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Focus-on-Trade continues, under a new name, the electronic bulletin formerly known as Focus-on-APEC. The new name reflects the expansion of the concerns of Focus on the Global South to trade forum and organisations beyond APEC, including the World Trade Organisation (WTO) and the ASEAN Free Trade Area (AFTA). Focus-on-Trade will contain updates on trends in world trade, but its emphasis will be analysis of these trends from an integrative, interdisciplinary viewpoint that is sensitive not only to economic issues, but also to ecological, political, gender and social issues related to developments in world trade.

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Focus on the Global South is an autonomous programme of policy research and action of the Chulalongkorn University Social research Institute (CUSRI) based in Bangkok.

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APEC UPDATE

Environment ministers avoid the issues

Report on APEC Environment ministers meeting June 9-11, 1997 in Toronto for the Canadian Environmental Network (CEN) by Aaron Schneider

The Asia Pacific Economic Cooperation (APEC) Environment Ministerial Meeting was more remarkable for the legion of issues that were avoided than those that were discussed. Environment is clearly peripheral to the main agenda of regional trade liberalization and rapid economic growth among the world's 18 most dynamic economies. However, there have been strong statements of concern by APEC members about the environmental degradation and poverty already at crises levels in the region and for the critical strain on all resources as the populations of already crowded cities swell early into the next century. Canada, as the host and chair for 1997 APEC meetings, had the
opportunity to take strong leadership on three environment agenda
items that had received substantial support in Manila last summer:
Sustainable Cities, Cleaner Production and Sustainability of the
Marine Environment. Canada also attempted to make progress on two
items that were less predictable in terms of support: the Impact of
Expanding Population and Economic Growth on Food, Energy and the
Environment (FEEEPS, an awkward acronym but try EPEGFEE), and
Sustainable Growth, an attempt to link social and environmental
considerations directly to economic decision making. There is an
abundance of information on line in the form of summary, analysis,
critique, press clippings and documentation from IISD, Nautilus Inst.
(US), APRENet, and Environment Canada. I will not attempt to cover all
that ground as it is already filling the email boxes of most who have
announced an interest in APEC, but I will offer a brief summary for
context and my comments. It is not clear how much APEC will exacerbate
the rapid development already taking place in the Asia-Pacific region,
but it certainly aims at the further liberalization of any barriers to
trade and investment in the region. The question for this meeting was:
can the environmental and social impacts of these developments be
mitigated through voluntary commitments by APEC member economies?
(Although APEC members were officially represented by their
governments' environment ministerial delegations, they are referred to
as member "economies", implying an almost supra-national forum to this
meeting where the "economy" exists as a popular and representative
body. I must admit to having difficulty with the implied concept.)
There are at least two fundamental difficulties that are unlikely to
be resolved. The first is the dichotomy between the path of trade
liberalization and that of environmental/social concerns. Unless
environment and human welfare are integrated into the economic path as
the primary objective of any further development in the region, it is
unlikely that significant progress can be made and further disaster avoided. Mitigation strategies and damage control are unlikely to receive strong enough support while they are seen as peripheral to the main theme of increasing wealth. The second fundamental difficulty is the elite nature of the proceedings and the lack of involvement of the civil society as might be represented by established human rights, environment and development NGOs. Of all the delegations, the only ones to have NGO representatives were Canada (2), the U.S. (1) and the Philippines (1). My attempts to insert language referring to the future inclusion of NGOs in the Joint Statement were reduced to a less specific reference to "broader society" even though some of the members including Japan (in the Sustainable Cities discussion) called for the inclusion of NGOs. The problem remains that without the work and coordination of NGOs that are highly developed as extension service providers in countries like Thailand there is no practical way of implementing the necessary actions for achieving broader social/economic equity and environmental protection. Most governments do not have that capacity. There is also no other way of guaranteeing a reality check on priorities and goals that is independent of corporate interests and is responsive to the interests of the civil society. Much was made of the APEC Youth Caucus as the link to public conscience and it is true that they (The Dialogue with Youth) provided an innovative breath of fresh air with their paperless conferencing and their claim to the present as well as the future. But they were not the old NGOs with long histories on the substantive issues that APEC members for the most part wished to ignore here. They were a safe bet because their demands were general enough to receive polite approval and not require rendering into compromising agreements. The first two agenda items were easily passed: Sustainability of the Marine Environment focused on integrated approaches to coastal
management, marine pollution, and marine resources. The approach being one of research, information and technology exchanges, capacity building, education and training, and public/private sector partnerships. Cleaner Production focused on "sustainable industrial development" through "cost effective environmental management techniques" including "development and use of tools to facilitate cleaner production,...established science, technology and research networks,...sharing technical and policy information." Despite the familiarity with problems which range from factory effluents and agricultural chemicals to mine tailing wastes, there was nothing as specific or substantive as the negotiation of time lines for waste reduction (no less zero emissions), mandatory performance standards, or innovative industrial grouping to use wastes from one industry as feedstock for another. More basically of course, there was no mention of reducing consumption and demand as a way of reducing waste. This was left to separate deliberations regarding "sustainable growth". Sustainable Cities was strongly put forward by Canada as a major cross sectoral topic that could possibly show what "sustainable development" could mean in practical application. The challenge faced by APEC members is the accommodation of the swelling urban populations of the 21st century with 70 per cent of the region's people living in cities by 2015. The background rhetoric addresses the need to "harmonise economic prosperity with environmental and social considerations", and that "Healthy natural systems (ie. natural filtration systems - forests), are fundamental requirements" and generally recognises the importance of protecting ecosystems to protect and provide for human needs in cities. The approach taken is based on the designation of "five salient barriers" to achieving sustainable cities: inadequate use of knowledge, disincentives to investment, separation of agendas, the lack of broader involvement of people, and lack of attention to
the needs of the poor. Although the language in the discussions and
the joint statement aimed at actions to address the removal of these
barriers, the agendas still appear to be crippled by separation and
the exclusion of key players. There appeared to be more reliance on
new technologies for transportation and green infrastructure and novel
methods of financing ($3 trillion in the next 10 years requires long
term capital decisions. Paul Antil of the Canadian Env. Inst. Assoc.
suggested APEC common currency bonds and an incremental gas tax), but
nothing as progressive as tax reform was openly suggested. Reduction
of the lead in gasoline was one of the few concrete action measures
agreed upon. There was a general deferral of broader environmental
issues to other fora of international treaties such as UNGASS coming
up in New York, and the Framework Convention on Climate Change in
Kyoto in December was expected to develop legally binding emissions
reductions for developed economies "in a way that maximises national
flexibility in meeting these targets". FEEEP and Footprints: The
Impact of Expanding Populations and Economic Growth on Food Energy and
the Environment. This was probably the segment where Canada made the
best attempt to connect APEC with reality. Given the APEC situation,
it should not have been surprising that it didn't get very far, but it
was disappointing non the less, especially considering that the
content included the discussion paper by William E. Rees, PhD of
University of Bristish Columbia's School of Community and Regional
Planning, "The Ecological Footprints of Growth, Tracking the Global
Economy". UNEP's recent Global Environment Outlook states that "human
use and pollution of water, soils, forests, fisheries and urban air is
depleting these renewable resources faster than they can naturally
recover". There was a sense that this was a result of failure to
include the environment as a product and capture the full cost of
environmental effects in the "bottom line". In Canada's draft paper to
the ministerial discussion on FEEPS, Rees' Footprint Analysis goes much further than the simplistic solution of treating the environment as capital (including environment in the GDP) and faces the fundamental question of human carrying capacity as a function of per capita consumption. Rees clarifies what is conceptually at fault with the current "technological expansionism" paradigm which is the assumption behind most discussions of sustainable development today. He also presents an "ecological paradigm" and the Ecological Footprint Analysis which shows how much land is appropriated (from someplace) to supply the resources consumed by each city, region or nation. That this far exceeds the land base of most developed countries (Canada and Australia are exceptions), indicates their ecological deficits and indicates that there is "not enough natural capacity on the planet to sustain present international development trends using prevailing technology". Rees points out that advocates of growth have convinced us that human technology has mastered nature and can either mitigate the impacts of development or else create substitutes for what has been or will be destroyed. (This was a current provided to the APEC meeting by the Canadian Environmental Industries Association which predicted $3billion and 1.8million jobs in the next three years for its "sunrise industries".) Rees reminds us that economic theory is predicated not on the maximisation of production but on improving human welfare which will best be served in the long run by preserving the reliable flow of material, spiritual and aesthetic goods from the ecosphere. In this accounting lower production leads to better welfare for the industrialised countries and leaves room for some catching up for the less developed. Predictably this did not go over with most other delegations and it was dropped from the agenda for discussion by the Ministers. It was, however, heartening to see Canada's delegation (led on this by Avrim Lazar) having the backbone to try it on APEC if
only to underline what is really at stake. The discussion dwindled to
the suggestion that Canada lead the drafting of a paper highlighting
the “integrated nature of the environment with other FEEEP components
by looking at the Sustainability of consumption and production
patterns within the APEC region as a whole (without focusing on
individual economies)” to be ready for the Economic Committee’s FEEEP
symposium on September 2nd. Sustainable Growth was a discussion of how
to promote environmentally sustainable growth (development was used
interchangeably) in APEC assisted by a Canadian paper and an
Australian “non-paper” the substance of which was the usual
formulation of sharing knowledge, building capacity, public/private
partnerships and coordination mechanisms. Isolated from all the other
agenda items, this section on sustainable development seemed to lack
focus until the chair asked for an expression of issues of concern
from the members. At this point, the Republic of Korea attempted to
push a resolution to ban the export of nuclear reactor wastes in the
region, citing Taipei as taking advantage of North Korea to dispose of
nuclear wastes. This was seen as a bilateral issue, but an attempt was
made by the chair (John Fraser) to separate out the general essence
for a resolution. Although China gave initial strong support to Korea
(surprising, considering that they dump their nuclear waste in Tibet),
they finally were unable to agree to the minutia of wording and it was
dropped from the joint statement as an impasse. Conclusion and
implications for NGOs: My presence on the delegation provided an
opportunity to see what is attempted, even if it fails, and to learn
the character of some of the people working in the delegations. Larry
Funnell (DOE) was very helpful in coordinating my participation and in
distributing my comments to other delegates, including those I faxed
to him before the meetings. There was also the opportunity to network
with the few other NGOs and to encourage other delegations to include
NGO reps. At future meetings. The important issue remains: What is the best way to influence the process? I judged that the demonstrations outside the meetings had some general effect on the delegations, and I did my best to clarify their message in side conversations. Also, I don't think my presence could be seen as CEN complicity with APEC. The process has many structural flaws, not the least of which is the lack of real NGO (and Public) participation although it is often raised as an open question in the discussions. But NGO participation would have to run deeper than simply presence on the delegations. Not all APEC members have the same appreciation of democracy. To back away from these limited agendas and look at the big picture for a moment, I think we, as the CEN collective, must deal with the general shift toward privatisation of public interests, the shrinking of government responsibilities, and the steady growth of corporate power over all resources which increasingly reduces all levels of government to corporate clients. APEC is one of numerous regional trade liberalization treaties which, together with MIAs and MAIs, will soon reduce nations to serving corporations first and regarding their citizens as "populations" to be managed rather than people with aspirations and legitimate needs. To deal with this effectively, I think it is necessary to integrate our own environmental, social and economic concerns if we are to affect integration of those agendas in organizations like APEC. It will take strong political movement and extra-political action to reverse this drift backward in social history.

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Distributed by the Nautilus Institute for Security and Sustainable Development (apologies for cross postings)

APEC: Outta sight should not be out of mind by Nicola Bullard* Apart from the brouhaha of the annual leaders' summit- one of the year's
best photo opportunities - APEC rarely gets a mention in the economic pages, let alone the headlines. But although APEC may be out of sight, it should not be out of mind. Throughout the year bureaucrats, expert committees, advisers and senior ministers toil away from the spotlight shaping policy advice, agreements and ministerial statements on issues such as the pace of trade liberalisation, foreign investment regulations, environmental standards, and dispute procedures. These are matters of importance, and we need to pay attention to what APEC is doing on our behalf, even if it is in our absence. Take for example the meeting of finance ministers held this April in Cebu and enthusiastically opened by Philippines’ President Ramos who declared that ‘continued rapid development of the region required freer movement of capital, the development of domestic capital markets and the increased private provision of infrastructure’. The meeting closed on a more restrained note, with the finance ministers adopting a set of voluntary guidelines to ‘ease capital flows and sustain the region’s economic growth’ which are extremely vague and peppered with provisos such as ‘with due respect for our diversity and different levels of development’. The guarded tone is significant, indicating only modest enthusiasm for a free-for-all approach to capital flows and foreign investment and no doubt reflecting the lessons (hopefully) learned from Thailand’s recent tribulations resulting, at least partly, from uncontrolled capital flows. Significant, also, is the ministers’ commitment to support the resumption of talks to achieve a WTO financial services agreement. Meanwhile in Paris, the world’s 29 wealthiest countries (the OECD) are negotiating their own Multilateral Agreement on Investment (MAI). The MAI is due to be concluded in May 1998, and will establish a new international standard for investment regulations. It aims to ease the movement of capital across
international borders by limiting the power of governments to restrict and regulate foreign investment. In effect, this could mean almost complete deregulation of investment. Once this standard is adopted it could prove to be an irresistible blueprint for the WTO financial services agreement. If this happens, the sensitivities and national concerns so carefully accommodated in the Cebu voluntary agreement will get crushed in the rush for a binding WTO agreement. However, APEC ministers cannot complain if the pace is forced, after all, they endorsed the resumption of talks at the WTO. One month later, in May, APEC trade ministers met in Montreal to review progress in trade liberalisation. Again, the final agreements are vague and non-binding with a commitment to consider proposals for ‘sector-by-sector’ liberalisation at the November APEC Summit in Vancouver. And again there is a commitment to ‘defining how APEC could best continue to support the multilateral trading system under the WTO’. To see where all this might be leading, it is interesting to recall the fate of the information technology agreement which the US pushed through last year’s APEC Summit. The Manila Declaration called for ‘the conclusion of an information technology agreement by the WTO Ministerial Conference that would substantially eliminate tariffs by the year 2000.’ At the November 1996 WTO conference in Singapore the US, bolstered by the APEC mandate, rammed information technology to the top of the agenda and got what it wanted -- an agreement covering 85 per cent of world trade in IT products to reduce tariffs to zero by 2000. In fact, US trade representative Charlene Barshefsky noted in her press conference after the WTO meeting that ‘Without the support of APEC for such an agreement, there is no way this agreement would have come out of Singapore’. Springboard to the WTO The US, continually frustrated with the lack of progress in setting specific targets and reaching firm agreements
on trade liberalisation within APEC, has changed its gameplan. At the
May 1997 Montreal Trade Ministers meeting, Trade Representative
Barshefsky commented that APEC has decided to play a 'catalytic' role
where agreements can be negotiated to achieve a 'critical mass' which
can then move rapidly through the WTO. 'With APEC pushing,
agreements can build momentum faster with fewer countries needing to be consulted', according to Barshefsky. This is both disturbing and illuminating because it highlights the possibility of APEC's non-binding agreements being pushed through the WTO on the basis of their support in APEC without there being any room for discussion, broad consultation or dissent. Illuminating, because it shows the US strategy of using APEC as a springboard to get issues onto the WTO agenda. Although its agreements are non-binding, the fact that APEC's 18 members represent almost half the world's merchandise trade means that de facto APEC agreements carry weight at the WTO. Slowly but surely the pieces of the global free trade jigsaw are being put in place. Last week the US unveiled its trade and investment interests in Southern Africa and other regions can expect the same attention once their macro-economic indicators and growth rates reach a respectable level. No doubt the international financial institutions are doing their bit to ensure that this is sooner rather than later. There can be no illusions about the US trade objectives. The 1997 Trade Policy Agenda notes that 'President Clinton has designed a fair trade policy that seeks to take advantage of the increasingly global economy in a manner that benefits American workers, American businesses and American families.' It goes on to say that 'trade is the tool by which we can project America's core values globally' and it seems that every strategy is legitimate in pursuit of these goals. APEC may be out of the spotlight, but it is still one of the key building blocks for a global free trade regime.
Importantly, it is also one of the few forums where 'diversity and different levels of development' are recognised and, as such, member states should be wary of their carefully nuanced agreements reflecting that diversity being steamrollered by the WTO. Equally worrying is the fact that issues which really effect people (as opposed to the politicians) such as the impact of trade liberalisation on agriculture and the environment, barely rate a mention. *Nicola Bullard is a senior associate with Focus on the Global South, an autonomous programme of policy research and analysis of the Chulalongkorn University Social Research Institute.

Canadian senate backs free trade

The Canadian Senate has issued a report entitled “The Importance of the Asia Pacific Region for Canada” (June 1997). The report praises APEC initiatives and calls upon the government to follow up on five recommendations: 1. That, as the host for APEC activities in 1997, the Government of Canada use this status to continue to strengthen the members' trade and investment liberalization commitments. Firm targets and timetables for future liberalization initiatives should be adopted at the November 1997 APEC Leaders Meeting in Vancouver. 2. That Canada as chair of APEC for 1997, take every step possible to encourage APEC members to make concrete, longterm commitments to reduce non-tariff barriers as well as tariffs. 3. That the Canadian government purposefully guide APEC towards the establishment of targets and timetables for the near-term elimination of barriers to investment in the Asia Pacific region. 4. That, to enhance investment and investor certainty in the Asia Pacific region, Canada urge other APEC economies to work together to achieve a substantial tightening of APEC's existing non-binding investment code. 5. That Canada, in its role as current APEC Chair, caucus with APEC members on increasing the
probability of an early and positive decision on China's accession to
the WTO. In a short paragraph at the end of the report, entitled
"Other Canadian Priorities", there is a reference to Canada's
intention in 1997, to open APEC to youth, women's groups and NGOs in
the decision-making process. The Senate report states that the
Government will do this in the following ways: i. involving youth
in APEC sectoral ministerials and a youth forum ii. providing
analytical and logistical support the APEC Peoples Summit iii.
providing over $200,000. for NGO Conferences in 1997. The Senate makes
no recommendation regarding the participation of civil society. To get
a full copy of the report, please call 1 613-990-6080 or fax 1
613-947-2104.

WORLD TRADE ORGANISATION MONITOR
The "Shrimp-Turtle Controversy" and the Rise of Green Unilateralism by
Walden Bello* GENEVA--Thailand and other Asian countries are
central actors in a dispute that is shaping up as a landmark battle in
the volatile area of trade and the environment: the so-called
shrimp-turtle controversy. The World Trade Organisation (WTO)
recently agreed to a request to convocate a dispute settlement panel to
rule on the compatibility with WTO trading rules of a US ban on the
import of shrimps caught in the wild with nets that are not equipped
with "turtle excluding" devices. The move, which also covers
products from shrimps caught in such a fashion, is meant to protect
an internationally recognised endangered species, the sea turtle, and
is based on the US Endangered Species Act which requires US shrimp
fishermen to equip their nets with such devices. Round Two The
shrimp-turtle issue is widely regarded as Round Two of the
trade-environment dispute, the first round being the tuna-dolphin case
that played out in the early 1990's, which was instigated by the US
ban, based on that country's Marine Mammal Protection Act, on the
import of tuna caught with purse seine nets, which were supposed to entrap large numbers of dolphins. A GATT disputes resolution panel ruled against Washington, but the decision was never adopted by GATT (the precursor of the WTO), leaving the US technically unconstrained by the ruling. The current move affects shrimp exports to the US from an estimated 40 countries, the most significantly affected being Asian countries. While Thailand, Malaysia, and Pakistan are the formal complainants, some 25 other countries have already reserved their rights as "interested parties." Although Washington has lifted the ban on shrimps from Thailand because it is already equipping its fishing fleet with turtle-excluding devices, Bangkok is joining Malaysia and Pakistan as a complainant "out of principle." Most likely, it is from self-interest, since the Thais would like to preempt the application of the US law to shrimp that are raised in aquaculture farms, which account for 75 per cent of Thailand's shrimp production. This is not an unreasonable fear since environmentalists also contend that shrimp farms are extremely damaging to mangrove ecosystems. The Philippines has come on as an interested party for the same reason. As one Geneva-based Filipino diplomat told us, "We're not affected now. But if the Americans extend the ban to aquaculture products, then we will really be hit hard since most of our shrimp exports are produced in aquaculture farms." Northern Versus Southern Environmentalists Like Asian trade officials, though for more complex reasons, Asian environmentalists have also been drawn to the dispute, which has split the global environmental community. Many Northern environmental organizations either explicitly or tacitly support the US move. For them, the issue is not unilateralism but the principle that trade restrictions can be placed on imports not only on the basis of the nature of a product per se but also on the basis of how it is produced—that is, governments ought to be able to restrict imports if
they are produced with unsustainable production processes and methods (PPMs). Their big worry is that the WTO dispute resolution panel will rule as the old GATT did in the tuna-dolphin case: that the US move is unjustified because it is not based on product characteristics but on PPMs, which is said to go against current international trading rules. Asian and other Southern environmentalists are caught in a dilemma. On the one hand, they are concerned that the sea turtle is indeed in danger of extinction and deep-sea shrimp fishing without turtle-excluding devices does contribute seriously to their decimation. On the other hand, they are bothered greatly by the US move to apply its domestic law to activities that take place outside US jurisdiction. The US ban, to them, seeks to achieve a fine objective with the wrong approach—unilateralism. For them, restrictions ought to be applied not only to shrimps harvested in the wild but also to those that are produced in environmentally damaging aquaculture farms, but this should be done according to clearcut rules of multilateral environmental agreements (MEAs) that are negotiated among countries. Moreover, trade restrictions should be paralleled by positive moves that compensate the affected producers and provide for technology transfer that would assist them to shift to more sustainable PPMs. The tendency among Southern environmental NGOs to line up against the US ban is more pronounced now than during the tuna-dolphin conflict. Perhaps one reason is that the shrimp ban takes place in the context of a US trade strategy that has in the very recent past become more unilateralist and more aggressive toward the South, especially toward Asian countries. This trend has accelerated despite the founding of the WTO, which was supposed to strengthen and expand a “rule-based” multilateral system of international trade governance. The March of Unilateralism Since the WTO came into being in January 1995, the US has threatened to impose Special 301
sanctions on China twice for alleged intellectual property rights (IPR) violations and threatened Super 301 sanctions against Japan and Korea for restrictions on the imports of automobiles and automobile parts. In the last two years, Washington has also placed practically all of its other partners in the Asia Pacific Cooperation (APEC) on the "priority watch list" or "watch list" of "IPR violators," a move which makes them candidates for sanctions under the Special 301 Section of the US Trade Act. Moreover, the US has used the WTO in fairly blatant ways to push its trade interests. It has, for instance, set itself up as the key arbiter of whether or not China will be able to join the WTO. And Washington has shamelessly used key WTO gatherings, such as the First Ministerial Meeting in Singapore last December, to push through initiatives which will principally benefit US corporations, like the landmark Information Technology Agreement (ITA) to reduce tariffs on IT products to zero by the year 2000 among the countries that control over 95 per cent of IT trade.

Despite pleas from the WTO Secretariat and other WTO members that it disavow Super 301 and Special 301, Washington has affirmed their use and explicitly confirmed unilateralism as the main prong of US trade strategy. Shortly after the ratification of the GATT-WTO Agreement, for instance, then US Trade Representative Mickey Kantor told the US Senate Finance Committee in April 1995: "We will continue to use every tool at our disposal--301, Super 301, Title VII, GSP, the Telecommunications Trade Act, or WTO accession--to open markets around the globe." This stance has recently been reaffirmed by Kantor's successor, Charlene Barshefsky, who told a US House of Representatives Committee on March 18: "There are some who believe that simply opening markets on a global scale is the be-all-and-end-all, no matter how it is done or no matter who benefits. I subscribe to a different view. It is imperative that we open markets in a manner consistent with the
rules of the WTO, but we must make sure Americans benefit directly from the process, and to do that Americans must drive the rules of the new global landscape and the opening of markets." It is in this context of accelerating American unilateralism that many Southern environmental NGO's are staking their positions in shrimp-turtle debate. For them, it is unfortunate that it is on the shrimp-turtle issue that the lines are being drawn in the struggle against unilateralism, but to make an exception of this case is would be tantamount conciliating unilateralism, with all the potential perils this would pose to the well being of Southern societies and environments. The Threat of Green Protectionism Many Southern environmentalists seek a harmonious relationship between environment and development, and they see a serious threat to sustainable development emanating not only from unilateral trade measures like the shrimp ban but also from a whole set of environmental measures that, while taken for a good cause, become de facto a form of "green protectionism." More and more in the North, environmental product standards are going up, with detrimental effects on Third World producers. For instance, a study on the impact of such measures on Indian industry done by the United Nations Conference on Trade and Development (UNCTAD) has found that in the leather tanning and textile industries, which are key export earners, the costs of eco-friendly dyes required to meet international standards in the leather-tanning industry are approximately three times higher than the costs of the dyes currently being used. Also likely to have a negative impact are new packaging laws which are meant to reduce the quantity of packaging and promote its recovery and recycling. Here simply getting information on and understanding packaging requirements in different Northern markets is difficult and costly. Meeting new rules on recycled or recyclable content for packaging often adds significant
costs, especially when Southern producers have to import green packaging material to be able to export their goods to certain markets. The reduction of market access posed by packaging requirements is already very real for some countries. In Thailand, for instance, exports of frozen fishery products have been negatively affected, and other sectors dependent on significant quantities of plastic and non-biodegradable matter for packaging are likely to suffer as well. "Ecolabelling" or specifying the environmentally relevant contents or production method of a product is also perceived as posing new threats to market access although most significant eco-labelling programs in the North are still voluntary. This is especially the case in premium markets made up of environmentally discriminating middle class consumers. To compete, Southern producers find that they must invest significant amounts in raw materials, new chemicals, new production processes, and testing and certification.

For Indian leather products, the cost of testing and certification alone is said to be as high as 33 per cent of the current export price. Thailand and other Asian countries need to take the trend toward higher environmental product standards and ecolabelling in the North seriously since according to UNCTAD, 60 per cent of Asia's manufacturing exports originate in areas where new environmental requirements are emerging. Governments have to pay special attention to the needs of their small and medium entrepreneurs. As a study of the secretariat of the WTO's Committee on Trade and the Environment has underlined, while the big Southern manufacturers might have the capital and technological capabilities to adjust to higher environmental standards, small and medium enterprises, who have neither the cash nor technological sophistication, will face difficulties. Needed: An Environmental Marshall Plan Most Southern environmentalists do not oppose the raising of environmental product
standards in the North. In fact, they support it. But in order to prevent this trend from turning into a situation of de facto green protectionism that discriminates against developing country producers, they underline the importance of positive measures, such as technology transfer aimed at upgrading and rendering more environmentally friendly the production processes in the South. This would include loosening patent and copyright rules so as to facilitate the adoption, at low or reasonable prices, of Northern-owned eco-friendly technology—something that Northern corporations may be loathe to do. But support may not only be in the form of the transfer of packaged technology but also in that of financial assistance for indigenous research and development activities in the South meant to come up with appropriate technology that meet higher environmental standards. Such measures would not only benefit developing country exporters, say Southern environmentalists, but they would have the effect of generalising higher environmental industrial standards and production processes in Southern countries, where old industrial technologies have contributed significantly to making cities like Bangkok, Sao Paulo, and Manila ecological disaster areas. The problem is: Are the Northern countries willing to come up with the resources to facilitate this environmental upgrading of industry in the South? Many Southern environmentalists are sceptical, pointing to the fact that at the United Nations Conference on Environment and Development in Rio in 1992, the North promised billions of dollars in environmental aid for the South, part of which was meant to support the spread of environmentally friendly industrial technology. Very little, if any, of this aid has materialised, they emphasise. Very little too has come as a result of the Montreal Protocol of 1987, which promised assistance to Southern countries to ease their transition from the production and use of CFC’s and other ozone-depleting substances. It
is clear, however, that without the equivalent of an environmental "Marshall Plan," higher environmental product standards in the North will, in fact, result in de facto green protectionism, with tremendous negative consequences for the well being of developing countries that are increasingly following export-oriented development strategies.

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REGIONAL ANALYSIS

American Resurgence, Japanese Malaise

by Walden Bello*

Gloom is the dominant mood in Japan these days. The nation's spirit appears to be sinking along with its currency, which recently dropped to as low as 120 to the dollar from a high of less than 80 yen less than two years ago. Hardly anybody notices the fact that the economy has posted its best performance --over three per cent growth in GNP last year--since the recession began in 1991, leading one observer to comment that "just as the economy has begun to float free of the shoals, the hands are jumping ship." Instead, newspapers are full of headlines and advertisements for lectures and books warning of the demise of Japan as a world economic power. Typical is "Running on empty," a headline for an article on the state of Japanese manufacturing industry in the Asahi Evening News. The American Resurgence It is striking how similar the current malaise in Tokyo is to that which afflicted the United States in the late 1980's, when there was a widespread sense that American capitalism was on the ropes and the future belonged to Japanese capitalism. "Declinism" spread as
the dollar sunk and the trade deficit rose, promoted by a diverse but influential band that included the journalist James Fallows, the historian Paul Kennedy, the novelist Michael ("Rising Sun") Crichton, the economist Lester Thurow, and the famous Massachusetts Institute of Technology research team that all but wrote the epitaph of the U.S. auto industry. Today, the declinists have lost much of their following, and in management circles, the so-called innovations that had been identified as responsible for catapulting Japan to world power status--quality circles, management-labor cooperation on the factory floor, and industrial policy--are being left by the wayside.

American capitalism is resurgent, confident, and brash. This new spirit was displayed at the recent World Economic Forum in Davos, Switzerland, by Intel's Andrew Grove and Microsoft's Bill Gates, who all but told the Europeans that they had lost the high tech race. The new arrogance is not limited to corporate entrepreneurs. It has, in fact, spread to intellectuals, even liberal ones like Thomas Friedman of the New York Times, who wrote recently that "while many in Europe and Japan are still trying to adjust to the demands of globalisation, and are barely up to the starting line, the US is already around the first turn." It is worth quoting at length from Friedman's essay because this liberal paean to American capitalism synthesises the intellectual rationale for the new arrogance. "If 100 years ago someone told you that by the end of the century the defining feature of world affairs would be 'globalisation'...and that you had to design a country best suited to compete in such a world," Friedman writes, "in many respects you would have designed today's America."

"The US," he explains, "has the world's most diverse and efficient capital markets, which reward, and even celebrate, risk taking. Anyone with an invention and a garage can hope to raise millions overnight. It has a multicultural population that speaks the language..."
of the Internet, a constantly renewing flow of immigrants, a
transparent legal and regulatory environment, and a flexible federal
political system. It has a job market that enables workers to move
easily from one hot industrial zone to another, and a corporate sector
that has, unlike Europe's or Japan's, already gone through the
downsizing and restructuring needed for global competitiveness. It
has multiple economies, with a single currency, on a single continent
that looks to both the Pacific and the Atlantic. "Globalisation,"
Friedman concludes triumphantly, "is us." Is the Economic Miracle
Formula Obsolete? Declinism is not, however, dead; it has merely
migrated to the other side of the Pacific, where Japanese versions of
Fallows, Kennedy, and Thurow have surfaced to make a fast yen
exploiting and deepening Tokyo's fin de siecle pessimism. And, in an
interesting reversal of roles, it is now American capitalism that is
being held up as a role model for Japan's corporate managers. Three
problems, in particular, receive widespread comment as the central
reasons for Japan's stagnation: obsolete economic institutions, the
"strategic debacle" in software, and the decline in fertility. Japan's
economic problems go beyond the weak yen, according to the pessimists.
A more strategic indicator, they say, is the fact that the
productivity of Japanese manufacturing is on average only 70 per cent
of that of the United States,' and dropping. They note that a
seemingly positive trend in the 1980's, the development of a truly
global reach by Japan's corporations, is actually deceptive since
Japanese subsidiaries have actually been unprofitable in four out of
nine regions of the world--in contrast to US subsidiaries, which were
profitable in all regions. Moreover, the movement of Japanese
manufacturing facilities abroad owing to high labor costs in Japan is
"hollowing out" significant sectors of the economy without replacing
them with new skill-intensive industries. The economic malaise will
not be cured by short-term solutions like exchange rate stabilisation, 
looser monetary policies, and fiscal stimulation via more government 
spending. The roots of the crisis lie deeper, and the reason that 
Japan's economic managers find it so hard to provide a solution is 
that they feel the very institutions that gave birth to the high 
growth rates of the post war era may now constitute its Achilles 
Heel. These institutions include industrial policy or the targeting 
of particular industries to develop; the intimate relationship between 
government and business, with government providing strategic economic 
direction; the tight and comprehensive ties among particular banks and 
particular industrial corporations better known as the keiretsu 
system; and the social contract between management and labor that is 
represented, among other things, by the institution of lifetime 
employment. This system has long been a target of the US in its effort 
to penetrate the Japanese market. What is interesting today is that 
the voices calling for change include Japanese voices, including the 
Economic Planning Agency and the venerable Ministry of Trade and 
Industry (MITI), which was one of the key architects of this system. 
In the euphemistic formulation of the Economic Planning Agency White 
Paper, "not only is the adjustment of the industrial structure needed, 
but the fundamental correction of those economic systems is also 
required." MITI prefers the indirect approach to euphemism: by 
praising US policies and trends which, in its view, have spurred the 
US domestic economy while transferring low-wage jobs abroad--such as 
high-tech innovation, deregulation, privatisation of public services, 
and encouragement of venture capital. But despite their plea for 
"greater flexibility," neither MITI nor the EPA dare spell out 
concrete policies that would introduce more deregulation, more play of 
market forces, and a less activist government. One reason, say the 
cynics, is that the economic bureaucracies do not really want to give
up their control of economic direction. But equally salient, it
seems, are two concerns. One, that radical tinkering with one part of
the system might unravel the whole instead of leading to its
transformation. Two, that the social costs might be too high, with
unpredictable consequences. For Japan's bureaucrats are very much
aware that there is another, disturbing side to the newly competitive
US capitalism celebrated by ideologues like Thomas Friedman. For what
the US economic managers have brought about in their pursuit of a lean
and mean corporate strike force for global competition is the most
unequal distribution of income since the Great Depression, the
reemergence of poverty on a significant scale, and tremendous
alienation among the lower classes. If this volatile discontent,
which now finds expression in inflamed anti-immigrant sentiment, is
also the price that will be exacted by the dismantling of the
institutions of Japan Inc., such as the lifetime employment of the
core industrial labor force, then the hesitations of the managers of
still relatively egalitarian Japan are understandable. The "Strategic
Debacle" in Software If the bureaucrats are stymied when it comes to
economic reform, they are desperate when it comes to high tech. The
key to global economic primacy, they realise, lies in information
technology. While the Japanese have excelled in translating
technological innovations into cheap manufactured goods in consumer
electronics, computer parts, and memory chips, it has eluded them in
microprocessors and in software, the two strategic heights of the
information sector, control of which allows domination of the whole
sector, as exemplified by the twin hegemony now exercised by the US
microprocessor manufacturer Intel and the US software giant Microsoft.
A recent interview I did with a prominent Korea-born engineer who
immigrated to California's Silicon Valley and ended up creating his
own, thriving software firm, is worth citing extensively since it
captured vividly several dimensions of the Japanese dilemma as perceived by a frontline fighter in the software wars. Knowledgeable of the real state of Japanese high tech, he asserted, "I don't think the Japanese fully realise that more and more, strategic control of their industries will lie with the American firms that will determine the software they will use." It is becoming clearer to people in the industry that the problem with the Japanese is not lack of capital. In fact, they have a surfeit of it. The problem is cultural. As the Silicon Valley entrepreneur noted, "software development depends on an education that emphasises logical rigour, individual creativity, and competitiveness. Japan's educational system prizes memorising, discourages individual creativity, and puts the group above everything." An enthusiastic headhunter, he said that he doesn't even bother to look for people in Japan, "because it's a waste of time. And it's not just a question of high salaries. It's simply that I won't find them there. We go to India and now to Lahore [Pakistan] for people, where the training in individual problem solving is along western lines." In fact, some Japanese firms have come to the same conclusion as Silicon Valley and started to form alliances with Indian firms, though, with their less insular and bolder methods, the Americans are far ahead of the Japanese. Besides, says the engineer, "you will never get the Japanese to import significant numbers of Indian software people into Japan the way the Americans do. It's skilled immigrants that are largely fuelling information tech development in the US--something that is totally inconceivable in Japan." So what can Japan do to reverse the trend? He pauses, then says, "If I were the Japanese, I would focus on providing capital to others that have the capacity to innovate and let them do the innovating for me. You know, like venture capital. But the Japanese should not seek to control these companies, since Japanese methods
will merely deaden their creativity." The Fertility Free-Fall Culture rather than purely economic factors appears to also lie at the root of the third major problem that troubles the Japanese: the declining fertility rate. The decline in the birth rate is a problem for most of the advanced capitalist countries, but the projections in the case of Japan are starker than those for most of the other major industrial powers. The current birth rate stands below replacement levels, and it is projected to decline from 1.45 per cent in 1995 to 1.38 in 2000. A recent study of the National Institute of Population and Social Security Research recently triggered alarm bells by projecting that Japan's population will peak at 128 million in 2007, decline to 100 million by 2050, then plunge to 67 million by 2100. Japan's declining birth rate has exercised the country's male elite, in particular. It is reported that in an earlier incarnation as a senior minister of a previous government, Prime Minister Ryutaro Hashimoto suggested that one way to arrest the fertility decline was to discourage women from attaining higher education! Hashimoto and other powerful males are not mistaken in sensing that it is educated women that increasingly hold the key to Japan's future demographic profile and, indirectly, its future economic and political status in the world. In the 10 years since 1985, the percentage of those unmarried among women in the key 25-29 years old age bracket jumped from 30 per cent to 50 per cent. The Sexual Strike Undoubtedly, the statistical trends are to be accounted for partly by economic rationality: In the choice between staying single and devoting oneself exclusively to work and getting married and being torn between the demands of one's occupation and housework, Japanese women are opting for the former in increasing numbers. Economic choices are, however, only partially responsible for women's marriage choices. Indeed, what seem to be economic choices in this case are shaped by cultural expectations that have
prevented the creation of institutional arrangements that would ease the burdens of the modern working wife, who does not want children to become an insuperable obstacle to career advancement: Men are not expected to do housework or care for the children, women are. These expectations are, in turn, part of a complex of male values and expectations that are geared toward socialising women to be submissive, loyal, and housebound. It takes but a few conversations with Japanese women in their 20's and 30's to realise that something profound is happening in the relations between the sexes. An ordinary 38-year-old housewife in Osaka, who serves as a schoolteacher and takes care of the child while her husband spends most of his time working in Tokyo, told me, "The growing gap in men and women's expectations--that is this country's no. 1 problem. I simply can't accept it when my husband tells me that the reason we're together is to have somebody take care of him when he's old." Her husband, at her side, says nothing, though he is clearly embarrassed. A very bright and capable 30-year-old leader of a Tokyo-based NGO tells me that practically all of her friends who got married are now divorced and in no hurry to get remarried. "It's this widening gap between traditional male expectations and women's changing values that's making more and more women of my generation choose to remain unmarried," she stated. "Narita-divorces" are on the rise, she says, referring to a phenomenon whereby lovestruck lovers leave for their honeymoon from Narita airport only to return wanting a quick divorce. "Most Japanese men just don't get it," she concludes, revealing that she herself has had a long-term relationship with a non-Japanese male. It is tragic that probably the last to realise that their women are waging what amounts to a sexual strike against them are Japanese men, who do not appear to be in any hurry to shed their old ways. Is Japan's Decline Irreversible? The decline in fertility and the rise in
the numbers of unmarried women will have major consequences both for
the domestic economy and for Japan's place in the world. The
proportion of senior citizens is expected to reach a quarter of the
population by 2015 and climb to nearly a third by 2049. What
precisely will be the shape of the political fallout of a situation
whereby relatively less and less people of working age support
relatively more and more economically non-productive people is not
known, but that there will be a political fallout is certain. With a
progressively smaller pool of workers to draw from, Japan will be
forced to confront the decision of either allowing in large numbers of
foreign workers or accelerating the movement of its industrial
facilities to East Asia to take advantage of plentiful Asian labor.
Whichever option Japan follows will have explosive consequences. With
canonical cannon fodder in the form of young Japanese recruits,
Japan might opt for a high tech military force structure and strategy,
including developing the nuclear bomb to provide the "ultimate
security" to an aging population. So is Japan entering a period of
irreversible decline, as the indicators and trends appear to suggest?
In military strategy, there are said to be two fundamental maxims.
One is to never invade Russia. The other is to never invade China.
There are analogous truisms in the study of technoeconomic competition
among nations. The first is never to count the US out. The second is
never to count Japan out. Like the United States, Japan might have a
few surprises in store for the declinists among us.

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ASEAN's Fateful Choice: to "Enlarge" or to "Deepen"?

by Walden Bello*

Like the European Union, Asean faces the choice of either "enlarging" or "deepening." And the choice it makes will have major consequences on the prospects of two of its key projects, the Asean Free Trade Area (AFTA) and the Asean Regional Forum (ARF). The Deepening Strategy:

Focus on AFTA

The deepening strategy follows the vision of regional economic cooperation articulated in the group's founding document, the Bangkok Declaration of 1967. Deepening would focus the regional body's energies on making the ASEAN Free Trade Area (AFTA) a reality. This is the complex and challenging process of bringing down tariffs among the ASEAN countries to zero by the year 2003 in order to create a market of some 400 million that could serve as the basis of a coordinated regional industrialisation. As we all know, ASEAN in its first 20 years failed miserably as a body to bring about greater regional economic integration. Scheme after scheme failed, from the ambitious ASEAN Industrial Projects (AIP), which sought to assign large-scale complementary capital-intensive projects to different countries to develop, to the ASEAN Industrial Complementation Scheme (AIC), which planned to divide different production phases of the automobile and other industries among member countries. AFTA, which was launched in 1992, is ASEAN's latest attempt at serious integration via trade policy, a task made very urgent by the competition offered by the APEC pan-Pacific free trade area plan pushed by the United States and Australia, which would make coordinated regional integration at the ASEAN level simply impossible. Will ASEAN succeed this time? The ASEAN economic elites continue to exhibit strong hesitations in following up their declared commitments to bring down tariffs to agricultural and industrial products, leaving many observers sceptical about AFTA meeting the 2003 free trade deadline.
Another major problem is US opposition to AFTA trade liberalization that does not take place as part of a larger Asia-Pacific-wide program of trade liberalization. AFTA, according to US Trade Representative Charlene Barshefsky, is an example of how "governments are pursuing strategic trade policies and, in some cases, preferential trading arrangements, forming relations around us, rather than with us, and creating new exclusive trade alliances to the potential detriment of US prosperity and leadership." The Enlargement Strategy: Driven by Realpolitik But probably the most serious threat to making AFTA a reality is the "enlargement" of ASEAN project that some elements in ASEAN have designated as a priority. Enlargement would bring enormous complications to AFTA. Unlike the Western European members of the EU that are contemplating bringing in new economies into the Union, the members of ASEAN have still to carry out the first phase of economic integration via a free trade area. Yet they have moved quickly to bring in four economies, Vietnam, Burma, Cambodia, and Laos, which are quite different from the original six. All are at a much lower stage of development and three of them are marked by a much greater role of the state in the economy than the original ASEAN members. True, Vietnam has already been admitted, but this is not the time to complicate AFTA's future even more. Cambodia, Laos, and Burma should be admitted into ASEAN, yes, but only after there are, among other conditions, substantive steps taken in the enormously complicated phase of economically integrating the existing members. The enlargement strategy is dictated by political considerations, and in pursuing it, ASEAN courts a repeat of its earlier history. For it was regional Realpolitik that sabotaged ASEAN's earlier efforts to move towards meaningful integration. From the late sixties to the early seventies, the ASEAN governments were preoccupied with the Cold
War and the Vietnam War, where they were allied with the US. And in
the late seventies, in a move that went against the spirit of the
Bangkok Declaration, ASEAN allowed itself to become an anti-Vietnamese
alliance. Its program for economic cooperation was placed
indefinitely on the backburner as it became the most active backer of
the “Democratic Kampuchea” coalition (of which the Khmer Rouge was the
main component), following a common strategy with China and the United
States. Today, regional Realpolitik is again driving the enlargement
agenda. Bringing in Vietnam in 1995 was largely a strategic move to
strengthen ASEAN’s military capabilities vis-a-vis China—one which
was, incidentally, in step with the United States’ evolving strategic
policy of “containing” a country that is increasingly seen by
Washington as a rival regional hegemon. Burma and the Realpolitik of
Authoritarianism The current enlargement effort is centred on bringing
in Burma. It has been pushed mainly by President Suharto of
Indonesia, who has deployed a lot of effort and resources to this
enterprise, including his prestige as the “grand old man” of
ASEAN—the only chief of state who was in power when the formation was
established in 1967. Realpolitik is a major consideration in
Suharto’s moves, and this is the Realpolitik of authoritarianism.
Suharto is increasingly worried about the pressures for
democratisation in Indonesia, which he sees as being influenced by the
rising pressures for greater democracy throughout the region.
Bringing in more non-democratic regimes would strengthen the
authoritarian pole in the balance of power within ASEAN: it would
serve to neutralise the formal democratic regimes within ASEAN—the
Philippines and Thailand—and prevent them from following foreign
policies that would be more sympathetic to democratic movements on the
ground. Moreover, bringing in more authoritarian regimes would
create a solid front against external criticism of repressive
practices not only in Indonesia but in the majority of the ASEAN states. Ideologically, "ASEAN brotherhood" is being defined as a brotherhood of authoritarian states ranged against liberal democracy, human rights, and other "western biases." It is not surprising, then, that the other authoritarian governments, notably Malaysia, Singapore, and Brunei, have lined up strongly behind Indonesia. This anti-democratic Realpolitik is working. Isolated, weak-kneed, and almost ashamed of their democratic credentials, the Thai and Philippine governments have allowed themselves to be pushed into endorsing the majority position on Burma. And, with Burma in ASEAN, opposition at the state level to the democratic current would be even stronger. The Burma Issue and the Future of the ARF The authoritarian Realpolitik promises to damage not only AFTA but another key project, the ASEAN Regional Forum (ARF), which ASEAN hopes to make the principal mechanism for the resolution of conflict and security issues in the Asia-Pacific region. The ARF has a structure that might be best characterised as one of concentric circles. The core or inner circle is the ASEAN member countries, who have the initiative in setting the agenda. The next circle is made up of the seven "dialogue partners," which include, among others, the United States, Australia, and Japan. An outer circle is made up of Russia and China, ASEAN's "consultative partners," followed by the periphery composed of "ASEAN observer states," namely Papua New Guinea, Laos, Burma, and Cambodia. Making Burma a member of ASEAN would mean bringing an extremely controversial actor from the periphery to the very center of ARF decision-making, and this can only bring a great deal of opposition and criticism from many of the key dialogue partners—opposition which is justified, since the military-dominated SLORC is a totally illegitimate regime that is in power in defiance of the clearcut results of a democratic election. Burma's central role in the ARF
will become the issue in the ARF, and this can only distract the forum from pressing peace and security concerns, such as the Spratly Islands dispute and the effort to gain the nuclear powers' assent to the creation of a nuclear weapons-free zone in the region. All this can only erode the ARF's credibility as an effective multilateral security mechanism. Such a situation would play into the hands of the powers that are suspicious and even unsympathetic to the ARF, like the United States. Washington has often dismissed the ARF as a “talk shop,” and its strategy has been to undercut its development as an effective multilateral structure for conflict resolution, preferring to limit the forum to serving as a weak adjunct to Washington’s preferred security mechanisms in the Asia-Pacific region: its bilateral treaties with East Asian countries and its 100,000 troops deployed in land bases and ships. In sum, granting Burma membership in ASEAN is an ill-advised move that the regional body cannot afford at this point, since it would complicate even more the already complex and challenging task of building AFTA and drive a stake right into the heart of the ARF. It is partly for the reasons laid out above, incidentally, that institutes of strategic studies (the ISIS network) in ASEAN that were so influential in the formation of the ARF are said to have recommended against the entry of Burma at this time. ASEAN governments would be well advised to listen to their arguments instead of plunging into a dangerous and foolish strategy of enlargement that can only set back the realisation of ASEAN’s vision of becoming a prosperous bloc of integrated economies that serves as the hub of a peace and security framework for the Asia-Pacific region.

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