

CHAPTER 5

TRADE LIBERALISATION—THE WINNERS AND LOSERS

5.1 APEC's Bogor goals are predicated on liberalisation of trade and investment providing benefits to economies that embrace liberalisation. Much of the research and analysis contained in the literature on this topic supports such a proposition. In a seminal paper by Jeffrey Sachs and Andrew Warner in 1995, the authors showed that:

During 1970–89, we find a strong association between openness and growth, both within the group of developing and the group of developed countries. Within the group of developing countries, the open economies grew at 4.49 percent per year, and the closed economies grew at 0.69 percent per year. Within the group of developed economies, the open economies grew at 2.29 percent per year, and the closed economies grew at 0.74 percent per year.¹

5.2 Sachs and Warner also showed that convergence in incomes between rich and poor countries can be achieved by all countries, despite differences in education and technological development, provided that they take on policies of economic integration. They divided their sample of countries between open and closed (according to five criteria) and reported the following findings:

the open countries display a strong tendency toward economic convergence, and that the countries with initially low per capita income levels grow more rapidly than the richer countries. The closed economies ... do not display any tendency toward convergence. In fact, they are clearly the source of the failure of convergence noted in [the total sample]. Even more striking, there is not a single country in our sample (which covers 111 countries and approximately 98 percent of the non-communist world in 1970) which pursued open trade policies during the entire period 1970–89 and yet had per capita of less than 1.2 percent per year (Switzerland had the lowest growth at 1.24 percent).²

5.3 The authors also subjected their data to regression analysis, based on which, they made four conclusions:

- There is strong evidence of unconditional convergence for open countries, and no evidence of unconditional convergence for closed countries.

1 J.D. Sachs & A. Warner, 'Economic Reform and the Process of Global Integration', *Brookings Papers on Economic Activity*, 1995:1, pp. 35–36.

2 J.D. Sachs & A. Warner, 'Economic Reform and the Process of Global Integration', *Brookings Papers on Economic Activity*, 1995:1, pp. 41–42.

- Closed countries systematically grow more slowly than do open countries, showing that ‘good’ policies matter.
- The role of trade policy continues after controlling for other growth factors, as in a standard Barro cross-country growth equation.
- Poor trade policies seem to affect growth directly, controlling for other factors, and to affect the rate of accumulation of physical capital.³

5.4 Although the weight of research supports the general proposition that open trade policies have a positive effect on growth, not all economists share that optimism. In a recent paper, Francisco Rodriguez and Dani Rodrik argued that they found little evidence that open trade policies ‘are significantly associated with economic growth’. They were sceptical about such a link and believed that researchers had overstated the case associating openness with growth. Their work was therefore designed to restore balance in the debate. In summary, they said:

We argue that methodological problems with the empirical strategies employed in this literature leave the results open to diverse interpretations. In many cases, the indicators of ‘openness’ used by researchers are poor measures of trade barriers or are highly correlated with other sources of bad economic performance. In other cases, the methods used to ascertain the link between trade policy and growth have serious shortcomings.⁴

5.5 The authors made it clear, however, that they were not suggesting that trade restrictions are good for economic growth. But they also thought pursuing a link between openness and growth as futile. They suggested instead that researchers might focus on contingent relationships between trade policy and growth in cross-national work. They also proposed work micro-econometric analysis of plant level data sets.

5.6 Despite the scepticism of some scholars about the relationship between open trade policies and economic growth, the Committee believes that the overwhelming weight of evidence suggests that there is a positive link between the two.

5.7 However, concern was expressed during the inquiry as to whether trade liberalisation produces overall benefits or just benefits for some sectors or some countries. DFAT told the Committee:

It has long been known that there are winners and losers in a trade liberalisation process. There is no doubt that some firms will close in a country, some industries will be lost, some jobs will be lost. Any modelling exercise or any qualitative examination of the experience of countries that

3 J.D. Sachs & A. Warner, ‘Economic Reform and the Process of Global Integration’, *Brookings Papers on Economic Activity*, 1995:1, p. 52.

4 F. Rodriguez & D. Rodrik, ‘Trade Policy and Economic Growth: A Skeptic’s Guide to the Cross-national Evidence, Revised December 1999, Abstract.

go through liberalisation processes, however, does show that the overall effect on nations is a positive one.⁵

5.8 Dr Patricia Ranald cautioned that the chosen structure of economic modelling profiles can predetermine their outcomes. She explained:

The problems with the Industry Commission model tend to be that they assume away effects like unemployment. They assume that any unemployment caused by the changes will be what they call frictional or short term, so they do not build it into the model. That is a very big assumption and it changes all the results of the model.⁶

5.9 According to Professor Helen Hughes, APEC's support of trade liberalisation is based on the belief that there is a cycle, which starts with the creation of conditions that facilitate trade, and which then leads to increased employment opportunities and the global generation and dispersal of wealth.⁷ However, international development literature reports that, while there has been unprecedented growth in the global economy during the last 30 years, it has been very patchy and uneven.⁸ Instead of the wealth disparity diminishing worldwide, there is evidence of growing economic polarisation and income inequality, which are now threatening to become permanent features of the world economy.⁹

5.10 The *UN Human Development Report 1996* concluded that there is no direct correlation between increased investment under liberalisation and numbers of jobs created.¹⁰ It also suggested that economic growth does not automatically expand employment or improve wages.¹¹ The Committee was also informed that trade liberalisation, particularly when introduced rapidly, can destabilise economies resulting in financial volatility, job loss, deterioration in standards of living and social disintegration. ACFOA submitted, citing from a United Nations report:

In industrialised countries, pressure from competition of cheap labour and poor conditions is creating job insecurity and a growing wage gap between skilled and unskilled labour. The latter is a global problem. In almost all

5 *Committee Hansard*, 20 October 1997, p. 68.

6 *Committee Hansard*, 3 February 1998, pp. 370–71.

7 As described by Emerita Professor Helen Hughes in her paper 'Wither Development Assistance?' *Development Bulletin*, October 1997, p. 43.

8 *UN Conference on Trade and Development Report 1997* (UNCTAD) reports as quoted in ACFOA, submission no. 37, p. 5.

9 In 1965, the average per capita income of the G7 countries was 20 times that of the world's poorest seven countries. By 1995 it was 39 times as much. *UN Conference on Trade and Development Report 1997* (UNCTAD) *UN Conference on Trade and Development Report 1997* (UNCTAD) reports as quoted in ACFOA, submission no. 37, p. 3.

10 A joint ACFOA and Community Aid Abroad, Jeff Atkinson, *Winners and Losers*, attachment to ACFOA, submission no. 37, p. 6.

11 *UN Human Development Report 1996*, quoted in ACFOA, submission no. 37, p. 6.

developing countries which have undertaken rapid trade liberalisation, wage inequality has increased.¹²

5.11 Growth alone, under this scenario, does not lead to greater income equity. The *UN Human Development Report 1997* stated:

Economic growth can be a powerful means of reducing poverty, but its benefits are not automatic. Argentina grew 2 percent per capita a year in the 1950s, yet saw income poverty rise. Honduras grew 2 percent a year in 1986–89 and saw income poverty double. New Zealand, the United Kingdom and the United States all experienced good average growth during 1975–95, yet the proportion in poverty increased.¹³

5.12 These statistics suggest that even in developed countries that have undergone rigorous liberalisation—New Zealand, the United Kingdom and the United States— income inequity will increase if adequate measures are not taken to ensure that wealth from liberalisation is shared around.

5.13 Australia, too, is well on the road to liberalisation and has also experienced its share of negative effects. Owing to reforms conducted over the last 15 years, Australia has succeeded in pushing its growth rate up to 2 per cent from the 1.5 per cent of the previous 30 years, so moving above the OECD average growth rate.¹⁴

5.14 However, Australian Bureau of Statistics figures show that growth has delivered wealth inequitably, with the gulf between rich and poor steadily growing. The top 20 per cent of income earners now account for almost 50 per cent of income, and the bottom 20 per cent account for less than four per cent of income.¹⁵

5.15 Dr Michael McKinley reported that these trends are also reflected on the world stage with 35 million people unemployed in OECD countries and a further 15 million having unwillingly accepted part-time work or having given up the search. In Japan, the United States and Western Europe, the trend has worsened, with 45 per cent of the unemployed having been out of work for a year or longer. Finally, the ILO in its first survey of global joblessness reports that 2.6 billion, or 30 per cent of the world's work force is unemployed.¹⁶

12 UNCTAD Report, ACFOA, submission no. 37, p. 6.

13 *UN Human Development Report 1997*, p. 7.

14 Alan Mitchell, 'Retro Economics: Brakes on the Future', *Australian Financial Review*, 29 July 1998, p. 14.

15 Quoted in Hugh Mackay, 'Prosperity, Honesty, Sanity—Viva la République', *Sydney Morning Herald*, 14 August 1999.

16 Reported in Dr McKinley, submission no. 44, p. 12.

5.16 Dr McKinley observed that employment shrinkage under global market deregulation was being exacerbated by increased automation in industry.¹⁷

5.17 AusAID told the Committee that growth is essential to produce wealth, but wealth alone will not reduce poverty—good governance is the key to equitable development.¹⁸ The United Nations development studies also confirm these findings. When macroeconomic policies are in place to ensure growth is ‘pro poor’—that it expands employment and productivity and aims to moderate extremes—it is possible to raise living standards across society, as has been done in Malaysia and Norway.¹⁹

5.18 Amnesty urged APEC to accept that lack of accountability and transparency in financial systems is inextricably linked to the lack of basic human rights and labour standards in the countries of concern. It prompted APEC to acknowledge that: ‘Genuine sustainable development can only be achieved in societies where freedom of expression and association are respected and protected’.²⁰

5.19 The Australian Government has remained cautious about canvassing these matters through APEC. In 1999, DFAT told the Committee that:

Another point we thought we might bring to your attention is that we have seen a bit of a proliferation across the APEC agenda in areas that go a little beyond the economic and trade focus that has been at the heart of, and as far as we are concerned remains central to and pre-eminent in, the APEC work program. Some other economies have been anxious to broaden the agenda to cover things like what the North Americans are inclined to describe as civil society issues, gender issues and social welfare concerns. While we certainly see some scope for that work having a place in APEC, we have been keen to make sure that the work that is done there remains focused and outcomes oriented and that the agenda does not proliferate in such a way that we lose the capacity to deliver results.²¹

5.20 Australian businesses have supported this stance.²² Earlier in the inquiry, the Australian Chamber of Commerce and Industry made it very clear that it did not support the extension of APEC programs into these areas. In its submission, it said that ‘By contrast, APEC only need divert its attention away from the main game and embrace peripheral issues like gender, youth, environment or the panoply of “social

17 Submission no. 44, pp. 12–13. Dr McKinley reported that between 1979 and 1992 a more automated US manufacturing sector became more globally competitive, boosting productivity by 35 per cent. At the same, the workforce was simultaneously reduced by 15 per cent. In the decade to 1991, 1.8 million manufacturing jobs were shed.

18 *Committee Hansard*, 23 March 1998, pp. 776–77.

19 UN *Human Development Report 1997*, ‘Overview’, p. 7.

20 ‘APEC: Crisis which Crisis?’, October 1998, p. 24, attachment to Amnesty submission.

21 *Committee Hansard*, 18 February 1999, p. 842.

22 See Ms Louis Filling, MTIA, *Committee Hansard*, 17 November 1997, p. 159; and Mr Brent Davis, ACCI, *Committee Hansard*, 29 September 1998, p. 37.

agenda” items to cause business and regional governments to lose interest and for the initiative to effectively fail’. Mr Brent Davis, Head of International Affairs at the Chamber told the Committee:

I think APEC would find it very stressful to get involved in broader social issues. You have already seen it in the World Trade Organisation when they tried to get up protocols on trade and labour standards; trade and the environment were exceptionally stressful. We see, as I have said, APEC delivering worthwhile outcomes, but it is when we realise that if one tried to put up various social issues like labour standards, like environment, like gender, like youth, it might be very stressful to someone like Malaysia, like South Korea, like Japan, and certainly Singapore. We are well aware of the attitude of the government of Singapore when the Canadians flagged these issues. How can I say it? They were given a few home truths in very plain English.

We think these issues could be dealt with in time, but we would not regard them as the front end issues of APEC. We would not regard them as those delivering the biggest outcomes and benefits from APEC, but we would probably at this point in time see them as stressful to APEC. We do not think at this point in time they should come forward. Down the track there may be ways of accommodating them.

If one looks at the current environmental devastation in Kalimantan—the fires and so on—I think that will cause environmental issues to come up more quickly. But, of course, as one knows in international affairs, there is a great tension in environmental matters. The developed countries want to see some action in a whole range of areas. The developing countries see the developed countries just conspiring against them to retard their growth and labour standards are seen in the same way. It is not that the matter should not be dealt with. It is just a case of sequencing, sensitivity and timing.²³

5.21 Recent developments in environmental protection in the region have highlighted the fact that achieving sustainable development relies on an integrated approach to both environmental and social policy. The Committee heard that a combination of population and rapid economic growth has enhanced awareness that economic gain is not sustainable without consideration of environmental effects. The fires in Indonesia brought this home to South East Asian countries.²⁴ In China, strong commitments to improving its environmental standards in industry saw the introduction of a ‘polluter pays’ system.²⁵ However, the consequential closing of large

23 *Committee Hansard*, 29 September 1997, p. 37.

24 See for example, DFAT, *Committee Hansard*, 20 October 1998, p. 85; Environment Australia, submission no. 43, pp. 8–9.

25 See Paul Eckert ‘China to Shut Polluting Plants Despite Job Fears’, *Reuters* Beijing 12 February 1998, p. [1].

numbers of inefficient and polluting factories resulted in massive unemployment that, in a country without any social security net, had serious social effects.²⁶

5.22 APEC's agendas are thus drawn irredeemably together. The interrelationship of labour, environment and economic issues, and the integration of responsibilities thus entailed, will undoubtedly become ever clearer as the globalisation of trade practice progresses.

Making APEC work for the community: opening up debate

5.23 Although business organisations voiced their concerns about broadening APEC's role to include the social effects of the TILF agenda, development experts and community groups told the Committee that, if APEC is to make progress, it must work to bring its agendas together; to give effect to its commitments to sustainable and equitable development. They saw that every trade-related initiative had social and environmental implications and recommended that these should be fully researched and evaluated by APEC. They argued that Ecotech should work towards moderating the negative effects of trade liberalisation and institute programs to nurture good governance in developing countries.

5.24 In essence, they argued for inclusion of organisations, such as trade unions, and human rights and environmental organisations, in APEC's policy-making processes.

5.25 Community perceptions among APEC member economies of APEC dominated by government and big business has led to misunderstanding of and sometimes opposition to APEC and its programs. This has worked against APEC's claims to transparency and accountability, and thus its credibility. The following views of Canadian NGOs views are representative:

The focus on business goes to the heart of what is structurally wrong with APEC. Given APEC's official goals and the broad responsibilities of governments, the exclusive emphasis on involving the business communities of the region which already have privileged relationships with their national governments, is inappropriate. History offers little reason to assume that, on its own, business will look out for broader interests of society. Business, for example, does not have a good record on issues of environmental sustainability or poverty reduction. Its concerns, however legitimate as private actors, are not the concerns of the broader community. The impetus to involve business and exclude civil society actors has led to an unbalanced agenda for APEC.²⁷

26 'Foreign Correspondent', Australian Broadcasting Corporation, 28 July 1998.

27 'Canada and APEC: Perspectives from a Civil Society. A Discussion Paper', p. [9].

APEC parallel peoples fora

5.26 In 1993, public rallies accompanied the first APEC Leaders Summit on Blake Island. Demonstrators argued that liberalised trade should reward efficiency and promote investment in environmentally sound goods rather than cause ever-lower standards of environmental protection and worker health safety.²⁸ A letter outlining concerns about environmental sustainability was passed on to the Leaders.

5.27 In 1994, NGOs' attempts to publicise their stance were blocked at Bogor, when they found their conference venue locked and their reservation cancelled.²⁹ In the following year at Osaka, Japan's Prime Minister endorsed an ICFTU Asian Pacific Labour Network's petition.³⁰ At the same time, at Kyoto, NGOs and trade union representatives formulated the Kyoto Declaration. It stated that free trade would 'negate the development and democratic aspirations of people' and asserted that 'economic growth and trade must serve human development and be based on the rights of individuals and people'.³¹

5.28 Promotion of the APEC summit in the Philippines in 1996 involved extensive television and media coverage, advertising the themes 'APEC Means Prosperity' and 'APEC Means Business'.³²

5.29 Public resistance was strong. Five different parallel civil society conferences took place in November with over 1,000 representatives attending the Manila People's Forum. About 10,000 people attended mass demonstrations across the Philippines.³³

5.30 Following the unprecedented level of public and media debate about APEC, the Philippines Government agreed that APEC would consult with 'responsible representative' NGOs.³⁴ Some NGOs attended the APEC conference on environmental sustainability and the ICFTU submitted its Philippines Statement. The statement emphasised the importance of shared prosperity in the Subic Declaration, the need for the partnership of union, business and government and the importance of labour standards for poverty alleviation and social stability.³⁵

28 *Canada and APEC: Perspectives from Civil Society. Discussion Paper.* Prepared by the Policy Working Group for the Canadian Organising Network for the 1997 Peoples Summit on APEC, Canada, 30 July 1997, p. 3, attachment to ACFOA, submission no. 37.

29 See *Canada and APEC: Perspectives from Civil Society. Discussion Paper*, p. [3]

30 Australian Council of Trade Unions (ACTU), *Committee Hansard*, 5 February 1998, p. 550.

31 *Canada and APEC: Perspectives from Civil Society*, p. [3].

32 Dr P. Ranald, submission no. 8, p. 24

33 *Canada and APEC: Perspectives from Civil Society*, p. [3].

34 Dr P. Ranald, submission no. 8, pp. 24–25

35 Dr P. Ranald, submission no. 8, pp. 24–25; ACTU, *Committee Hansard*, 5 February 1998, p. 550.

5.31 NGOs also took this opportunity to assert their views on APEC's commitments to equitable and sustainable development. The Australian NGO's country paper for Manila's NGO forum called for:

an acknowledgement that liberalisation of trade and investment, if left entirely to market forces, will damage the environment, increase poverty and social inequity and undermine worker's rights and consumer standards. We argue that these impacts must be taken into account when trade policies are formulated.³⁶

5.32 Australian NGOs argued that research into the effects of liberalisation programs should be done before embarking on them. They also called for formal consultative mechanisms to be established at both national and international levels to 'increase transparency and democracy of decision making' under APEC.³⁷

5.33 In the lead up to the Vancouver meetings in 1997, Canadian NGOs reported that they planned to hold, for the first time, parallel meetings of labour and other NGO groups together.³⁸ This was prompted by the strong domestic coalition between these communities in Canada, and by the large degree of complementarity between views they held on the untenability of APEC's direction.³⁹ Canadian civil society hoped that the Vancouver meetings might be a turning point in APEC's history. Canada's strong history of public consultation, they believed, would allow official and unofficial contacts between APEC officials and civil society and so facilitate a 'broadening of the perspectives of the narrow one sided agenda pursued so far by APEC'.⁴⁰

5.34 Vancouver, with its inclusive focus on women's and youth issues, did slightly open up channels of communication. The ICTFU presented a detailed declaration to Canadian Prime Minister Chretien outlining measures to ensure the greater integration of labour and civil society groups into APEC decision-making.⁴¹ At the same time, APEC charged its Human Resources Development Working Group (HRDWG) to 'increase labour force participation, including women and youth, to improve the efficiency of labour and to develop human resources through education and job related training'.⁴²

36 'Country Paper for Manila NGO Forum on APEC: Australia', attachment to ACFOA, submission no. 37, p. [2], attachment to ACFOA, submission no. 37.

37 'Country Paper for Manila NGO Forum on APEC, p. [2], attachment to ACFOA, submission no. 37.

38 *Canada and APEC: Perspectives from Civil Society*, pp. [6-7], attachment to ACFOA, submission no. 37.

39 *Canada and APEC: Perspectives from Civil Society*, p. [6].

40 *Canada and APEC: Perspectives from Civil Society*, p. [7].

41 ACTU, *Committee Hansard*, 5 February 1998, p. 550.

42 *APEC Canada 1997*, Homepage <http://www.dfait-maeci.gc.ca/~apec/english/sustai-e.htm> (Access, 4 March 1998).

5.35 APEC was now to focus more on Ecotech as ‘capacity building’ and new emphasis was placed on the environment and sustainable development. In this context, APEC asserted the primacy of public/private sector collaboration to bring about the realisation of its vision, for example, of environmentally sustainable cities.⁴³ To coordinate the implementation of these initiatives by APEC Working Groups, a new Ecotech sub-committee of APEC Senior Officials Meeting (the ESC), was established. It was envisioned that NGOs might be brought in to monitor outcomes.⁴⁴

5.36 But initiatives to follow both in Kuala Lumpur in 1998 and New Zealand in 1999, did not suggest that APEC was on the brink of opening its doors to NGO opinion. At Kuala Lumpur, Malaysian Prime Minister Mahathir was pleased to pursue Ecotech initiatives, ratifying demands by regional leaders that APEC’s HRDWG should address unemployment issues as agreed in Bali in February 1998.⁴⁵

5.37 New Zealand followed through in 1999 with statements denying the validity of NGO concerns about the trade liberalisation agenda and asserting the primacy of the model in the lead up to the WTO millennium round.⁴⁶ The Leaders initiated broader consultation with business, to facilitate SME growth, as its contribution to wealth sharing. It did not escape the attention of New Zealand’s NGOs that the APEC Business Advisory Council was still the only ‘non-government’ group allowed unrestricted access to the Leaders Summit.⁴⁷

5.38 On the other hand, APEC, too, remains aware of community feeling represented by NGOs. In February 1998, DFAT told the Committee that APEC members had endorsed an Australian initiative to engage communications experts and market researchers to uncover the ‘anxieties of non government groups and the community at large about globalisation and trade liberalisation’. A valuable initiative in itself, its potential seems undersold in DFAT’s explanation that its aim was ‘to find better ways of communicating government perspectives’.⁴⁸

5.39 In this way, APEC dramatically failed to demonstrate the receptivity needed to manage these issues effectively. In February 1998, Dr Edna Ross, Australian Council for Overseas Aid, told the Committee:

43 See *APEC Canada 1997*, Home Page, APEC and Sustainable Development, Internet site: <http://www.dfait-maeci.gc.ca/~apec/english/sustai-e.htm> (4 March 1998).

44 Foundation for Development Cooperation, Supplementary Submission no. 14A, p. 6.

45 Mr Matt Ngui, *Committee Hansard*, 3 February 1998, p. 440.

46 See Address to APEC Small and Medium Enterprises Ministers’ Meeting, Rt Hon Jenny Shipley, Prime Minister, 26 April 1999, *APEC* Internet site (7 July 1999) and Russel Norman ‘APEC: the Landlords Come to Town’, *Green Left Weekly*, Internet site: <http://jinx.sistm.unsw.edu.au/~greenlft/1999/377/377p21.htm> (20 October 1999).

47 Norman, ‘APEC: the Landlords Come to Town’, *Green Left Weekly*, (20 October 1999).

48 *Committee Hansard*, 18 February 1998, p. 845.

If you go to the NGO forums, a lot of them want to abolish APEC. So there is huge opposition to what the agenda is, and it is the trade liberalisation agenda that there is opposition to. If there were any sign that APEC meetings were genuinely looking at how to improve the living conditions of people in the region, which is what it says it is meant to be doing, then I think the opposition would be reduced.⁴⁹

5.40 As the United Nations has observed, the activities of NGOs represent a current of genuine community concern that has grown with the rise of the global market forces APEC seeks to manage:

The emergence—or, in several parts of the world, the re-emergence—of civil society, is linked to two interlocking processes: the quest for a more democratic, transparent, accountable and enabling governance and the increasing preponderance of market based approaches to national and global economic management, which have resulted in redefining the role of the State and vested new broader responsibilities in market and civil society actors in the pursuit of growth and well-being. In this overall context, a vibrant civil society is critical to processes of democratisation and empowerment.⁵⁰

5.41 The advent of the Asian crisis has given greater impetus to economic cooperation within APEC and increased the role of development cooperation, reducing its disparity with trade and investment liberalisation and facilitation.

5.42 Amnesty International criticised APEC for not focusing on the human rights implications of the crisis. It submitted that APEC, as a ‘prisoner of its own growth rhetoric’, had failed to note the nexus between its call for transparency and accountability in the financial scene and the importance of these in legal and political terms. However:

The crisis has seen belated recognition that the rule of law, good governance, transparency and accountability in the financial systems, are inextricably linked to the lack of basic human rights and labour standards in the countries of concern.⁵¹

5.43 Amnesty reported that the crisis has caused an acceleration of human rights abuses, turning back the tide of advances in a number of countries where, for example, progress recently made in the area of trade union and workers rights were rolled back.⁵²

49 *Committee Hansard*, 2 February 1998, p. 268.

50 Quoted in ‘Engagement with Civil Society Organizations by Multilateral Organizations’, APEC SOM Chair Office 18 August 1997 (prepared by Canadian Government), p. [4]; attachment to ACFOA, submission no. 37.

51 Submission no. 58, p. 20.

52 Submission no. 58, pp. 8–14.

5.44 Ms Joanna Hewitt, then Australian Ambassador to APEC, told the Committee, in answer to the question ‘Is there a danger that we are shifting away from APEC’s charter, or its perceived charter, of economics and getting further into social issues to the detriment of the economic aspect of APEC?’:

It is something we are concerned to avoid. I think that, while there is a good case for proceeding with an initiative the Americans introduced in Kuala Lumpur to look at cooperation between APEC member economies in the area of the social impacts of the financial crisis—for example, things like improving the capacity of those economies to deal with unemployed and those in dire need of food support and so on—we would want to make sure that was done in a way that was consistent with what APEC is capable of achieving. In other words, it would be through providing, where it is helpful, policy support and technical expert assistance that might help those economies improve their own capacity to deal with those problems.

But we are concerned about a broad brush idea—for example, that you should have large numbers of meetings of APEC officials and NGOs on gender issues. The Canadians have been keen to see APEC, as an institution, engage in a much more elaborate set of consultations with NGOs at the international level’.⁵³

5.45 Asked whether there was a danger in broadening APEC’s agenda, Ms Hewitt replied:

I think there is a risk. That is why in our input, both at official and at ministerial level, we have been very much on the cautious side, and have been reluctant to see too much expansion in this area. We have been quite anxious to make sure that the focus stays on the trade and economic heartland.⁵⁴

5.46 During the inquiry, a number of people advocated a broadening of APEC’s agenda to include issues other than economic/business issues. Overwhelmingly, they have argued for the inclusion of social issues rather than their substitution for APEC’s economic/business agenda. Most have supported TILF but are nevertheless anxious to ameliorate the ill effects that some people are subjected to as a result of trade and investment liberalisation. While these are often national issues, which are the responsibility of governments of member economies, APEC does have a role to play. Adverse effects of liberalisation can be taken into account in the planning stages and there is provision within Ecotech for technical assistance to be made available, if necessary, to member economies.

5.47 With regard to labour issues, the ACTU quoted the Duffy Report, which considered that Australia, with its ‘commitment to trade in the region and its key role in international labour fora in the past’, would be a good ‘honest broker’ in any

53 *Committee Hansard*, 18 February 1999, p. 855.

54 *Committee Hansard*, 18 February 1999, p. 855.

discussion on labour-related human rights issues in APEC. The report recommended that: ‘within the consensus-style decision making essential to APEC’s operations, the Australian Government should play a positive role in encouraging its APEC counterparts to move towards a constructive dialogue on core labour standards’.⁵⁵

5.48 The ACTU suggested that Australia should support the formation of an APEC labour forum as a balance to ABAC.⁵⁶ Mr Tim Harcourt, Research Officer, ACTU, suggested this should be a labour–employer forum, to allow a cross-fertilisation of views between workers and employers.⁵⁷

Conclusion

5.49 For a long time, APEC focused almost exclusively on its economic/business agenda, regarding a social agenda as unnecessary distractions to the main game of trade and investment liberalisation and facilitation. It was not that social issues, such as labour and the environment were ignored completely, as these issues were addressed in working groups and committees. They did not, however, occupy any prominent place in the organisation and their proponents were not given any formal role in the way that business was accorded formal status through ABAC.

5.50 Although there was a gradual recognition of the need to address social issues in relation to APEC’s TILF program, it was not until APEC began addressing the adverse social effects of the East Asian financial crisis that social issues assumed a more prominent role within APEC. Economic and social issues are intertwined and there is sense in considering them together rather than as separate entities. If APEC is going to provide higher living standards and a sustainable environment for member economies, it cannot ignore elements of the package that will provide those outcomes.

5.51 In giving support to a slight broadening of APEC’s agenda, the Committee is not advocating any change to the primacy of the TILF program. But, as it has already started to do, APEC should take more account of issues that will be affected by progress in TILF and consult parties with interests in these areas, particularly NGOs.

Recommendation

The Committee recommends that the Australian Government, while giving primacy to APEC’s trade and investment liberation and facilitation agenda, also support the social agenda that will assist all areas of the populations of APEC’s member economies to benefit from the realisation of APEC’s long-term goals.

The Committee recommends that the Australian Government support formal status for non-business NGOs within the APEC structure.

55 Duffy Report, pp.72–73, quoted in submission no. 5, p. 9.

56 Submission no. 5, pp. 9, 15.

57 Mr Tim Harcourt, *Committee Hansard*, 5 February 1998, p. 556.

