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FOCUS on APEC

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FOCUS was designated the NGO Information/Monitoring Center on APEC (Asia Pacific Economic Cooperation forum) by the participants of the 1995 NGO Forum on APEC in Kyoto, Japan. It was out of this commitment that FOCUS-on-APEC was created. FOCUS-on-APEC carries APEC-related news, the latest items of interest and concern, and informed and critical analysis from a progressive perspective -- with a broad geographical concentration on East Asia and the Western and South Pacific.

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We welcome your comments and suggestions!

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REGIONAL ANALYSIS

TRIPs and the Monopolization of Technology

by Walden Bello*
FOCUS

The economic equivalent of the threat of a massive airstrike, the announcement of the United States Trade Representative's "Watch List" of countries that are prime candidates for retaliatory trade measures for allegedly violating US corporation's intellectual property rights, was announced recently.

As expected, China was on top of the hit list as a "priority foreign country" for "extensive piracy of intellectual property." Eight Countries were placed on the "priority watch list," including Japan, India, Indonesia, and Korea. Another 26 made the "watch list," including Thailand, which was charged with "a falling off of enforcement activity in 1995; the lack of a Trade-Related Intellectual Property Rights [TRIPs]-consistent patent law; and the need to ensure that deterrent penalties are imposed on convicted pirates."

Enforcing TRIPs has become the great American crusade. And Washington now has a powerful weapon in the form of the TRIPs Accord of the General Agreement on Tariffs and Trade (GATT), which US intellectual property specialists practically wrote singlehanded and rammed through the negotiations.

The GATT TRIPs Accord provides for a minimum protection period for patents of 20 years; increases the duration of the protection for semi-conductors or computer chips; institutes massive retaliatory measures against countries deemed to be violating intellectual property rights; and places the burden of the proof on the presumed violator of process patents in the dispute settlement process.

US Business: "Tighten Up GATT"

Yet despite such favorable provisions, American business does not think the GATT TRIPs Accord is tight enough. Recently, the influential President's Advisory Committee for Trade and Negotiations (ACTPN) complained that the transition periods for developing countries to adopt the GATT TRIPs regime are "overly long." The ACTPN worries that unless the US pressures Third World countries to hurry and adopt measures to make their intellectual property standards "GATT-compatible," the "end result could be a de facto extension of transition periods."

The ACTPN also worries about "activities underway in the Committee on Trade and the Environment [that] could weaken WTO member's TRIPs obligations"--apparently a reference to efforts by developing countries to preserve ownership over their genetic resources and prevent them from being privatized via patents for exploitation by multinational drug firms.

The TRIPs agreement is the heart of GATT. It also exposes the lie that the GATT Uruguay Round is mainly about promoting "free trade." For TRIPs is about consolidating monopoly over advanced knowledge in the hands of the US high tech industry by ensuring that heavy royalties will be charged for the adoption, adaptation, and diffusion of technology by non-US producers. TRIPs is not about market-derived profit. It is about that most feudal of economic practices--the exaction of rent.

The nature of knowledge is that it tends to be universalized quickly after pioneering inventions are made. The history of technological advance has been largely one resulting from a cooperative social process. When the first societies invented settled agriculture, they had no proprietary obsession that drove them to control their neighbors' ability to borrow their technological revolution to better their lot. When Gutenberg invented the printing press, he was not interested in controlling its diffusion in order to make money. Even Henry Ford was not interested in patenting the assembly line.

But in the person of Bill Gates, who is now seen as the paragon of the US high tech industry, we encounter a different animal. This acknowledged technological genius is less interested in the social benefits of his technological innovations than in using them to amass money and power for himself and his corporation, Microsoft.

Restricting Technological Diffusion

The relatively loose diffusion of technology has been a major factor in the waves of industrial development that have swept the world in recent times. The US industrialized in the 19th century by using but paying very little for British manufacturing innovations, as did the Germans. The Japanese "economic miracle" was due to the widespread copying, with little compensation, of American advances in manufacturing, process, and design technologies. And the Koreans industrialized by copying quite liberally, but with relatively little royalty payments, for US and Japanese designs and processes.

Since the British Industrial Revolution, in fact, early industrialization in the countries that have since become industrial powers has been industrialization-by-imitation. The TRIPs Accord threatens to make industrialization-by-imitation a thing of the past. As the United Nations Conference on Trade and Development has warned, the TRIPs regime represents a "premature strengthening of the intellectual property system...that favors monopolistically controlled innovation over broad-based diffusion."

A few decades ago, the US government and US firms were less uptight about other' unauthorized use of US technology. There were several reasons for this. IBM, for instance, tolerated the massive cloning of IBM PCs by East Asian producers in order to make the PC the computer industry's global standard, thus outmaneuvering its rival Apple strategically. Another reason stemmed, quite simply, from a superiority complex: as David Halberstam pointed out in his book The Reckoning, General Motors and Ford were quite loose in allowing the Japanese access to their technologies in the 1950's because they never believed that Toyota and Nissan would ever succeed in turning out vehicles that would even remotely rival an American-made car. A third reason was the priority Washington placed on the Cold War alliance against Communism, which made the Americans cast a benign glance at Japan, Korea, and Taiwan's deviations from free-market policies as well as their unauthorized borrowing and adaptation of American technologies.

Technological Realpolitik and GATT

The change in the Americans' attitude stemmed from several developments, including the end of the Cold War and the rapid development of the East Asian economies, which increasingly became perceived as economic rivals as they built up trade surpluses with the United States. But most important was the realization that with the speeding up and diffusion of the microelectronic revolution, the ability to maintain the edge in innovation in high technology became the key determinant of both the long-term profitability of American firms and the strategic predominance of the US in the global economy. And to maintain the US' strategic edge, it was important not only to lead in innovation but also to control the rate at which others could innovate. To achieve the latter, it was essential to develop the international legal and coercive framework that would allow the US monopoly over the most advanced innovations. Thus the GATT TRIPs Accord, which has been a devastating setback for the natural process of the universalization of knowledge and a giant step toward its privatization and monopolization.

One of the likely consequences of this trend is the emergence of _rentier capitalism_ in the high tech industry. Already, an increasing part of the income of some US firms, like Texas Instruments, derives from royalty payments from past innovations rather than profits based on current market performance.

Another consequence might be a dampening of high tech innovation in industrializing countries. For when any company in the industrializing countries wishes to innovate, say in chip design, software programming, or computer assembly, it necessarily has to integrate several patented designs and processes, most of them from US hardware and software specialists like Intel, Microsoft, Texas Instruments, and IBM. As Korean firms like Samsung and Hyundai have bitterly learned from their experience of being targetted for intellectual property violations by US government agencies, exorbitant multiple royalty payments to what one analyst has described as the "US high tech mafia" keeps one's profit margins low while also reducing incentives for indigenous innovation based on the creative integration of existing patented technologies.

"Pirates" Versus Feudal Overlords

It is true that the people that US Commerce Secretary Mickey Kantor derisively refers to as "pirates" are out to turn a profit for themselves and can hardly be said to be acting consciously in the service of humanity. But, in spite of their private motivations, "pirates" are, objectively, acting as the great democratization of high tech, making it available to millions of people who would not otherwise have access to it in as an exorbitantly-priced product.

The real obstacle to the democratization of high technology are today's "grand seigneurs", the American high tech transnationals that, in classic Orwellian doublespeak, are advancing their high-stakes game of techno-monopoly in the name of defending "intellectual property rights."

*Dr. Walden Bello is co-director of Focus on the Global South, and author of _Dragons in Distress: Asia's Miracle Economies in Crisis_ (London: Penguin, 1991).

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Of Myths and Perils:
Agricultural Liberalization in the Philippines
by Kevin Watkins*

We are all free traders now, or so the world's agriculture ministers would have us believe. Since the Uruguay Round world trade agreement, no meeting has been complete without a liturgy on the virtues of market principles for agricultural production and trade. Images of a level playing field, on which all farmers compete without the help of government subsidies, are recited with all the evangelical fervor reminiscent of a born-again community gripped by a vision of the promised land - in this case, a world free of trade barriers.

The Philippines has been recently visited by the spirit of the new order. Earlier this month, the Speaker of the House of Representatives, Jose de Venecia, was moved to push through a tariff bill which, by removing quantitative restrictions on imports, will accelerate the rate at which producers are exposed to world market competition. There was precious little debate, perhaps because the stakes were seen as too high. The Speaker offered apocalyptic warnings about the threat of trade sanctions should the Philippines fail to open its markets, contrasting this bleak prospect to the future of rising prosperity and efficiency offered by trade liberalization.

The upshot is that farmers in the Philippines have been locked into the global agricultural trading system. Contrary to the view of Speaker de Venecia, however, that system is not governed by market principles, but by the farm policies of the European Union (EU) and the US. These farm superpowers continue to plough vast subsidies into their agricultural systems, generating the surpluses which dominate international trade. Liberalization in the Philippines will expose local farmers not to a mythical level playing field, but to unfair competition from these surpluses. It is competition which, left unregulated, will destroy livelihoods on a vast scale and leave the country increasingly dependent upon food imports.

Of course, northern governments too profess their faith in so-called free-trade principles. There is, however, a gulf between principle and practice. The facts tell their own story. Last year, the equivalent to half the value of
of
farm output. This year, the European Union's spending on cereals exports is expected to increase despite a rise in world prices and despite the Uruguay Round agreement. The reason: direct export subsidies have been replaced by income transfers to farmers of the type used in the US.

The apparently arcane distinction between those two types of subsidy is important. Under the Uruguay Round agreement, "direct payments" to producers of the type used in the US and, since 1992, in Europe do not count as subsidies, even though they enable farmers to produce at far higher levels than would otherwise be the case. This helps to explain why the US and the EU, unlike countries such as the Philippines, will not be required to substantially reduce their overall level of subsidization under the new World Trade Organization (WTO) regime. And since, in the looking glass world of farm policy, direct payments do not count as export subsidies, the ability of other countries to protect their producers through anti-dumping duties will be severely curtailed.

The inequity built into the new WTO regime defies credibility. Currently, each farmer in the US, the main source of cereals imports for the Philippines, receives over $16,000 in subsidies. To put this figure in context, it is around thirty times the average Filipino income.

Even this situation, stark as it is, tells only part of the story.
Recently, I had
an opportunity to visit smallholder corn farmers in Mindanao. They are among the two million households who depend on that crop for their

livelihoods. Most were farming around one hectare or less, working with the most basic inputs and no capital. The infrastructure upon which they depend for access to markets was grossly inadequate.

During our meetings, I asked why they believed the US could export corn to Manila at prices up to 30 percent lower than they could compete with. Most shook their heads in disbelief, or put it down to American ingenuity. None of them were aware that the US government provides around $5bn annually in subsidies to its maize producers, enabling them to export at prices which - while "unsubsidized" on the WTO definition - are far lower than most staple food producers in developing countries can compete with. What these producers did understand, unlike most of the legislators sitting in Manila, was that increased competition from cheap imports would compound their poverty, forcing many to leave the land in search of work elsewhere.

Presumably, the Philippine government regards this prospect with relish. After all, the medium-term agricultural plan envisages a reduction by half in the 2.5 million hectares now planted to corn, much of which it wants to see transferred to livestock production. The underlying assumption, left unstated for political reasons, is that imports will fill the gap left by declining production.

All of which is good news for the US Department of Agriculture (USDA), which has been systematically cultivating the Philippines as a lucrative agricultural export market. Two years ago, a USDA report predicted that "In the absence of sustained investment in infrastructure......the Philippines could become a regular corn importer by the end of the decade," and that the US would capture a growing share of the market. More recently, the US embassy in Manila and the Cargill Grain Corporation has been actively lobbying for the passage of Speaker de Venecia's tariff bill. Thinly-veiled threats of trade sanctions have been cleverly deployed to overcome resistance.

As a result, corporate America can expect to make huge commercial gains in the Philippine market. The losers will be corn producers in Mindanao and the Cagayan Valley. Western and Central Mindanao are the poorest and second poorest regions respectively in the Philippines. The Cagayan Valley is not far behind, with over 40% living around the poverty line. As the trickle of cheap corn imports turns into a flood in the years ahead, the dampening effect on local markets will undermine household incomes, with potentially terrifying social consequences.

The problems are not restricted to corn Since the mid-1980s, the US has been systematically developing the Pacific Rim as a dumping outlet for its agricultural surpluses. The Philippines has figured prominently. In the early 1990s, the US was using its Export Enhancement Program to provide $1.4 in export subsidy for every $1 worth of wheat imported, helping to create markets for everything from wheat-based bread to pizza dough and noodles. Over the past decade, imports of wheat into the Philippines have doubled to over 2 millions tons, and the country has emerged from modest beginnings to become the US's fifteenth largest customer, spending over $700m annually on agricultural imports.

Over the coming years, countries in the Pacific Rim can expect an increasingly aggressive US export drive. Market projections suggest that two-thirds of the global increase in demand for farm exports up to 2000 will occurring the region - and the US intends to take the lion's share. By the end of the decade, the USDA anticipates that export receipts will have risen by $14bn, and that the Pacific Rim will be absorbing two-thirds of all US farm exports.

It is not difficult to see why the US sets such great store by expanding its commercial outlets for farm exports. After all, the $2.3bn surplus on the agricultural trade account plays a vital role in containing the country's chronic trade deficit. Moreover, agricultural trade remains a surplus item even in US trade with southeast Asia. There is an obvious strategic interest in expanding that trade.

Precisely what strategic interest of countries such as the Philippines have in
following the African route to dependence on food imports is less obvious. The warning signs are there for all to see. Per capita production of maize and rice have stagnated, and structural deficits in rice - amounting to 800,000 tons over the past five years - now appear to be an accepted part of the landscape. Embarking on a mindlessly extravagant exercise in market liberalization will further erode the incentive to invest in staple food production, and expand the market for imports.

So, what is the alternative? Part of the answer is to be found in public investment. Current levels of expenditure on agricultural infrastructure are grossly inadequate, amounting to 6 percent of total government spending. That is less than half of the ASEAN average. Rural feeder roads are in a dilapidated condition in most rural areas, post-storage facilities are non-existent. Inevitably, such conditions have the effect of excluding producers from market opportunities.

Ultimately, however, no amount of public investment in the Philippines is going to compensate for the effects of US and European export dumping. That is why the Philippine government should reconsider its obligations under the WTO, and re-think its obsession with rapid import liberalization. Perhaps a negotiating strategy in which market access for US agricultural imports was made contingent upon America reducing its farm subsidies to the level of the Philippines would be a step in the right direction.

More fundamentally, in a world market dominated by subsidized exports, there is no economic rationale for liberalizing markets and exposing vulnerable producers to unfair competition. The fact that the WTO effectively permits agricultural export dumping while prohibiting the same activity in other sectors, reflects the extent to which the pursuit of US and EU self-interest have perverted the multilateral system. It does not constitute grounds for governments to impose on their citizens trade reforms which threaten national food security.

Finally, the people of the Philippines have a right to expect that their legislators will protect their interests, rather than pursue those of US agricultural exporters. Free market platitudes and legislation born of back-room deals between the US embassy, the Cargill grains corporation and its friends in Congress, are not the answer. What is needed is a genuine public debate about the future direction of Philippine agriculture, and about the realities of the world market into which it is being integrated.

*Mr. Kevin Watkins is a senior policy adviser at OXFAM UK-Ireland and has authored several books about structural adjustment, debt and trade liberalization. His most recent works include the books "Fixing the Rules: North-South Issues in International Trade" (1992) and "The OXFAM Poverty Report" (1995).

ASEAN's AFTA: History and Recent Developments

by Ma. Salome Bulayog*
FOCUS

This article strives to be roadmap for the ASEAN Free Trade Area (AFTA) - the rival - or counterpart - to APEC. It provides the reader with some background information and basic facts. The article chronicles the rationales for AFTA's conception and gives an account of its varied implementation, including time frames for AFTA's liberalization agenda and the scope of products within the Common Effective Preferential Tariff (CEPT) Scheme. It delves a bit into the country members agendas, and highlights the issue of liberalizing agriculture. Finally, it explores the perceived rivalry between APEC and AFTA.

Background

ASEAN now has seven member countries: the original five members of ASEAN are Indonesia, Malaysia, the Philippines, Singapore and Thailand; the newest members are Vietnam and Brunei. Cambodia, Laos and Burma are observers, striving to become members.

The original rationale for the founding of the ASEAN in the 1960s was to create a regional forum to accelerate economic cooperation between its members. However, economic cooperation in the region did not really begin to blossom until the 1975 Summit in Bali. Since then, it has enjoyed a varied history.

A number of regional trading initiatives were launched in the seventies and eighties including: the Preferential Trading Arrangements (PTA), which aimed at a limited liberalization; the ASEAN Industrial Projects (AIP), which sought to assign large-scale capital-intensive projects to different countries to develop; the ASEAN Industrial Complementation Scheme (AIC), which aimed to divide different production phases of the automobile and other industries among member countries; and the ASEAN Industrial Ventures (AJIV), aimed at increasing industrial production through resource pooling and market sharing by ASEAN firms. Behind all of these schemes is the intention to reduce trade barriers among members while keeping them up against non-members as an instrument to build regional industrial capacity. However, few of these initiatives have come to fruition due to a lack of political commitment. During the Cold War, ASEAN countries focused mostly on regional political issues like the volatile situation in Cambodia.

After the Cold War, the ASEAN countries returned to their common market agenda. And an extra push to reinvigorate ASEAN's regional economic cooperation agenda came at the heels of the founding of APEC in Australia. In 1992, during the Fourth ASEAN Summit held in Singapore, the heads of government established the ASEAN Free Trade Area (AFTA). Primary objectives of AFTA include: The promotion of greater foreign direct investment and intra-ASEAN investment, and the promotion of the ASEAN as a competitive production base geared towards servicing the global market. The decision to establish the ASEAN Free Trade Area by the year 2008 was the most significant step thus far to enhance trade in the region. Its conception was an effort to unify the ASEAN market across a wide range of manufactured products and processed agricultural goods. The creation of AFTA was also motivated by the growing trend of regionalizing trade as evidenced by the current proliferation of regional trade agreements (i.e. EU in Europe and NAFTA in North America).

Mechanism for Implementation

AFTA is implemented through the Common Effective Preferential Tariff (CEPT) scheme.   The CEPT scheme, which was launched January 1, 1993, covers all manufactured goods, including capital goods and processed agricultural products. The product coverage in the CEPT scheme is the most comprehensive ever in any ASEAN trading arrangement. For instance, more than 90% of the total ASEAN tariff lines are already included in the scheme. In addition, more than 85% of the intra-ASEAN trade values and about 86% of the overall trade of ASEAN member countries are covered by the CEPT scheme (ASEAN: An Overview, 1995).

Originally, CEPT called for the reduction of tariffs on all manufactured goods to 0-5% within fifteen years beginning January 1, 1993.   Its central provision was the lowering of tariffs to a substantially "free-trade" level within 15 years. Initially, in the Singapore Declaration of 1992, ASEAN members identified 15 groups of products to be covered under the CEPT scheme. They are: Vegetable oil, cement, chemicals, pharmaceuticals, fertilizers, plastics, rubber products, leather products, pulp, textiles, ceramic and glass, gems and jewelry, copper cathodes, electronics, and wooden and rattan furniture.

Time Frame Changes

During the 26th meeting of the ASEAN Economic Ministers (AEM) in

1994, all member countries agreed to shorten the time frame for the AFTA's tariff reductions from 15 years to 10 years. It was thought that an earlier achievement of a liberal trading bloc would bring greater benefits to the ASEAN countries through increased foreign trade and investments.

The most obvious outcome of the 26th AEM decision was the acceleration of the tariff reduction program under the CEPT scheme. Under the new time frame, the schedule of tariff reductions for normal and fast tract products are as follows:

Normal Tract:

- products with tariff rates above 20% will have their rates reduced to 20 % by January 1998 and subsequently from 20% to 0-5% by January 1, 2003.

- products with tariff rates at or below 20% will have their rates reduced to 0-5% by January 1, 2000.

Fast Tract:

- products with tariff rates above 20% will have their rates reduced to 0-5% by January 1, 2000.

- products with tariff rates at or below 20% will have their rates reduced to 0-5% in January 1, 1998.

Last year, the Sultan of Brunei proposed that the achievement of trade liberalization in AFTA should take place by the year 2000, three years ahead of the already revised schedule. Some analysts say that it was Bill Clinton's big push for the APEC free-trade agreement during the November 1993 Seattle Summit that served as the spur to ASEAN's quickening pace of trade integration. According to political economist Walden Bello, if the APEC free-trade area solidifies and takes off in the direction set by the US, AFTA's importance in the region will most certainly wane.

Unprocessed Agricultural Products (UAPs)

AFTA's impact on intra-regional trade would increase significantly if it were to include unprocessed goods such as sugar, fish, iron, steel and petroleum -- goods heavily traded within ASEAN. It is for this reason that the economic ministers during the 1994 Chiang Mai meeting agreed to include almost all agricultural products (processed and unprocessed) in the CEPT-AFTA Scheme.

However, incorporating all agricultural products into the CEPT scheme will not be easy in practice. For example, the Philippines has moved to protect its sugar producers so liberalizing trade in sugar will be a difficult task. The reality is most member countries have a large rural population that depends on farm production, and in the past strong protection has been extended to this sector. Immediate lifting of this protection is bound to create significant adjustment costs which can lead to unemployment of resources and social disruption.

To implement the UAP decision, member countries decided to group unprocessed agricultural products into 3 lists: (a) Immediate Inclusion list; (b) Temporary Exclusion list and (c) Sensitive list. Goods are deemed sensitive if imports carrying relatively low tariffs will damage domestic production of the same items.

The listing of products under these different groups has caused rifts among member countries. For instance, Malaysia included 1,200 items of timber and tobacco products on the Sensitive list and encountered opposition from Thailand(Bangkok Post, July 17, 1995).

At the September 1995 ASEAN meeting, the deadline for tariff reductions set for 2003 became less clear. Member countries agreed to keep 2,528 items of agricultural goods in the non-processed category. As agreed in the sixth AFTA Council meeting in Phuket in April 1995, a special arrangement will be created for the products on the Sensitive list. This is with the understanding that the features of the special arrangement need not be the same as the arrangements in the CEPT scheme. This means that the time frame maybe longer than 2003 and tariff rates will not be required to be reduced to the 0-5% range as set in the CEPT.

Rivalry Between AFTA and APEC

Undoubtedly, one of the main reasons for the acceleration of AFTAs time frame was the conception of APEC and the momentum behind it. Recent statements to APEC members by the US head of APEC's Eminent Persons Group Fred Bergsten are more than a cause for concern for ASEAN. Bergsten called on APEC members to cut their original tariff reduction commitments under GATT and halve the period during which the cuts will be made. Bergsten went on to proclaim that permission should be secured from APEC and the WTO before any sub-regional economic grouping in East Asia is allowed to pursue further integration -- e.g. AFTA. In response to Bergsten's statements, a commentator from the Singapore Business Times stated that "APEC is a voluntary and non-binding agreement among Asia-Pacific States, why should it have the right to veto any proposal from a formally constituted body?" Indeed, Bergsten's thinly veiled threats could lead him into trouble with the ASEAN members of APEC.

Should AFTA be extended to APEC, NAFTA and the WTO?

It seems Manila is in favor of extending AFTA to APEC and the WTO. At a conference this year on Asian Economies in Hong Kong, Philippine

Finance Minister Jesus Estanislao proposed that ASEAN Free Trade Area concessions be offered to other groupings (Asiaweek, May 17, 1996). The Thai delegate to the APEC's Eminent Persons Group agreed that it would be a good idea to extend AFTA to the other regional/global trade agreements. Thai Deputy Prime Minister Amnuay Viravan also called for a link between three regional groupings: APEC, NAFTA and EU. He said that a complete link would create unlimited opportunities. However, Malaysia is unsure about offering concessions without demanding anything from the other countries. Although Mahatir would most likely have stronger words, economist Ghazali Atan stated, "I do not know if it's strategic"(The Nation, March 5, 1996).

Conclusion

The fate and direction of APEC and AFTA are still uncertain; it remains unclear if APEC will succeed in overshadowing AFTA. But one thing is apparent: The fate of these regional trading forums should not only rest with the unfolding official negotiations and debates, but with research and activism concerned with the undemocratic processes which bore them and their potentially socially destructive natures.

*Ma. Salome Bulayog is a research associate at FOCUS on the Global South, Bangkok.

REGIONAL ROUNDUP

The Manila People's Forum on APEC 1996
25 April 1996 Launching Statement

Across the 18 countries that make up the Asia-Pacific Economic Cooperation (APEC), this regional forum -- which aims to dramatically accelerate full trade and investment liberalization -- is being peddled by governments as an ideal arrangement that will enhance the prosperity of people in the region.

But we who have been observing the APEC processes, who have long been advocating the interests of various communities in the Asia-Pacific region, contend that there is more to APEC than this. As we sated in our last gathering in Kyoto, parallel to the 1995 APEC Summit in Japan, the basic framework embraced by the APEC agenda -- which privileges economic growth through unrestricted trade and investment -- does not lead to equity nor freedom. Our experiences with liberalization have shown that the indiscriminate, unregulated economy it advocates imposes irreversible social and ecological costs.

We who belong to various people's movements in the Asia Pacific region believe that the drive for economic growth should be tempered by a strong regard for people's rights and interest. We also believe that communities and sectors must be privy and party to any far-reaching economic decisions whose costs will be borne by them. Thus, when the leaders of 18 member-

countries of the APEC meet here in the Philippines in November to submit their specific plans for trade and investment liberalization, they shall be met
by some 300 delegates from NGOs and people's organizations across the region who will hold their own parallel gathering and assert the inclusion of people's concerns and proposals into the APEC Summit's agenda.

APEC has always held a tradition of unaccountability and lack of transparency. While the ministerial meetings and leaders' summits often become photo opportunities for the member-countries' heads of state, the real essence of the APEC agenda is hammered out behind the scenes by private sector consultants, technocrats and liberalization lobbyists. And because the APEC touts itself as an alliance of economies -- implicitly outside the framework of national governments -- it has become very difficult to monitor and hold to account. In this sense, APEC allows governments to abdicate their responsibilities to communities who bear the costs of economic liberalization, leaving them at the mercy of transnational corporations and international financial institutions who are accountable to no one.

The Manila People's Forum on APEC 1996 will strive to be a venue where people can assert their right to chart their countries' and communities' pace and course of development. While we recognize the need for trade, cooperation and economic growth, such growth must never be at the expense of people's rights, community solidarity, and ecological sustainablility. The pursuit of development must always place the needs of people and nature at its core.

We therefore urge governments who are members of APEC to ensure effective people's participation in decision-making, to privilege their people's interests, and to practice transparency and accountability in all aspects of trade and investment negotiations. We also call for regional cooperation that genuinely promotes socially and ecologically sustainable development. These are the principles upheld in the Kyoto parallel summit, and which we shall continue to assert as we launch the Manila People's Forum on APEC 1996.

Contact information: Manila People's Forum on APEC 1996, Rm. 209
PSSC Bldg., Commonwealth Ave., Diliman, Quezon City, Philippines,
Tels: 632 929 6211, 922 9621, Fax: 632 924 3767.

HIGHLIGHTS

Trade Liberalization & Food Security

The current global trend of rapid trade liberalization of agriculture necessitates an urgent and sustained response to ensure a secure and democratic food production and distribution system. In February 1996, over 100 representatives of NGOs participated in the Southeast Asian NGO Conference on Food Security and Fair Trade in Manila, hosted by MODE

(conference papers may soon be available through the FOCUS website).
The three-day conference bore a Southeast Asian Liaison Committee on Food Security and Fair Trade. The Liaison Committee was createdto conduct research, to network and to do advocacy work on the issue of regional trade liberalization and its impact on food security. The Secretariat
is currently based at the MODE office and will move to the FOCUS office by December 1996.

Contact information: Southeast Asian Liaison Committee on Food Security and Fair Trade Secretariat (until November 1996): c/o MODE, Unit 1102 Goldloop Towers 1, Amber Ave., Pasig City, Philippines, Tel: 632 633 8589, Fax: 632 633 5191, E-mail: <mode@phil.gn.apc.org>
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On April 29-30, 1996 more than 100 representatives of NGOs participated in the Asia-Pacific FAO-NGO Meeting in Bangkok in preparation for the World Food Summit later this year. The meeting served as regional input into the World Food Summit. Organizations such as ANGOC will be in close contact with the FAO to ensure Asian farmer's groups, NGOs and people's organizations concerns are brought to the Summit.

Below are the Preamble and Conclusion to the "Proposed Draft Declaration of the Asia-Pacific NGO Meeting in Preparation for the World Food Summit"

Preamble:

During the last two decades we have witnessed governments from both North and South come together in the United Nations and other international forums to make solemn commitments to advance, among others, sustainable development and food security. These commitments were made with knowledge that there is more than enough food to feed the world's peoples. However, more than 20 years after the First World Food Conference, where it was declared that the elimination of hunger was just a few years away, there are more hungry people, there are more poor farmers, and agriculture is in a worse state.

The current crisis of agriculture and farming communities throughout the South stems from the exacerbation of existing poverty and inequity by three major trends:

first, the promotion of Green Revolution technology without regard for its social and ecological consequences;

second, the submission of agriculture and farming communities to strategies aimed at rapid urban industrialization;

third, the dissolution of small farming households owing to indiscriminate liberalization policies allowing the entry and dominance of extremely powerful multinational agribusiness.

While there have been local initiatives in sustainable smallholder and community-based agriculture, these have been relatively few in number and overwhelmed by these larger forces. Unless appropriate strategies are devised and immediately implemented, our farming communities face extinction and food security will become a permanent condition for all.

Democratic control of the food system is the ultimate test of democracy. Food security cannot be ensured by entrusting agriculture, food production and trade to global markets. Land, water, biodiversity, traditional and intellectual practices, which are the vital resources that make food security possible, should stay under the democratic control of those who produce the food and local communities themselves, with special emphasis on establishing mechanisms to ensure the participation of women at all levels of the decision-making process.

Therefore, a new social contract needs to be established among Asian farmers, Asian peoples and Asian governments. This social contract must:

be people-derived, people-led, and people-managed;

be based on a vision that places the integrity of local farming communities and food security of the national community at the center;

be implemented via strategies that promote social equity, gender balance, people's empowerment, ecological sustainablity;

include policies aimed at immediately countering the negative impact of forces and institutions that promote food insecurity, namely the WTO, the GATT Agricultural Accord and international financial institutions.

Immediate Measures (Conclusion):

Immediate measures must be taken to prevent the further erosion of food security. In this connection, we further demand that Asia-Pacific governments firmly oppose the indiscriminate and binding liberalization initiatives being proposed by some governments in the Asia-Pacific Economic Cooperation (APEC).

We urge a halt to the coercive, unilateral trade initiatives employed by some powerful governments to undermine the food security of more vulnerable countries.

We also wish to express our concern that the FAO's progressive views on food security are increasingly undermined by the organization's acceptance of the emphasis on indiscriminate trade liberalization promoted by the World Trade Organization. We caution the FAO to resist this colonization; and we urge the FAO instead to listen to the rising and increasingly organized voices of the poor and marginalized.

While critical of the FAO documents and many of the practices of the FAO, we in the NGO's nevertheless welcome its effort to consult the NGO community and people's organizations in the process leading up to the World Food Summit. We ask the FAO to cast its lot with the poor and the marginalized communities of farmers, fisherfolk, and forest dwellers in an expression of faith on the possibility of change. With such a partnership, we can turn the World Food Summit from an event legitimizing the corporate subjugation of the countryside and destruction of food security into a historic opportunity to reverse the erosion of food security and the degradation of agriculture.

Contact: ANGOC <angoc@econet.apc.org>

RESOURCES

Summary/Review: "Captial Flows in the APEC Region", an IMF Working Paper

by John Gershman
Institute for Development Resesarch, USA

This IMF Working Paper contains three essays and about 15 pages of charts relating to capital flows in the APEC region. These papers were prepared by IMF staff in response to requests made by the APEC Ministers of Finance, and presented at APEC Finance Ministers meetings in 1994. The papers were not updated to draw lessons from or evaluate the Mexican collapse. As an occasional paper, it does not necessarily reflect the views of the IMF.

The chapters cover portfolio flows to developing country APEC members, macroeconomic management issues raised by capital inflows, and the effects of capital flows on domestic financial sectors in APEC developing coutries.The appendices provide a wealth of data on types of capital flows to and among APEC member countries.

Shogo Ishii and Steven Dunaway's chapter on "Portfolio Capital Flows to the Developing Country members of APEC" describes the shift in importance from syndicated bank loans to portfolio investment as the fastest growing form of capital flows from North to South. In 1993, the developing country members of APEC received about 85% of all capital flows to developing countries. There is a notable contrast between the Latin American developing country APEC members (Chile and Mexico) and the Asian developing country APEC members in terms of the relative weight of portfolio investment as a percentage of overall capital inflows, versus direct
foriegn investment. Another notable developent has been the rise of Taiwan and South Korea as investors in the region.

In "Macroeconomic Management in APEC Economies" The Response to Capital Inflows" Mohsin Khan and Carmen Reinhart survey the macroeconomic responses to capital inflows, with a focus on Asian countries and economies and occasional comparisons with Latin America. They note similarities in the magnitude of swings in the capital accounts, heavy intervention by monteray authorities, increases in stock and asset prices, an acceleration in economic growth and an increase in private bond and equity financing.

They do note a significant difference between Latin American and Asia developing APEC member countries. Capital inflows in Latin America are associated with significant real exchange rate appreciations; such appreciations are less common in Asia. They identify several possible explanations for this difference: nature of aggregate demand, nature of public sector consumption; different import profiles, with greater import of capital goods in Asia, and imports for direct consumption in Latin America, and more effective 'sterilization ' of capital flows by central banks in Asia than in Latin America. They do not try to explain why these countries pursued these different policies, and why 'sterilization' was more effective in Asia than Latin America, for example.

They also examine the extent to which internal or external factors are driving these capital flows, and argue that domestic factors alone "cannot explain why capital inflows have also occurred in countries that have not taken reforms and have not stabilized, or why they did ot occur in countries where reforms were introduced well before 1990."(p.25)

In the third chapter David Folkerts-Landau et al explore the impacts of capital flows on banking systems and capital markets of APEC developing countries. Significantly, they acknowledge that "the distinction between long-term international portfolio investment and short-term "hot money" is no longer helpful." (p. 32) They evaluate challenges posed by capital inflows for the operation of the banking sector and newly-integrated capital markets, as well as regulatory obstacles. They highlight the volatilty of portfolio investment as a major challenge for policymakers.

A common theme to all the papers is how good regulation is essential to make markets work, and how effectively calibrated state intervention is essential both to create markets and to 'make markets work.' But as with most IMF papers, the political economy side is missing, which would evaluate why certain countries were more able to weather the aftermath of the Mexico collapse for example, or forstall such a crisis in the first place. The 'logic of integration' is never challenged; rather it is presented as a technical policy question (e.g., timing and sequence of integration).

Mohsin S. Khan and Carmen M. Reinhart (eds) Capital Flows in the APEC Region (Washngton, D.C.: IMF, March 1995).

New Paper on Trade Agreements and Social Clauses!

The Labor Studies Department at the University of Adelaide is about to publish a collection of articles on trading agreements, social impacts and social clauses, including APEC and NAFTA. For copies, contact Ray Broomhill: <rbroomhi@arts.adeaide.edu.au>

FOCUS Website! URL: http://www.nautilus.org/focusweb

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APEC-related information and internet links.

ANNOUNCEMENTS

ALARM -- A New APEC-Focused Project

The APEC Labor Rights Monitor (ALARM) project was launched in April 1996. ALARM aims to monitor and disseminate information on labor rights, issues and actions in Asia and Pacific rim countries, with emphasis on the APEC countries. Its main tasks are: to gather, monitor, analyze, disseminate and publish information about the status of workers and labor rights in the APEC region for lobbying, advocacy and networking purposes; to campaign, organize, and do education work; to help develop lobby and agenda papers for ALARM partners for the 1996 and 1997 parallel APEC forums; to help build workers' solidarity and networking by serving as (a) a channel for "action alerts" and "solidarity appeals"; and (b) a
general communication post among the groups involved in the project.

For more information, contact: ALARM Secretariat, c/o Asian Migrant Centre, 4 Jordan Road, Kowloon, Hong Kong, Tel: 852 2312 0031, Fax: 852 2992 0111, E-mail: <alarm@hk.super.net>

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Nautilus Institute
2342 Shattuck Ave. #300, Berkeley, CA 94704 | Phone: (510) 423-0372 | Email: nautilus@nautilus.org