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The APEC Policy-Making Process in Japan

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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 the IDE, or the Fuji Research Institute Corporation.

List of Abbreviations

APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations
CUA	Concerted Unilateral Action (in the APEC liberalization)
EC	European Community
GATT	General Agreement on Tariffs and Trade
HRD	human resources development
LDP	Liberal Democratic Party (of Japan)
LM	Leaders Meeting (of APEC)
MAFF	Ministry of Agriculture, Forestry and Fisheries (of Japan)
MITI	Ministry of International Trade and Industry (of Japan)
MM	Ministerial Meeting (of APEC)
MOF	Ministry of Finance (of Japan)
MOFA	Ministry of Foreign Affairs (of Japan)
NGO	non-governmental organization
ODA	official development assistance (by Japan)
PFP	Partner for Progress (initiative of APEC)
SDP	Social Democratic Party (of Japan, former SDPJ)
SDPJ	Social Democratic Party of Japan (of Japan)
SOM	Senior Officials Meeting (of APEC)
SOP	standard operating procedure
UR	Uruguay Round (of GATT)
WG	Working Group (of APEC)
WTO	World Trade Organization

Introduction Japan Chairing the APEC '95

The Asia-Pacific Economic Cooperation (APEC) Osaka Meetings were held in November 1995. The third Leaders Meeting (LM) there, the last one of a series of the meetings which had been held since February of that year, succeeded in adopting the Osaka Action Agenda for the “Implementation of the Bogor Declaration,”¹ in collecting packages of “initial actions” of trade and investment liberalization and facilitation by each APEC member, and in declaring that APEC had “entered the action phase in translating this vision [established at Blake Island in 1993] and these goals [set at Bogor in 1994] into reality.”² These outcomes made Japan’s chairmanship at the Meetings in 1995 – the annual LM and Ministerial Meeting (MM) at Osaka, and the preceding Senior Officials Meetings (SOMs) including the Special SOMs at several places inside and outside Japan – evaluated positively to a certain extent. It is certain, however, that Japan could have done better.

The Osaka LM had less impact than the two preceding LMs held at Blake Island and Bogor, because making the somewhat concrete guidelines for the liberalization was more difficult than just stating the vision of “a community of Asia Pacific economies”³ and than declaring only the target year of the liberalization by announcing “to complete the achievement of our goal of free and open trade and investment in Asia Pacific no later than the year 2020.”⁴ It was natural in a sense. It was also inevitable that the Osaka Action Agenda contains not a few ambiguous expressions especially in its “General Principles” section of the “Liberalization and Facilitation” part,⁵ because of a given diversity among the members concerning levels of development and cultural backgrounds. It can be said that Japan was somewhat successful in *finalizing* the Action Agenda. However, Japan was unsuccessful in *elaborating* it.

Although Japan as a chair was expected to take a strong initiative in making the guidelines for the liberalization, Japan herself showed a weak attitude toward the liberalization

¹ This is the subtitle of the Osaka Action Agenda.

² APEC Leaders Meeting, 1995a.

³ APEC Leaders Meeting, 1993, p. 1.

⁴ APEC Leaders Meeting, 1994, p. 6.

⁵ The section is appended to this paper as *Appendix A*.

because of the difficulty in opening up her agricultural market. From the middle of 1995 to the days shortly before the Osaka Meetings, the General Principle Article 8 – the so-called “Flexibility Principle”⁶ – in the Action Agenda Co-Chairs’ Drafts,⁷ which was virtually designed to exclude the agricultural sector from the scope of the liberalization (or, at least, perceived so by other members), was the continuous target of fierce criticism by most other members except for China, Korea and Chinese Taipei. In spite of the final settlement of the controversy,⁸ Japan’s reluctance toward the liberalization and awkward chairmanship will not be forgotten so soon, and the once-arisen doubt of her ability to lead APEC cannot be easily wiped off.⁹ Chairing APEC in 1995, the 50th anniversary of the end of World War II, was a great opportunity for Japan to show her strong and consistent national will to live on with Asia-Pacific nations, neither only Asia nor America, on the reflection of the preposterous and bitter past war. However, Japan did not utilize the opportunity sufficiently.

Considering objectively, it was excessive and unnecessary for Japan to adhere to the Flexibility Principle as far as the APEC liberalization was concerned. It was to “let sleeping dog *wake up*.” This is so, first, because the APEC members had already agreed to a great extent that the liberalization would basically be carried out in “Concerted Unilateral Actions” (CUAs) by each member.¹⁰ Second and more importantly, the definition of the APEC liberalization or “free and open trade and investment,” which was not clarified in the Bogor Declaration, was still left unclear and ambiguous even in the elaborating process of the Action

⁶ Article 8 was entitled “Divergent Conditions of APEC/Member Economies and Economic Sectors” in the drafts presented at the Sapporo SOM in July and the Hong Kong SOM in September. In the finalized Action Agenda, the article was entitled only “Flexibility.” See *Appendix A* or [APEC Leaders Meeting, 1995b].

⁷ The drafts were entitled “Co-Chairs’ Draft” instead of “Chair’s Draft,” because the MM and the SOMs in 1995 were co-chaired by the ministers and officials from both of the Ministry of International Trade and Industry and the Ministry of Foreign Affairs of the Japanese government. The details will be inquired later.

⁸ In Article 8 in the finalized Action Agenda, the phrase of “[f]lexibility will be *exercised in allowing differential treatment of economic sectors*,” which had appeared in the drafts presented at the Sapporo and Hong Kong SOMs, was replaced by the more moderate and abstract phrase of “flexibility will be *available in dealing with issues arising from such circumstances* [of the different levels of economic development]” without words of “differential treatment of economic sectors.” See *Appendix A* or [APEC Leaders Meeting, 1995b].

⁹ Regarding Japan’s awkward chairmanship, for example, refer to [Johnstone, 1996].

¹⁰ The term “CUAs” itself ended up deleted in the finalized Action Agenda even though it had been used as a key word in the preceding drafts. However, the substance of CUAs is expressed in other words in

Agenda. Under such situation, each member including Japan can unilaterally decide the *depth* and the *pace* of its own liberalization, without any special principle concerning the flexibility like Article 8. It is true that, even in the CUA fashion, the *scope* of the liberalization may have to be comprehensive and include the agricultural sector. However, it is obviously impossible for Japan to make no concession in agricultural-market liberalization until 2010, the 15-year-away target year of the liberalization for industrialized APEC members; and Japanese officials repeatedly declared that the Flexibility Principle did not regard the *scope* of the liberalization but the *pace* of it, and that the liberalization must be comprehensive as stated in the General Principle Article 1 the so-called “Comprehensiveness Principle” in the Action Agenda.

This unthinking and contradictory behaviour of the Japanese government could partly reflect its problematic system of foreign policy making. It could not have good tactics toward the making of the Action Agenda because it lacked the mechanism and ability to make reasonable judgment based on long-term strategy integrating various interests and opinions of a variety of actors. Therefore, the inquiry into the APEC policy-making process in Japan, the purpose of this paper, will depict parts of what is problematic in her foreign policy making. First, in the next part, this paper will briefly discuss where the process is taking place. After that, the participation of a variety of actors in the process will be inquired. Finally, as a conclusive reflection, the lesson of Japan’s shortcomings in chairing the APEC ’95 will be discussed.

Where the APEC Policy-Making Process Is Taking Place

A state or a government does not make policies as a unitary actor depicted in Allison’s first model or the rational actor model of foreign policy making, who makes decisions rationally. There are a variety of actors, both inside and outside a government,¹¹

the Action Agenda.

¹¹ In this paper, the word “government” does not mean only the executive branch but the whole

participating in policy-making processes to pursue their own interests. They are, in the case of Japan: political leaders and Diet members as individuals; Cabinet, Diet and political parties as institutions; ministries/agencies and their officials in the bureaucracy; interest groups including business groups and non-governmental organizations (NGOs); mass media; and the citizens as the sovereigns. Their activities and interaction in the processes do affect policy output.¹²

As far as foreign policy making processes in Japan are concerned, however, participating actors are relatively limited. This is because, generally speaking, actors outside the Government have fewer interests in foreign policies than in domestic policies; and political leaders, Diet members and political parties are also less interested in being active in foreign policy making which does not attract votes from their constituencies. Therefore, the processes are mostly confined to the bureaucracy, which is believed to have substantial control over policy-making processes in Japan. It is true that there have been a few exceptional cases in which the actors outside the Government actively participated in the processes; for recent examples, there were the cases on military or financial “international contribution” (*kokusai koken*) to the multinational force in the Gulf War and the United Nations’ peace keeping operation in Cambodia. However, the APEC policy-making process does not belong to such exceptional cases. APEC is less known, less understood or less interesting to make a variety of actors participate in the process. This is not only due to the lack of their understanding of APEC but also to the somewhat ambiguous nature of the institution and the lack of its concrete activities.

Therefore, the APEC policy-making process in Japan is mostly confined to the Government and, especially, to the bureaucracy or, more correctly speaking, it *has been* so. The situation is beginning to change as the APEC activities, especially its liberalization program, are entering “the action phase” as stated at the Osaka LM. Although the substantial parts of the process were still played by bureaucrats, actors outside the bureaucracy and the Government, including some political leaders, Diet members and interest

government including the legislature.

¹² Cf., [Sato, 1989], chap. 2, etc.

groups, participated in the process and affected the policy-making toward the Action Agenda in 1995. This might have been the main cause of the difficulty in chairing the APEC '95.¹³ They will also commit themselves to the making of the Action Plan, the next thing on the Action Agenda, which is the more concrete liberalization plan of each APEC member to be adopted at the Manila MM on November 22-23 in 1996.

In the next part, the APEC policy-making process in the bureaucracy, which will continue to be a substantial part of the whole process, will be inquired. After that, the participation of other actors in the process — the Cabinet and ministers, the Diet and Diet members, and interest groups — will be discussed.

The Policy-Making Process in the Bureaucracy

In the bureaucracy of the Japanese government, the Ministry of International Trade and Industry (MITI: *Tsusho Sangyo-sho*) and the Ministry of Foreign Affairs (MOFA: *Gaimu-sho*) jointly take the main charge of the APEC policy-making. MITI has actively committed itself to the APEC process since the Australian proposal to establish the institution as, according to a MITI official, the virtual co-proposer with Robert Hawke, then Australian Prime Minister, who launched the proposal during his stay in Korea at the end of January 1989.¹⁴ MOFA as a rule takes the dominant charge in affairs related to international institutions, but the APEC case is unusual in the sense that MITI officially shares it as the equal partner of MOFA. MITI's unusually large contribution to the APEC affairs is symbolically shown by:

¹³ This paper does not intend to criticize the participation of a variety of actors in the APEC policy-making process. The participation of political leaders and Diet members is legitimate in the congressional democracy, and one of interest groups is orthodox in the pluralistic democracy. The problem is the lack of mechanism and ability to make reasonable and legitimate judgments integrating various interests and opinions. It is also important to be aware of the danger that pluralistic policy-making process is likely to cause the problem of illegitimate protection of specific interests, as an American political scientist Theodore J. Lowi criticized in the name of the "interest-group liberalism." See [Lowi, 1979], especially chaps. 3 & 11. Also refer to [Ogita, 1992], chap. 1.

¹⁴ For the details of the Australia-MITI cooperation in the establishment of APEC, refer to informative

the co-representation, and the co-chairmanship in 1995, in the MMs and the SOMs by ministers and officials from both ministries; and the way of sharing the Japanese subscription to APEC, 45% is borne by MITI and 40% by MOFA with the remaining balance by the Ministry of Finance (MOF: *Okura-sho*).

. 1 *The Policy-Making Process in MITI*

In MITI, the main section in charge of the APEC affairs is the APEC Preparation Office (*APEC Jumbi-shitsu*) in the International Trade Policy Bureau (*Tsusho Seisaku-kyoku*)¹⁵ since 1995 [see *Figure*].¹⁶ It was set up early in 1995 as an ad hoc section for the Japanese chair in that year, but it still remains functional as of February 1996. Its preceding bases were the Office for the Promotion of APEC (*APEC Suishin-shitsu*) and the Southeast Asia-Pacific Division (*Nanto Ajia Taiyoshu-ka*) in the Bureau. Presently the Office for the Promotion of APEC exists nominally and is identical with the APEC Preparation Office. The APEC Preparation Office was mainly supported by the International Economic Affairs Division (*Kokusai Keizai-ka*) in the International Economic Affairs Department (*Kokusai Keizai-bu*) in the Bureau, especially in the domain of the APEC liberalization and facilitation. In fact, however, there was no clear distinction between the roles played by the APEC Preparation Office and the International Economic Affairs Division. The two sections were working in close cooperation, and some staff members belonged to both of them. Other sections in MITI also assisted the APEC Preparation Office in case of need, and the types of their assistance varied from oral suggestions to written reports. It is true that some sections in other bureaus in MITI, which are in charge of domestic, less competitive industries, are negative to the APEC liberalization. Their resistance is, however, suppressed by the atmosphere that MITI, as a whole, should promote the APEC process by uniting efforts inside and avoiding resistance outside - especially, the strongest resistance of the Ministry of

[Funabashi, 1995], pp. 58-66 (trans., pp. 87-102).

¹⁵ The APEC Preparation Office was directly under the Director-General of the Bureau and not in any departments.

¹⁶ This paper is mainly based on the research done in the middle of 1995. Most of the following information is about the APEC policy-making in 1995, the year of the Japanese chair.

Agriculture, Forestry and Fisheries (MAFF: *Norin Suisan-sho*) mentioned later.

In 1995, draft policies worked out by the complex of the APEC Preparation Office and the International Economic Affairs Division was passed on to: (1) the Deputy Director-General (*Shingikan*) for Trade and Economic Affairs of the International Trade Policy Bureau;¹⁷ (2) the Director-General of the Economic Cooperation Department (*Keizai Kyoryoku-bucho*) in the Bureau;¹⁸ and (3) the Director-General of the Bureau (*Tsusho Seisaku-kyokuchō*), in that order. Draft policies in the form of whole texts were examined in no latter stage than the Director-General of the Department, and the Director-General of the Bureau usually examined only their main points. In this sense, the Director-General of the Department substantially headed the APEC policy-making in MITI. The Administrative Vice-Minister (*Jimu-jikan*) and the Minister of International Trade and Industry (Trade Minister) could also come into the line when draft policies are necessary to be sent to the Prime Minister.¹⁹

MITI's setup for the APEC policy-making has been strengthened quantitatively by setting up the Office for the Promotion of APEC, the APEC Office, and so on, but has not changed qualitatively. The setup has consistently been in the International Trade Policy Bureau since the establishment of APEC, and has not moved from one bureau to another, unlike in MOFA as mentioned later. This shows MITI's deep and consistent commitment to the APEC affairs from the beginning. Even after the Japanese chair, the setup's substance is supposed to be kept in spite of its possible downsizing.

¹⁷ The Deputy Director-General came into the line in the middle of 1995, replacing the Director-General of the International Economic Affairs Department in the International Trade Policy Bureau because the Director-General became too busy over the Japan-U.S. automobile trade conflict. The Deputy Director-General was in charge of the Japanese co-representative in the SOMs from the one in June 1995 at Sapporo, also replacing the Director-General.

¹⁸ The reason why the Director General of the Economic Cooperation Department was in the line even though neither the APEC Preparation Office nor the International Economic Affairs Division were in the Department [see *Figure*] is that the Southeast Asia-Pacific Division, the Northwest Asia Division, the APEC Preparation Office and the Department form an unofficial large section which should be called the "expanded Economic Cooperation Department" or the "Asian Developing Economies Department" and which is practically directed by the Director-General of the Department. The Director-General was in charge of the co-chair during 1995 and had been in charge of the Japanese co-representative until 1994, in the SOMs.

¹⁹ The Parliamentary Vice-Minister (*Seimu-jikan*), who is a Diet member whereas the Administrative Vice-Minister is a bureaucrat, plays little role in the process. The situation is almost the same in

. 2 The Policy-Making Process in MOFA

In MOFA, the main section responsible for the APEC affairs is the Developing Economies Division (*Kaihatsu Tojo Chiiki-ka*) in the Economic Affairs Bureau (*Keizai-kyoku*), which replaced the Regional Policy Division (*Chiiki Seisaku-ka*) in the Asian Affairs Bureau (*Ajia-kyoku*) after the Seattle Meetings in 1993 [see *Figure*]. The Developing Economies Division is mainly supported by:

the First International Organizations Division (*Kokusai Kikan Daiikka*) in the Economic Affairs Bureau, which is in charge of the General Agreement on Tariffs and Trade (GATT) and the World Trade Organization (WTO) affairs, in the domain of the liberalization and facilitation; and

the Economic Cooperation Bureau (*Keizai Kyoryoku-kyoku*), which is in charge of the official development assistance (ODA) affairs, in the domain of the economic and technical cooperation.

Other sections also assist the Developing Economies Division at the level of the APEC Working Group (WG) affairs, for example:

the Second International Organizations Division (*Kokusai Kikan Dainika*) assists in the domain of telecommunications;

the Fishery Division (*Gyogyo-shitsu*) in the Ocean Division (*Kaiyo-ka*), in fisheries;

the Energy Resources Division (*Kokusai Enerugi-ka*), in regional energy cooperation (all the three Divisions above are in the Economic Affairs Bureau); and

the former main-section Regional Policy Division, in human resources development (HRD).

However, the Foreign Policy Bureau (*Sogo Gaiko Seisaku-kyoku*), which was newly established in 1993 to place more emphasis on policy planning, does not commit itself to the APEC policy-making,²⁰ even though its original name in Japanese means precisely “*Integrated Foreign Policy Bureau*” and recent APEC policies do require *integrating* various

MOFA.

²⁰ Funabashi, 1995, p. 213 (trans., p. 320).

foreign policy factors and interests as mentioned above.²¹

The line for the APEC policy-making in 1995 was: (1) the Developing Economies Division; (2) senior officials in the Economic Affairs Bureau including the Deputy Director-General (*Sanjikan*) and the Director-General (*Kyokuchō*); (3) the Ambassador for International Economic Affairs;²² and (4) the Ambassador in charge of APEC,²³ in that order. The two Ambassadors were formally on the same rank, but the reason why the APEC Ambassador was ranked higher than the Ambassador for International Economic Affairs in the line was simply that the former, Mr. Seki, was more senior than the latter, Mr. Uchida. Also, the Administrative Vice-Minister and the Minister for Foreign Affairs (Foreign Minister) could occasionally examine draft policies, but only on its main points.

Unlike MITI's, MOFA's setup has experienced a qualitative change by the inter-bureau replacement of the main section as mentioned above. The reasons for the replacement are:

APEC affairs had become too economy-oriented for the Regional Policy Division as a non-economist section to cope with;

the Division's traditional paternalistic attitude toward Asian economies was not appropriate to APEC based on the principle of equality;²⁴

the Division with such an attitude had difficulty in negotiations with Western industrialized members of APEC such as the United States; and

the Division was unsuccessful in the Seattle Meetings, in which MOFA fully committed itself to the APEC affairs for the first time, as depicted by a MOFA official: "Translations were poor; logistics were bad; there was no script, no scenario."²⁵

On the other hand, the Economic Affairs Bureau, which is an economist section, had already

²¹ According to [Institute of Administrative Management, 1995], p. 50, the Bureau "takes charge of the planning of basic or middle-or-long term foreign policy from wider points of view and coordination of policies formulated by other bureaus."

²² The Ambassador was in charge of the Japanese co-representative in the SOMs during 1995.

²³ The Ambassador was in charge of the co-chair during 1995 and had been in charge of the Japanese co-representative until 1994, in the SOMs.

²⁴ See Article 4 of the Seoul APEC Declaration (APEC Ministerial Meeting, 1991, p. 63), which clarifies APEC's objectives, scope of activities, mode of operation, participation, organization and future.

²⁵ Funabashi, 1995, p. 214 (trans., p. 320). Similar information was heard in the author's personal interviews.

begun a study on APEC in early 1993, before being assigned to be the main section. The delay of the replacement showed that MOFA lacked sufficient understanding of APEC as an economic institution and was a later comer than MITI so far as the APEC affairs were concerned.²⁶

It can be said that the setup had been improved by the replacement. However, the paternalistic attitude similar to the Regional Policy Division's can still be seen in the Economic Cooperation Bureau supporting the Developing Economies Division in the domain of the APEC economic cooperation. The Bureau tends to consider the APEC economic cooperation in the same way to consider traditional ODA, and this way of consideration is likely to be refused by the United States which does not want to make APEC be a kind of "aiding organization" because, in such kind of organization, *rich* Japan with big ODA money can be more influential.²⁷ This is the reason why the core of MOFA's activities on APEC is in the domain of the liberalization and facilitation rather than in the economic cooperation and why the Japanese proposal of the "Partner for Progress" (PFP), the new concept for the APEC economic and technical cooperation initiated by MOFA at the Jakarta MM in 1994, was not successful in its early stage.²⁸

. 3 *The Relation between MITI and MOFA*

In the APEC policy-making, MITI and MOFA are cooperative with each other. They do not make the policies separately in each setup. A single draft policy is repeatedly

²⁶ Such situations were observed not only in Japan but also in almost all of the APEC members. In the words of Robert Fauver, an American official who prepared the Seattle LM: "the foreign ministries are slower to see the new institutional value of [the APEC] process than the economic and trade ministries." The only exception was Australia, which has the combined Department of Foreign Affairs and Trade. Ibid., p. 136 (trans., p. 201).

²⁷ US Ambassador to APEC Sandora Kristoff expressed her country's reluctance to make APEC be an "aiding organization" in the following words: "the APEC forum should not function in a 'North-South manner' as a body to disburse official development assistance and other funds." She argued that such function is fulfilled by other bodies such as the World Bank and the Asian Development Bank. Ibid., p. 123 (trans., p. 181).

²⁸ However, the Economic Cooperation Bureau also began to understand the concept of the APEC economic cooperation by studying it, so that later the PFP became to be positively accepted by other members of APEC and named as a means to implement the APEC economic and technical cooperation in the Declaration and the Action Agenda adopted at the Osaka LM. See [APEC Leaders Meeting, 1995a] and [op. cit., 1995b].

passed from one to the other, like “playing catch,” from the early stage of the policy-making, and it is being finalized as the Japanese government’s, not MITI’s nor MOFA’s. Hong Kong’s representative at the SOMs, Tony Miller, described their cooperative relation as “a team in a three-legged race.”²⁹ It can be said that MITI and MOFA form a single machine for the APEC policy-making.

There are some kinds of division of role between the two ministries. Generally speaking, MITI as the economic organization is in charge of concrete and detailed economic matters. On the other hand, MOFA as the diplomatic organization is in charge of general and political matters, such as the question of the membership of APEC or the participation of Chinese Taipei’s President in the LMs. In the words of an American official: “MITI’s Hidehiro Konno [Director-General, Economic Cooperation Department] takes care of the substance while Gaimusho’s [MOFA’s] Hiromoto Seki [Ambassador in charge of APEC] manages the process.”³⁰ In this sense, while the two ministries are formally equal, MITI plays a more substantial role than MOFA in the policy-making. An American official depicts the relation in the following words: “I think Gaimusho [MOFA] is still in the driver’s seat, but I think MITI has got its hands firmly on the map and is saying, ‘No, we need to go this way. No, make a right turn here.’”³¹ Such superiority of MITI is not only due to the division of role, but also to its having had more experience in its longer commitment to the APEC affairs and its larger staffs in charge of them.

Regarding the views on APEC, it can be said that while MITI stands on the economic viewpoint concerning trade promotion and so on, MOFA stands on the diplomatic viewpoint concerning the inclusion of the United States and China to the Asia-Pacific regionalism and so on. However, they share the common view that APEC itself should be the economy-oriented institution. In spite of the possibility that APEC’s treatment of political and security matters can give MOFA more initiative in the APEC policy-making, MOFA as the diplomatic organization must know that it is impossible to treat them in APEC that includes the so-called “Three Chinas” as separate members.

²⁹ Funabashi, 1995, p. 214 (trans., p. 321).

³⁰ Ibid., p. 214 (no appearance in the Japanese translation).

Although the relation between the two ministries is exceptionally and unprecedentedly cooperative at present, it was not so in the past. When the plan for a new Asia-Pacific regional body arose at the end of the 1980s, MOFA was reluctant to the idea. According to a MITI official, the reason why MITI, which had studied on such a plan and was ready to propose it before Australia, yielded the position of the proposer of APEC to Bob Hawke was that it could not secure support inside the Government because of MOFA's objection. In the preparatory stage of APEC, MOFA was not only uncooperative but also interruptive to MITI's initiative for its establishment: MOFA declined to join MITI's "promotion tour" for APEC in March 1989,³² and tried to disturb the MITI official on the tour, at Jakarta, by providing an interpreter who tried to mislead the communication between the official and the Indonesian minister.³³

MOFA's reluctance was due to:

its view that Asian economic integration was progressing naturally and that institutions might be more of a hindrance than a help in furthering the process;

its worry about the difficulty concerning the membership of the new regional body which Taiwan and Hong Kong with anomalous political statuses would probably claim;

its anxiety about arousing suspicions in Asia-Pacific region about Japan's intention to re-establish the Greater East Asia Co-Prosperity Sphere (*Daitoa Kyo-ei-ken*);

its anxiety about the proposal's adverse effect on the relationship between Japan and the Association of Southeast Asian Nations (ASEAN) which had been wary of proposals for regional groupings by major powers, such as one by former Japanese Prime Minister Masayoshi Ohira around 1980;

its anxiety about stimulating an argument in Europe for strengthening the European Community's external trade barriers;

its jealousy toward MITI's intrusion into its sanctuary of Asian diplomacy; and

³¹ Ibid., p. 136 (trans., p. 200).

³² Ibid., p. 211 (trans., p. 317).

³³ The interpreter from the Japanese embassy at Jakarta minimized 10-minute statement by the Indonesian State Minister Moderdiono into only one sentence that did not tell the MITI envoy Muraoka the minister's interest in MITI's proposal. After that, Moderdiono and Muraoka started to talk in English without the interpreter, and the discussion lasted more than one hour. Ibid., pp. 60-61 (trans., pp.

its suspicion that MITI intended to strengthen its prominence within the bureaucracy by being an advocator of an international institution which includes the United States as a member.³⁴

MOFA finally weakened its objection to the establishment of the new regional body because:

former Trade Minister Hiroshi Mitsuzuka, who was very supportive of the regional initiative, was appointed as a new Foreign Minister and declared his hope that MITI and MOFA should work coordinately on trade policies;³⁵ and

MOFA found its new Asian-diplomacy stage in the limelight in the settlement of the Cambodia Conflict, for which the talk among the four Cambodian factions and the countries including Japan was in process at Paris since 1987 and was to be concluded in October 1991 by signing the so-called "Paris Peace Agreement."³⁶

Even after the establishment of APEC, however, MOFA was still negative to APEC and did not cooperate with MITI. MOFA's negativism was shown by, for example:

Then Foreign Minister Michio Watanabe's absence from the Bangkok MM in 1992,³⁷ mainly for the preparation for the visit of Russian President Boris Yeltsin to Japan; and the fact that many of the officials in charge of the APEC affairs in MOFA were on loan from other ministries or institutions.³⁸

The uncooperative relation between the two ministries was observed in, for example:

the official dinner at the first MM at Canberra in November 1989, in which the two ministries fought for a seat of the chief delegate for each minister;

the meetings with the SOM chairperson in which representatives of each ministry used to meet the chairperson separately until 1991; and

91-92).

³⁴ Smith, 1989, p. 62; Funabashi, 1995, pp. 212-213 & 61 (trans., pp. 319 & 93).

³⁵ Funabashi, 1995, pp. 61 & 212 (trans., pp. 93 & 318-319); Crone, 1992, p. 75.

³⁶ Funabashi, 1995, p.213 (trans., p. 319). The Paris Peace Agreement was formally called the "Agreement on a Comprehensive Political Settlement of the Cambodia Conflict."

³⁷ The Parliamentary Vice-Minister Koji Kakizawa substituted for Watanabe as the Japanese representative then.

³⁸ For example, the Senior Assistant (*Kikakukan*) for APEC in the Regional Policy Division from August 1990 to April 1993, Susumu Yamagami, who was the chief in the APEC policy-making in MOFA then and is the author of one of the most informative books about the APEC process written in Japanese [see *References*], was on loan from the Ministry of Justice (*Homu-sho*).

the selection of a Japanese representative at the Eminent Persons Group (EPG), APEC's advisory board for the MM decided to establish at the Bangkok MM, which had a hard going because each ministry separately nominated its favorite scholar.³⁹

At last MOFA became positive to APEC and cooperative with MITI at around the Seattle Meetings in 1993 because:

APEC had become too important to remain negative to; various ministries and agencies had become to be involved in the APEC affairs in accordance with the expansion of the scope of APEC's activities, so that MOFA, as the diplomatic organization, had become needed to take the role of the coordinator of them; the start of the LMs in 1993 made MOFA's involvement necessary because Prime Minister's international activities are regularly managed by MOFA; and economists took charge of the affairs in MOFA as in MITI, by the replacement of the main section after the Seattle Meetings mentioned above.

However, the two ministries' rivalry still remains. Especially MITI is still suspicious about MOFA, which used to be negative to APEC, for example:

MITI was against the PFP initiated by MOFA because MITI perceived that MOFA was plotting to gain power in the APEC affairs, so that MITI pointed out that the initiative was ambiguous, poor in contents, and against APEC's principle of equality;⁴⁰ and

during the Jakarta/Bogor Meetings in 1994, MITI built up its own devices to communicate with Tokyo without having to depend on MOFA's devices available at the Japanese Embassy at Jakarta.

In spite of such rivalry, both ministries' charge of the APEC affairs and their generally cooperative relation will continue for the time being. There is an opinion that MOFA can yield the grip on the economy-oriented APEC to MITI and concentrate on other Asia-Pacific fora such as the ASEAN Post Ministerial Conference (ASEAN-PMC) or the ASEAN

³⁹ Funabashi, 1995, p. 212 (trans., p. 318). Professor Ippei Yamazawa of Hitotsubashi University was finally selected because the professor had done researches for both MITI and MOFA so that the two ministries could compromise.

⁴⁰ Personal interviews with MITI officials; Funabashi, 1995, p. 214 (trans., p. 321).

Regional Forum (ARF), which are more politics- and security-oriented. However, MOFA's withdrawal is improbable because of its mandate as the diplomatic organization, and it is impossible because of its position to coordinate with other ministries and agencies involved and to manage Prime Minister's participation in the LMs.

On the other hand, there is also an observation that MITI is a little weary recently with the APEC affairs mainly because it has difficulty in grasping the increasing affairs and in coordinating with an increasing number of ministries and agencies involved. The observation shows that MITI is beginning to shift its resources to other Asia-Pacific fora such as the ASEAN Economic Ministerial Meetings (AEM). However, again, MITI's withdrawal is improbable because of its identity as the virtual co-proposer of APEC, and it is impossible because it plays the essential role in the policy-making by working on concrete and detailed economic matters, while MOFA is working on general and political matters.

. 4 *The Participation of Other Ministries and Agencies*

Among ministries other than MITI and MOFA, according to MITI and MOFA officials, MOF is most committed to the APEC affairs. The officials say, however, that there is no rational reason for its deeper commitment than others. It is true that MOF is in charge of the affairs related to the APEC Custom Procedure Sub-Committee in the Committee on Trade and Investment (CTI), the Trade and Investment Data Review WG⁴¹ and the Finance Ministers Meetings,⁴² but other ministries and agencies are also in charge of the relevant APEC affairs as mentioned later. MOF's commitment and its 15% share of the Japanese subscription to APEC may only reflect its traditional identity as "the Ministry of ministries." A MITI official perceives that the APEC Finance Ministers Meetings are held in the pleasure of MOF and somewhat separately from APEC itself.⁴³

However, even MOF's commitment is relatively marginal. Funabashi observes that

⁴¹ In the WG, Japan is one of the four "Shepherds," which manage the WG's activities.

⁴² The Meetings have been held three times in March 1994 at Honolulu, in April 1995 at Bali, and in March 1996 at Kyoto. The fourth Meeting will be held in April 1997 in the Philippines.

⁴³ Cf., Funabashi, 1995, trans., p. 202 (no appearance in the original edition in English. Japanese translation is by Funabashi himself). Funabashi wrote that the Finance Ministers Meetings go on separately from the APEC process although the participants are from the APEC members.

MOF, like the US Treasury, still hesitates to commit itself deeply to the APEC affairs, which are managed by “amateurs” in macroeconomic policies. Moreover, he foresees that “MOF may also try to curb APEC competition-policy initiatives, both because of its proposed heavy regulation of the financial and insurance markets and its control over appointments to Japan’s Fair Trade Commission.”⁴⁴

Other ministries and agencies involved in the APEC policy-making are:

the Ministry of Education (*Mombu-sho*), in the HRD WG,⁴⁵ the APEC Study Centres,⁴⁶ and the Education Ministerial Meeting;⁴⁷

the Ministry of Labour (*Rodo-sho*), in the HRD WG and the Ministerial Meeting on HRD;⁴⁸

the Fisheries Agency (*Suisan-cho*) attached to MAFF, in the Marine Resource Conservation WG and the Fisheries WG;⁴⁹

the Ministry of Posts and Telecommunications (*Yusei-sho*), in the Telecommunications WG and the Ministerial Meeting on Telecommunications and Information Industry;⁵⁰

the Ministry of Transportation (*Unyu-sho*), in the Transportation WG, the Tourism WG and the Transportation Ministerial Meeting;⁵¹ and

the Economic Planning Agency (*Keizai Kikaku-cho*) attached to the Prime Minister’s Office (*Sori-fu*), in the Economic Committee.⁵²

According to MITI and MOFA officials, the relations among MITI, MOFA and ministries/agencies above are generally cooperative. In fact, however, there are some uncooperative attitudes, rivalry and conflicts among them. For example, the Ministry of

⁴⁴ Funabashi, 1995, pp. 214-215 (trans., pp. 321-322).

⁴⁵ In the WG, Japan is one of the seven Shepherds.

⁴⁶ The six of the eight APEC Study Centres in Japan are established in the national universities which are under the superintendence of the Ministry of Education. The six are in Kobe University, Saitama University, Nagoya University, Hitotsubashi University, Hiroshima University, and Yokohama National University. The other two are in the Japan Institute of International Affairs under the superintendence of MOFA and the Institute of Developing Economies under the superintendence of MITI.

⁴⁷ The Meeting has been held once in August 1992 at Washington, D.C.

⁴⁸ The Meeting has been held once in January 1996 at Manila.

⁴⁹ In the WG, Japan is one of the four Shepherds.

⁵⁰ The Meeting has been held once in May 1995 at Seoul.

⁵¹ The Meeting has been held once in June 1995 at Washington, D.C.

⁵² For the establishments and the functions of the WGs and the committee, refer to [Ogita, 1995], pp.

Transportation did not hesitate to show its lack of eagerness in the preparatory senior officials meeting for the Transportation Ministerial Meeting; and the Ministry of Posts and Telecommunications has fiercely fought the initiative of the Japanese representative in the Telecommunications WG with MITI. In the words of a U.S. official, ministries other than MITI and MOFA tend to think that APEC is not their business and resist direction from the two ministries.⁵³ A MITI official observes that the increase of the ministerial meetings of several domains reflects the relevant ministries' will to disperse the authority for decision making in APEC, which is mainly given to the annual MMs participated in by Trade and Foreign Ministers.

As mentioned above, the most negative actor for APEC in the bureaucracy is MAFF, which always resists liberalization of the agricultural market. Especially in the APEC case, MAFF is very cautious of making a concession in agricultural liberalization, on reflection on the GATT Uruguay Round (UR) in which Japan made a "big" concession by giving up the long-standing prohibition against rice import. Before the Jakarta/Bogor Meetings in 1994, the next year of the UR conclusion, MAFF repeatedly cautioned MOFA that agricultural products should be treated as "nontradable products" in the APEC liberalization, whose target year was supposed to be declared at Bogor, and strongly pressured then Prime Minister Tomiichi Murayama to appeal for the necessity of careful treatment of agricultural products in the liberalization at the LM (In fact, Murayama did so).⁵⁴ Also, before the Osaka Meetings at which the Action Agenda for implementing the liberalization was to be adopted, MAFF actively manoeuvred for the exclusion of the agricultural sector from the scope of the liberalization by appealing not only to domestic actors such as other ministries and ruling parties, but also to foreign governments which were also against the agricultural liberalization. Finally, the Ministry ended up being satisfied with the finalized Action Agenda which included the "Flexibility Principle" even though its expression of sectoral exclusion was more softened and ambiguous than the preceding drafts'.⁵⁵

24-29.

⁵³ Funabashi, 1995, p. 215 (trans., p. 322).

⁵⁴ Ibid., p. 216 (trans., pp. 324-325).

⁵⁵ *Asahi Shimbun*, November 18, 1995. Cf., : *Introduction*.

Japan's awkward chairmanship in 1995 mentioned above can have been partly caused by such uncooperative or conflicting relations inside the bureaucracy. All the ministries in the Japanese bureaucracy are basically and officially equal in their status and power, unlike in the Australian one which has a superior ministry (department) called the Department of the Prime Minister and Cabinet,⁵⁶ so that no ministry can be the Almighty on any policy affairs. In the APEC policy-making, neither MITI nor MOFA can be an *authoritative supervisor* on decision making of the Government — only MOFA can be a *formal coordinator*. As Funabashi says, “the different sectors of Japan's bureaucracy seem to exercise veto power against each other, especially when they lack strong direction from the political leadership.”⁵⁷ Such difficult policy coordination, mediation and supervision as on the APEC affairs cannot and should not be carried out within the bureaucracy. It should be done by the Cabinet and ministers.

The Participation of the Cabinet and Ministers

Because APEC has the MMs, the LMs and other ministerial meetings, some of the APEC policies of the Government must be checked by the Cabinet. In many cases, however, these policies are checked only formally. According to a MITI official, the Cabinet does not commit itself to the APEC affairs actively and is used by relevant bureaucrats just to authorize the policies they make.

However, as mentioned before, the situation is changing as the APEC affairs have become major issues and as the APEC liberalization has entered the action phase. As the supreme organization in the executive branch of the Government, the Cabinet's role to

⁵⁶ A lecture by Jiro Okamoto on “Australia's Foreign Economic Policy Making Process,” held at the Institute of Developing Economies, Tokyo, Japan, on December 14, 1995. The Japanese bureaucracy also has a ministry similarly called the Prime Minister's Office, but its role is only miscellaneous and not superior as shown in that it is lightly called “Office,” not “Ministry.” Although enhancement of the Office for stronger policy coordination and integration has often been proposed, the reform has not been carried out yet.

⁵⁷ Funabashi, 1995, p. 217 (trans., p. 326).

coordinate with and supervise all the relevant ministries is becoming critical, especially when policies toward the APEC liberalization have to be decided against the fierce objection and resistance generated by bodies such as MAFF. In fact, before the Osaka Meetings, the Cabinet had several meetings with the relevant ministers – Trade Minister, Foreign Minister, Prime Minister, and the Minister of Agriculture, Forestry and Fisheries (Agriculture Minister)⁵⁸

in order to discuss Japan's initial action, or down payment, for the APEC liberalization. However, they repeatedly failed to come to a conclusion on the question of the liberalization of agricultural imports because of the Agriculture Minister's resistance.⁵⁹ Then Agriculture Minister Yoshinari Noroda repeatedly emphasized the necessity of the exclusion of agricultural products from the APEC liberalization and powerfully encouraged MAFF to achieve the exclusion.⁶⁰ After finalizing the Action Agenda, he expressed his satisfaction with MAFF's triumph on the inclusion of the "Flexibility Principle" in the Agenda and with the promises with MOFA and MITI that agricultural liberalization is to be discussed within WTO, not APEC, and APEC's 2010 liberalization target is regarded as non-binding.⁶¹

The two main ministers in charge of the APEC affairs during 1994-95, Trade Minister Ryutaro Hashimoto and Foreign Minister Yohei Kono, were said to have been very active in the affairs. Officials said that this was because of not only the growing importance of the affairs but also the ministers' strong power and high ability as political leaders. Hashimoto was also the Deputy Prime Minister and the president of the Liberal Democratic Party (LDP: *Jiyu Minshu-toh*), which is one of the three parties forming the current ruling coalition and the largest political party in Japan, when the Osaka Meetings were held. He was also evaluated as a "tough negotiator" for the success in settling the Japan-U.S. automobile trade conflict in the middle of 1995. Kono had been Deputy Prime Minister and the president of the LDP until replaced by Hashimoto, and he was keen on the PFP initiative. Then Prime Minister Murayama, the chairperson of the Social Democratic Party of Japan

⁵⁸ In addition, the Chief Secretary of the Cabinet (*Kanbo-chokan*) participated in the meetings.

⁵⁹ *Nihon Keizai Shimbun*, September 20, 1995; *Asahi Shimbun*, September 21, 1995; etc.

⁶⁰ *Mainichi Shimbun*, October 14, 1995, etc.

⁶¹ *Asahi Shimbun*, November 18, 1995.

(SDPJ: *Nihon Shakai-toh*)⁶² which is also one of the ruling parties, was said to be not good at diplomacy but, according to some officials, he was also active in the affairs as the first Japanese Prime Minister who participated in the two LMs.⁶³

In fact, however, the ministers could not coordinate or supervise well the APEC policy-making. Even Hashimoto, who has been regarded as the political leader who can lead Japan's APEC policies most actively and reached the premiership in January 1996, replacing Murayama, could not take a strong leadership in the elaboration of the Action Agenda even though he was the co-chair in the Osaka MM. His attitude toward the treatment of the agricultural sector in the APEC liberalization swayed and gradually shifted from liberal to relatively protectionist, mainly because his party wanted to win the by-election held just on the day of the Osaka LM (November 19, 1995) in Saga Prefecture by getting the votes of farmers. It is true that he successfully mediated the confrontations between APEC members in the MM, but the substantial mediation had already been done by MITI officials beforehand.⁶⁴ Kono was losing his power as a political leader around the Osaka Meetings because he had lost the presidency of the LDP two months before the Meetings by giving up to fight for the new presidency with Hashimoto. And Murayama, in spite of the officials' evaluation mentioned above, only said "Please manage things all right," to the MITI and MOFA senior officials who chaired the SOMs and were in trouble on the question of the "Flexibility Principle" in the Action Agenda.⁶⁵

The Cabinet and ministers of Japan do not take an initiative or leadership in the APEC policy-making they did not do so even in the year of the Japanese chair for APEC. As MOFA blew its own horn after the Osaka MM,⁶⁶ the APEC affairs are mainly and substantially managed by bureaucrats in Japan. It is certain that the lack of political initiative,

⁶² In January 1996, the SDPJ changed its name into the "Social Democratic Party" (SDP: *Shakai Minshu-toh*) and its chief's title into "leader," and named Murayama as its first leader.

⁶³ Murayama participated in the second LM at Bogor and the third LM at Osaka. The first LM at Blake Island in 1993 was participated in by then Prime Minister Morihiro Hosokawa.

⁶⁴ *Nihon Keizai Shimbun*, November 20, 1995. It was reported that Hashimoto mediated the confrontations: (1) between Malaysia and the United States concerning the insertion of the word "voluntary" in the Joint Statement of the MM; and (2) between China and the United States concerning the so-called "Non-discrimination Principle" in the Action Agenda.

⁶⁵ Yamada, 1995.

⁶⁶ *Mainichi Shimbun*, November 19, 1995.

coordination, direction, supervision, and leadership to overcome the bureaucratic muddle was the main cause of the awkward chairmanship of Japan in 1995.

The Participation of the Diet and Diet Members

In the APEC policy-making, the Diet's decision has never been needed because none of the decisions in APEC have included:

- legal commitments that require new domestic legislation;
- financial commitments that require payment beyond the level decided in advance by budgets or laws; or
- agreements or treaties that require ratification.

These are the three conditions for the "executive agreements" (*gyosei torikime*), international commitments which do not need the Diet's decision even though they have similar effects to treaties,⁶⁷ and all the commitments made in APEC are no more than the executive agreements. It is possible, however, that the Diet's decision will be necessary when the Japanese laws on tariffs, regulations and so on are to be changed in accordance with the progress of the APEC liberalization and facilitation in the future.

Other than decision-making, there have been some discussions on APEC in the plenary sessions and the committees of the Diet. However, almost all of them were just general questions and answers on the executive branch's activities on APEC, and they are just to encourage the branch. Their foci tend to be on general political matters such as the relation between APEC and the East Asia Economic Caucus (EAEC) which Malaysian Prime Minister Mahatir is proposing or the participation of Chinese Taipei's President in the LMs, not on concrete economic matters.

As far as individual Diet members are concerned, few used to act on the APEC affairs on the floor or in the lobby because:

- many of the APEC affairs are too specialized for them to cope with; and

their activities on the APEC affairs do not appeal to their voters because the voters have little knowledge and few interests in APEC.

However, such a situation lasted only until the APEC liberalization entered the action phase. Before the Osaka Meetings, the Diet members who had specialized in agricultural matters, the so-called “*norin-zoku*” (agriculture and forestry tribe), began to act actively but negatively to the liberalization by pressuring MAFF into resisting MITI and MOFA and by logrolling with anti-liberalization groups abroad.⁶⁸ The agricultural policy groups of the LDP and the SDPJ and the coordination meeting of agriculture, forestry and fisheries (*Norinsuisan Chosei Kaigi*) of the ruling coalition, which many *norin-zoku* Diet members join, sent several appeals for special treatment for agricultural products to the bureaucracy (MITI and MOFA) and the higher level of the ruling coalition.⁶⁹

The main point which the *norin-zoku* argued was, as former Agriculture Minister Noroda stated, that the liberalization of the agricultural sector should be treated only by WTO, and not by any other institutions including APEC. They insisted on the problematic relation between the UR agreements and the supposed APEC liberalization plan.⁷⁰ If APEC would have promoted faster liberalization than the UR agreements obligated, however, it would not have been legally problematical at all. It was understandable to appeal that the reform of Japan’s vulnerable agricultural sector had been planned based on the UR agreements and would be disturbed by the liberalization beyond the agreement. However, again, as mentioned in : *Introduction*, the APEC liberalization with the target year of 2010 is never to obligate faster liberalization than the UR agreements do.

In sum, these Diet members reacted to the APEC liberalization too warily without

⁶⁷ Fujita, 1988, pp. 422-423 & 435-446; Sone, 1989, pp. 115-116.

⁶⁸ *Asahi Shimbun*, September 14, 1995; *Mainichi Shimbun*, September 18, 1995; etc.

⁶⁹ The current ruling coalition of the LDP, the SDP (former SDPJ) and the New Party Sakigake has the three-stratum decision-making system. In 1995, the first (bottom) stratum was formed with the 20 domain-specific coordination meetings including the one of agriculture (the domains correspond to ministries and agencies in the bureaucracy) and 13 project-specific coordination meetings. The second was the meeting of 13 secretary-general-level Diet members from the three parties (*Yotoh Sekininsha Kaigi*). The third (top) was the meeting of six leaders from the parties (two from each), the 13 second-stratum members and relevant ministers (*Seifu-Yotoh Shuno Renraku Kaigi*). There is no formal English name for each stratum.

⁷⁰ [Nihon Shakai-toh Norinsuisan-bukai, 1995]; [Norinsuisan Chosei Kaigi, 1995].

enough understanding of its nature or consideration for the diplomatically negative effect of their action for Japan's chairmanship. Although to reform the agricultural sector and to secure farmers' well-being to a reasonable degree are important agenda of the current Japanese politics, the *norin-zoku* did not well compare the value of these agenda and the effect of sticking to the differential treatment of the agricultural sector.

One of the reasons why the *norin-zoku* reacted so excessively was the by-election held on the day of the Osaka LM mentioned above. To win the election was especially important for them because it was for the death of the LDP member of the House of Councilors (*Sangi-in*) Seijiro Otsuka, who was an influential *norin-zoku* person and had died of excessive fatigue on his tour to Southeast Asia to appeal for the differential treatment of the agricultural sector within the APEC liberalization. The election was an "avenging battle" for the *norin-zoku*.⁷¹ Another reason, as far as the LDP's situation was concerned, was that the party's ability to coordinate and integrate various policy intentions inside, which had grown through the long-standing LDP-dominant regime since 1955,⁷² had recently been declining, and claims of Diet members such as the *norin-zoku* (so-called "zoku-giin") were becoming exposed too easily and directly, after the split of the party in 1993.

In any case, it was certain that the actions of these Diet members made Japan's policy toward APEC look inconsistent especially for other APEC members who were watching Japan's chairmanship.

The Participation of Interest Groups

As mentioned above, few interest groups used to participate in the APEC policy-making process because APEC did not bring them any concrete interests or harm.

⁷¹ *Asahi Shimbun*, October 13, 1995, etc.

⁷² In the 1980's, such ability was fairly evaluated by some political scientists, in the name of "toh-koh-kan-tei" (party high, bureaucracy low). However, there was the counter criticism that the ability was a result of the "socialization" of the party and its members by the bureaucracy, through which politicians desert objections and challenges to principles of systems in exchange for rights of allocation of marginal policy interests. See [Yamaguchi, 1989], especially chap. 3.

As the APEC liberalization is becoming more concrete, however, agriculture-related interest groups such as the Agricultural Cooperative Society (*Nogyo Kyodo Kumiai: Nokyo*), which can be damaged by the liberalization, are beginning to act against it mainly by pressuring the *norin-zoku* Diet members into resisting it. Such a movement can be more active in the making of the Action Plan in 1996, as it was so on the liberalization of rice import on the UR. Negative activities of business interest groups other than agricultural ones have not been explicitly observed yet. On the other hand, some nonprofit business groups such as the Federation of Economic Organizations (*Keizai Dantai Rengo-kai: Keidanren*) acted for the APEC process although their activities were no more than enlightenment campaigns.⁷³

In addition, NGOs have begun to demand a say in the APEC process. Nearly 100 NGOs in Japan formed the NGO Forum on APEC, Japan (*APEC-NGO Renraku-kai*) in April 1995,⁷⁴ mainly in order to hold an international conference shortly before the Osaka Meetings of that year, at the request of Indonesian NGOs which failed to hold one because of the pressure from the Indonesian government in 1994 and Philippine NGOs which were planning to hold another in 1996. The Forum succeeded in holding the first International NGO Conference on APEC on November 13-14 at Kyoto,⁷⁵ and in presenting the “Statement from 1995 NGO Forum on APEC”⁷⁶ to MOFA’s Hideaki Ueda, who headed the preparatory authority for the Osaka Meetings although he managed the logistics at Osaka. The Forum also approached authorities handling the substance at Tokyo by presenting some appeals to the officials of the APEC Preparation Office of MITI and the Economic Affairs Bureau and the Economic Cooperation Bureau of MOFA.⁷⁷

According to the Statement, the NGOs “reject the basic philosophy, framework and

⁷³ See [Federation of Economic Organizations, 1994] and [op. cit., 1995].

⁷⁴ The Forum was formed with Kansai-based NGOs as the core because the APEC Meetings were to be held in Osaka in Kansai area, and was participated in by almost all of them. It was the first trans-domain NGO group formed with NGOs of different domains such as human rights, environment and development assistance, in Japan.

⁷⁵ Regarding the Conference, see [Wilkinson, 1995].

⁷⁶ This Statement is appended to this paper as *Appendix B*.

⁷⁷ The reason why the Forum also approached the Economic Cooperation Bureau even though the Economic Affairs Bureau was the main section in charge of the APEC affairs in MOFA, as mentioned above, was that NGOs had developed some connections with the Economic Cooperation Bureau thorough activities on the ODA matters whereas they had none with the Economic Affairs Bureau. They had little connection with the International Trade Policy Bureau of MITI, either.

assumption of the model of free market and trade liberalisation embraced by the APEC agenda” because, for example:

the consequences of “[t]he form of indiscriminate, unregulated economic growth and trade which APEC advocates” are “socially unjust and ecologically unsustainable;”

the economic liberalization can violate “political freedom, rights of association, labour rights and freedom of speech,” and it can also destroy “food security, fisheries, water and land rights, communities, culture and environment;” and

APEC is “a community of economies which bears no responsibility for the social, political or cultural consequences of the decisions its members make,” and the APEC process “operate[s] in a totally anti-democratic, unaccountable and untransparent way.”⁷⁸

And they called on the APEC member governments to:

“ensure effective people’s participatory decision-making, transparency and effective monitoring of all aspects of trade and investment;”

“reject unrestricted and unregulated liberalisation of trade and investment;”

“impose effective constraints, including a code of conduct, on the operations of transnational corporations to ensure their accountability and responsibility to the people of the regions;” etc.⁷⁹

Probably because of their attitude of anti-free market liberalism or anti-capitalism mentioned above, which is basically opposite to the APEC agenda as they regarded it, NGOs’ activities seemed to have had little effect on the APEC policies. However, they will continue to act to influence the policies not only by making objections but also by suggesting alternatives.

Conclusive Reflection Toward Stronger Political Leadership

⁷⁸ 1995 NGO Forum on APEC, 1995, pp. 18-19. See *Appendix B*.

⁷⁹ *Ibid.*, p. 19. See *Appendix B*.

APEC is important for Japan from the viewpoints of both the international environment and the domestic situation. From the former external point of view, APEC is capable of securing the open and liberal global trading system. The system is vital for Japan as a “trade-dependent country” but became fragile because:

the United States lost its hegemonic economic power and willingness to maintain the system alone; is likely to opt for unilateral retaliation against so-called “unfair” trade partners; and created a free trade area with Canada and Mexico by the North America Free Trade Agreement (NAFTA) in 1994 while the European Community (EC) countries integrated their markets in 1992 and formed the European Union (EU) in 1994; and

the end of the Cold War diminished the incentive to avoid economic and other conflicts within the “Western/Capitalist” world, which might disrupt the Western alliance system; led the emergence of the tripolar world formed with North America, Europe and East Asia, which is a potential source of conflicts among the regions; and raised the question of how to accommodate socialist and former socialist economies in the system.⁸⁰

From the latter internal point of view, APEC is to drive the domestic industrial adjustment or economic reform including deregulation, which is necessary for Japan to adapt herself to the new stage of development after the catch-up stage, but is going on only slowly and incrementally. A significant reason why APEC can drive the adjustment/reform is that the institution has not only liberalization but also facilitation, which treats non-border measures related to deregulation, in its agenda.⁸¹

In Japan, such importance of APEC is supposed to be recognized somewhat widely by the bureaucrats and the political leaders who are committed to the APEC policy-making inside the Government as well as by businesspersons, scholars and citizens who are interested in the institution outside the Government. For example, MITI’s Hidehiro Konno, who substantially headed the APEC policy-making in the ministry as the Director-General of the Economic Cooperation Department [see .1], told that APEC is the only card for Japan to

⁸⁰ Hirata, Okamoto and Ogita, 1995, pp. 30-33 (abst., pp. 16-18).

⁸¹ Ibid., pp. 33-35 (abst., pp. 18-19).

influence the rule-making of the global trading system, in which regional groups are more influential as EC was so in the UR; and it is also to stimulate not only liberalization but also economic reform of each member.⁸²

However, the recognition of the importance of APEC remains only at personal level of concerned individuals, and not at collective level, thus does not drive the policy making system to change. Based on the recognition above, the APEC policies necessarily contain grand strategy and face up to structural reform. Strategic/structural policies cannot be made only within the bureaucracy because the Japanese bureaucracy is now too systematically outdated, stiff and self-preservative to make such policies,⁸³ and such policies must not be made only by bureaucrats because they are not democratically legitimated to make such policies which determine where Japan will go and how Japan will be. Therefore, the APEC policy-making should go beyond the conventional foreign policy making which is based on the standard operating procedure (SOP) in the bureaucracy,⁸⁴ and it should have political leadership which can powerfully direct and supervise the bureaucracy. As discussed above, however, it still depends on the conventional system as before and has little powerful and consistent political leadership. Political leadership in Japan, which has not been strong before as well-known, is further shrinking in the recent unstable political situation. This caused Japan's awkward chairmanship in 1995 and can also cause problems in the making of the Action Plan in 1996. The instability will continue for several years even though APEC is entering to the important phase to launch its liberalization program. Although he is expected to actively lead the APEC policies as mentioned above, the new Prime Minister Hashimoto is also criticized for being compliant with bureaucrats, especially in the current problem of housing loan companies (so-called "*jusen*").⁸⁵

The problem above is not unique to the APEC policy-making, but is also found in

⁸² A lecture by Hidehiro Konno on "The Era of Asia-Pacific and the Course of Japan," held at the Capitol Tokyu Hotel, Tokyo, Japan, on November 28, 1995.

⁸³ Regarding the current problems of the Japanese bureaucracy, for example, refer to [Igarashi and Ogawa, 1995].

⁸⁴ The SOP is a concept used in the organizational model or Allison's second model of foreign policy making, which means quasi-mechanical decision-making and problem-solving procedure decided and fixed in advance. Refer to [Sato, 1989], pp. 38-41.

⁸⁵ Iwami, 1996.

foreign and other policy making in Japan. A possible way to strengthen political leadership is the enhancement of the Cabinet Secretariat (*Naikaku Kanbo*), one of whose functions is “coordination and integration of administrative measures of ministries and agencies for the purpose of maintaining uniformity of the government measures.”⁸⁶ For foreign policy making, the Secretariat has the Cabinet Councillor’s Office on External Affairs (*Naikaku Gaisei Shingi-shitsu*)⁸⁷ which was established in 1986 under the initiative of then Prime Minister Yasuhiro Nakasone who intended to be an “U.S. President-like Prime Minister.” However, the Office, whose successive Chief Councillors (*Shitsucho*) have always been on loan from MOFA, is sounding views of the ministry which objected to the establishment of the Office because of its reluctance to share the power of foreign policy making with the new organization in the Cabinet Secretariat. The Chief Councillors have been bureaucrats of bureaus’ Director-General level, who are below Administrative Vice-Ministers as supreme bureaucrats, so that the Office cannot overrule MOFA or contribute political leadership of the Cabinet.⁸⁸ In fact, the Office has done nothing in the APEC policy-making. The Government is planning to upgrade the chief to Vice-Minister level,⁸⁹ but more radical reform may be to appoint politically a non-bureaucrat specialist as the chief.⁹⁰

Another possible way to strengthen political leadership is to have non-bureaucrat, political appointee advisors for Prime Minister, which the Cabinet has already decided to establish officially.⁹¹ However, Prime Minister has had unofficial/private advisors before, such as Shusei Tanaka for former Prime Minister Morihiro Hosokawa.⁹² It might be possible for Prime Minister to appoint a non-bureaucrat specialist as the unofficial special advisor for

⁸⁶ Institute of Administrative Management, 1995, p. 27.

⁸⁷ The chief and most members of the Office serve concurrently as the chief and members of the Councillor’s Office on External Affairs (*Gaisei Shingi-shitsu*) in the Prime Minister’s Secretariat of the Prime Minister’s Office [see footnote 56].

⁸⁸ *Mainichi Shimbun*, August 21, 1994; op. cit., August 8, 1993; *Yomiuri Shimbun*, October 17, 1994; op. cit., August 16, 1994; op. cit., January 5, 1991; etc.

⁸⁹ *Mainichi Shimbun*, October 10, 1994; *Yomiuri Shimbun*, October 17, 1994; etc.

⁹⁰ Former Chief Secretary of the Cabinet Kozo Igarashi once suggested, in a committee of the Diet, that the Government would study to appoint non-governmental specialists as the chiefs of the Cabinet Councillor’s Offices in the Cabinet Secretariat. *Asahi Shimbun*, February 10, 1995, evening edition.

⁹¹ *Nihon Keizai Shimbun*, February 6, 1996, evening edition. Cf., *Mainichi Shimbun*, August 27, 1995.

⁹² Tanaka is not a bureaucrat but a Diet member. He is presently the Director-General of the Economic Planning Agency, in the Hashimoto administration.

the APEC affairs even if limited to the important year of the Japanese chairmanship. If Prime Minister had done so, political leadership in the APEC policy-making might be stronger, and Japan's policies and chairmanship might be more consistent and determined.

Not only the executive branch but also the legislature should be reformed and enhanced for more powerful and legitimate political leadership. The function of the Diet and the activities of Diet members and political parties have to be reactivated and restored.⁹³ For these purposes, some measures, such as the increase of the official secretaries for each Diet member or the establishment of the official subsidy to political parties, were recently adopted, but they seemed to be not enough. Furthermore, as far as the situation in 1996 is concerned, Diet members are unlikely to take a strong leadership of the APEC liberalization and the making of the Action Plan because they have to make themselves agreeable to their voters for the next general election expected to be held this year, which will be the first one under the newly-established minor constituency system and will be hard for the members to be re-elected.

Finally, in addition to political leadership, active participation of the citizens in the APEC policy-making is also important and necessary. As stated in the "Statement from 1995 NGO Forum on APEC" mentioned above, "[e]conomic growth and promotion of trade are not ends in themselves."⁹⁴ All economic policies including foreign ones such as one toward APEC should aim at improving welfare or the quality of life of the citizens in just distribution. In order to provide the fruits of APEC truly for the citizens, their active and relatively direct participation in the APEC policy-making is needed.⁹⁵ Furthermore, also from the viewpoint of democracy, it demands "critical, thoughtful citizen[s]" participating "intellectually and passionately" in the controversies that surround a modern political-economic state (in the word of an American political philosopher Sheldon S. Wolin, "megastate"), including foreign policy, to overcome the megastate situation of "democracy without the

⁹³ As a modern classic advocating the restoration of the legislature, refer to [Lowi, 1979], especially chap. 11. Cf., [Ogita, 1992], chap. 2.

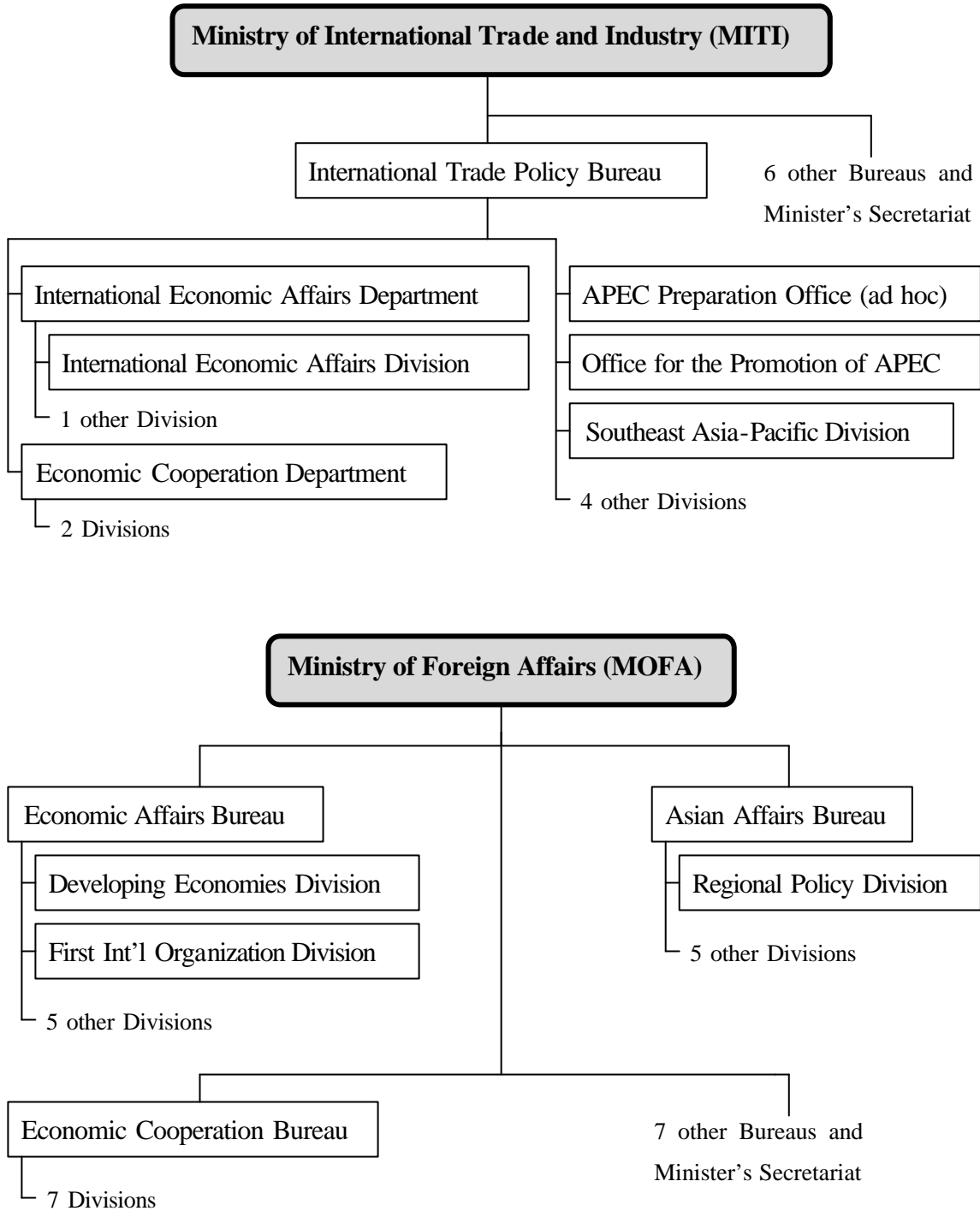
⁹⁴ 1995 NGO Forum on APEC, 1995, p. 18. See *Appendix B*.

⁹⁵ For this necessity, the participation of NGOs as citizen's organizations will be helpful. In this context, it is desirable to give the observer status of APEC to NGOs. Refer to [Bello, 1995], pp. 67-71 (trans. pp. 59-63).

citizen” and to make our country truly and radically democratic.⁹⁶

⁹⁶ Wolin, 1989, chap. 10. “Democracy without the Citizen” is the title of the chapter. Also refer to [Chiba, 1995], pp. 59-62, and [Ogita, 1992], pp. 99-105.

Figure:
The Organizational Structures of MITI and MOFA (Excerpt)



Appendix A:

**The “General Principles” Section of
the “Liberalization and Facilitation” Part of
“The Osaka Action Agenda: Implementation of the Bogor Declaration”**

PART ONE LIBERALIZATION AND FACILITATION

Section A: General Principles

The following General Principles will be applied to the entire APEC liberalization and facilitation process under the Action Agenda to achieve the long-term goal of free and open trade and investment no later than the year 2010 in the case of industrialized economies and the year 2020 in the case of developing economies.

1. *Comprehensiveness*

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.

2. *WTO-Consistency*

The liberalization and facilitation measures undertaken in the context of the APEC Action Agenda will be WTO-consistent.

3. *Comparability*

APEC economies will endeavor to ensure the overall comparability of their trade and investment liberalization and facilitation, taking into account the general level of liberalization and facilitation already achieved by each APEC economy.

4. *Non-Discrimination*

APEC economies will apply or endeavor to apply the principle of non-discrimination between and among them in the process of liberalization and facilitation of trade and investment. The

outcome of trade and investment liberalization in the Asia-Pacific region will be the actual reduction of barriers not only among APEC economies but also between APEC economies and non-APEC economies.

5. *Transparency*

Each APEC economy will ensure transparency of its respective laws, regulations and administrative procedures which affect the flow of goods, services and capital among APEC economies in order to create and maintain an open and predictable trade and investment environment in the Asia-Pacific region.

6. *Standstill*

Each APEC economy will endeavor to refrain from using measures which would have the effect of increasing levels of protection, thereby ensuring a steady and progressive trade and investment liberalization and facilitation process.

7. *Simultaneous Start, Continuous Process and Differentiated Time Tables*

APEC economies will begin simultaneously and without delay the process of liberalization, facilitation and cooperation with each member economy contributing continuously and significantly to achieve the long-term goal of free and open trade and investment.

8. *Flexibility*

Considering 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.

9. *Cooperation*

Economic and technical cooperation contributing to liberalization and facilitation will be actively pursued.

**The “Flexibility Principle” in the Second Draft of the Action Agenda
presented at the Hong Kong SOM held in September 1995**

8. *Divergent Conditions of APEC Economies and Economic Sectors*

Due consideration will be given to the divergent conditions of APEC member economies. Flexibility will be exercised in allowing differential treatment of economic sectors in the liberalization and facilitation process, taking into account the sectoral specificity in each member economy.

* The “General Principles” Section of the “Liberalization and Facilitation” Part of “The Osaka Action Agenda: Implementation of the Bogor Declaration” of this Appendix is an excerpt from the whole text taken from the Internet homepage of MOFA (<http://apec.tokio.co.jp/>). The “Flexibility Principle” in the Second Draft of the Action Agenda is an excerpt from “Action Agenda for the Implementation of the Bogor Declaration: Co-Chairs’ Second Draft,” which was obtained privately.

Appendix B:

“Statement from 1995 NGO Forum on APEC”

As representatives of more than 100 non-government organisations and trade unions, advocating the interests of millions throughout the region covered by APEC, we fully support cooperation among its countries and their peoples. However, we unanimously reject the basic philosophy, frame-work and assumptions of the model of free market and trade liberalisation embraced by the APEC agenda. This model does not lead to freedom; it negates the developmental and democratic aspirations of the people.

Economic growth and promotion of trade are not ends in themselves. Genuine development must be centred on the needs of people and nature, and deliver real social and economic justice. The form of indiscriminate, unregulated economic growth and trade which APEC advocates delivers the opposite of this – its consequences are socially unjust and ecologically unsustainable; it imposes irreversible social and environmental costs; and it enables governments to abdicate their responsibilities to their citizens and leave them at the mercy of transnational corporations and international financial institutions who are accountable to no one.

Genuine development must also affirm the fundamental civil, political, economic, social and cultural rights of individuals and peoples, and the obligations of states to promote and protect such rights.

Governments who are members of APEC must, through cooperation, ensure that people are guaranteed basic rights to food, human dignity, integrity of communities, environmental security and self-determination. The APEC liberalisation agenda is irreconcilable with these goals. Violations of political freedom, rights of association, labour rights and freedom of speech accompany economic liberalisation in many parts of region.

We note with particular concern that member governments of APEC have participated in inter-governmental conferences on the rights of the child (New York), the environment (Rio), human rights (Vienna), population and development (Cairo), social

development (Copenhagen) and women (Beijing). Despite their participation, none of the commitments made in those conferences is visible in the APEC process. Rather, the consequences of this form of economic and trade liberalisation violate the fundamental rights to which they agreed.

The arguments employed within APEC reflect the self-interest of its most powerful members. They deny the value of traditional agrarian production and consumption patterns and their proven ability to provide food security for people. They further fail to acknowledge the hidden resource and financial subsidies which underpin so-called free trade. Such trade is neither fair nor free. While the United States and Japanese governments argue about the liberalisation of agricultural trade, they ignore the plight of farmers, fishers and forest people throughout the region whose food security, fisheries, water and land rights, communities, culture and environment are already being destroyed by liberalisation. This kind of liberalisation also creates the conditions which force people from their native lands and become migrant labourers.

While the APEC agenda claims to promote the interests of small and medium sized enterprises, liberalisation of investment in fact promotes the rapid expansion of transnational enterprises, destroys small and medium business, and deepens unemployment. The creation of free trade zones enables host governments to avoid their basic obligations to workers and local communities under domestic and international law. The rights of women and children have been the most systematically violated in this process.

Economic issues cannot be divorced from the complex realities of people's daily lives. Yet APEC is described as a community of economies which bears no responsibility for the social, political or cultural consequences of the decisions its members make. This artificial distinction allows the APEC process to operate in a totally anti-democratic, unaccountable and untransparent way. We insist that all governments must be held responsible for all aspects of all decisions which their officials, ministers and leaders make.

We therefore call on governments who are members of APEC to:
engage in regional cooperation which genuinely promotes socially and ecologically

sustainable development;

ensure effective people's participatory decision-making, transparency and effective monitoring of all aspects of trade and investment;

reject unrestricted and unregulated liberalisation of trade and investment;

raise environmental standards and ensure effective implementation throughout the region.

take steps to eliminate the arms trade, alongside other measures to promote peace and disarmament in the region;

adopt a safe and ecologically sound approach to energy and infrastructure, including the rejection of all measures which facilitate nuclear power and mega-hydroelectric projects;

ratify and effectively implement all major labour and human rights instruments, including the basic ILO conventions, and guarantee the freedom of movement for all people within the region, especially refugees and indigenous peoples;

impose effective constraints, including a code of conduct, on the operations of transnational corporations to ensure their accountability and responsibility to the people of the region;

recognise food security as a basic human right and accept responsibility to ensure food security for all their citizens;

take steps to protect farmers and the land rights and tenure of women and indigenous peoples;

protect biodiversity, ban the plunder by transnational corporations of indigenous resources and knowledge systems and all attempts to patent life forms, and reject intellectual property rights regimes which facilitate such exploitation;

protect the rights of women's and migrant labour, and defend children from exploitation of all kinds.

We call on non-government and people's organisations within the region to:

take our own initiatives to facilitate economic co-operation among the people;

document the consequences of economic and trade liberalisation on the people, environment; and

strengthen solidarity networks for resisting injustice and promoting positive economic and social change.

November 14, 1995

* This Appendix is the whole text of the statement adopted at the International NGO Conference on APEC held at Kyoto, Japan, on November 14, 1995. The text appears by courtesy of Mr. Hiroshi Kanda, Secretary-General of the NGO Forum on APEC, Japan, and is reprinted from *AMPO: Japan-Asia Quarterly Review*, Vol. 24, No. 4, 1995 by courtesy of its publisher Pacific Asia Resource Center (PARC).

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