

***Tibet and the APEC***

*A Briefing paper  
for Tibet Support Groups*

Prepared for the People's Summit on APEC  
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## Introduction

This paper aims to provide an overview of the Asia Pacific Economic Group (APEC), the largest free trade cooperative in Asia, and an analysis of APEC's relevance to Tibet Support Groups (TSGs). Appreciating why the formation of APEC is important to TSGs requires a basic understanding of the APEC itself. Consequently, the bulk of the paper examines the steps of APEC's free trade liberalization program, discusses what the APEC is, reviews how and why NGOs are attempting to influence its development, and critiques the claims made for and against APEC's free trade agenda. The paper concludes with a quick discussion of what courses of action and possible strategies TSGs may want to take with respect to APEC.

## Introduction to APEC

East and Southeast Asia have dense human populations, political systems that range from democratic to despotic, plentiful natural resources, high levels of growth in industry and technology, low labour costs and pockets of deep poverty: a unique combination of blessings and curses. Historically, and quite violently in the last century, various European powers, as well as the U.S., attempted to exploit the region's resources. More recently, Asia has caught the attention of the world community by achieving spectacular levels of growth absent (for the most part) the presence of colonial powers.<sup>1</sup> Despite wide variations in their levels of economic development, many East and Southeast Asian countries experienced economic growth rates twice that of the rest of the world economy.<sup>2</sup> International trade for the region is also high: for example, two way trade flows between East and Southeast Asia and the United States amounted to 32.5% of the total U.S. trade in 1990, higher than the U.S. trade with either Canada and Mexico (25.9%) or the European Community (21.3%).<sup>3</sup>

It is little wonder that efforts to capture and encourage such prosperity should once again materialize, this time within the framework of trade relationships. This is the ostensible goal of the effort

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<sup>1</sup>Rudner, Martin "APEC: The Challenges of Asia Pacific Economic Cooperation" *Modern Asian Studies* 29(2):403-437 at 404-405.

<sup>2</sup> *Ibid.*:403.

<sup>3</sup> *Ibid.*:405.

to liberalize trade, manifest in a number of initiatives taken up in recent years. For example, in 1991 Malaysian Prime Minister Mahathir proposed forming the EAEC, or East Asian Economic Cooperation as a response to the regional blocks being formed in Europe and North America. In 1992, the nations which form the Association of Southeast Asian Nations (ASEAN), created the ASEAN<sup>4</sup>, Free Trade Area (AFTA), which aims to create a free trade zone by 2008. The largest of such agreements by East and Southeast Asian countries includes their trading partners on the South and North American continents, and is embodied in a loose organization of 18 countries and territories called the Asia Pacific Economic Cooperation, or APEC<sup>5</sup>.

Although similar to other cooperative efforts by Asian countries in the region in terms of its free trade agenda, APEC represents a notable departure from other agreements in the region for two reasons. First, it is the most inclusive in terms of its membership of countries in the Asia Pacific region;<sup>6</sup> second, the involvement of the U.S. and Canada add significantly to APEC's size and potential foreign policy implications. APEC is thus, in a sense, a different category of beast in comparison to the other cooperative efforts, due to the size of the economies it involves and the range of economic and political interests its member economies represent. That APEC has special and far-reaching political significance is suggested by the keen interest various of its member economies have shown in influencing its policies and evolution as an organization.

Picking up on what was originally a Japanese initiative intended to attract U.S. attention to the region, Australian Prime Minister Bob Hawke proposed an idea for regional economic cooperation that culminated in the first APEC meetings in 1989. At the time, Hawke's interest reflected the reality that despite its traditional cultural ties to Europe, Australia's economic fate was tied to Asia's growth.<sup>7</sup> The

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<sup>4</sup> The members of ASEAN are: Philippines, Thailand, Malaysia, Singapore, Brunei, Indonesia and Vietnam.

<sup>5</sup> Zarsky, Lyuba "Apec, Citizens Groups and the Environment: Common Interests Broad Agenda" Presentation to Citizens Forum on Trade and Environment Peoples Forum 2001 University of Tokyo, Nov.11-12, 1995

<sup>6</sup> MacIntyre, Andrew and Nancy Viviani "APEC Revisited" *Australian Journal of International Affairs* 46(2) i-vi: p, ii.

<sup>7</sup>Bello, Walden "APEC and the Conflict of Capitalisms.", Paper prepared for the Asian Regional Exchange for New Alternative (AREANA). p.8.

initial meeting aimed at establishing a ministerial-level forum for consultations about pragmatic economic concerns in the Asia Pacific.<sup>8</sup>

The member economies of APEC span East Asia, Australia and the Western Hemisphere. Currently, the member states are: Australia, Brunei, Canada, China, Hong Kong, Indonesia, Japan, South Korea, Malaysia, Mexico, New Zealand, Papua New Guinea, the Philippines, Singapore, Taiwan, Thailand and the USA. APEC countries have 40% of the world's population (2.15 billion people), produce 53% of the global GNP and account for 41% of world-wide trade.<sup>9</sup> Other countries, such as India and Vietnam, are waiting to join.<sup>10</sup> The size of APEC, and the opportunity to be in on negotiating its goals and policies explains why countries such as India and Vietnam wish to become member economies. As the following review of each successive ministerial forum demonstrates, APEC is in the process of designing a blueprint for liberalizing trade in the Asia Pacific, the effects of which will be felt in India, Vietnam and beyond.

#### The APEC Agenda

The APEC's vision of free market trade policies and unrestricted growth is its defining feature. Each of the APEC's summits has produced a more specific articulation of its free trade policies. The 1991 Seoul Declaration presents a basic picture of the future, and highlights APEC's goals to encourage the flow of capital, goods, services and technology, develop and strengthen the multilateral trading system and reduce barriers to trade in goods and services and investment.

At Blake Island in Seattle, 1993, APEC declared its commitment to open trade and investment and free market principles in the APEC region.<sup>11</sup> The Blake Island summit of 1993 kept the focus on harnessing the energy of the region's diverse economies, strengthening cooperation and promoting

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<sup>8</sup> Elek, Andrew "APEC - Motives, Objectives and Prospects" *Australian Journal of International Affairs* 46(2) 161-173:p.163

<sup>9</sup>Bronson, Diana and Rousseau, Stephanie :Working Paper on Globalization and Worker's Human Rights in the Apec Region: International Centre for Human Rights and Democratic Development. October 26, 1995.p.4.

<sup>10</sup>Alarm Update "Worker's Primer on APEC" Newsletter No. 4&5 July and August 1996. p.11. Other countries who have yet to be admitted to the APEC are Peru, Ecuador, Colombia, Mongolia, Russia, Sri Lanka, Pakistan and Israel. (IBID.)

<sup>11</sup> Canadian Department of Foreign Affairs and International Trade "Apec: Opening the Doors for Canadian Business" p.4.

prosperity; however, the rationale behind these goals also began to emerge. Participants envisioned that as trade and investment barriers shrank, and goods, services, capital and investment flowed freely, numerous benefits would accrue. Specifically, economic leaders predicted that people would experience higher incomes, more skilled and higher paying jobs and mobility, improved education, higher literacy rates and that advances in telecommunications and transportation would link the APEC economies so that goods and people moved more efficiently.

The 1994 meeting in Bogor, Indonesia produced a more specific declaration of APEC goals, the "Declaration of Common Resolve", in which leaders announced their commitment to "complete achievement of free and open trade and investment no later than 2010 for industrialized economies, 2015 for NICs [Newly Industrialized Countries] and 2020 for developing countries."<sup>12</sup> Other specific objectives and goals in Bogor were to expand and accelerate trade and investment facilitation programs and intensify development cooperation.

At the 1995 summit meeting in Osaka, Japan, leaders agreed upon the "APEC Economic Leaders' Declaration for Action" in which the 'Osaka Action Agenda' identified trade and investment liberalization, their facilitation, and economic and technical cooperation as the three pillars of future APEC activity. The Action Agenda discusses several issues: the desire to avoid turning APEC into a regional trading bloc that would hinder globalization of free trade, and therefore a need for a commitment to "open regional cooperation". the need to resolve disagreements in a non-confrontational manner; and fundamental principles to "guide the achievement" of liberalization.<sup>13</sup> The 1996 annual meeting in Subic, Philippines continued to stress the themes of trade and investment, technical and economic cooperation, and additionally, the importance of business leadership to the liberalization process.<sup>14</sup> The APEC Business Advisory Council (ABAC) report to the 1996 leaders meeting suggested "a future international decision-making framework in which...corporate CEOs--not responsible representatives of democratic

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<sup>12</sup> Declaration of Common Resolve, 1994.

<sup>13</sup> The fundamental principles are identified by the Action Agenda as: "comprehensives; WTO consistency; comparability; non-discrimination; transparency; standstill; simultaneous start; continuous process and differentiated timetables; flexibility; and cooperation"

<sup>14</sup> Policy Working Group of the Canadian Organizing Network "Canada and APEC: Perspectives from Civil Society A Discussion Paper" July 30, 1997.

institutions in society-- would be charged with resolving critical issues that divide APEC countries."<sup>15</sup>

This advice seems to confirm one of the most troubling features of APEC: its lack of conscience regarding representation or accountability to the populations it supposedly serves.

As this review of APEC's evolution demonstrates, the successive ministerial meetings have produced increasingly detailed outlines of APEC's free market policies. Although its agenda is mainly regional and economic, the implications of its trade liberalization plans are not only political and social, but global. Understanding the implications of APEC for TSGs requires some knowledge of the global economic conditions in which APEC has emerged.

### Analysis of APEC

There can be little confusion about APEC's stated aims and goals. Pinpointing exactly what the APEC is, and estimating its present and future significance present more difficult questions. On the one hand, as one review puts it, APEC can be described as nothing more than 'a ramshackle framework of shifting premises, held by a loose hodge podge of countries bound together more by expediency than any economic and political principles its members can truly claim to hold in common'.<sup>16</sup> The fact that its decision-making structure emphasizes consensus only makes the prospect of agreement between its diverse members seem all the more unlikely.

Its eighteen partners include the one remaining super power (USA), the world's largest Islamic nation (Indonesia), the most populous Spanish-speaking country (Mexico), an oil-rich sultanate of just 300,00 people (Brunei), and an expanding economic powerhouse of 1.2 billion people governed by a one-party dictatorship that outlaws all forms of political dissent (China).<sup>17</sup>

As well, APEC does not yet really qualify as an institution per se; the member economies have only a small secretariat in Singapore and little infrastructure. Nonetheless, it has acquired some institutional trappings, as exemplified by the annual meetings, held since 1989, the formation of

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<sup>15</sup> International Centre for Human Rights and Development (ICHRDD)  
"APEC's Missing Agenda", published pamphlet, 1997. p. 8

<sup>16</sup> Ibid.:3.

<sup>17</sup> Ibid.

subcommittees<sup>18</sup> mandated to formulate policy and the sweeping economic vision that member countries, or economies, claim to favor.

Despite these seeming flaws, there are other reasons to take the formation of APEC quite seriously. One of these is the very looseness of organization and vagueness that seem to characterize it; these may help sidestep both democratic representation of their respective populations and the usual social issues that economic policy-making raises (for example, setting minimum wage rates, environmental regulations, guaranteeing fundamental workers' rights and so forth). Lacking formal procedures and focusing on a strictly economic agenda may help minimize the significant social and political differences that divide the various members and otherwise keep them from working together (for example, APEC is one forum where China and Taiwan may talk about common concerns and economic strategies),<sup>19</sup> in the name of forging trade policies that will supposedly increase prosperity. As a non-binding forum for discussion, the consensus- style forum of APEC encourages deal-making and informal understandings create economic alliances between democratic countries and some of the most repressive regimes in the world.<sup>20</sup>

A second reason to view APEC as a powerful force relates to its potential to globalize<sup>21</sup> the economies in the region. Although APEC is similar in many respects to other trade blocs, it *is* different in terms of the depth and breadth of the measures it proposes for economic change. Antonio Tujan argues that the Bogor and Osaka Leader's Declarations are not merely mechanisms to remove trade barriers and develop technical and economic cooperation, but that they represent an effort to "hasten economic

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<sup>18</sup> Subcommittees such as the Economic Committee, the Budget Committee, the Eminent Persons Group and the Asia-Pacific Business Forum.

<sup>19</sup> International Centre for Human Rights and Development (ICHRDD), "APEC's Missing Agenda", published pamphlet, p. 3, 1997.

<sup>20</sup> *Ibid.*:8.

<sup>21</sup> In this paper, the term "globalize" refers to a process typically used to describe the economic restructuring and integration of countries into a new 'global' order. In this new order, barriers to trade and investment are eliminated, capital moves with unprecedented mobility across borders, quick transport and information exchange reduce the distance between countries and regions and thus bring about a greater and quicker exchange of goods and services. Definition takes from: Tujan, Antonio Jr. "The APEC and Globalization" *IBON People's Advocacy and Policy Studies* June 1996 1-16 at 10.

integration or globalization...while global powers compete to put East Asia under their control of area of influence."<sup>22</sup>

Although globalization of the world's economies has been progressing since World War II, the process has begun to speed up significantly with the formation of regional trade blocs such as the North American Free Trade Agreement (NAFTA) or the European Union (EU). Furthermore, the recent Uruguay Round of the General Agreement on Tariffs and Trade (GATT), and the World Trade Organization (WTO), established as a result of the Uruguay Round, are considered the most far reaching measures to date that aim to "institutionalize the global market economy and its rules."<sup>23</sup>

Both the APEC and the WTO are instruments of globalization. The WTO governs the implementation of the Uruguay Round rules, acts as a forum for further negotiation and has substantial dispute settlement provisions.<sup>24</sup> As the institution set up to negotiate future economic policy and settle disputes, the WTO has the power to consider policy issues that were not addressed or resolved in the Uruguay Round, such as environmental standards or worker's rights.<sup>25</sup> Unlike the APEC, the WTO has the formal power to influence economic policy and disputes globally. On the other hand, APEC's sheer size and combined wealth (it includes the world's three largest economies: the US., Japan and China), will surely endow it with substantial powers of persuasion on trade issues. For example, if APEC offers to generalize its liberalization on a reciprocal basis, non-members of APEC may feel that they cannot afford to reject the offer.<sup>26</sup> The cost of losing a chance to do business with APEC would be equivalent to losing access to one half of the world economy. Informally and indirectly, then, APEC promises to exercise substantial influence on the trade policies of individual countries.

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<sup>22</sup> Tujan, Antonio Jr. "The APEC and Globalization" *IBON People's Advocacy and Policy Studies* June 1996 1-16 at 8.

<sup>23</sup> *Ibid.*: 10.

<sup>24</sup> Leary, Virginia "Worker's Rights and International Trade: The Social Clause (GATT, ILO, NAFTA and U.S. Laws). p. 198.

<sup>25</sup> For example, ICDA "An Alternative Report on Trade" notes that potential new issues for the WTO to consider, elaborated during the ministerial conference to sign the Uruguay Round included: the relationship between international trade and worker's norms, immigration policies, and development, stability and poverty alleviation. ICDA "An Alternative Report on Trade" February 1995, p. 102.

<sup>26</sup> Bergen, Fred C. "Globalizing Free Trade" *Foreign Affairs* 75(3) 105-120: 113.

In effect, APEC is an arena where plays for global dominance may unfold; in contrast, the WTO presents a more neutral forum for negotiations between countries and for the implementation of rules and agreements. With APEC member economies producing a combined Gross National Product of more than US\$13 trillion, 46% of the world exports and 53% of the gross world product, the Asia Pacific region is too lucrative an area to qualify as an object of benign interest.<sup>27</sup> Indeed, the emergence of APEC and other trade blocs illustrate the importance that trade agreements have assumed in the post Cold War era. Since the end of the Cold War, trade agreements and strategies have become the mechanisms through which alliances and conflicts are created, as well as subjects of national and international political debates.<sup>28</sup>

The members of APEC obviously understand the sizable potential benefits of negotiating policies that serve their national interests. For example, Bello argues that the U.S. efforts to make APEC become a free trade area are part and parcel of a broader strategy aimed at maintaining a U.S. competitive advantage and keeping a Japanese-dominated trade bloc from forming in the Western Pacific.<sup>29</sup> The shifting location of political influence over APEC--from Australia to Japan to the U.S.--underscores the political maneuvering and tensions that the competing interests of APEC members create.

To return to the question posed at the beginning of this section, the APEC seems to be several things, depending on whether it is viewed as one component of a larger process of globalization, as a dominant agent of Asia Pacific political relations, or as the tool of a dominant power with aims to capture the most economic benefits from the region. APEC's potential significance to TSGs should therefore be construed very broadly, as APEC's economic and political spheres of influence are both regional and global. On a regional level it is clear that any APEC policy China adopts has the potential to be felt in Tibet. Secondly, Tibetans have interests in lobbying for inclusion of social and human rights policies generally, and this joins them in solidarity with other NGOs that have similar concerns and interests.

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<sup>27</sup> "Worker's Primer on APEC" July and August 1996 ALARM Update. p. 6.

<sup>28</sup> International Coalition for Development Action "An Alternative Report on Trade :An NGO perspective on international trade" February 1995. p.7.

<sup>29</sup> This includes an ideological agenda designed to promote free market capitalism and help dismantle the state-assisted capitalism that been part of the formula for Asia's high-speed growth. Bello, W. "APEC and the Conflict of Capitalisms" paper prepared for the Asian Regional Exchange for New Alternatives (AREANA), no date listed . p. 31-32 and 55.

### The Response of NGO and Labour Networks to APEC

As APEC has gained in members and momentum, a parallel network of NGOs and labour organizations, aiming to lobby and monitor APEC policies and activities, has emerged. The first efforts to focus on APEC and evaluate its trade policies began in 1993 in Seattle, when local non-governmental organizations, (mainly environmental groups but also several others, such as the Alliance for Responsible Trade), drafted an open letter to APEC. The letter noted concerns that liberalized trade could either promote efficiency and environmentally sound goods and services, or do the opposite; of ten recommendations offered, eight centered on environmental concerns and two called for debt relief and market access for developing countries.<sup>30</sup>

Subsequent forums on APEC have coincided with the timing and location of the APEC Leader's Summits; NGO declarations issued from these meetings continued to focus on concerns that globalization and trade liberalization are more harmful than beneficial in many different arenas: social, environmental, political. For example, in 1995, more than one hundred NGOs and trade unions convened in Kyoto to hold the "1995 NGO Forum on APEC". Claiming that liberalization of trade and investment "promotes the rapid expansion of transnational enterprises, destroys small and medium businesses and deepens unemployment...[and that APEC will trigger consequences that] are socially unjust and economically unsustainable...", the Kyoto Declaration roundly rejected the model of free trade and liberalization espoused by APEC. Conference papers drafted at several of five parallel civil society conferences held in the Philippines, November, 1996 (which coincided with the APEC Leader's Meeting in Subic, Philippines) further articulated NGO concerns along the same lines: gender and economic issues, labour and immigrant worker policies, social development issues, human rights being sidestepped by APEC governments as they planned APEC's liberalization agenda.<sup>31</sup> Noted the Declaration of the Manila People's Forum in 1996:

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<sup>30</sup> Policy Working Group of the Canadian Organizing Network, "Canada and APEC: Perspectives from Civil Society" A Discussion Paper prepared for the 1997 People's Summit on APEC. Available from International Centre for Human Rights and Democratic Development, 63 rue de Bresoles, Montreal, Quebec, H2Y 1V7.

<sup>31</sup> Ibid.: p. 6.

Political leaders, following the lead of transnational corporations like mice following a trail of spilled grain, are pursuing an illusion of a borderless world in which riches would flow without impediment into their national coffers or the accounts of their corporate allies. We call on them to abandon that fantasy, and wake up instead to the reality that our legacy, our dignity, our culture and our natural world are being drained away instead into the offshore accounts of global robber barons.

The outline of alliances between NGOs and the international labour movement is just beginning to appear; however, the international trade union movement has been actively lobbying APEC, trying to insert a labour component into the APEC agenda for three years.<sup>32</sup> Thus far, the International Confederation of Free Trade Unions (ICFTU), the Asia Pacific Regional Organization (APRO), and the Asia Pacific Labour Network (APLN) have convened meetings to discuss APEC developments.

At its 1996 meeting in Manila, the APLN announced its desire to "harness the APEC objective of the internationalization of markets to the improvement of the conditions of work and life of the citizens of our populous region." Similarly, following its 1995 World Congress, the ICTFU also announced a commitment to assuring that labour and social matters would be brought into the APEC agenda.

Although specific concerns vary according to the organization, it is clear that a growing number of labour organizations and NGOs are lobbying for the inclusion of mechanisms that would implement accountability, with respect to social, labour and environmental matters, into APEC's free trade policies. As one working paper on APEC notes, the growing number of organizations, representing millions of people concerned with human rights and environmental sustainability in the Asia Pacific region, ought to prove a power force providing impetus to the NGO movement and efforts to institutionalize a parallel NGO-Labour network on APEC.<sup>33</sup> This in turn should increase public awareness of APEC and consequently, the chances that public criticism of APEC's narrow agenda may help pressure APEC economic leaders to acquiesce to public pressure and NGO lobbying efforts.

#### Pros and cons of trade liberalization: a short discussion

As the last section suggests, profits and business opportunities are not the only things at stake as APEC initiatives evolve. Like other such agreements, APEC has triggered a debate over the supposed

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<sup>32</sup> Ibid.: p. 5.

<sup>33</sup> Ibid.

virtues of free trade. Opponents argue that liberalizing trade has far-reaching, adverse effects on the social, economic and environmental landscapes of the region. The most contentious issues connected to the prospect of free trade arise from just what the social, economic and environmental effects will be, and whether and how they should be managed.

Pinning down a reliable formula that definitively predicts the success or failure of free trade turns out to be difficult. Other factors contribute to the overall impact of free-trade (for example, pre-existing social and economic conditions, the rule of law and policy). Looking only at the bare contentions for or against free trade, therefore, does not necessarily capture the reality that may eventually unfold; on the other hand, previous experience and the historical record make a strong case for a number of seemingly reliable axioms about the process.

For example, one of these, often bandied about by pro free-traders, is that free and open societies historically emerge when a minimum standard of economic growth and prosperity is attained. Once a certain level of economic growth is achieved, so the argument goes, levels of employment and education also rise, and the society becomes more democratic as well. In support of this contention, it is interesting to note that a globalization unfolds there has been a surge in demands for human rights and democracy.<sup>34</sup>

Taken as a general truth about the effect of economic trends over time, the basic contention that increased prosperity liberalizes social and political systems appears true.<sup>35</sup> The Industrial Revolution, in both England and the US., eventually triggered a liberalization of labour and civil laws in the first decades of the twentieth century.

A closer examination of the process, however, demonstrates that the axiom "prosperity liberalizes" is only true if specific, social measures are taken to ensure that the money-making market becomes a force that actually benefits the larger society. Kapstein argues, for example, that the Industrial Revolution unraveled labour relations and commoditized workers so disastrously that it culminated in the collapse of the world economy and triggered two world wars. It was only with the realization that equity (protection of the worker as ensured by the state and unions) had to accompany growth that the process of

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<sup>34</sup> Broadbent, E. "Globalization: Trades, Rights and Democracy" Paper presented April 28, 1995, Institute of Social Studies, the Hague, p. 3.

<sup>35</sup> (Although Singapore would seem to be an exception)

globalization took off. The post World War II global economy, designed by world leaders in 1944 at Bretton Woods, reflected the ideas that increased economic exchange and prosperity could be a force for world peace, and that it was necessary to build in measures that would build up both.<sup>36</sup>

The connections between prosperity, worker equity and social stability continue to appear. One study on the effects of NAFTA in Mexico reports that during the time that NAFTA has been in effect, the GDP per capita in Mexico declined by 7.1%, the Mexican currency dropped to 50% of its former value, and unemployment leapt to 1.6 million after NAFTA came into affect.<sup>37</sup>

In the APEC region, although working conditions and basic workers rights may be decent in some areas, there are many notorious examples of intolerable circumstances. For example, the province of Guangdong outside Hong Kong boasts the world's largest concentration of factories devoted to making children's toys . Sadly, physical beatings, body searches and arbitrary fines for infringing strict rules (going to the toilet more than twice a day or talking while working or eating), are common in this collection of factories.<sup>38</sup>

A second example comes from Singapore, where despite phenomenal growth rate (8.9% since 1987), democratic freedoms are not yet forthcoming. Under the country's Internal Securities Act, people may be detained for an indefinite period without trial. Trade unions must register with the government to be legal and must apply to the Ministry of Human Resources before they can strike.<sup>39</sup>

The U.S. and Europe have also been affected. For example, in the United States between 1978 and 1990, manufacturing employment fell by 1.4 million; those who were able to replace their jobs usually did so at lower pay. The statistic that fully two percent of working-age American men are behind bars suggest a correlation between these economic trends and the present picture of social disaffection.<sup>40</sup>

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<sup>36</sup> Kapstein, E. "Workers and the World Economy" *Foreign Affairs* 75(3):16-37 at 20.

<sup>37</sup> Arroyo, Albert et. al., "Challenging Free Trade in the Americas: Building Common Responses", March 1996, published by the Mexican Action Network on Free Trade, as quoted in ALARM Update "Worker's Primer on APEC" Newsletter No. 4 & 5 July and August 1996, p. 11.

<sup>38</sup> International Centre for Human Rights and Development (ICHRDD), "APEC's Missing Agenda", published pamphlet, 1997. p. 12.

<sup>39</sup> *Ibid.*:10-11.

<sup>40</sup> Kapstein, E. "Workers and the World Economy" *Foreign Affairs* 75(3):16-37 at 22.

Unemployment as of 1996 is over 11% for France and near 10% for Germany, compared to 2.6% for France and less than 1% for Germany between 1969-1973. Europe is experiencing increased crime rates, drug abuse, violence against immigrants and the increased popularity of extremist groups. In both the U.S. and in Europe the percent of unionized labour has dropped: for example, in the U.S. the unionized force is down to 16% from 25% in the '70's.<sup>41</sup>

These historical and contemporary examples would seem to verify that economic growth only brings prosperity and democracy if accompanied by strong measures taken to safeguard worker and other human rights vulnerable to erosion in a climate of unregulated free trade. If protective measures are not taken, the casualties of free-market forces multiply: not only are people denied rights deemed fundamental by many human rights documents (such as the Universal Declaration of Human Rights), they are also disaffected, unemployed and impoverished, and probably more likely to resort to extremism and violence. In an autocratic state such as China, there is clearly no automatic liberalization of society; during the past five years of sustained economic growth in China, progress toward human rights has been minimal.

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A discussion of the social effects of free trade in the modern era must also note the powerful influence of transnational corporations (TNCs) upon the world economy, and especially the economies of developing countries. The rise in the numbers and wealth of transnational corporations merely emphasizes the failure of market forces alone to bring about social and economic benefits. Today, some of the richest corporations represent wealth that surpasses that of many countries; for example, the 200 largest corporations in the world have sales that surpass the combined Gross Domestic Product of 182 of the 191 states in the world.<sup>42</sup> The two biggest oil companies, Ford and Shell, had a bigger turnover in sales in 1991 than the oil producing countries grouped in the Gulf Cooperation Council (\$192.9 billion versus 175.3 billion by Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates).<sup>43</sup> Unlike

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<sup>41</sup> Ibid.:22.

<sup>42</sup> Ibid.:6.

<sup>43</sup> International Coalition for Development Action "An Alternative Report on Trade :An NGO perspective on international trade" February 1995. p.87.

countries, however, TNC's have few recognized obligations to the populations whose labour and natural resources they use.

A TNC can determine the price paid to a subcontractor, who must accept the price or lose the business.<sup>44</sup> There *is* evidence that a workforce directly employed by a foreign affiliate often enjoys higher than average wages (for the country), better work conditions and the opportunity to acquire new knowledge and skills. Such benefits, however, do not usually extend to the subcontractors who supply TNCs with the products of labour intensive production, for example in clothing or leather work.<sup>45</sup> For example, it has been estimated that less than 0.2% of the price of a Nike shoe goes to the factory worker in Indonesia or China.<sup>46,47</sup> Unfortunately, the Nike situation is the rule rather than the exception.

Transnational corporations operate, for the most part outside, of the publicly scrutinized domains of foreign policy and national/international politics. Thus, although their activities may have the impact of foreign and economic policies created between countries, TNCs are also free of the kind of diplomatic and political obligations that would otherwise regulate such relationships. TNCs typically benefit from cheap labour, lax environmental and labour laws and tax free zones. They may extract maximum benefits of operating with these conditions without necessarily reinvesting in the country or otherwise making paying for its access to labour and natural resources.

The vast scope of TNC business--in 1989 it was estimated that TNCs determined 70% of international trade in goods and 80% of total land cultivated for export crops--puts a spin on the interpretation of what 'globalization' actually means. Rather than permit the freer exchange of exports between foreign markets, liberalization may in fact simply facilitate trading between a limited number of TNCs. TNCs indirectly control a large part of the world's output through their control over subcontractors.

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<sup>44</sup> Ibid.:91.

<sup>45</sup> Ibid.:91-93.

<sup>46</sup> Ibid.: 89.

<sup>47</sup> A recent report by Dara O'Rourke on conditions in a Nike plant in Vietnam, based on an audit by Ernst & Young, reveals that the audit noted "continuing violations of labor laws on maximum working hours, unprotected chemical exposures, poor treatment of workers, and management control of the trade union. The audit determined that even though Tae Kwang Vina Company (the subcontractor in question) violates Vietnamese labor and environmental laws, it is at the same time in compliance with Nike's 'Code of Conduct'.

Tae Kwang Vina is reportedly the most technically advanced of Nike's subcontractors in Vietnam." See "Smoke from a Hired Gun: A Critique of Nike Labor and Environmental Auditing in Vietnam as Performed by Ernst & Young" by Dara O'Rourke, at [www.corpwatch.org](http://www.corpwatch.org).

A second argument in defense of globalized free trade highlights the increased security, internationally, to be gained from eliminating regional trade blocs. Bergen argues that the central aim of the European Union was to end historic hostility between Germany and France, that one purpose of Mercosur was to end the arms race between Argentina and Brazil, and that likewise, APEC could reduce the risk of intra-Asian and trans-Pacific conflict that have surfaced in this century.<sup>48</sup> This point is well taken; however, in the context of developing world grievances with globalization, the potential for trade liberalization to promote peace depends upon the equitable treatment of all countries.

Opponents of APEC's trade liberalization agenda maintain that its negative effects include marginalization of traditional agricultural communities and indigenous peoples, reductions in human rights and a disregard for workers and their rights generally. Unregulated free trade is viewed as a harbinger of harm and repressive governmental policies in numerous areas: the environment, worker's rights, labour laws, democracy, human rights, the eradication of poverty and the equitable distribution of wealth. The explanation for these negative effects are simply that liberalization of trade and investment produces a push to produce the cheapest product in order to be competitive in a market where barriers and subsidies no longer exist. The race to be first has effectively nullified other considerations (the environment, workplace safety or child labour laws), as these may be perceived to increase production costs.

The effects of unregulated production can wreak havoc in little time. For example, with respect to the environment, one advocate describes APEC's sweeping vision as something more akin to a clear-cut and burn policy than economic paradise:

...economic interdependence generates new and specific pressures on environmental policy making. With economic interdependence the policies and norms of one country become deeply entangled with those of its trading partners. The scope for unilateral action is reduced, even as trade-induced economic growth increases pressures on the natural environment.<sup>49</sup>

The principle arguments against environmental or other measures are that they require interfering with the internal politics of states and that standards are difficult to apply as there is not yet an

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<sup>48</sup> Bergen, C. Fred "Globalizing Free Trade" *Foreign Affairs* 75(3) 105-120: 106.

<sup>49</sup> Zarsky, L. "APEC, Citizen Groups and the Environment: Common Interests Broad Agenda" Presentation to Citizen's Forum on Trade and Environment People's Forum 2001 University of Tokyo, Nov. 11-12, 1995, p. 2.

effective way of enforcing international judgments. Moreover, applying such rules unilaterally often places an unfair burden upon less developed countries. These objections, while valid, do not amount to insurmountable obstacles, especially when the alternative is long-term if not permanent environmental degradation or social malaise.

The topic of human rights offers a final example of how free trade architects balk at incorporating measures that would require universal application of standards. Organizations such as Human Rights Watch Asia have long lobbied western governments to link trade policies to human rights, but this linkage is almost always resisted. In his 1994 decision to grant Most Favored Nation trading status to China, President Clinton articulated the typical free trade position. He argued that a tough human rights policy was hampering U.S. trade and security interests and defended his decision with the premise that free enterprise would fuel the hunger for a freer society.<sup>50</sup> The statement typically, but erroneously relies on the incomplete premise that free enterprise alone can guarantee the growth of democratic, humane societies.

In fact, there is evidence that growth in the APEC region has had the opposite effect. Human Rights Watch/Asia notes that two years after the Clinton decision, there is little evidence of a freer society in China or Tibet and cites as evidence: the use of arbitrary detention and a 'strike hard' crack down on crime that may gather up tens of thousands in a single sweep, restrictions on freedom of expression, repression in Tibet which escalated significantly in May and June of 1996, and increased religious persecution.<sup>51</sup>

In summary, the evidence overwhelmingly argues in favor of managing free trade in order to create real prosperity and sustainable development. Numerous alternatives to APEC's vision are possible, and range from mere modifications to 'alternative' plans based on philosophies that have fairness, rather than pure competition, as their foundation. For example, one proposed alternative includes measures such as encouraging buying from small rather than large scale operations in Africa, Asia and Latin America

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<sup>50</sup> Press Release, Human Rights Watch "China: The cost of putting business first" June 26, 1996.

<sup>51</sup> Ibid.: 2-7.

and pricing according to what allows producers to maintain a decent standard of living.<sup>52</sup> Slowing the impetus towards unregulated free market development governed by pure competition, and ultimately replacing it, will take decades if it is possible at all; in the meantime, efforts to modify the current free trade model can attempt to ameliorate some of the harshest outcomes of free trade.

#### Tibet and the APEC agenda

For TSG's, the broad questions about APEC's social, economic and environmental effects can be recast into more specific questions, for example: how will free trade affect the movement of populations within China, especially within Tibet? how will APEC's agenda affect China's already corrosive levels of air and water pollution? how will increasing levels of world demand for China's cheap products affect the dismal observance of labour and human rights in Tibet and China?

The specific issues that concern Tibetans and TSGs are several. The first and perhaps most obvious is that China is a dismal choice for representing Tibetan interests at the APEC negotiating table. For instance, the PRC has launched an aggressive campaign to encourage foreign investment and industrial development inside Tibet. More than \$300 million US were invested last year alone in infrastructure development to make investment in Tibet more attractive. China's opening of business opportunities in Tibet, one more instance of Chinese control over a country it illegally occupies, serves to help legitimize its occupation of the country and entrench a political system which excludes Tibetans taking part in the decision-making process.

Second, Tibetans have the same fear held by many others: that the unregulated movement of investment capital into undeveloped countries, particularly those with authoritarian governments, can result in exploitation of the work force, displacement of peoples and environmental devastation. Moreover, the existence of a dual society in Tibet, where Tibetans form the underclass and immigrant Chinese hold positions of power in business and government, there is an added fear that foreign investment in Tibet helps compound discriminatory hiring procedures. Most projects supported by foreign

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<sup>52</sup> International Coalition for Development Action "An Alternative Report on Trade :An NGO perspective on international trade" February 1995. p.102.

aid are state-owned businesses and are run by Chinese managers. An overwhelming majority of workers are Chinese, and Tibetans are employed in subordinate positions.

Entrenched racism, and the second class status of Tibetan people in their own society effectively cancel the assumption of the equal bargaining position that APEC's vision of free trade assumes. Tibetans have little access to the capital or permits required to set up a business or tender offers for development projects. Chinese-run businesses rarely hire Tibetans because of political maneuvering, racism and because Chinese is the language of business.

A further concern about the long range impact of APEC's trade liberalization is that the PRC's marketing campaign will only continue to attract thousands of Chinese entrepreneurs and migrant workers into Tibet. Given the already repressive conditions in which Tibetan society survives, further influxes of people hostile to Tibetan culture and religion promise only to exacerbate the problems of the Tibetan minority. The supposed benefits of the growing economy are unequally distributed according to a two-track system based on racial lines.

Finally, the People's Liberation Army also plays an economic role in Tibet. The PLA controls factories, timber production and Hong Kong businesses which are little more than fronts for prison-made goods. Tibetans believe the military will seize the opportunity of economic liberalization to increase its involvement in the Tibetan economy, using the profits to purchase weapons systems and increase nuclear development initiatives which are currently based at research facilities on the Tibetan plateau.

These examples demonstrate a significant connection between APEC's free trade agenda and economic and social conditions in Tibet. Although they are instances of specific concerns, these issues also link the plight of Tibetans to other disenfranchised or repressed groups in the APEC region. TSGs thus share many concerns with other NGOs--those concerned with the environment, labour laws and human rights, and so forth; this should encourage joint cooperative efforts to lobby APEC to add social, labour and environmental policies to its program.

## Conclusion

The essential issues at stake in the debate over free trade are how to control it and how to devise the minimum standards upon which all members will agree. The weight of historical experience, as well as present examples of the effects of free trade, offer convincing proof that market forces must be harnessed and regulated rather than left to run on their own if harmful social consequences and rampant environmental destruction are to be avoided.

It is in the process of lobbying and negotiating for specific policies and rules, as well as joining forces with other NGOs, that TSGs may be able to help improve conditions in Tibet. A pivotal question for TSGs in the immediate future is how to formulate the most effective strategy for lobbying APEC. Establishing effective partnerships with other NGOs and selecting powerful tactics for pressuring APEC (and indirectly, China), to implement social and environmental protection in Tibet and all of China will be necessary components of the process.

Interestingly, the two most powerful forces creating globalized trade, APEC and the WTO, probably offer the best existing opportunities for managing it. China, predicted to be the largest economy by the year 2000, will certainly exercise more and more power within APEC and will use that power for its political as well as economic agenda. One particularly strong reason for TSGs to focus on APEC is that China is not presently a member of the WTO. Although a WTO adoption of human rights, labour and environmental policies would undoubtedly be beneficial and influential, there is presently no venue for influencing debate on trade and rights within China except in APEC. China wields its international trading power through APEC and will do so increasingly. Lobbying APEC, therefore, should remain an important component of TSG efforts to shape the development of free trade as it affects Tibet.

A second potentially productive course of action would be to focus on the dire need for environmental regulation and protection in Tibet and China (as well as the rest of the APEC region). A recent *Atlantic Monthly* article on pollution and the cost of environmental degradation in China claims that China's "huge population and grand economic ambitions make it the most important environmental actor in the world today, with the...exception of the United States."<sup>53</sup> (Another study of the effects of acid

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<sup>53</sup> Hertsgaard, Mark "Our Real China Problem" *Atlantic Monthly* 280 (5):96-114 at 100.

rain damage in China calculated that controlling emissions in China would cost \$4-6 billion; in comparison, damage caused by a single coal plant in northern China was estimated to be \$39 billion).<sup>54</sup> The *Atlantic Monthly* article notes some staggering problems-- air pollution raises health care costs and lowers productivity, and deforestation causing floods that kill thousands every year. The author also uncovers examples of social unrest caused by public reaction against various environmental disasters; social as well as economic consequences of pollution thus make the issue even more pressing for the PRC.

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The link between environmental damage and unsustainable development is plain to see and can arm TSGs and other NGOs with persuasive examples of why environmental standards and regulation need to be implemented (in Tibet as well as throughout China and the rest of the APEC region). Some environmentalists propose that APEC create a regional framework for environmental governance. In this way, with a set of rules that every member of APEC would be required to follow, trade and environmentally safe policies might reinforce each other. The proposal has had some initial success with APEC, which has formed a sustainable development working group and has had some consultation with environmental NGOs.<sup>56</sup>

There is no question that persuading APEC to link human rights and trade will be more difficult. Unlike Europe, Africa and the Americas, the Asia-Pacific does not have a specific human rights instrument of regional mechanism for protecting human rights.<sup>57</sup> Nonetheless, past experience demonstrates that although link human rights to trade is fiercely resisted, there are instances where international pressure has produced results. Human Rights Watch Asia reports that recent Chinese legal

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<sup>54</sup> Zarsky, L. "APEC, Citizen Groups and the Environment: Common Interests Broad Agenda" Presentation to Citizen's Forum on Trade and Environment People's Forum 2001 University of Tokyo, Nov. 11-12, 1995, p. 4.

<sup>55</sup> Hertsgaard, Mark "Our Real China Problem" *Atlantic Monthly* 280 (5):96-114 at 102.

<sup>56</sup> Zarsky, L. "APEC, Citizen Groups and the Environment: Common Interests Broad Agenda" Presentation to Citizen's FORum on Trade and Environment People's Forum 2001 University of Tokyo, Nov. 11-12, 1995, p. 2-4.

<sup>57</sup> Bronson, Diana and Rousseau, Stephanie "Working Paper on Globalization and Worker's Human Rights in the APEC Region" International Centre for Human Rights and Democratic Development October 26, 1995. p.7.

initiatives, which include incorporating the presumption of innocence, have almost certainly come about due to a combination of domestic and international pressure.<sup>58</sup>

China's own willingness to link human rights and trade periodically surfaces. China has repeatedly warned world leaders not to meet with the Dalai Lama or affect their trade relationship. One such recent warning was made directly prior to the Australian Prime Minister meeting His Holiness the Dalai Lama. Although the Clinton administration serves the Chinese agenda by severing the link between human rights and trade, the Chinese link the issues when it suits them.

Indirectly, China also appears vulnerable to international campaigns lobbying foreign companies to withdraw their business ventures and investments because of flagrant human rights violations. TSGs may be able to achieve far more by lobbying foreign businesses than by trying to influence Chinese human rights policy directly. The recent fuss made by the Chinese government over two Hollywood films (*Seven Years in Tibet* and *Kundun*) offers the latest example. The Chinese response included pointed threats to Disney (which is releasing *Kundun*) about whether China would allow it to enter its domestic markets with Disney products should it release the film.<sup>59</sup> This is surely fertile ground for raising public awareness of the Tibetan situation as well as taking up the question of Disney investment in China. Currently, exerting economic pressure on China may be the most direct path to producing a Chinese change of heart as far as human rights are concerned.

The existing but tenuous link between human rights and trade only emphasizes the need to build a strong network of people's organizations which can agree on some common goals and then work toward them. Finding common ground may prove to be a challenge in itself, as NGOs may find themselves holding opposing viewpoints with respect to whether they should 'expose and oppose' versus 'change and engage'. Getting mired in this debate will simply waste time and opportunity; in fact, having an 'institution' such as APEC is probably preferable to having no such organization at all. APEC summits pull world leaders together on a yearly basis and offer grassroots groups and NGOs a perfect opportunity

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<sup>58</sup> Press Release, Human Rights Watch "China: The costs of putting business first" June 26, 1996, p. 3.

<sup>59</sup> From the PBS *Frontline* program *Dreams of Tibet*, aired Tuesday, October 28, 1997. Website located at: [www.pbs.org/frontline](http://www.pbs.org/frontline).

for making their concerns known, demonstrating and so forth. The combined efforts of many NGOs will be necessary to raise human rights and social justice issues within the APEC.

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