or his party's *norin-zoku*, although he supposedly worried about the negative derivatives of Japan's thorough resistance to the EVSL tariff element. He could do nothing but let them constrict the win-set. As Putnam writes, "a weakening party discipline ... reduce[d] the scope for international cooperation" (Putnam 1988: 449). Finally, Trade and Foreign Ministers were at Kuala Lumpur with virtually no bargaining leeway (*Sankei Shimbun*, 16 Nov. 1998).

#### **IV-1-(3). *Small Win-set as a Bargaining Strategy at Level I***

It should be additionally noted that, in a certain respect, its small win-set as a leverage enabled Japan to maintain its objection and to get a favorable conclusion at the Level I negotiation. For example, at Kuala Lumpur, Foreign Minister Komura explained to USTR Barshefsky that if Japan were to accept tariff element in the sensitive two sectors, the Obuchi Administration would surely be destabilized by the hawkish *norin-zoku* (*Nihon Keizai Shimbun*, 14 Nov. 1998, evening ed. / *Sankei Shimbun*, 15 Nov. 1998). This can be interpreted to have been a strategy, which Putnam describes the way “the negotiator may use the implicit threat from his own hawks to maximize his gains (minimize his losses) at Level I” (Putnam 1988: 444). In fact, a senior Malaysian official said he had felt that Japan was, indeed, using its own small win-set as such a bargaining strategy.

#### **IV-2. Factors Affecting the Win-set in 1997**

A criticism against Japan --- arising from the EVSL controversy --- was a complaint which said that the nation should *not* have agreed to the commencement of the initiative at Vancouver in November, 1997, if it was going to object the next year. Setting aside the many probable counterarguments to that criticism, there is the consideration that Japan’s win-set was *larger* at that time than in 1998. There are some factors which can be pointed out *hypothetically* in explaining the expansion of the Level II win-set, or the reducing of the Level I negotiators’ toughness in 1997, in comparison to the 1998 situation.

##### **IV-2-(1). *Smaller Active Constituency at Level II***

The most fundamental factor of the larger win-set in 1997 was the fewer number of actors who participated in the EVSL policy making process. Putnam points out that “participation rates [of constituents in the ratification process] vary across groups and across issues, and this variation often has implications for the size of the win-set” (Putnam 1988: 445). Although he does not clarify the interrelation between the participation rate and the size of the win-set, in the EVSL case of 1997, it was considered that the smaller the participation, the larger the win-set.

A smaller, active constituency existed at Level II because, first, for the simple reason that EVSL was known less. In general, “APEC ... has been limitedly known by too few, understood by even less, and has interested a minimal number of participants in its policy making process” (Ogita & Takoh 1997: 5). *A fortiori*, so was EVSL.

Second, it is possible that most actors, who might even include ministers, were distracted by the serious economic and financial crisis in Japan at the time. It is symbolic that, when Hokkaido Takushoku Bank and Yamaichi Securities went bankrupt, the Vancouver Meetings were held in the same month.

Thus, whether to agree or not to the commencement of EVSL was supposedly decided solely through substantial discussions among the relevant bureaucratic organizations. Few *norin-zoku* or interest groups actively participate in the decision making. Hence this would have expanded, or at least not constricted, the Level II win-set in 1997.

#### **IV-2-(2). MITI's Role at Level II**

It was true that all four APEC-relevant ministries agreed to accept the commencement of EVSL in the name of voluntarism. Considering its long-term commitment to APEC, however, it may be reasonable to suppose that among the four ministries, MITI played a leading part in the Level II ratification at the time. The role that ministry played was probably proportionally much larger in 1997 than in 1998.

MITI's position as such could expand (not constrict) the Level II win-set, because of its enthusiasm for APEC which the ministry itself proposed, and also because the ministry had infused the philosophy of voluntarism into APEC during its development process.

#### **IV-2-(3) The Asian Monetary Fund Initiative**

In the second half of 1997, the Asian currency crisis led to the idea of establishing the so-called Asian Monetary Fund, which in turn provoked a conflict between its leading advocate, Japan, and an opposing United States. Soon after the opposition, however, Japan adjusted its policy to get along with the world's biggest economy.

It can be hypothesized that the atmosphere to restore relation with the United States more or less expanded the Japanese win-set on EVSL, an initiative led by the United States, although a Japanese official denied that the monetary issue influenced trade policy.

#### **IV-2-(4) *The Carrier of the Negotiators at Level I***

Japan's latest cabinet reshuffle before the Vancouver Meetings was in September, 1997 (refer to Table 2). This means that Japan's Level I negotiators at Vancouver had been APEC-relevant ministers for just two months. It is difficult to judge whether two months was a long enough or too short a period, but they were possibly *less tough* than other APEC members' negotiators who had held their positions longer. Trade Minister Horiuchi, too, might not have been as a tough negotiator at Vancouver in November, 1997, as he was at Kuching in June, 1998.

### **IV-3. Factors Affecting the Win-set in 1998**

As mentioned above, Japan's Level II win-set would shrink from 1997 to 1998. In addition to the constant factors discussed above, the ones constricting the win-set in 1998 exclusively can well explain the nation's stubborn objection.

#### **IV-3-(1). *Larger Active Constituency at Level II***

In comparison to the situation in 1997, constituents in the Level II ratification of EVSL exceeded both in number and activeness. There had been the involvement of more and more actors such as the *norin-zoku* and relevant interest groups. Even MAFF seemingly became more concerned and more cautious than when agreeing to the commencement of EVSL.

Such a larger, active constituency was brought about by the EVSL consultation's development to clarify its scope, goals and mode of operation. The shorter period until the commencement of the WTO Millennium Round was obviously another stimulant. Needless to say, it constricted the Level II win-set considerably.

#### **IV-3-(2). *MITI and Trade Minister's Stance at Level I and II***

It was true that MITI was still an important player in the 1998 APEC and EVSL process, in spite of MAFF's increasing clout. MITI reportedly sought a compromise at the final phase of the EVSL controversy, even though it then seemed *less* pro-liberalization than usual.

This was supposedly because MITI was uncomfortable with the idea that some of the other APEC member economies ignored the APEC principle of voluntarism. The ministry had nurtured and was proud of the principle as the foremost necessary philosophy/modality in involving Asian countries as the members, who had been wary of Western member superiority and domination in APEC. In this regard, as the co-founder of APEC, MITI seemed uncomfortable particularly with the other founder, Australia, as well as the aggressive United States.

There was also a rumored reason that MITI had to take responsibility for its leading role in accepting EVSL at Vancouver. This is hypothetically possible, but contradicts the fact that all four relevant ministries had agreed with the acceptance beforehand.

Trade Minister Horiuchi supposedly felt the same malaise MITI did. It would have been magnified by the fact that he had agreed, as the Japanese co-negotiator, to commence EVSL at the Level I negotiation at Vancouver. This would explain his aggressive attitude at the Kuching Meeting in June, 1998, and MITI's leaning towards a compromise after his resignation as the head of the ministry in July.

Anyway, the backwardness of the leading ministry, MITI, and the Trade Minister surely constricted the Level II win-set, and made Japan tougher at Level I.

#### **IV-3-(3). *New Administration and its Unstableness***

As mentioned earlier, weak discipline within the ruling party and the administration constricts the win-set, and the Obuchi Administration is one such case. It came to power in July 1998, when Obuchi won the election for the LDP presidency. However, its foundation was fragile because of the party's pounding in the national election for the House of Councilors (参議院) --- which actually brought the end of the former Hashimoto Administration --- and of criticism on the LDP's unchanged modality

**Table 4: Opinion poll for the Obuchi Administration in its first six months**

<b>Month/Year</b>	<b>Approval (A)</b>	<b>Disapproval (D)</b>	<b>A minus D</b>
<i>August 1998</i>	<b>32%</b>	<b>47%</b>	<b>15% pts.</b>
<i>September</i>	<b>21%</b>	<b>54%</b>	<b>33% pts.</b>
<i>October</i>	<b>23%</b>	<b>56%</b>	<b>33% pts.</b>
<i>November</i>	<b>21%</b>	<b>57%</b>	<b>36% pts.</b>
<i>December</i>	<b>26%</b>	<b>54%</b>	<b>28% pts.</b>
<i>January 1999</i>	<b>32%</b>	<b>44%</b>	<b>12% pts.</b>

(Source) *Asahi Shimbun*, 23 Mar. 2000.

in choosing the premier of the nation. In fact, the new administration's approval rate was far lower than the disapproval rate, which marked above 50% in the last four months of 1998. Moreover, the gap between approval and disapproval was the biggest in November, when the Kuala Lumpur Meetings were being held (refer to Table 4).

Such a situation constricted the Level II win-set, and deprived the Level I negotiators of any room for concession.

#### **IV-3-(4). *Effects of the Asian Economic Crisis on Japan's Level I Position***

The Asian economic crisis coincided with the EVSL process, and its affecting in various ways of the initiative could not be avoided. On Japan's Level I strategy in the EVSL consultation, the crisis had both positive and negative impacts.

On the one hand, the crisis made it difficult for some Asian member economies to voice their objection to the United States-driven a *packaged EVSL*, as they vitally needed financial assistance from the America-influenced International Monetary Fund. Otherwise, they would have probably more or less supported Japan because they had been advocating voluntarism, and were wary of the dominating American presence in APEC. This Asian silence seemed to weaken Japan's position in the Level I negotiation, but at the same time, it may have been this isolation that conversely pushed Japan to a more resolved position.

On the other hand, the crisis gave Japan an excuse to insist that the restoration of the Asian economic was a more critical agenda for APEC's 1998 process. The country could also maneuver the so-called New Miyazawa Initiative and other monetary aid as a leverage to reactivate Asian supports. These possibly strengthened Japan's Level I position, but also constricted the Level II win-set. In fact, at the final phase of the EVSL controversy, Japan succeeded in getting some Asian support, although it can hardly be said that the nation's commitment to loaning out *big money* to Asia had nothing to do with gaining the support.

#### **IV-3-(5). Other Factors Affecting Japan's Level I Position**

A few other observations were made that hypothetically improved Japan's Level I position in *bilateral* relations with specific APEC member economies.

First, the new Japan-South Korea Fisheries Agreement finalized in September, 1998, and that could be a leverage to draw South Korean support for Japan's position in the EVSL controversy. The Japanese Fisheries Agency's Shoji Miyamoto reportedly asked his South Korean counterpart not to criticize Japan at APEC, suggesting that a move otherwise might negatively affect the Japanese Diet's ratification of the fisheries agreement (*Asahi Shimbun*, 14 Nov. 1998). Although the outcome of the suggestion is still unclear, it was undoubtedly a move aimed at magnifying Japan's odds at the EVSL Level I negotiation.

Second, the "Anwar problem" may have given Japan an edge to gain Malaysian support. Former Malaysian Deputy Prime Minister and political rival of Prime Minister Mahathir, Anwar Ibrahim was arrested on "homosexuality" charges two months before the Kuala Lumpur Meetings. The United States fiercely criticized the events as a serious violation of human rights, and the relationship between the two countries soured. It was reported to be a situation favorable for Japan to form an united front with the year's chair of APEC against the United States, in which "the two isolated countries appreciate[d] each others presence in order to avoid blames placed on them" (*Sankei Shimbun*, 14 Nov. 1998). With a commitment for financial aid added, Japan obtained Malaysia's promise to back it at Kuala Lumpur (*Nihon Keizai Shimbun*, 13 Nov. 1998).

#### **IV-3-(6). *Factor Expanding the Win-set***

It should be noted that an exceptional hypothetical factor was found, one which could have expanded the Japanese Level II win-set in 1998. It was the Trade Minister change at the end of July, from Horiuchi to Yosano. As mentioned earlier, Horiuchi was a ‘hawk’ in objecting to the EVSL tariff element, but Yosano seemed to be a compromise seeker. The appearance of Yosano might have expanded the win-set, but it was not enough to deride other constricting factors.

The simultaneous Foreign Minister change, from Obuchi to Komura, did not seem to have any impact on the size of the win-set.

## **V. CONCLUDING REMARKS**

Although a variety of analyses are possible as discussed above, the determinants in Japan’s EVSL policy making were neither many nor complicated. The two interconnecting, fundamental determinants were, first, the thorough rejection of liberalization in the agriculture, forestry and fisheries sectors beyond the Uruguay Round commitment, by the triad of MAFF, *norin-zoku* and relevant interest groups. Second, the usual lack of political leadership and discipline in policy making, which in turn made the stubborn protection of agricultural interests possible. The win-set shrinkage in 1998 compared to 1997 was also due to the entry of the agricultural triad in the policy making process more than any other factor.

If the position Japan carried throughout the EVSL controversy had been of sound reasoning and was a positive, voluntary selection made under political leadership, it would have been less problematic. However, Japan’s position was more likely of one of “involuntary defection”, the negative outcome caused by the two determinants noted above, since “the smaller the win-sets, the greater risk of involuntary defection” (Putnam 1988: 439). In which case, Japan’s policies on international trade negotiations addressing agricultural liberalization are usually made in a ‘diminishing equilibrium’ at Level II. Within such an environment, there can exist only a limited scope for international cooperation.

In the past, however, Japan did make some agreements to open up its agricultural market, depending on political decisions. Internationalist policy makers, including members of the *norin-zoku*, played important roles in those processes to reach a compromise. Why did they not function in the EVSL process? A possible factor was the *norin-zoku*'s forfeiture of self-discipline, caused by the political realignment throughout the 90's. Another was the weakness of the Prime Minister's leadership of late. It could also be affected by the forthcoming bureaucratic reorganization. These should be inquired in the context of structural change of Japanese politics, and remains to be seen<sup>7</sup>.

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<sup>7</sup> The thoughts given in the last two paragraphs above are based on the comments of Professor Satoshi Oyane at Kanazawa University, who kindly shared them at the workshop on "Political Process of APEC/EVSL" held by the Institute of Developing Economies on 27 January 2000. The author would like to express his sincerest appreciation to Professor Oyane, as well as to all the other participants at the workshop, where the author presented the preliminary version of this paper.

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### ***Japan***

Central Union of Agricultural Co-operatives of Japan

Fuji Research Institute Corporation

Japan Forestry Association\*

Japan Plywood Manufactures' Association

Matsushita Electric Industrial Corporation

Ministry of Agriculture, Forestry and Fisheries

Ministry of Foreign Affairs

Ministry of International Trade and Industry

National Federation of Fisheries Co-operative Association

OMRON Corporation

\* Interviewed with an ex-officer of the organization.

### ***Malaysia***

Institute of Strategic and International Studies

Japan External Trade Organization Kuala Lumpur Center

Ministry of International Trade and Industry

### ***New Zealand***

Asia 2000 Foundation

Auckland Regional Chamber of Commerce and Industry

Forest Research

Japan External Trade Organization Auckland Office

Ministry of Foreign Affairs and Trade

New Zealand Forest Industry Council

New Zealand Seafood Industry Council

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