

IDE APEC STUDY CENTER  
Working Paper Series 96/97 - No. 7

The Making of the Osaka Action Agenda  
and Japan's Individual Action Plan  
The APEC Policy Making Process in Japan Revisited

March 1997

Tatsushi Ogita

**and**

Daisuke Takoh

Visiting Research Fellows

APEC Study Center

Institute of Developing Economies

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## Introduction      The Flexibility Principle Problem in 1995

The following is Paragraph 8 of the “APEC Economic Leaders’ Declaration: From Vision to Action”, adopted at the fourth Asia-Pacific Economic Cooperation (APEC) Leaders Meeting at Subic in November 1996:

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*]<sup>1</sup>

In a draft of the Declaration, however, the object of the verb *identify* was not *sectors* but *industries*. This was the only part in the process toward the APEC Manila/Subic Meetings that Japan made a negative note of. Japan was so reluctant to use the word *industries* which can include sensitive agriculture that the term *areas of APEC works* proposed as a substitutional locution. The term *areas of APEC works* can be perceived to mean the specific areas in which APEC economies take action towards liberalization and facilitation such as tariff, non-tariff measures, services, investment, and so on. However, most of the other APEC members were against Japan’s proposal so they finally agreed on the compromised usage of the word *sectors*.

This reminds us of another episode regarding the *comprehensiveness* principle of APEC liberalization and facilitation, which was included in “The Osaka Action Agenda: Implementation of the Bogor Declaration” (OAA) adopted at the third APEC Leaders

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<sup>1</sup> APEC Leaders Meeting, “APEC Economic Leaders’ Declaration: From Vision to Action”, available on the Internet at <http://www.apecsec.org.sg/mapa/leaders.html>, 1996.

Meeting at Osaka a year before Subic.<sup>2</sup> As the chair of APEC in 1995, Japan was in charge of drafting the OAA and at the APEC Special Senior Officials Meeting (SSOM)<sup>3</sup> at Sapporo in July, presented the Co-Chairs' Outline (first draft)<sup>4</sup> including the following paragraph entitled *Comprehensiveness*:

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 paragraph obviously meant that comprehensiveness of APEC actions should cover all *areas of APEC works* as noted above, not covering all *industries*. It can be assumed that Japan aimed to avoid APEC liberalization addressing all industries including agriculture (as it would in 1996). At the same time, it was presumed that other APEC members calling for fundamental comprehensiveness disapproved Japan's proposal.

Probably responding to the disapproval, at the following SSOM at Hong Kong in

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<sup>2</sup> The principle is Paragraph 1 in the "General Principles" Section in the "Liberalization and Facilitation" Part of the Osaka Action Agenda.

<sup>3</sup> The SSOM was established at the beginning of 1995 to discuss the liberalization/facilitation issues intensively. The usual Senior Officials Meeting (SOM) has been an organ of APEC since its foundation as a substantial forum under the Ministerial Meeting. Refer to Tatsushi Ogita, "APEC no Keii: Sono Hossoku to Henka" (The Process of APEC: Its Foundation and Change), in Ippei Yamazawa (ed.), *APEC no Shin-Tenkai: Osaka Kaigi ni Mukete* (The New Development of APEC: Toward the Osaka Meetings), Tokyo: Institute of Developing Economies, 1995, chap. 2, pp. 24-29.

<sup>4</sup> It was entitled "Co-Chairs' Outline" instead of "Chair's Outline" because the SOMs in 1995 were co-chaired by the officials from both the Ministry of International Trade and Industry and the Ministry of Foreign Affairs of the Japanese government. Refer to Tatsushi Ogita, *The APEC Policy-Making Process in Japan*, IDE-APEC Study Center Working Paper Series 95/96-No. 7, Tokyo: Institute of

September, Japan proposed a new and much simpler paragraph in the Second Draft, which implicated more general comprehensiveness 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.<sup>5</sup>

This version was kept since the Hong Kong SSOM until the Osaka Leaders Meeting, when it appeared in the finalized OAA.

In addition to the *Comprehensiveness Principle*, the *Flexibility Principle* whose problem this paper mainly address also concerned the scope of APEC liberalization in OAA.<sup>6</sup> In the Co-Chairs' Outline, Japan presented the following paragraph entitled *Divergent Conditions of Member 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. [*Italicized by the author quoting*]

This paragraph clearly allowed each APEC member to treat specific economic sectors differently in the liberalization process and possibly showed Japan's intention to exclude specific sectors, especially agriculture, from the scope of the liberalization. At least, other APEC members regarded this as Japan's intention; it is conceivable therefore that the

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Developing Economies, 1996, pp. 5-11.

<sup>5</sup> APEC Leaders Meeting, "The Osaka Action Agenda", in APEC Secretariat (eds.), *Selected APEC Documents 1995*, Singapore: APEC Secretariat, 1995, p. 5.

<sup>6</sup> The Flexibility Principle is Paragraph 8 of the same section with the Comprehensiveness Principle. See

Flexibility Principle was more definitely disapproved than the Comprehensiveness Principle ever was.

Japan made a compromise on the Comprehensiveness Principle at an early stage but did not do so on the other. It presented almost the same paragraph for the Flexibility Principle at the Hong Kong SSOM in September.<sup>7</sup> Japan's adherence to the principle was unwelcomed by 14 out of the total 18 members of APEC. In other words, 14 of the 18 were not satisfied with the leadership of Japan as chair. Ultimately, the principle was included in the finalized OAA with the simpler title of *Flexibility* and more moderate and abstract expressions as follows:

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.<sup>8</sup> [*Italicized by the author quoting*]

The verb for the subject *flexibility* was softened from *be exercised* to *be available*. The intent phrase of *allowing differential treatment of economic sectors* was replaced as *dealing with issues arising from such circumstances*.<sup>9</sup> However, the principle itself was adopted.

Was the Flexibility Principle worth for Japan's adherence, at the cost of being

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footnote 2.

<sup>7</sup> The only trivial change shown in Hong Kong was in the paragraph's title: *Member Economies* changed to *APEC Economies*.

<sup>8</sup> APEC Leaders Meeting, "The Osaka Action Agenda", p. 6.

<sup>9</sup> As other changes, it can be pointed out that (1) the first sentence in the Outline mentioning *the divergent conditions of APEC member economies* did not appear in the finalized Agenda as a separate sentence but as an adverb phrase which had less emphasis; (2) the adjective [*d*]ue for the noun *consideration* disappeared; (3) the words *divergent conditions* changed into *diverse*

opposed to by so many other APEC members and to have Japan's capability as a leader of APEC questioned? The answer is more than likely, "no". It was already understood that the APEC liberalization process would be flexible enough even without the insertion of a special principle because the APEC members had already agreed to carry out the liberalization process mainly in *concerted unilateral actions*<sup>10</sup> by each member, the APEC-original modality which had already surfaced at the year's first SSOM at Fukuoka in February 1995.<sup>11</sup> Also, APEC had not yet defined *free and open trade and investment in Asia Pacific* a goal of the liberalization to be achieved *no later than the year 2020*.<sup>12</sup> With such in mind for consideration, it cannot be helped in saying that Japan's policies toward APEC in 1995 were unreasonable and thoughtless, and although its chairing APEC was not entirely unsuccessful, it certainly was awkward.<sup>13</sup>

Why was Japan's chairship difficult? To answer this question, this paper will make an insight into the APEC policy making process in Japan. The inquiry will be made not only into the making of the OAA in 1995 but also into the making of Japan's Individual Action Plan (IAP) in 1996, the concrete plan of her concerted unilateral actions for the APEC

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*circumstances*; and so on.

<sup>10</sup> This term appeared in the drafts of the Action Agenda as key words in the capitalized form of *Concerted Unilateral Actions*. However, mainly for the United States' opposition to use the word *unilateral*, the term disappeared in the finalized Action Agenda except the single case in which the term appeared in small letters (APEC Leaders Meeting, "The Osaka Action Agenda", p. 6) although its substance remained. Refer to Tatsushi Ogita, "Kodo Dankai o Mukaeta APEC" (APEC Entering the Action Phase), in *Ajiken World Trend* (Tokyo: Institute of Developing Economies), March 1997, pp. 24-25, and *The Origins of Contrasting Views on APEC*, IDE APEC Study Center Working Paper Series 96/97-No. 5. Tokyo: Institute of Developing Economies, 1997, . 2.

<sup>11</sup> Takeo Ohmura, "Dai-ni-kai APEC Kokyu Jimu-Reberu Kaigo no Hokoku" (A Report on the Second APEC Senior Officials Meeting), in *Gekkan Boeki to Sangyo* (Tokyo: Tsusho Seisaku Kenkyu Kai), September 1995, p. 19.

<sup>12</sup> The second APEC Leaders Meeting at Bogor in November 1994 declared that '[w]e further agree to announce our commitment to complete the achievement of our goal of free and open trade and investment in the Asia-Pacific no later than the year 2020'. APEC Leaders Meeting, "APEC Economic Leaders' Declaration of Common Resolve", in APEC Secretariat (eds.), *Selected APEC Documents 1989-1994*, Singapore: APEC Secretariat, 1995, p. 6.

<sup>13</sup> Ogita, *The APEC Policy-Making Process in Japan*, pp. 1-3.



liberalization and facilitation process. These two cases will appear in Chapters      and after an overview on the APEC policy making process appearing in Chapter      . These inquiries tell us what is problematic not only in the APEC policy making but also in general foreign policy making of Japan. A critique on the APEC / foreign policy making process will be discussed in Chapter      , based on the given inquiries.

## **The APEC Policy Making Process in Japan      An Overview**

Policies are not made by a state or a government as an unitary actor but are undertaken through processes in which a variety of actors from both inside and outside a government<sup>14</sup> participate to pursue each of their own interests. However, participants in foreign policy making processes number relatively low in general, as many of those outside a government (even legislators, political leaders and political parties) are more concerned in domestic affairs. In Japan, foreign policy making processes are likely to be confined to particular bureaucracies, and Japan's APEC policy making is one of such cases. Although the situation is gradually changing recently, APEC is and has been limitedly known by too few, understood by even less, and has interested a minimal number of participants in its policy making process.<sup>15</sup>

### **. 1    *The Two Main Ministries in the APEC Policy Making***

Japan's APEC policies are mainly made by the Ministry of International Trade and Industry (MITI: 通商産業省) and the Ministry of Foreign Affairs (MOFA: 外務省).

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<sup>14</sup> In this paper, the word *government* does not mean only the executive branch but the whole government including the legislature.

MITI is known as the virtual co-proposer of APEC with the then Australian Prime Minister Robert Hawke, and has been playing a major role in APEC policy making since the institution's preparatory phase.<sup>16</sup> On the other hand, although it currently shares mandate power with MITI, MOFA in fact is a *new comer* in APEC policy making.<sup>17</sup>

It is unusual that MOFA officially shares mandate power on international institutional affairs with another ministry. MITI's exceptional position in APEC affairs is observed in the following two symbolic situations:

- Ministers and officials from both ministries attend the APEC Ministerial Meetings and the SOM/SSOMs as co-representatives of Japan. In 1995, the year of Japan's chairship, members from each ministry co-chaired the meetings.
- The two ministries share the Japanese subscription to APEC almost equally: MITI bears 45% and MOFA 40%, with the remaining balance borne by the Ministry of Finance (MOF: 大蔵省).<sup>18</sup>

## . 2 *The APEC Policy Making in MITI*

According to a MITI official, the ministry's setup for APEC policy making has been strengthened *quantitatively* but has not changed *qualitatively*. Its qualitative consistency can be observed in that all the main sections in charge of APEC have been in the "International Trade Policy Bureau" (通商政策局): The current main section, "Office for the Promotion of APEC" (アジア太平洋経済協力推進室), its predecessor "Southeast Asia-Pacific Division" (南東アジア大洋州課) and the ad hoc "APEC Preparation Office"

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<sup>15</sup> *Ibid.*, pp. 3-5.

<sup>16</sup> Ogita, *The APEC Policy-Making Process in Japan*, p. 5.

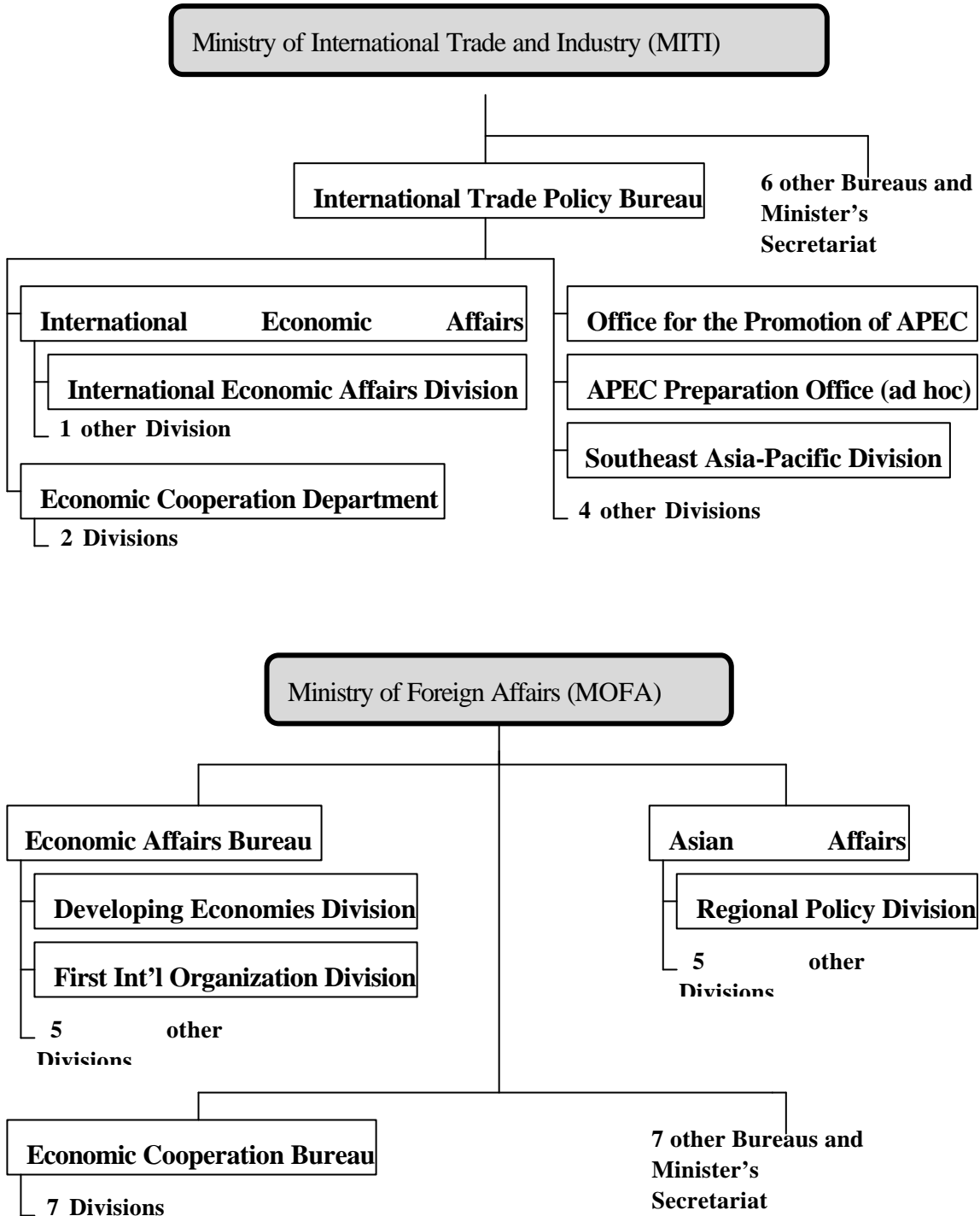
<sup>17</sup> *Ibid.*, p. 5.

<sup>18</sup> *Ibid.*, pp. 5-6.

(アジア太平洋経済協力準備室), which was functional only during Japan's chair in 1995.

In the Bureau are also the International Economic Affairs Division (国際経済課; in the International Economic Affairs Department [国際経済部]), which supports the aforementioned main section particularly in the domain of the trade and investment liberalization and facilitation, and the Economic

Figure: The Sections in Charge of APEC in MITI and MOFA



(Source) Tatsushi Ogita, *The APEC Policy-Making Process in Japan*, IDE-APEC Study Center Working Paper Series 95/96-No. 7, Tokyo: Institute of Developing

Cooperation Department (経済協力部), whose Director-General (経済協力部長) substantially heads the policy making in MITI also attending SOM/SSOMs as the Japanese co-representative. The Director-General also co-chaired SOM/SSOMs in 1995.<sup>19</sup> [refer to **Figure**]

MITI plays the roles both as a ministry of trade and as a ministry of industry. It is presumed correctly that sections concerned with domestic industries are wavering in opening markets while sections concerned with international trade and those which have been making APEC policies welcome it. Internal reluctance and resistance at times toward APEC liberalization has been suppressed in the past by mutual understandings that MITI promote the APEC process in unifying internal effort and resisting external pressure. The Ministry of Agriculture, Forestry and Fisheries (MAFF: 農林水産省) regarded as the most conservative as far as trade liberalization is concerned is an exceptional cause of external friction, which in turn forced MITI to unite and function as a full organ for the success of the APEC process.<sup>20</sup>

### **. 3 The APEC Policy Making in MOFA**

Whereas MITI's setup for APEC policy making has been in a single bureau, MOFA's setup was transferred from one bureau to another. The Developing Economies Division (開発途上地域課) in the Economic Affairs Bureau (経済局) currently takes main charge of APEC affairs, although the Regional Policy Division (地域政策課) in the Asian Affairs Bureau (アジア局) was the original administration since the institution's foundation until the APEC Seattle Meetings in November 1993. The Developing Economies Division, which is not as large or powerful in the ministry, is supported by other sections within and

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<sup>19</sup> Ogita, *The APEC Policy-Making Process in Japan*, pp. 6-8.

<sup>20</sup> *Ibid.*, p. 6.

outside of the Bureau including the following two main supporters:

- The First International Organizations Division (国際機関第一課) in the Economic Affairs Bureau, which is mainly in charge of the General Agreement on Tariffs and Trade (GATT) and the World Trade Organization (WTO). The Division took dominant charge of APEC liberalization in Japan-chairing 1995. It has officially been discharged from APEC affairs since the end of Japan's chair of APEC, but is said to continuously support the Developing Economies Division.
- The Economic Cooperation Bureau (経済協力局), which is mainly in charge of official development assistance (ODA) affairs. The Bureau supports the Developing Economies Division under the domain of APEC economic and technical cooperation.<sup>21</sup>

[refer to **Figure**]

The inter-bureau replacement of the main section reveals that MOFA has been less consistent in the setup for APEC policy making than has MITI. This is one of the reasons why MOFA is a *new comer* as mentioned before. The following points out the reasons for the transfer:

- APEC affairs became too demanding of economic expertise for a non-economist section (i.e. the Regional Policy Division) as handle.
- The Division's traditional paternalistic attitude toward Asian economies did not suit APEC's principle of *equal* cooperation,<sup>22</sup> and actually made it difficult to negotiate with

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<sup>21</sup> Ogita, *The APEC Policy-Making Process in Japan*, p. 9.

<sup>22</sup> In its Paragraph 4 entitled 'Mode of Cooperation', the Seoul APEC Declaration, sometimes called *the APEC Charter*, states that 'Cooperation will based on: (a) the principle of mutual benefit, taking into account the differences in the stages of economic development and in the socio-political systems, and

the Western industrialized members of APEC, including the United States which opposed APEC as *an aiding organization*.<sup>23</sup>

- The Division was unsuccessful in the Seattle Meetings in which MOFA fully committed itself to APEC affairs for the first time and after which the Division was superseded by the Developing Economies Division.<sup>24</sup>

Although the superseding division as an economist section could improve MOFA's setup for APEC policy making, the ministry does not play as major and substantive role as MITI does. In 1994 and 1995, MOFA still appeared as the co-maker of APEC policies with MITI.<sup>25</sup> After the Japan-hosted Osaka Meetings in November 1995, however, MOFA returned to just being a reluctant policy coordinator as is mentioned later in Chapter .

#### **. 4 *The Relation between the Two Main Ministries***

It is a normal and a well-known fact that MITI and MOFA are on bad terms with each other because the two ministries usually contend for the initiative in foreign economic policy making. In this sense, their relationship in the APEC case was usual from the institution's preparatory phase to around the Seattle Meetings in 1993 but unusual in the succeeding two years.

MOFA's reluctance to MITI's initiative in the preparatory phase of APEC made

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giving due consideration to the needs of developing economies; and (b) a commitment to open dialogue and consensus-building , with *equal* respect for the views of all participants.' (*Italicized* by the author quoting) APEC Ministerial Meeting, "Seoul APEC Declaration", in APEC Secretariat (eds.), *Selected APEC Documents 1989-1994*, p. 63. Refer to Akiko Hirano, *Legal Aspects of the Institutionalization of APEC*, IDE-APEC Study Center Working Paper Series 95/96-No. 6, Tokyo: Institute of Developing Economies, 1996, pp. 17-18.

<sup>23</sup> Refer to Yoichi Funabashi, *Asia Pacific Fusion: Japan's Role in APEC*, Washington, D.C.: Institute for International Economics, 1995, pp. 122-123 (Japanese translation by the author himself, *Ajia Taiheiyo Fyujon: APEC to Nippon*, Tokyo: Chuo Koron Sha, 1995, p. 181).

<sup>24</sup> Refer to *ibid.*, p. 214 (*trans.* pp. 320-321).

Japan yield the position as an APEC proposer to Bob Hawke and Australia because MOFA prevented the Japanese government from being united to propose it although MITI was ready to propose a new Asia-Pacific regional body. MOFA had been negative to APEC and non-cooperative with MITI in the early years of the institution both for *objective* and *subjective* reasons. MOFA presented the following *objective* reasons:

- Asia-Pacific institution building might be more of a hindrance than a help in furthering the Asian economic integration which had been progressing naturally.
- Asia-Pacific regionalism initiated by Japan might arouse the suspicion about her intention to re-build the Great East Asia Co-Prosperty Sphere (大東亜共栄圏) and might have adverse effects on her relationship with the Association of Southeast Asian Nations (ASEAN) which had been wary of such initiatives from the past.
- Asia-Pacific regionalism might stimulate the European Community (EC) to move toward *the Fortress Europe*.<sup>26</sup>

The *subjective* reason, which MOFA itself has been unwilling to admit but nevertheless has been pointed out by others, is simply jealousy of MITI's ability to intrude the sanctuary of Asian diplomacy and suspicion of MITI's intention to strengthen its voice in the bureaucracy.<sup>27</sup> Such non-cooperative relations between the two ministries made Japan's APEC policies unclear, incoherent, and infirm. On the enthusiasm of the members of APEC for its institutionalization, William Bodde Jr., an American diplomat who served as the first Executive Director of the APEC Secretariat in 1993, said:

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<sup>25</sup> Ogita, *The APEC Policy-Making Process in Japan*, pp. 10-11.

<sup>26</sup> *Ibid.*, pp. 12-13.



It was very difficult to tell in the case of Japan, but on balance, the Ministry of Trade and Industry (MITI) [*sic*] seemed somewhat more positive about APEC and the Foreign Ministry more cautious. It is very difficult to predict what Japan will do when it chairs APEC in 1995, except that bold initiatives are unlikely.<sup>28</sup>

From around the period of the Seattle Meetings, however, MOFA reacted more positively toward APEC and became cooperative with MITI for the following reasons:

- APEC itself had become too important to neglect or ignore.
- In accordance with the expanded scope of the APEC activities, numerous ministries and agencies became involved in APEC affairs; this in turn forced MOFA the only official diplomatic organization in the bureaucracy to take the role as the coordinator for Japan's APEC policies.
- The initiation of the APEC Leaders Meeting in 1993 required the involvement of MOFA which, as a rule, manages the Prime Minister's diplomatic activities.
- With MOFA's transfer of the main section from the Asian Affairs Bureau to the Economic Affairs Bureau, the economist section took main charge of APEC as was the case in MITI.

Although some rivalry between them still remained,<sup>29</sup> the two ministries established an exceptionally and unprecedentedly cooperative relationship and functioned as a single organ

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<sup>27</sup> Ogita, *The APEC Policy-Making Process in Japan*, pp. 13-14.

<sup>28</sup> William Bodde Jr., *View from the 19th Floor: Reflections of the First APEC Executive Director*, Singapore: Institute of Southeast Asian Studies, 1994, p. 37. On the same page, Bodde presented the table dividing the APEC members into three categories regarding the enthusiasm for the APEC institutionalization, on which only Japan did not appear among the 15 economies who had been the member before the Seattle Meetings.

<sup>29</sup> For example, MOFA-initiating *Partner for Progress (PFP)* concept was opposed by MITI more severely than by any other APEC member except for the United States. Funabashi, *op. cit.*, p. 214

as far as the APEC policy making was concerned.<sup>30</sup> Tony Miller, Hong Kong representative at the SOMs, described their relation as ‘a team in a three-legged race’.<sup>31</sup> This *team* tackled in the administration of APEC (affairs), realizing the movement from the vision phase to the action phase and managing to chair APEC in 1995, as mentioned later in Chapter .

However, the cooperative mood ceased with the Osaka Meetings. In 1996, the two ministries returned to their usual, uncooperative relation, and MITI retook dominant power in APEC affairs, as explained later in Section . 2.

### **. 5 Other Ministries/Agencies’ Participation in the APEC Policy Making**

As mentioned in the preceding Section . 4, one of the reasons for the necessity of MOFA’s involvement in APEC policy making is that the ministry has to coordinate the policy making involving the many ministries and agencies effected by the increased variety of tasks undertaken by APEC. Besides MITI and MOFA, in charge of the affairs related to APEC Working Groups, Committees, and field-specific indeterminate Ministerial Meetings are MOF; 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), an affiliation of the Prime Minister’s Office (総理府); the Fisheries Agency (水産庁), an affiliation of MAFF; and others.<sup>32</sup> [refer to **Table 1**]

In addition to those intra-APEC fora, APEC liberalization lately enforces many ministries/agencies to get involved in APEC affairs. Since liberalization effects various fields and thus promote resistance by many actors, its policy making is likely to be complex and

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(*trans.*, p. 321); Ogita, *The APEC Policy-Making Process in Japan*, p. 15.

<sup>30</sup> Ogita, *The APEC Policy-Making Process in Japan*, pp. 11-15.

<sup>31</sup> Funabashi, *op. cit.*, p. 214 (*trans.*, p. 321).

<sup>32</sup> Ogita, *The APEC Policy-Making Process in Japan*, pp. 16-18.

sometimes even chaotic. Although APEC liberalization itself can be met with relatively less resistance because its goal remains ambiguous and its contents

**Table 1: The Intra-APEC Fora  
and the Japanese Ministries/Agencies in Charge of Them**

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

can be decided unilaterally as mentioned before in Chapter , there still exist resistant actors and its policy making is becoming more and more complex. As mentioned before in Section . 2, the most fiercely resisting actor in the Japanese bureaucracy is MAFF.<sup>33</sup> Its

<sup>33</sup> Ogita, *The APEC Policy-Making Process in Japan*, pp. 18-19.

resistance caused difficulty in the making of OAA (the Osaka Action Agenda) and in Japan's leadership in 1995, as mentioned later in Chapter . It was naturally traditional that MITI, whose International Trade Policy Bureau in charge of APEC is one of the most pro-liberalization actors in the bureaucracy, be on bad terms with MAFF. In 1996, however, the relation between them improved, as is mentioned later in Section . 3.

### **. 6 *The Participation by the Actors outside the Bureaucracy***

As mentioned in the beginning of this chapter, the APEC policy making process is mostly confined to the bureaucracy. Not only actors outside the government, such as interest groups, but also those outside the bureaucracy but inside the government, including the Cabinet and the Diet as organizations and ministers and legislators as politicians, play only minor roles in the process.

The Cabinet and the Diet as organizations play few or only nominal roles in APEC policy making. This is also true for individual ministers. Even the Minister of International Trade and Industry (Trade Minister) and the Minister for Foreign Affairs (Foreign Minister) are merely marginal players. They attend the APEC Ministerial Meetings and sometimes seem to have leadership (as then Trade Minister Ryutaro Hashimoto did at the Osaka Ministerial Meeting), but bureaucrats always handle the substance.<sup>34</sup> The Prime Minister's role is even more marginal. Neither former Prime Minister Tomiichi Murayama in 1995 nor does the current Prime Minister Hashimoto have control or show leadership. However, some legislators did have some influence on Japan's chair in 1995: most of them influenced APEC liberalization negatively and only a few positively as mentioned in the next chapter, although they all became silent again in 1996, as mentioned later in Section . 4.

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<sup>34</sup> Ogita, *The APEC Policy-Making Process in Japan*, pp. 19-22. Also refer to *Nihon Keizai Shimbun* (Tokyo), 20 November 1995.

Interest groups have even less influence on APEC policy making. It seems likely that agricultural interest groups such as the Agricultural Cooperatives (JA: 全国農業協同組合) which became renown for their fierce resistance against freeing the rice market discussed at the GATT Uruguay Round act against APEC liberalization, but in fact they have not been very active at all; this is mentioned in the next Chapter . The Federation of Economic Organization (*Keidanren*: 経済団体連合会) released the two proposals for the Jakarta/Bogor Meetings in 1994 and the Osaka Meetings in 1995,<sup>35</sup> but they were no more than enlightenment campaigns and were unlikely to have substantial influence on Japan's APEC policies. Non-governmental organizations (NGOs) were in the same situation. The NGO Forum on APEC, Japan (APEC-NGO連絡会) was formed by nearly a hundred Japanese NGOs in April 1995. It acted conspicuously well to a certain extent and succeeded in holding the first International NGO Conference on APEC and in presenting the "Statement from 1995 NGO APEC Forum on APEC" in November. It is difficult to state, however, that they had any actual impact on APEC policy making.<sup>36</sup>

## The Making of the Osaka Action Agenda in 1995

The chair of APEC in 1995 was said to be a *bad deal* being set a *big assignment*. The assignment was to make a consensus on *how* to achieve the goal of 'free and open trade and investment in the Asia-Pacific' set at the second APEC Leaders Meeting at Bogor in

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<sup>35</sup> They were entitled "Basic Thinking on Intra-Regional Cooperation in the Asia Pacific Region" (1994) and "Japan's Role in the Asia-Pacific Economic Cooperation" (1995). They are included in Ed Tadem and Lakshmi Daniel (eds.), *Challenging the Mainstream: APEC and the Asia-Pacific Development Debate*, Hong Kong: Asian Regional Exchange for New Alternatives, etc., pp. 163-175.

<sup>36</sup> Ogita, *The APEC Policy-Making Process in Japan*, pp. 25-27. "Statement from 1995 NGO APEC Forum on APEC" appears in *ibid.*, pp. 35-38 as an appendix.

November 1994, where the leaders agreed only *when* to complete that goal the 2010/2020 deadline.<sup>37</sup> It was Japan who was to do this assignment by leading the making of the guideline for APEC liberalization: the OAA (the Osaka Action Agenda). In one sense this was a sticky role to play but on the other hand, it was a good opportunity to show Japan's will and ability to lead APEC.

Could Japan make most of that chance, only given at most once in eighteen years? As mentioned in Chapter , the biggest problem in drafting and elaborating OAA was the inclusion of the Flexibility Principle for the liberalization and facilitation process. In accordance to Japan's tackling of this problem, the making of OAA was divided into the following four stages. [refer to **Table 2**]

**. 1 Stage One: Aiming for the Comprehensive Liberalization**

*From the Fukuoka SSOM (February) to the Singapore SSOM (April)*

Japan's initial stance in drafting the OAA was positively look forward-looking

**Table 2: The Chronology of the Making of the Osaka Action Agenda**

Stage	Month	Events	Situations
<i>One</i>	Feb.	Fukuoka SSOM	MITI and MOFA <b>aiming for the comprehensive liberalization</b>
	Mar.	Pro-liberalization members meeting	MAFF keeping a wait-and-see stance MITI-MOFA stance approved and confirmed?
<i>Two</i>	Apr.	Singapore SSOM	OAA basic outline withholding the comprehensive liberalization presented MAFF and the <i>norin-zoku</i> united to hinder the liberalization's comprehensiveness OAA drafted by MITI, MOFA and the Cabinet Secretariat; <b>Flexibility Principle included</b>

<sup>37</sup> Refer to Ogita, "Kodo Dankai o Mukaeta APEC", and *The Origins of Contrasting Views on APEC*, .2.

	May?	Four-organization talk (in Japan)	OAA draft with Flexibility Principle approved
<i>Three</i>	Jul.	Sapporo SSOM	OAA 1 <sup>st</sup> draft presented; Flexibility Principle disapproved by most members
	Aug.	Japanese politicians toured overseas	Difficulties in tackling the Flexibility Principle problem both in Japan and overseas
	Sep.	Hong Kong SSOM	OAA 2 <sup>nd</sup> draft with same Flexibility Principle presented; 14 of the 18 members against it
<i>Four</i>	Oct.	Tokyo SSOM	OAA 3 <sup>rd</sup> draft presented; Flexibility Principle disapproved again
	Nov.	LDP parties visited Australia and US Osaka Meetings	Bilateral negotiations begun by ministers and politicians The Flexibility Principle problem settled OAA adopted at the Leaders Meeting

to comprehensive APEC liberalization and allowing no flexibility in it. When the year's first SOM/SSOM were held at Fukuoka in February 1995, there was a tendency for the Japanese government to do the assignment set at Bogor admirably by making a fine OAA withholding a clear-cut liberalization guideline. It was natural in a sense because the two main ministries in charge of APEC had both generally been inclined to free trade. MITI's International Trade Policy Bureau, which has been in charge of APEC as mentioned before in Section . 2, is know as the most hard-core advocate of free trade in the Japanese bureaucracy. MOFA is also basically pro-liberalization because it has few concerns with domestic industries and the foremost concern was with the relation with the United States which always advocates free trade. Meanwhile MAFF, known as the strongest and antagonist actor of liberalization in the Japanese bureaucracy, kept a wait-and-see stance possibly because the ministry as well as all the ministries other than MITI and MOFA did not understand what APEC liberalization really was.

Around 20 March, urged by the United States, Japan attended a closed-door meeting at Honolulu along with Australia, Canada, Indonesia, Singapore, and other members.

Since Australia, Canada, Singapore, and the host United States were all pro-liberalization members of APEC and as Indonesia had led setting the deadline of APEC liberalization as the chair in 1994, the meeting was regarded as a confirmation of the pro-liberalization stance toward the making of OAA.<sup>38</sup> Supposedly, the MITI-MOFA coalitional positiveness for the comprehensive liberalization was also approved and confirmed there.

Then, at the second SSOM at Singapore in April, Japan presented a basic outline of OAA, which supposedly withheld the ideal for the comprehensive APEC liberalization.<sup>39</sup>

## **. 2 Stage Two: Shift to the Inclusion of the Flexibility Principle**

### ***From the Singapore SSOM to the Sapporo SSOM (July)***

It was soon after the Singapore SSOM that MAFF took obvious caution of the APEC liberalization which was led to be comprehensive by MITI and MOFA. MAFF's wariness was that the comprehensive APEC liberalization would cover even the agricultural industry and would compel Japan (which had made a substantial compromise in opening her rice market at the GATT Uruguay Round quite recently at the end of 1993) to liberalize its agricultural market further. The bottom line for MAFF and all the actors in the industry since the Uruguay Round conclusion was that no agricultural liberalization beyond the commitments made at the Round were to be accepted.

Then MAFF began to suggest the danger of the comprehensive APEC liberalization to specific Diet members who were especially influential in and dependent upon the agricultural policy makings and industry the so-called *norin-zoku* or *nosui-zoku* (agriculture-forestry or -fishery tribe). The *nosui-zoku*, as well as several agricultural interest groups, deeply regretted opening Japan's rice market, overestimating in MAFF's

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<sup>38</sup> *Nihon Keizai Shimbun* (Tokyo), 14 April 1995.

<sup>39</sup> The document of this framework is not available.



ability to protect the (domestic) market that they began to speak against the comprehensive APEC liberalization and to encourage MAFF to resist the MITI-MOFA coalition's initiative. Hence, MAFF and the *nosui-zoku* united to hinder the liberalization's comprehensiveness, and the former started to say *no* to the MITI-MOFA coalition being effectively influenced by the latter.

Confronted by expected opposition from MAFF and its backing *nosui-zoku*, and also from the intra-MITI sections concerned with domestic and less competitive industries, the MITI-MOFA coalition, especially MOFA as a formal coordinator in the APEC policy making, found itself in difficulty to fill the inter-ministerial and intra-governmental opinion gap. The bottom line for the MITI-MOFA coalition was to conclude the making of OAA and the Osaka Meetings under its own chairship successfully; in order to do so, they had to iron out the opinion gap, so the coalition decided to ask for the assistance of the authority which was (even if only a formality) superior to all the ministries – the Cabinet Secretariat (内閣官房). The coalition asked the Cabinet Councilor on External Affairs (内閣外政審議官), who was on loan from MITI and was in charge of APEC, to get the Cabinet Councilors' Office on External Affairs (内閣外政審議室) to aid in the coordination of drafting OAA.<sup>40</sup>

The drafting was then undertaken by a team made up of MITI, MOFA, and the Office. In this initial drafting process, in negotiating with MAFF which required a conspicuous flexibility allowance in APEC liberalization, MOFA could not help but resolve to

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<sup>40</sup> All the cabinet councilors have been on loan from existing ministries/agencies. The Chief Councilors on External Affairs (内閣外政審議室長) have always been on loan from MOFA; the other six full-time Councilors on External Affairs are from the Prime Minister's Office, MOFA (the councilors from these two are virtual vice chiefs), MOF, MAFF, MITI, and the Economic Planning Agency; and the nine part-time Councilors on External Affairs are from the Ministry of Transportation, the Ministry of Posts and Telecommunications, the Ministry of Construction, the Ministry of Health and Welfare (those from these four are in the main office along with the Chief and all the full-time Councilor), MOFA (two), the Ministry of Education (two), and the Ministry of Justice (those from these three are in the two sub office). The Office was established in 1986 under the strong initiative of the then Prime Minister Yasuhiro Nakasone who intended to be a *U.S. President-like Prime Minister*. Ogita, *The APEC*

include a paragraph allowing flexibility in the draft, despite own inclination toward comprehensive liberalization. It was because MOFA, as a diplomatic ministry and a coordinator of APEC policy making, gave priority in making a *feasible* OAA for Japan rather than in drafting a *clear-cut* one; MOFA felt misgivings about this difficulty close to the impossible, in fulfilling APEC agricultural liberalization commitments against a non-cooperative MAFF and resisting *nosui-zoku* (especially of the biggest and ruling Liberal Democratic Party [LDP: 自由民主党]) and agricultural interest groups. Violating commitments which Japan itself had led to make was to be absolutely avoided. Also, MOFA's compromise was possibly because, as is generally spoken, MOFA was less resistant to political pressure since the ministry, which was little concerned with domestic politics, had few of its own backing politicians.

Meanwhile, MITI also compromised to include a flexibility principle along with a comprehensiveness principle in the OAA draft. Although it had been advocating the comprehensive APEC liberalization more than MOFA, MITI had no intention to overrule the resolution of MOFA as a coordinator. It might have been because MITI had an unprecedentedly good relation with MOFA then, as mentioned before in Section . 4, and because the ministry was in a state of certain *APEC fatigue* as some had pointed out.<sup>41</sup> The Cabinet Councilors' Office on External Affairs, as a genuine coordinator, had nothing to say against the MITI-MOFA coalition's agreement, either.

Then, supposedly in May, MOFA's First International Organization Division, which was in charge of the APEC liberalization affairs as mentioned before in Section . 3, and the Office jointly called MITI and MAFF to a four-organization talk in order to consolidate the Japanese government's OAA draft. There, presentation of the draft made by MITI, MOFA,

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*Policy-Making Process in Japan*, p. 29.

<sup>41</sup> Ogita, *The APEC Policy-Making Process in Japan*, p. 16.

and the Office, which had already included the Flexibility Principle in favor with MAFF, was made. It was natural that the draft was endorsed by all four parties with little alteration.

Thus, Japan's stance in drafting the OAA was shifted from aiming for clear-cut comprehensiveness to allowing certain flexibility in APEC liberalization. The OAA draft endorsed at the four-organization talk was then presented to the other APEC members at the third SSOM at Sapporo in July, as the Co-Chairs' Outline.

### **. 3 Stage Three: The Flexibility Principle Problem Rising**

#### ***From the Sapporo SSOM to the Tokyo SSOM (October)***

As mentioned before in Chapter , the Outline's Flexibility Principle was disapproved by most other APEC members at the Sapporo SSOM. Even Japan's proposal to set up a special committee on the flexibility problem was declined. Japan's official stance was, however, that giving '[d]ue consideration ... to the divergent conditions of APEC member economies',<sup>42</sup> it was necessary to make OAA feasible and that the Flexibility Principle was a must to be included even against any opposition. Japan expected that the principle would be opposed by some members but would eventually be given consent to be included in the OAA.

While the other APEC members took back the Co-Chairs' Outline home to examine it between the Sapporo SSOM and the next Hong Kong SSOM in September, the Japanese *nosui-zoku* was active in promoting the inclusion of the Flexibility Principle. From late August to early September, the *nosui-zoku* of the LDP toured six Asian APEC members in order to explain Japan's position on agricultural liberalization. Also the then Minister of Agriculture, Forestry and Fisheries (Agriculture Minister) Hosei Norota visited Australia and New Zealand in late August for the same purpose although the minister himself was not a

*nosui-zoku*. Unless the *nosui-zoku* changed their protectionist stance on agricultural liberalization, MAFF was not to withdraw its request for the inclusion of the Flexibility Principle. Also, unless MAFF withdrew the request, the Japanese government could not delete nor could it change the principle which had once been agreed at the four-organization talk mentioned prior. It was said that, after the party split in 1993, the LDP *nosui-zoku* was losing the ability to coordinate, adjust, and integrate their policy intentions amongst themselves, before presentation to the bureaucracy since many influential *nosui-zoku* individuals moved from LDP to the new party.<sup>43</sup> From another viewpoint, it was also pointed out that MAFF gained a greater say than ever because of the decline of the LDP *nosui-zoku* power.

Thus, as mentioned before in Chapter , Japan presented at the Hong Kong SSOM the exact same Flexibility Principle and faced opposition to the principle from all other APEC members except China, Korea, and Chinese Taipei. It was said that, in a sense, Japan dared to present the same principle in order to lower the level of expectation by other members for a *handsome* OAA although such a difficult situation had been expected. However, the situation basically originated in Japan's miscalculation of how the other members would react to the inclusion of the Flexibility Principle:

- Japan had calculated that most of the ASEAN countries would support the Flexibility Principle because they, as developing economies, were not ready to join comprehensive liberalization with minimal flexibility and because they themselves unofficially required Japan to include a flexibility principle. However, they did not because they recognized no necessity to include an exceptional rule in an agenda for the only indicative and

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<sup>42</sup> Taken from the Flexibility Principle in the Co-Chairs' Outline of OAA. Refer to Chapter .

<sup>43</sup> Ogita, *The APEC Policy-Making Process in Japan*, p. 24.

non-biding APEC liberalization goal.<sup>44</sup> Additionally, agricultural product-exporting countries such as Thailand wanted to open the markets of Japan and Korea.

- Japan also expected that the Flexibility Principle would be favored by Australia, which needed to protect its textile market, and Canada, which needed to protect its telecommunication market from U.S. competition. However, they did not support the principle, having already adjusted a variety of domestic interests.
- Japan hoped that Korea apparently having required more flexibility than Japan in the Co-Chairs' Outline at the Sapporo SOM would continue to stand firm on the problem so that Japan as a chair could find an equilibrium point between the most pro-flexibility Korea and the least Australia and United States, where Japan herself would be comfortable. However, Korea weaken her claim on a definite flexibility principle although she remained being for its inclusion.

A more fundamental reason for the miscalculation might be that MITI and MOFA did not share the information about the other APEC members' intention.

Even in such a quandary, however, Japan modified the Flexibility Principle as unexplicitly as possible, and presented it in the OAA third draft at the fifth SSOM held at Tokyo in October.<sup>45</sup>

#### **. 4 Stage Four: Settlement of the Flexibility Principle Problem**

##### ***From the Tokyo SSOM to the Osaka Meetings (November)***

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<sup>44</sup> For example, Malaysia registered the reservations on the liberalization goal set at Bogor, which said that 'the target dates of 2020 and 2010 are indicative dates and non-biding on member economies' or that 'the liberalization process to be undertaken will be a best endeavour basis'. Ogita, *The Origins of Contrasting Views on APEC*, . 2.

<sup>45</sup> The document of the third draft was not available, but a MITI official told that its Flexibility Principle was modified to a certain extent.

Regardless Japan's expectation, the Flexibility Principle was disapproved at Tokyo for the third time. Not until the last SSOM before the Osaka Meetings<sup>46</sup> ended up unsuccessfully did the ministers and politicians embark on the settlement of the *flexibility* principle problem. The then Trade Minister Ryutaro Hashimoto (current Prime Minister) and Foreign Minister Yohei Kono began to negotiate with other APEC members bilaterally. The former Agriculture Minister Kabun Muto played a more important role in the settlement than the other two ministers. In mid-October, this big-name politician twice led the LDP *nosui-zoku* parties on a visit to the United States and Australia. His role was not to insist on the necessity of the Flexibility Principle but to make Japan's bottom line clear and to find an equilibrium point between Japan and the two leading con-flexibility members. Muto also made frequent contact with MITI and MOFA officials in order to elaborate the principle for it to be acceptable to both pro- and con-flexibility members.

Finally, on 15 November, the day before the Osaka Ministerial Meeting, the problem was settled when Australia and the United States softened their positions by accepting the inclusion of the moderated Flexibility Principle with and abstract expressions than in Japan's drafts, shown in Chapter . It was expected that Australia would eventually compromise since Australia weighed too much importance on APEC to destroy it for the relatively trivial problem such as the Flexibility Principle. Australia's rigid posture was also seen for the general election to be held four months later. On the other hand, the United States' changing her position was somewhat unexpected and might have been due to Australia's change in position and to the United States' own domestic situation of temporary shut-down of the federal government, which forced President Clinton to stay in the White

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<sup>46</sup> The genuinely last SSOM in 1995 was held at Osaka a few days before the Ministerial and Leaders Meetings. The Tokyo SSOM could be regarded the last before the Osaka Meetings as a series of SOM/SSOM, Ministerial and Leaders Meetings, and other APEC-related meetings at Osaka in middle November.

House during the Leaders Meeting in Japan.

It was so ambiguous a settlement by modification of the wording that there remained different interpretations of the Flexibility Principle, or *rights* to differently interpret it, between the APEC members. For example, on the one hand, Japan's Agriculture Minister told that flexibility in the APEC liberalization was secured so as to maintain our basic stance of the 2010 deadline being not ensured at the moment. On the other, the U.S. Department of States and the U.S. Trade Representative (USTR) reminded that the pace of liberalization could be flexible but the target dates should be respected by all means.

MITI, MOFA, and the coordinating Cabinet Councilors' Office on External Affairs in general positively evaluated the Osaka Meetings, OAA, and their APEC policy making to a considerable extent. They assessed that Japan's chairship was excellent in spite it being a *bad deal* as mentioned at the beginning of this chapter. They also regarded the Flexibility Principle problem as expected, necessary, and good for APEC, and certain criticism on Japan's chairship as somewhat worthwhile. On the other hand, some Japanese journalists evaluated the Japanese chairship negatively claiming that Japan wasted the chance to show her will and ability to lead APEC. As mentioned in Chapter , this paper shares the journalists' viewpoint.

### **The Making of Japan's Individual Action Plan in 1996**

The year 1995 was important for Japan's APEC policy making because, needless to say, Japan chaired APEC and led the drafting of the OAA. The importance, however, was not to decrease but rather to increase in the next year 1996 because Japan, as well as all the other APEC members, had to embark the making of its first concrete plan for the APEC

liberalization process Japan's first IAP (Individual Action Plan) to be submitted to the eight Ministerial Meeting at Manila in November 1996. As APEC 'have, with Osaka, entered the action phase'<sup>47</sup> and would launch 'the implementation phase of our free and open trade and investment agenda' with Subic,<sup>48</sup> APEC itself embarked the *genuine* trade and investment liberalization in 1996. Could Japan's APEC policy making that year meet this *genuineness*?

### . 1 *Who Made Japan's Individual Action Plan?*

As mentioned before in Section . 5, the APEC liberalization process forced many participants of the Japanese bureaucracy to get involved in APEC policy making. IAP, as a bundle of concrete liberalization commitments, was necessary to cover a lot of fields whose charges are taken by many different ministries/agencies. This situation ought to require a certain procedure and an authoritative coordinator in the making of IAP. In fact, however, there was no procedure or coordinator.

As a rule, it is said, that MOFA, as the only ministry specializing in foreign policies, plays the role of the authoritative coordinator in the making of IAP as well as in other foreign policy makings. According to a MITI official, however, what MOFA did in the making of IAP was really to *bundle* together the liberalization commitments presented in several fields, not to actually *coordinate* the making. This may be partly due to the fact that MOFA's main section, Developing Economies Division, is not as powerful in the ministry and its Economic Affairs Bureau, which the Division joins. The Division needed the support of the same Bureau's First International Organization Division, a liberalization expert section in charge of the GATT/WTO affairs, but could not be assisted much because APEC (affairs)

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<sup>47</sup> APEC Leaders Meeting, "APEC Economic Leaders' Declaration for Action", in APEC Secretariat (eds.), *Selected APEC Documents 1995*, p. 1.



was not within the jurisdiction of the GATT/WTO formally until 1996. It is also because even if MOFA had been willing to coordinate the making of IAP and to direct other ministries/agencies in the making, they would never accept being directed by MOFA reasoning “MOFA has no authority in directing us”. There is a gap between MOFA and the other ministries: the former regards itself superior to other ministries as far as foreign policy making is concerned while the latter believes otherwise. Moreover, it is basically because MOFA does not have much expertise in the substance of trade and investment liberalization policies.

Only MOFA and MITI are active in the APEC policy making; Other ministries are unlikely to take the initiative. When MOFA does not or cannot lead the making of APEC policies, only MITI remains. In the words of the MITI official mentioned earlier, in the making of IAP in 1996, “MITI looked around, found no-one to take the initiative, so took it itself”. It was natural, in a sense, that long-time APEC-expert MITI led the making of the first concrete liberalization plan in APEC. Similar to MOFA’s main section, MITI’s main section Office for the Promotion of APEC in the International Trade Policy Bureau is not so powerful, but is able to get support from other section such as the powerful International Economic Affairs Division and Department. The MITI official commented “MITI was lighter in its feet than MOFA”.

It is officially said that each part of IAP was made by each particular ministries/agencies in charge. In fact, however, MITI drafted most parts because the other ministries did not do so voluntarily and because it knew what APEC liberalization was about the most. The IAP draft, which MITI’s Office for the Promotion of APEC made “running around” in every fields of liberalization, was submitted to MOFA as the *formal* coordinated piece. After MOFA’s checking and tinkering with, the draft was referred to other

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<sup>48</sup> APEC Leaders Meeting, “APEC Economic Leaders’ Declaration: From Vision to Action”.

ministries/agencies. What they did, basically, was frown.

## **. 2 *Deterioration of the Relation between MITI and MOFA***

As supposable from the situation mentioned above, the relation between MITI and MOFA, which had been exceptionally and unprecedentedly cooperative since the Seattle Meetings, deteriorated in 1996. They returned to their usual non-cooperative attitude towards one another. The deterioration was said not to be due to any structural change but due to a human factor. It was simply because a senior official newly placed in charge of APEC affairs in MOFA was reluctant to cooperate with MITI. It might also be true, however, that MITI's senior official was not so willing to cooperate with MOFA, either.

From the viewpoint of MITI, in 1996, MOFA was non-cooperative and backward in promoting things which another/other APEC member(s) was/were against. It was especially obvious when they were opposed by the United States, of whom MOFA recognized as the foremost concern in Japan's foreign policy making as mentioned before in Section . 1. When MITI tried to promote certain policies in spite of opposition from other members, MOFA waited and saw what MITI did. According to a MITI official, pertaining to trade insurance which MITI focused upon in 1996, MOFA was the most stubbornly against it than any other APEC member.

## **. 3 *The United Front of MITI and MAFF***

Whereas MITI-MOFA's cooperative relation deteriorated, a kind of *united front* of MITI and MAFF was formed in 1996. It was somewhat surprising because, as mentioned earlier in Chapter , MITI and MAFF stood on opposite sides of the comprehensiveness-flexibility controversy in the making of OAA the previous year. The new MITI-MAFF cooperation was born for the following reasons:

- The positive relation between MITI and MOFA ceased to exist and MITI needed a partner in the confrontation with MOFA.
- Deregulation in agriculture was one of the foci of Japan's IAP because the APEC 1996 was chaired by the Philippines, who intended to make other APEC members' agricultural markets open in the APEC liberalization.
- The two ministries stood on the same side in the sense that they both had few things to present in IAP. On one hand, MITI presented too many things to be liberalized in Japan's package of initial actions for APEC liberalization, which was brought to the Japan-hosted Osaka Leaders Meeting in 1995,<sup>49</sup> so that few jurisdiction substance (of MITI's) remained in the following year. On the other hand, MAFF had been disinclined and unable to present anything to be liberalized beyond the levels committed in the Uruguay Round agreements by 2000, the year of the revision of the agricultural commitments in the agreements.

Another reason was that a senior official in charge of APEC in MAFF was somewhat active to cooperate and bargain with MITI a human factor again.

MITI and MAFF, which launched their united front in August, jointly drafted the Highlights of Japan's IAP in October. Their aim was to make sure their parts in IAP not be *highlighted*, to conceal that they had little to present, and to jointly stand up with MOFA which wanted to present certain concessions in tariff and non-tariff measures.

#### **. 4 No Role Played by Ministers, Legislators, or Interest Groups**

In the confrontation with the MITI-MAFF united front, MAFF wanted the Prime

Minister's leadership in order to make tariff and/or non-tariff concessions be included in IAP. Contrary to MOFA's expectation, however, Prime Minister Hashimoto did nothing in the making of IAP; Neither did other ministers or legislators.

It is common for politicians to do little in APEC policy making as well as in other foreign policy makings as mentioned in Section . 6. However, the 1996 case was especially so because of the general elections held in October, only a month before the Manila/Subic Meetings. The Prime Minister was too busy, as was the president of the ruling LDP, to meet even the envoy sent by the Philippine President Fidel Ramos to host the Subic Leaders Meeting.

A few voice fom business groups were heard by MITI, and its Office for the Promotion of APEC utilized such opinions to persuade other sections in MITI to accept the liberalization commitments to be presented in IAP. However, there were few active approaches from interest groups to the government. This apathy was also usual.

## **Conclusive Reflection**

### **Critique on the APEC Policy Making Process in Japan**

Why did Japan's chairship in 1995 bring about the Flexibility Principle problem and provoke so much criticism about it? Answering this question is the purpose of this paper. However, it is *neither* to discuss whether or not certain flexibility is necessary in APEC liberalization, *nor* is it to discuss whether or not agricultural products are genuinely tradable. What this paper regards as the most problematic for Japan's chairship in the making of OAA (the Osaka Action Agenda) was not what the Flexibility Principle *itself* was but how the

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<sup>49</sup> Refer to APEC Leaders Meeting, "APEC Economic Leaders' Declaration for Action", p. 3, paragraph 7.

principle *was to be incorporated*.

In *Stage Two* mentioned in Section . 2, the Japanese government changed its stance from pro-comprehensiveness to pro-flexibility. Although they had aimed for the comprehensive APEC liberalization at an earlier stage, MITI and MOFA, the two main ministries in charge of APEC, made a relatively easy compromise to include a flexibility principle facing MAFF's opposition. All MAFF wanted was to ensure that no more liberalization than the level committed at the Uruguay Round was to effect Japan's agriculture. MOFA, as a coordinator of the APEC policy making, concentrated on just coordinating and adjusting to the interests of the various actors successfully, and in making a feasible OAA. MITI, in spite of its supposed inclination for an enhanced APEC and an ambitious APEC liberalization, could not help agreeing with MOFA and compromising with MAFF.

In sum, the inclusion of the Flexibility Principle just *occurred* naturally, rather than consciously judged, at the equilibrium point immediately among the three ministries' intentions and indirectly among the interests of actors participating in the policy making process (such as the *nosui-zoku*). Moreover, since 'the different sectors of Japan's bureaucracy seem to exercise veto power against each other',<sup>50</sup> the equilibrium occurred at a closer level working in favor for the most-backward actor, not necessarily at a desirable point. Reminded here is Theodore Lowi's similar argument in his famous critique on the *interest-group liberalism* as the public philosophy in contemporary America, which Lowi called 'the Second Republic of the United States' as 'the state of permanent receivership'.<sup>51</sup> Pointing out the flaw of pluralism as a foundation of the interest-group liberalism along with capitalism and statism,

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<sup>50</sup> Funabashi, *op. cit.*, p. 217 (*trans.*, p. 326).

<sup>51</sup> Theodore J. Lowi, *The End of Liberalism: The Second Republic of the United States*, New York: W. W. Norton & Company, 1979, chaps. 3 & 10, pp. 42-63 & 271-294 (Japanese translation by Michio Matsumura, etc., *Jiyu-shugi no Shuen: Gendai-Seifu no Mondai-sei*, Tokyo: Bokutaku Sha, 1981, p. 79-105 & 377-407). Also refer to Tatsushi Ogita, "Iho-teki Minshu-shugi o Koete" (Beyond Juridical Democracy), a thesis presented to the Division of Public Administration, Graduate School of

Lowi wrote:

... this assumption [that when competition between or among groups takes place the results yield a public interest or some other ideal results] was borrowed from laissez-faire economists and has even less probability of being borne out in the political system. One of the major Keynesian criticisms of market theory is that even if pure competition among factors of supply and demand did yield an equilibrium, the equilibrium could be at something far less than the ideal of full employment at reasonable prices. Pure pluralist competition, similarly, might produce political equilibrium, but the experience of recent years shows that it occurs at something far below an acceptable level of legitimacy, or access, or equality, or innovation, or any other valued political commodity.<sup>52</sup>

In the inclusion of the Flexibility Principle, there was no strategically reasonable or democratically legitimate *political* judgment made on whether or not the inclusion was desirable in the context of Japan's chairship as a good and rare chance to show its will and ability to lead APEC. The critical change of stance of the Japanese government from pro-comprehensiveness to pro-flexibility was decided, or rather *occurred*, only within the bureaucracy, and political leaders had almost nothing to do with the change. The veto power mentioned before is exercised by ministries/agencies against each other 'especially when they lack strong direction from the political leadership'.<sup>53</sup> Even the role played by some politicians in the settlement of the Flexibility Principle problem in *Stage Four* mentioned in Section . 4, was only *post* coordination rather than initiative direction.<sup>54</sup>

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International Christian University for the degree of Master of Arts, 1992, pp. 26-33.

<sup>52</sup> Lowi, *op. cit.*, pp. 57-58 (*trans.*, p. 96). Refer to Ogita, "Iho-teki Minshu-shugi o Koete", p. 30.

<sup>53</sup> Funabashi, *op. cit.*, p. 217 (*trans.*, p. 326).

<sup>54</sup> Refer to Ogita, *The APEC Policy-Making Process in Japan*, p. 28.

The origin of the Flexibility Principle problem could be that the decision to include the principle was made quasi-unconsciously within the bureaucracy, not based on strategic or reasonable consideration on whether or not the principle was necessary for and what its inclusion would mean for Japan as a state not for each ministry and industry. It is not implied here that protectionism in agriculture is only for the interest of the industry itself and is always working against Japan's national interest, or that it is to be blamed in any context. It was true that there was little political leadership in the making of OAA, but the presence of politicians does not necessarily guarantee a strategic and reasonable decision making for Japan. More radical question is democracy and legitimacy in the policy making.

Even though APEC can secure an open and liberal global trading system and can drive domestic industrial adjustment and economic reform, both of which are vitally important for the Japanese citizenry,<sup>55</sup> APEC policies are being made through processes invisible to the citizens, irrelevant of their representatives, and, therefore, illegitimate democratically. The making of Japan's IAP (Individual Action Plan) also underlines that invisibility, irrelevancy, and illegitimacy. As mentioned before in Chapter , the making process was chaotic and opaque, and was easily changed by trivial human factors. The undemocratic and illegitimate character of the APEC policy making disregards policies whether protectionist or liberalist. The problem is that the policies are made irrelevantly to the citizens as sovereigns but the consequences, such as doubt in Japan's ability to lead APEC, finally effect the whole citizenry.

Although how to establish democracy and legitimacy in the APEC policy making as

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<sup>55</sup> Ogita, *The APEC Policy-Making Process in Japan*, p. 27. Akira Hirata, Jiro Okamoto, and Tatsushi Ogita, "Strategy toward APEC: The Case of Japan", in Ipeei Yamazawa and Akira Hirata, *APEC: Cooperation from Diversity*, I.D.E. Symposium Proceedings No. 16, Tokyo: Institute of Developing Economies, 1996, pp. 30-35 (Japanese translated-abstract by Tatsushi Ogita, "Nippon no Tai-APEC Senryaku," in Institute of Developing Economies (eds.), *APEC: Tayo-sei no naka no Kyoryoku*, Tokyo: Institute of Developing Economies, 1996, pp. 16-19).

well as other foreign policy makings will be investigated at another time, the foremost prescription may be to strengthen political leadership. However, it is not an easy task as APEC policy making requires enhanced expertise in accordance with APEC's entering the action/implementation phase. There should be *knowledge* to support political leadership against knowledge of the bureaucracy which is often regarded as *the largest think tank in Japan*. This knowledge can partly be acquired through specialist advisors for ministers as political appointees. For example, a governmental official proposes to double the number of the Cabinet Councilors, to assign political appointees to new seats of Councilors, and to nominate political appointees as Chief Councilors and bureaucrats as deputy chiefs,<sup>56</sup> for an enhanced Cabinet Secretariat, 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'.<sup>57</sup>

True, political leadership supported by an appointed specialist advisory is only a formality to enhance democracy and legitimacy in APEC policy / foreign policy making. There should be more radical requisites for a legitimate democracy, which includes active participation of the citizens in policy making process.<sup>58</sup> However, as previously quoted Lowi stated, '[a] legitimate democracy is a very formalistic system. Everything about it is an attempt to commit power to a regular and understandable exercise'.<sup>59</sup> The formality as leadership of politicians elected by the citizens is not a sufficient but necessary condition for democratic and legitimate policy making processes. To strengthen political leadership and

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<sup>56</sup> Personal interview on 15 May 1996.

<sup>57</sup> Institute of Administrative Management (eds.), *Organization of the Government of Japan 1995*, Tokyo: Institute of Administrative Management, 1995, p. 27.

<sup>58</sup> Refer to Sheldon S. Wolin, *The Presence of the Past: Essays on the State and the Constitution*, Baltimore: The Johns Hopkins University Press, 1989, chap. 10; Shin Chiba, *Radikaru Demokurashi no Chihei* (The Frontier of the Radical Democracy), Tokyo: Shin Hyoron, 1995, especially pp. 59-62; and Ogita, *The APEC Policy-Making Process in Japan*, pp. 30-31.

<sup>59</sup> Lowi, *op. cit.*, p. 163 (*trans.*, p. 234). Refer to Ogita, "Iho-teki Minshu-shugi o Koete", pp. 45-46.



provide knowledge to support it is what can be done for a start.

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