

# The U.S. and Japan in APEC: Arena for Leadership in Asia and the Pacific

DENNIS J. ORTLAD

# Asia Pacific

## I S S U E S

### Analysis from the East-West Center

No. 28

August 1996

*The U.S. Congress established the East-West Center in 1960 to foster mutual understanding and cooperation among the governments and peoples of the Asia Pacific region, including the United States. Funding for the Center comes from the U.S. government with additional support provided by private agencies, individuals, corporations, and Asian and Pacific governments.*

*The AsiaPacific Issues series contributes to the Center's role as a neutral forum for discussion of issues of regional concern. The views expressed are those of the author and not necessarily those of the Center.*

**Published with the support of the  
Hawaii Pacific Rim Society**

**SUMMARY** Participation in the Asia Pacific Economic Cooperation (APEC) forum has been a pillar of America's Asia policy as it seeks to move the region toward free trade and greater security. But U.S. efforts to lead APEC were stalled at last year's meeting in Osaka when the Asian leaders, including host Japan, rearranged the APEC agenda, moving aside the U.S. priority for market liberalization to put equal focus on regional economic development. The move reflects a changed environment in which Japan and the ASEAN countries are more self-confident and assertive. Looking ahead to the November 1996 APEC summit in Subic Bay and beyond, the United States must adjust to the limits on its economic leadership in Asia, limits that will require: 1) a slower pace for its trade agenda in APEC; 2) a broader consultation process with Japan that recognizes Japan's key economic role in the region; and 3) a search for new coalitions with other APEC countries based on mutual concerns over access to Japan's markets. A major long-range U.S. goal should be to make APEC a starting point for a multilateral process to deal with looming security questions in the region.

*Many Asian nations feel the U.S. 'hijacked' the APEC meetings in 1993*

---

### **Japan's APEC: The Osaka Meeting**

President Clinton was delighted to host the 1993 Seattle APEC<sup>1</sup> meeting in his first year in office. He saw APEC as a timely vehicle for expanding U.S. business access to the rapidly growing markets of Asia. The Vision Statement issued at the end of the Seattle meeting helped lay the groundwork for a free trade agenda and the United States used its diplomatic skills at the 1994 APEC summit in Bogor, Indonesia, to get a commitment to free trade goals. The APEC leaders declared their plan to achieve free trade in the region by 2010 for industrially advanced economies and by 2020 for the developing countries.

However, in November 1995, President Clinton, citing the budget crisis in Washington, did not attend the APEC leaders meeting in Osaka, Japan. His absence highlighted a change of focus within APEC. Asian countries, with Japan in the lead, rearranged the APEC agenda, moving aside as the top priority the U.S.'s desire for accelerated steps towards market liberalization and adding, as a twin goal of APEC, regional economic development projects.

Many Asian countries joined with Japan in arguing that the United States had partially hijacked the APEC process at the 1993 Seattle meeting by putting undue weight on only the trade agenda. They claimed that the Osaka meeting was now righting the balance and reasserting an "Asian way" of reaching decisions through consensus.

Asian countries won a consensus at Osaka for a gradual, voluntary liberalization based on a principle of "flexibility." The idea of a common timetable was dropped, although the meeting reaffirmed the ultimate goal of free trade in the region within the time frame set at Bogor. Member countries would have discretion to set their own schedules for opening markets unilaterally, presumably leaving their sensitive sectors for a late and uncertain stage.

---

### **What Happened at Osaka?**

For U.S. policymakers, the Osaka meeting's results were not what they were supposed to be. In putting trade liberalization on a back burner, Japan had to resist considerable U.S. pressures. Several months before the meeting, the assistant secretary of state

for Asia and the Pacific, Winston Lord, told the press that it was a top priority for the United States that Japan, as the host, guide the first steps in trade liberalization at Osaka, providing momentum toward the free trade goals set at Bogor in 1994. Lord said it would be a major "test of leadership" for Japan within APEC.

APEC's own advisory body, the Eminent Persons Group, strongly recommended that the Osaka meeting adopt a timetable for liberalization, including a "down payment" of real market opening measures. As a sample down payment, the EPG advised that APEC leaders at Osaka should agree to accelerate by 50 percent the schedule for implementing Uruguay Round tariff reductions, including those for sensitive farm markets. They also urged the founding of a dispute mechanism and the coordination of competition policies. However, none of these EPG recommendations was accepted.

In resisting these recommendations, the APEC leaders, including host Japan, sent strong signals that they wished to reduce the pressures for rapid liberalization. These signals intensified with the leaders' decision to discontinue the EPG itself, which had been a chief vehicle for setting an ambitious trade agenda.

The Osaka meeting closed without providing strong momentum for taking real steps toward liberalization at the upcoming APEC leaders' meeting at Subic Bay in the Philippines in November 1996. The initial market opening measures announced by the leaders at Osaka were generally lackluster—in many cases composed of earlier tariff deregulation measures that the leaders recycled as their APEC contribution. The final "Action Agenda" dodged the contentious issue of farm market liberalization. Food exporting nations such as the United States and Australia sought to include farm markets to affirm the principle of APEC's being "comprehensive" in moving towards free trade. The leaders accepted this principle but also adopted the principle of "flexibility" put forward by several Asian countries, including Japan, as a loophole clause to forestall commitments on farm markets.

Reflecting the reluctance to move ahead, Malaysia's trade minister Rafidah Aziz told the final press

conference that her country did not feel bound by any of APEC's resolutions at either Osaka or Bogor to liberalize trade beyond its commitments under the GATT round settled in early 1994. Under APEC's voluntary compliance process, she felt Malaysia could treat as optional whether it would meet Bogor's target date for regional free trade by 2020 for developing countries (a view sharply different from the U.S. interpretation). When called upon to help clarify Aziz' remarks at the press conference, Japan's trade minister, Ryutaro Hashimoto, left the question of commitments vague. Hashimoto, who shortly after the meeting became prime minister, observed that each country was indeed under no obligation, pointing out that "Osaka is not forced on us as a coercive document."<sup>2</sup> However, the unimpressive market openings offered voluntarily at Osaka suggest that the lack of a binding timetable for further steps will produce similar slow progress on trade issues at Subic Bay and afterward.

---

#### Japanese and U.S. Reactions to Osaka APEC

Japan's officials and its media portrayed the APEC meeting as an unqualified success in launching a new Asian diplomacy. The *Asahi Shimbun* felt Japan emerged as a trustworthy partner for Asian countries by stalling the U.S. push for rapid liberalization.<sup>3</sup> Prime Minister Hashimoto later indicated that Japan was able "to play the role of APEC chairman in a very Asian way, showing that Japan has put its base in Asia. It was a valuable opportunity to show what we are."<sup>4</sup>

Japan's officialdom also achieved high marks in the Japanese press for crafting a last minute compromise to save the APEC meeting from foundering. Foreign affairs and trade officials reportedly used their skills at creative ambiguity to paper over the differences of principle involved in market liberalization.

The Osaka meeting reaffirmed the top priority that Japan places on APEC as a keystone of its Asia policies. This was reflected in Japan's offer to donate a significant \$100 million to the APEC secretariat for development programs over five years.

**Initial American reactions.** On the U.S. side, there was a contrast between a tepid media reaction and the U.S. officials' more upbeat view. The American

press felt that the "Action Agenda" really described a recipe for inaction. The *Wall Street Journal* was sufficiently disappointed to declare that Osaka was "APEC's nadir" because it let its members slip away from any binding commitments to free trade.

But key American officials did their best to play down what had been expected at Osaka, suggesting that the 1996 meeting at Subic Bay would take more ambitious trade initiatives. And the then U.S. ambassador for APEC, Sandra Kristoff, pointed to APEC's potential as a forum for Asia-Pacific security, stressing the personal ties the leaders had made at the Seattle, Bogor, and Osaka meetings.

---

#### Japan's New Directions

The United States and Japan share many goals in the Asia-Pacific region. The APEC meeting in Osaka offered a major opportunity for the two countries to exhibit the meaning of shared leadership in a region where they are the only economic superpowers. Both seek stability, the growth of democratic institutions in the region, and access for investment and trade.

However, the Osaka meeting actually highlighted the key differences in U.S. and Japanese priorities for APEC. Japan appears to be changing its traditional reactive stance in foreign policy, which was oriented to U.S. signals throughout the Cold-War era. Despite abundant U.S. signals before the Osaka meeting, Japan's policies towards APEC were instead largely influenced both by changes within Japan's political and economic life and by its commitments to fellow Asian members of APEC. The following are some of the new post-Cold War factors influencing Japan.

**Confidence in a different economic model.** Japan's leaders have long believed that state guidance can be usefully administered to markets if this helps achieve high growth and the development of a technological base. Japan's leaders are now willing to endorse their economic method in articles, lectures, and within the halls of multilateral lending institutions. More importantly, they have found avid imitators among the rapidly industrializing nations of Asia. Malaysia, Singapore, Korea, and more recently China have all taken a page from Japan's political/economic primer for building "export-led" commercial success in Asia.<sup>5</sup> A leading Ministry of Finance official and

*Japan's officials and media felt the Osaka meeting successfully launched a new Asian diplomacy*

professional economist, Eisuke Sakakibara, has been a proponent of the model in books and articles, arguing that Japan's example be adopted by developing countries in place of Western neoclassic economic methods since it best meets the challenges posed both by environmental limits and by growing income gaps in these societies.<sup>6</sup>

**Generational change in foreign policy.** The election of Prime Minister Hosokawa's coalition government in 1993 marked a change in generations that ended the LDP's nearly 40 years of sole rule. Hosokawa declared that Japan had "come of age" as a full partner in its U.S. relations when he visited Washington in February 1994. Many Japanese commentators interpreted Hosokawa's Washington visit as marking the end to an implicit dependency relationship on the United States.<sup>7</sup>

Although Japan remains cautious, it has begun to articulate views and pursue interests even when these diverge from those of the United States. It has taken a strong stand on aid issues, particularly within the annual G-7 meetings. Japan endorsed priority financial assistance to China in the post-Tiananmen period, even while deflecting the U.S. and European Union (EU) efforts to get Japan to increase its aid to Russia. It preceded the United States by over two years in extending aid to Vietnam in 1992. It renewed Burma's aid program in 1989 after only a six-month suspension and it ended deference to U.S. policy on aid to Iran, resuming aid in 1993 after an 18-year suspension. And Japan has also been more receptive than the United States to China's case within APEC for admission to the World Trade Organization.<sup>8</sup>

On trade, a difference in style has been apparent as Japan resisted U.S. pressures in the 1995 auto dispute by vigorously arguing against the U.S.'s proposed use of specific, numerical criteria for measuring success. More recently, trade (MITI) officials have adopted the tactic of simply ruling out in principle that they will enter into direct trade talks over certain sensitive U.S. concerns — whether over Kodak's complaints about a Fuji Film cartel or over the U.S. interest in extending the 1986 semiconductor agreement. In fact, a top MITI minister told the press in March 1996 that "the era of bilateralism is

over," recommending the World Trade Organization as the only proper venue for trade complaints the United States wishes to raise.<sup>9</sup>

**New priority on Asia.** Japan outpaces both the United States and the EU in its volume of exports, plant investment, and development aid to the Asian region. Asia has become the top priority recipient of Japan's Overseas Development Assistance (ODA), receiving nearly 60 percent of its bilateral development aid (from a worldwide total of \$14.7 billion in fiscal year 1995). In addition, Japan spearheads multilateral aid programs within the Asian Development Bank where it is the top contributor and by tradition holds the presidency. Drawn by expanding markets and low costs, Japanese firms' total direct investment in the region, which is closely coordinated with the ODA programs, grew from \$12.2 billion in 1985 to a total of over \$76 billion in 1994. Japanese investment in such countries as Malaysia, Thailand, and Indonesia outstrips that of the United States by two to three times. Japan has become the leading source for technology transfer to Asia as hundreds of Japanese firms transplant manufacturing plants and train local staff there.

In April 1996, Japanese finance ministry (MOF) officials announced that, for the first time, Japan's exports were more directed to Asia than to the West. In the fiscal year ending March 1996, Japan exported more to Asia (\$192 billion) than to the United States and the EU combined (\$188 billion).<sup>10</sup>

Japan's attentions to Asian countries are being reciprocated. The region's leaders welcome its aid and investment, "accepting a much more involved and activist Japan."<sup>11</sup> There is a pervasive influence of Japan's popular culture throughout Southeast Asia, apparent in Japanese department store chains, movies, food, comics, toys, syndicated television shows, and, of course, karaoke.

---

### Japan's Success

The United States did not anticipate Japan's success in pursuing a new solidarity with most Asian countries on trade issues within APEC. As recently as 1995, some U.S. advisors believed the United States could find common cause with Asian countries based on a mutual

*The U.S. had hoped to find common cause with Asian countries over concerns about access to Japanese markets. It didn't.*

concern over access to Japan's markets.<sup>12</sup> In fact, U.S. policymakers then foresaw a strengthened APEC exerting multilateral pressure on Japan.

However, this has not happened. Instead of exerting pressures on Japan, other APEC countries have often turned into willing recruits of a coalition backing Japan's trade stands. During the 1995 U.S.-Japan auto talks, the U.S. side was dismayed to see Japan launch a successful public relations campaign in both Asia and Europe against the U.S. approach. Japanese ministries have used an array of tools, including aid, technology transfer, planning expertise, bank loans, private direct investment, and preferential access to Japan's markets to forge economic cooperation throughout Asia. Becoming the de facto leader in Asia's growing economic convergence, Japan is uniquely able to create coalitions around its views.<sup>13</sup>

---

#### **Community with a Small 'C'**

Although APEC remains a pillar of U.S. policy in the Asia-Pacific region, the lesson from Osaka is clearly that APEC is an unlikely vehicle to spur the rapid movement towards opening Asian markets that the United States desires.

Although the United States has helped paint APEC's future in the glowing terms of building an Asia-Pacific Community, it is fair to assume that the APEC multilateral process will move no more quickly than U.S.-Japan bilateral trade dialogue—i.e., increasing market access in the region will be a slow, incremental process subject to periodic reversals. The U.S. Ambassador to APEC John Wolf recently remarked that the community he is helping build should be spelled with a small "c." This is especially the case in light of the following particular U.S. concerns.

**Need for systemic change.** In many APEC countries, it is non-tariff barriers rather than tariffs that are of greatest concern. The United States is pressing APEC to address problems within each country's legal structure or distribution system. For instance, the United States is engaged in a bitter dispute with China over the abuse of copyright laws protecting video and computer software. In Japan, U.S. corporate concerns are directed at widespread informal

distribution barriers. However, such systemic change will be hard both to motivate and to measure.

**Triangular trade imbalance.** Many APEC countries face fiscal pressures to maintain a trade surplus with the United States to offset their growing trade deficits with Japan. Despite MITI's recent efforts to spur imports, Japan has not developed into a receptive market for these countries' exports. Many East Asian countries' chronic trade deficits with Japan arise as they absorb the components for assembly and capital equipment shipped by Japanese firms to their new subsidiary plants in the region. Using low production costs to offset the high yen's effect on exports, the plants' major target market is the United States. In light of this, these APEC countries have been slow to dispute Japan's import barriers since many of their export industries are managed by Japanese companies and are unlikely to lobby for pressure on Japan. Asian countries' trade deficits with Japan have neatly paralleled the amount of their U.S. trade surpluses in recent years (e.g. in 1994 their cumulative \$62.3 billion deficit with Japan was offset by their \$66.4 billion surplus with the United States.)<sup>14</sup>

**The EU and the East Asia Economic Caucus.** U.S. leaders have been concerned over whether Asian nations might form a regional economic/trade group that could weaken the United States's ties and influence in the region. Former Secretary of State James Baker strongly opposed the idea of an East Asian Economic Caucus (EAEC) proposed by Malaysian Prime Minister Mahathir in 1990. However, it is precisely this EAEC grouping that made its de facto diplomatic debut at the inaugural Asia-Europe Meeting (ASEM) held in Bangkok in March 1996, where seven ASEAN nations plus Japan, China, and Korea assembled across the table from the European Union leaders. ASEM launched trade, business, and cultural initiatives which closely resemble APEC's agenda.

Although Asian countries' commitments to APEC are strong, the ASEM process dilutes the concept of the United States having special economic ties to Asia through a unique Asia-Pacific

*For many Asian countries, chronic trade deficits with Japan are neatly offset by trade surpluses with the U.S.*

community. The United States loses the advantage it had in late 1993 when American trade negotiators could use APEC's promise of rapidly liberalized U.S.-Asian trade to bring pressure on the EU in the final weeks of the Uruguay Round trade talks. In contrast, Japan's new ties with both Europe and Asia in ASEM (and a nascent EAEC) have resulted in increased leverage for Japan, which has new scope for recruiting allies against any unilateral trade pressures brought by the United States. The outgoing U.S. ambassador to the EU complained in early 1996 that Asian countries including Japan succeeded in "playing Europe off against the U.S." on trade issues.

---

### **A Changed Environment**

In light of both changes within Japan and the regional trend toward accepting Japan's "soft leadership" in the economic arena, the United States must adjust to new limits on its economic leadership in Asia. It needs to focus on modest, achievable steps at Subic Bay and at succeeding meetings, reducing its emphasis on rapid trade liberalization. Such an approach can actually assist the United States in achieving its goals by defusing charges that it is hastily pressing ahead with a narrow agenda. In fact, senior U.S. officials preparing for the Subic Bay meeting now stress the need for long years of consensus building within APEC rather than rapid progress in opening markets.

Relying on the consensus on trade developed at previous leaders' meetings, the United States can afford to focus at Subic Bay on the practical but less dramatic steps of vital interest to the newly developed countries. The Philippines' President Fidel Ramos seeks both attention to development questions and a broad involvement for business leaders in the Subic Bay meeting. It is likely that results of immediate practical interest to business, including agreements on customs and product standards, will be main Subic Bay achievements.

---

### **A Long-Term Security Role**

Although the U.S. trade agenda may have to find a slower pace, the United States needs to pursue its second major goal in APEC—to form a strong

multilateral basis for engagement in Asia, particularly with the emerging regional powers, China and Japan. President Clinton spoke about such a goal in a Japanese television interview during the Osaka meeting, mentioning APEC as a model. Many observers have pointed out that the end of the Cold War and the Asia-Pacific region's rapid economic growth make a new multilateral security approach overdue to supplement the U.S.'s current bilateral security pacts with Japan, South Korea, Australia, Thailand, and the Philippines.

A successful APEC can set the stage for a cooperative security arrangement. APEC is currently helping accelerate Asia's growing economic interdependence, giving Asian leaders a greater common stake in regional stability. The most extensive of the region's very few regional organizations, APEC can eventually be a convenient umbrella for forming security dialogues for specific regions in Asia. U.S. Defense Secretary William Perry launched a small trial balloon for an APEC security dialogue during a November 1995 *Nikkei Shimbun* interview in Japan. However, most Asian leaders are wary about overtly acknowledging this hope for APEC at such an early stage of its development.

The United States has a major interest in a new Northeast Asian security forum. In fact, it recently proposed four-party talks to address the crisis on the Korean peninsula, which would involve North and South Korea, the United States, and China. Provided that Russia's application to join APEC moves forward, future meetings would bring together the leaders of all key north Pacific countries, including the United States, Japan, China, South Korea, and Russia. The April 1996 Clinton visit to Japan might be seen as a first step toward building multilateral cooperation. The United States and Japan agreed that, concurrent with Japan's review of its own defense doctrine, the two countries would begin consulting on how Japan can increase its support for U.S. regional security efforts.

The status of Taiwan is admittedly a dilemma for any APEC security discussion. China opposes even symbolic moves that may upgrade Taiwan's role beyond that of a "member economy." However, a security forum may be established among only certain parts of APEC similar to the way ASEAN or

*The U.S. has a major interest in a new Northeast Asian security forum*

ANZUS (United States, Australia, and New Zealand) regional groups function. Presumably a northeast Asian grouping could avoid addressing the Taiwan status issue on the grounds that its discussions involved a separate region.

---

### **New Forms of APEC Engagement**

Although it is premature to launch any initiative on security discussions at Subic Bay, the United States can embrace other means to help sustain American engagement in APEC.

**Assure that the leaders meetings remain an annual event.** These are the major vehicle both for gradually widening the security dialogue within APEC by building personal links among the region's leaders and for U.S. engagement generally. They should not be allowed to lapse as was suggested by some in Osaka. (Some feel that the major APEC policy decisions have been made, making further leaders meetings superfluous.) In fact, President Clinton's unfortunate absence at Osaka helped to demonstrate the enormous symbolic value of such a gathering. The news of his cancellation initially sparked speculation that the United States was turning away from Asia, reflecting latent fears among APEC nations. Vice President Gore's attendance helped allay their concerns.

**Use APEC's economic development agenda to build American business and academic ties with Asia.** Although the United States has opposed making APEC a vehicle for development projects and "pooling" its development aid with other APEC donors, it has to accept the mutual interest of both Japan and developing countries in making APEC a forum for development questions.

The United States needs to learn more about how to do business in the region's markets. As the 1996 host, Philippines President Fidel Ramos has proposed a theme, "Preparing the APEC Workforce for the 21st Century." Given the need for U.S. firms to improve their employees' familiarity with Asian markets, it would be useful to embrace this and other APEC initiatives, seeking low-cost ways to offer American firms the opportunity to forge training and business intern links throughout the region. America's midsize firms, which are often absent from overseas markets,

could obtain invaluable help from APEC's initiative targeted to help such firms become exporters.

### **Reinvigorate the U.S.'s APEC diplomacy to pursue America's trade agenda in the long term.**

Focus on two tracks: 1) bilateral consultations with Japan's APEC policy planners to find common ground on APEC's development, where possible; 2) multilateral consultations with other APEC countries based on mutual concerns over obtaining access to markets in Japan.

U.S. initiatives in APEC require advance consultations with Japan. In an APEC based on building loose consensus, it is natural that the two largest economies should closely coordinate their priorities. At the same time, the United States can gradually build a new coalition on trade by patiently engaging with ASEAN and other countries over mutual concerns about persistent trade deficits with Japan. The APEC process of certifying that each country's voluntary trade concessions are "comparable" will naturally allow the United States to enter consultations over what new access most countries would want to Japan's markets.

---

### **America's Strong Ties with Asia**

In his Japanese television interview during the Osaka APEC meeting, President Clinton reaffirmed the United States's strong commitments in Asia, stressing the fundamental importance of the U.S.-Japan bilateral security pact. This is a message warmly received in Japan, Korea, and among ASEAN leaders. Although Japan has sought a new regional economic leadership, it wishes to keep this role firmly based on the bedrock provided by traditional U.S.-Japan security ties.

Important challenges await the United States and Japan as they begin an era of institution building in the Asia-Pacific region, where structures for multilateral cooperation have been remarkably underdeveloped. The region faces the important tests of integrating a triad of economic superpowers in the next decades: a Japan as a regional economic leader with a global reach, a China emerging as a major power, and a United States whose long-term interests are closely tied to an effective presence in an undivided Asia-Pacific region. Cooperation between the United States and

*Although Japan seeks a new regional economic leadership, it wants it firmly based on traditional U.S.-Japan security ties*

Japan also will be the key to a post-Cold War Russia's reentry to the region as it seeks trade and investment. It is only through U.S. and Japanese cooperation within APEC that the region can meet these challenges.

### Notes

<sup>1</sup> APEC members are the United States, Canada, Mexico, Chile, Australia, New Zealand, Papua New Guinea, Japan, South Korea; the three Chinese "economies"—the People's Republic, Chinese Taipei, and Hong Kong; and six of the seven members of ASEAN (Thailand, Malaysia, Indonesia, Singapore, Brunei, and the Philippines. Vietnam, the newest member of ASEAN, is not a member of APEC).

<sup>2</sup> Joint press conference by the APEC ministers, Osaka, Japan, Nov. 17, 1995. Minister of Trade and Industry (MITI) Hashimoto also said that participants "should be held responsible to deliver what they promise." But the APEC process has required few binding promises yet.

<sup>3</sup> Editorial. *Asahi Shimbun*, Nov. 20, 1996, p. 5.

<sup>4</sup> Ryutaro Hashimoto, "ASEM press conference in Bangkok", March 2, 1996, Ministry of Foreign Affairs, Tokyo, Japan.

<sup>5</sup> Lee, Poh-Ping, "Japan and the Asia-Pacific Region," *Japan: A New Kind of Superpower?*, Garby, Craig (ed.), Baltimore: Johns Hopkins Press, 1994, p. 134.

<sup>6</sup> Eisuke Sakakibara wrote recently in *Foreign Affairs* ("The End of Progressivism," *Foreign Affairs*, Sept./Oct., 1995, p. 10) and in a 1993 book (*Beyond Capitalism*, Lanham, MD: University Press of America) about the distinctive merits of Japan's eco-

nomnic stewardship. He pointed out that it is misguided to expect Japan to significantly deregulate its economy. There is widespread public support for the protections provided under the current regulatory approach, which Japan can ill afford to abandon. (*Beyond Capitalism*, p. 23.)

<sup>7</sup> NHK Radio News, February 1994. The news commentaries in Japan at the time interpreted the U.S. trade demands as reflecting the end of an era of U.S. indulgence toward Japan (translated as *amae*). In turn, Japan's diplomacy was growing "mature," as PM Hosokawa described it.

<sup>8</sup> Yoichi Funabashi. *Asia Pacific Fusion: Japan's Role in APEC*. Washington, D.C.: Institute for International Economics, 1995, p. 113.

<sup>9</sup> Yoshiro Sakamoto, "Remarks at the Foreign Correspondents Club in Tokyo," MITI News, Japan Economic Foundation, March 15, 1996.

<sup>10</sup> Tsukasa Maekawa. "Pattern of Japanese Exports Shifts," Reuters, April 17, 1996.

<sup>11</sup> Edward J. Lincoln, *Japan's New Global Role*. Washington, D.C.: Brookings, 1993, p. 200.

<sup>12</sup> Robert Zoellick, "Who Won the Trade War?" *The National Interest*, Fall 1995, p. 80-81.

<sup>13</sup> Kenneth B. Pyle, *The Japanese Question*. Washington, D.C.: AEI Press, 1992, p. 131.

<sup>14</sup> *Direction of Trade Statistics Yearbook*, International Monetary Fund, Washington, D.C., 1995, p. 158. (The yearbook identifies the major East Asian economies as China, Hong Kong, Indonesia, Korea, Malaysia, Philippines, Singapore, Thailand, and Taiwan.) Also see Fallows, James, *Looking at the Sun*, New York: Pantheon, 1994, p. 276.

### About this Publication

The *AsiaPacific Issues* series reports on topics of regional concern. The views expressed are those of the author and not necessarily those of the Center.

The contents of this paper may be reproduced for personal use. If you would like to reprint, excerpt, or adapt the contents, or for additional copies or other information, please contact the Centerwide publications office, East-West Center, 1777 East-West Road, Honolulu, Hawaii, 96848.

Telephone: (808) 944-7197

Facsimile: (808) 944-7376

E-mail: ewcbooks@ewc.hawaii.edu

Series Editor: Elisa W. Johnston

The Hawaii Pacific Rim Society, P.O. Box 49, Honolulu, Hawaii 96812, is dedicated to promoting greater understanding and partnership between the peoples of the Pacific Rim region.

### Recent AsiaPacific Issues

No. 23. "The Rise of Global Intellectual Property Rights and Their Impact on Asia" by Sumner J. La Croix, August 1995.

No. 24. "Sweeping Changes Shape a New Pacific Asia" by Richard W. Baker, September 1995.

No. 25. "Chinese Women's Lives: Rhetoric and Reality" by Nancy E. Riley, November 1995.

No. 26. "Nuclear Energy Thrives in Asia" by Ronald E. Hagen, November 1995.

No. 27. "The China Syndrome: Rising Nationalism and Conflict with the West" by YU Bin, May 1996.

A complete list of previous AsiaPacific Issues, and a list of selected other EWC publications, is available through the East-West Center home page at <http://www.ewc.hawaii.edu>

### About the Author

Dennis J. Ortblad is a foreign service officer in the U.S. Department of State. As East-West Center diplomat-in-residence he has been on temporary assignment for independent research and advanced training. He has sought in his paper to stimulate fresh approaches to the issues raised by APEC. The views expressed are those of the author and not necessarily those of the U.S. Department of State. Ortblad has served as the U.S. consul general in Sapporo, Japan, and as a consul in Osaka, Japan. He was the senior watch officer in the Department of State's Executive Secretariat and served as the country desk officer for Poland. He also served as a consular officer in Hamburg, Germany, and in Krakow, Poland. He holds an MA from the University of Washington, Seattle, where he studied history and English.