

Is APEC Irresistible?

**A paper prepared by David Small for a workshop on
New Zealand in the Asia-Pacific by the APEC Study
Centre.**

6 June 1997

d.small@educ.canterbury.ac.nz

This paper will discuss two aspects of APEC: the model of regional integration that it promotes; and the difficulties of resisting or even shaping the trend towards economic liberalisation of which it is a part. Before moving onto this, however, and without wishing to confirm economists' opinions of social scientists by lapsing into post-modernist personal narrative, I would like to begin by addressing some of the issues surrounding what I am doing here.

The most important things I need to know in gathering my thoughts for a presentation, particularly for a workshop situation like this, are: who I am speaking for; who I am speaking to; and what I am speaking about. In this instance, I do not have clear riding instructions on any of these points.

When I was first asked to make a presentation at this workshop, I was to speak under the heading of 'Alternatives to APEC'. Later, it was suggested that I be part of a session on regional integration. At one stage Roger Kerr was to have a right of reply to me and later I was to share a session with a representative from PECC. My general understanding is that I was invited to be part of the programme as an academic and as someone involved in NGO circles, particularly Corso, that have been critical of APEC.

Of those who are aware of APEC and its significance, there seem to be three dispositions towards APEC. There are the cheerleaders who are brazenly enthusiastic about APEC and its actual and potential achievements towards the liberalisation of trade and investment in the region. Secondly, there are those who remain fundamentally opposed to the aims of APEC and the ways in which these aims are being advanced. The third group are those who share some of the concerns of APEC's opponents but decide, for pragmatic or strategic reasons, to participate in the structures of APEC with a view to achieving more favourable outcomes.

My sympathies lie with the opponents' camp. Although I do not consider myself their representative, I do feel a profound sense of responsibility to the millions of people in the Asia-Pacific region and beyond whose lives and livelihoods are being radically transformed, often to their considerable detriment, by the phenomenon of which APEC is an important part. Among them are many individuals and groups who are trying to resist this process. Much more numerous would be those who have never heard of APEC, who understand nothing about it and who certainly were not consulted in any way at all about its establishment or operational aims.

Of course, those involved in APEC, whether as strategic reformers or as cheerleaders, could and do make similar declarations about their motives and intentions. One of the points I want to make is that, as it was formed and is currently structured, APEC is incapable of being genuinely democratic and accountable.

My reason for categorising these three positions on APEC, which I concede is rather crude, is twofold. The first concerns the issue of who I am talking to. Nothing I can say would convince the APEC cheerleaders to reconsider their position, so I do not consider them the main audience for my thoughts. Given, then, that I am addressing myself principally to people in the other two categories, I feel the need to move beyond a critique of APEC and address the issue of what can be done. Critique remains important, of course, because one's analysis of a problem shapes one's ability to find solutions. However, at this juncture what is needed is a strategy for progress. Without a clear and achievable programme, resistance to the APEC agenda is in danger of being whittled away by being incorporated into but not accommodated by APEC. The difficulty of developing such a programme is another focus of this paper.

The other reason for depicting approaches to APEC in this way concerns the way in which various voices or constituencies are identified. Talk of identifying the views on APEC held by NGOs or even labour organisations has little meaning without acknowledgement that there are widely divergent views within these two 'constituencies'. It is no more realistic to aim for an NGO perspective on APEC than it is to expect a political party perspective.

Integration APEC Style.

Integration is a major theme of APEC. Since its inaugural meeting in November 1989, APEC has involved bring together representatives of divergent views and seeking to find or to construct common ground. With the economic stakes as high as they were, APEC began in a hopeful but quite tentative way as a forum for dialogue or, in the words of the 1991 Seoul Declaration, 'a process of consultation and exchange of views among high-level representatives of APEC economies'. Within a short period of time, however, and certainly by the November 1994 Bogor meeting when members signed up to a commitment to achieving free trade and investment by 2020 (2010 for 'developed' countries), APEC had emerged as what US officials called an 'action-oriented results-producing forum' [Spero, 1995].

APEC's vision and activities towards greater integration and cooperation in the region are presented in ways that seem to be self-evidently positive developments, especially when contrasted with what could be viewed as the antithesis of APEC; minimising contact, highlighting points of conflict and attacking each other. Certainly, the picture of regional integration painted by the APEC Eminent Persons Group (EPG) is a very rosy one:

"It will ... be a community in the popular sense of a 'big family' of like-minded economies - committed to friendship, cooperation and the removal of barriers to economic exchange among its members in the interest of all" [APEC EPG, 1994]

In coming to this view, the EPG was guided by a series of eight principles. All but one of these sound as worthy as the above vision: international cooperation; regional solidarity; mutual benefit; mutual respect and egalitarianism; consensus decision-making and flexible policy-implementation; a focus on result and achievement and not form and doctrine; and open regionalism.

The exception is the EPG's first-named 'principle of free trade and investment'. This is not actually a principle of the same order as the others. In fact, it is incompatible with at least one of the other principles, that of favouring result and achievement over form and doctrine. So what is it?

Taken on its own, a declaration in favour of free trade and investment could be seen as a lower-level policy statement, like a commitment to free health care for children. In the context of APEC, however, free trade and investment is an end in itself. It represents at once the aim of the other principles and the means for achieving them. Anything other than a total commitment to free trade is termed 'backsliding'.

Before discussing trade and investment liberalisation, however, I would like to look more closely at the strained APEC family metaphor. Popular conceptions of family, as this claims to be, revolve around values of caring, cooperation and compassion. No notion of family would countenance a suggestion that one or more of its members might be expendable, the position in which many people in the region are finding themselves as APEC gathers momentum. APEC side-steps this contradiction by defining its membership not in terms of people or even people's representatives or nations, but as economies.

Regional integration at any meaningful level of culture or community, let alone family, is of interest to APEC only to the extent that it facilitates or, in APEC speak, removes impediments to the integration of national economies. APEC's commitment is to 'open regionalism' by which it means reducing internal barriers to economic interaction as well as external barriers to economies not part of the regional enterprise. In this way, it serves as 'a building block for ... a freer global economy'. [APEC EPG, 1994] APEC's goals of regional integration and its methods of achieving them are an important complement to those at a global level as embodied in the World Trade Organisation (WTO). This drive to integrate economies through the liberalisation of international trade and investment policies is a necessary part of what the US describes as building 'the economic architecture for the post-Cold War world'. [Spero, 1995]

There are two aspects of this APEC style of regional integration which are disturbing. The first is the reduction of everything - countries, individuals, services, natural resources - to a one-dimensional economic form. This serves the purpose of giving a pseudo objective and scientific veneer to decision-making processes which are, at least in part, culture-laden, value-based and subjective. Technocrats rightly enjoy positions of privilege in the fields of science and technology. (I certainly wouldn't want to have a vote among the passengers about which button to press as a plane came in for a landing.) However, in matters cultural, social and political, technocrats should be put to work to achieve democratically defined aims. APEC reinforces the trend towards restricting democratic discussion and decisions on these crucial matters to the narrowly delimited space that neoliberal economists have allowed.

The second issue I'd like to raise about APEC's promotion of regional integration is its value as a ratchet mechanism. This operates not only in an upward direction in advancing the agenda of economic liberalisation at a global level (as indicated in the EPG's statement above) but also, certainly in the case of New Zealand, in a downward direction. Arguments for greater deregulation of the New Zealand economy, with all the social costs of the increased inequality that result from this, are advanced at least in part on the grounds of this being the price the country has to pay for the access to the booming Asian markets on which our future prosperity depends. At a broader level, the global trend of which APEC is an important part coupled with the extent of the New Zealand economy's exposure to this¹ is presented as the given; the unalterable reality towards which the country must orient itself. The country must

¹ The percentage of the New Zealand share market which is foreign-owned rose from 18% in 1989 to 58% in 1996.

face reality and prepare itself to operate in the region and the world the way it is, not the way critics of the neoliberal programme would like it to be.

What is particularly galling about this is that, despite widespread public opposition to economic liberalisation, New Zealand officials have actively promoted this form of economic architecture at the regional and global levels. What is more, they have deliberately stifled public debate on these issues. In line with the APEC practice of closed-door meetings, New Zealand governments have adopted a secretive approach about the content of international discussions: their refusal to release the Dunkel Report and, more recently, documents concerning the powerful Multilateral Agreement on Investment are the two clearest examples.

As the US has stated, 'APEC is not for governments, it is for business. Through APEC, we aim to get governments out of the way, opening the way for business to do business' [Spero, 1995]. However, in their rush to get out of the way, New Zealand governments have tried to evade public scrutiny which is an essential part of the principles of democracy and accountability. This has even been taken to the extent of state harassment of critics, as evidenced by the July 1996 SIS break-in to the home a prominent opponent of APEC, Aziz Choudry, and subsequent police searches of his home and mine.

The Challenge for Challengers in Aotearoa/New Zealand

However, the challenges facing those who oppose and seek to resist the prevailing trends of which APEC is a part, run far deeper than accessing information and avoiding the SIS. One of the most difficult problems is the lack of a clear alternative. The first step towards finding or constructing an alternative is to establish an agreed set of principles. On its own, however, discussion of principles and the promotion of concepts like sustainable development, community control, fair trade and people's participation is too readily dismissable as 'laudable goals ... without strategies for their achievement' [Armentrout in Tadem and Daniel, 1995: 89] or 'a wish list of do-gooder clichés' [Harris in *PSA Journal*, May 1997].

Another problem, which this sort of response reinforces, is the power of the claim that critics of economic liberalisation are not in touch with reality. When unpopular policies are imposed on an unwilling public, the reaction is to try to meet what appears as an irresistible force by presenting it with an immovable object. However, these types of reforms have powerful ways of moving people. Running down public

health services forces even those who might defend public health in principle to abandon it in practice - if they have the resources to do so. Imposing high user charges in tertiary education forces people to treat their studies like a personal investment and choose courses that are most likely to give them a greater return on that investment. This enables those imposing the reforms to gleefully point out, as Roger Kerr has, that:

"It is ironic that those who denounce individualism and espouse collectivism nevertheless behave in their own economic lives just like individuals who support markets" [*The Press*, 2 May 1997].

Kerr is, however, wrong to conclude that New Zealanders have finally capitulated. I recently argued that people should 'refuse to accept reality' [Small, 1996: 20] as it is being defined for them. I am pleased to see that we are. In an NBR poll conducted the same day as Kerr's declaration above, 71% of New Zealanders declared themselves opposed to the privatisation of New Zealand Post and 72% opposed the privatisation of ECNZ. What is more, 53% still believe that Air New Zealand should not have been sold and 59% still regret the sale of Telecom [*PSA Journal*, May 1997]. Kerr described the results as 'ideological nostalgia' and blamed 'successive governments (for failing) to sell the undeniable economic benefits of privatisation or capitalise on them'.

This raises an important question about the emphasis within APEC, and indeed within the stated objectives of this research project, on 'removing the impediments' to the liberalisation of trade and investment in the region: what happens if one of the principal impediments turns out to be noncompliant citizens? The answer, as Kerr's comment illustrates, is not to take these concerns seriously but to market the programme more effectively - to convince people that, although they were not consulted about the changes and do not like their outcomes, they are actually better off.

One of the gaps in the neoliberal account of human behaviour is that, even where it can be proven through mathematical modelling that people are economically better off, it remains possible that for any number of personal, social or cultural reasons, the cost of achieving that improvement is one that they are not willing to pay. People should have the right to make this choice but it has been and continues to be denied them.

Walden Bello once described APEC as 'four adjectives in search of a noun'. 'Grouping' and 'forum' have been tried, but the noun that most successfully attaches itself to APEC is 'process'. And there is the rub. It is the process of APEC as much as its content that is flawed. While it is easy to scoff at the vagueness of notions like 'bottom-up' or 'participatory' processes of development, it is equally easy to identify and reject their antithesis. Despite claims to the contrary, APEC is the epitome of top-down development.

APEC is, nevertheless, a reality. And while the immovable-object approach to resisting it still has some merits, the question confronting opponents of APEC is how to influence developments in APEC without being totally subsumed by it. For example, what if anything might be achieved by trying to green APEC or trying to shape labour or social clauses within it? The experience of the relatively conservative Worldwide Fund for Nature (WWF) in trying to pursue constructive engagement on environmental issues with the WTO revealed an inability to avoid environmental interests being subordinated to those of trade [Cited in Kelsey, 1996].

Supporters of free trade argue that simply trying 'to stand in the way of free trade rather than looking at some of the possibilities when the new trade regime opens up would be a mistake' [Clifford in Tadem and Daniel, 1995: 95]. They point out that countries' dependence on international markets makes them vulnerable to organised consumer opposition. And it is true that trade does provide some openings for pressuring countries like India on child labour, Indonesia and Burma on human rights abuses and New Zealand on prison labour. However, that vulnerability to consumer pressure already existed before the dramatic moves towards liberalisation of recent years.

We critics of APEC find ourselves in the invidious position of walking a tightrope between two undesirable alternatives. On one hand, we must avoid marginalising ourselves through absolutism in the way that much of the left did in earlier times with its insistence that reform was futile and only global revolution would bring real hope to human society. On the other hand, we need to avoid the tendency to be ground down by the relentlessness and seeming inevitability of it all or (for a few) seduced by the powerful cooption machine. The pragmatic participants in APEC (to return to my earlier categorisation) need to ask themselves continually whether they are actually achieving any meaningful reform. There is a danger that their participation will simply lend credibility to claims that a wide range of perspectives or constituencies was consulted.

Future Research

I would like to conclude with some comments about research. There is no shortage of research being done by those who have a vested interest in advocating economic liberalisation in the Asia-Pacific region. There is, however, little research that I am aware of being done in New Zealand from a critical perspective². And much of this is simply devoted to keeping track of developments that are taking place so rapidly and at so many levels.

There are a number of research projects that would be worthwhile conducting. At a broad level, a detailed cost-benefit analysis needs to be conducted into the growth of inequality to which APEC is contributing. In particular, Okun's [1975] long-accepted theory that there is an inevitable trade-off between equality and efficiency needs to be scrutinised³.

At a regional level, it is important to examine the implications of APEC for Pacific island nations. Of these nations, only Papua New Guinea is a member of APEC with the South Pacific Forum having observer status. Given their marginal status in the APEC process, South Pacific nations could be forgiven for believing that the 'P' in APEC serves only to give North America the right to claim a regional link with Asia.

Within New Zealand, Maori need to be resourced to be able to research the implications for them of APEC and other international accords and agreements. This research, which is essential to an informed discussion of these issues within Maori society, is currently being done in a limited way by a few individuals and small NGOs, largely at their own expense.

The challenge for everyone is to critically analyse the rapidly evolving APEC process at a local, national, regional and global levels. Such assessments require free and open discussion which is precisely what has been missing to date. I hope that these workshops will go some way towards beginning that process in New Zealand.

² Almost all critical research on APEC seems to be produced by a small nucleus involving Jane Kelsey and people associated with GATT Watchdog, Corso and Asia-Pacific Workers Solidarity.

³ Interesting work on this subject is emerging from Britain. See Glyn and Miliband 1994.

References

APEC Eminent Persons Group. 1994 *Achieving the APEC Vision: Free and Open Trade in the Asia Pacific*. August.

Glyn, A and D. Miliband. 1994. *Paying for Inequality. The Economic Cost of Social Injustice*. London: Rivers Oram Press.

Kelsey, J. 1996. 'More than a Question of Trade. The November Meeting of APEC - Matters of Urgent Concern'. Unpublished.

Okun, A. 1975. *Equality and Efficiency: The Big Trade-Off*. Washington DC: Brookings Institution.

The Press. 2 May 1997.

PSA Journal. May 1997.

Small, D. 1996. 'Fighting the Free-Marketeers in Aotearoa/New Zealand' in L. Cookson and A. Choudry (eds.) *Trading With our Lives. The Human Cost of Free Trade*. Christchurch: GATT Watchdog.

Spero, J. 1995. *Statement before the Subcommittees on Asia and Pacific Affairs and International Economic Policy and Trade, International Relations Committee, House of Representatives, US Congress*. 18 July.

Tadem, E and L. Daniel (eds.) 1995. *Challenging the Mainstream. APEC and the Asia-Pacific Development Debate*. ARENA et al.