

# The Asia-Pacific Economic Cooperation (APEC): two worlds apart

Rising inequality belies APEC's prosperity tagline

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## APEC IS TWO WORLDS APART

The Asia-Pacific Economic Cooperation (APEC) is merely an economic forum yet it operates as a powerful mechanism for accelerating regional economic integration. Established in 1989, APEC serves as a venue for its 21 member economies to leverage their interdependence. Its aim is to create “greater prosperity for the people of the region” by promoting balanced, inclusive, sustainable, innovative, and secure growth.

There are around 2.8 billion people comprising the APEC region. Together it represents 57 percent of world GDP and 47 percent of world trade. For the past 26 years, APEC boasts of having achieved the goal of becoming a dynamic engine of economic growth. Growth, it claimed, “has soared in the region,” with real GDP doubling from just \$16 trillion in 1989 to \$31 trillion in 2013, its trade rising seven times to \$22 trillion. All these, according to reports published in its website, were the results of APEC's work.

### Prosperity at the top

“Advancing Free Trade for Asia-Pacific Prosperity” is APEC's tagline. A thorough analysis of its achievements, however, will lead to an understanding on how APEC failed in creating inclusive economies. Growth, indeed, had soared in the region but instead of enjoying shared prosperity, people in this part of the planet live in two worlds — the 1 percent occupying the prosperous part at the top and the 99 percent at the bottom trapped in endless hunt for crumbs.

The \$31 trillion regional GDP when shared equally can easily translate to at least \$11,000 per capita. That could have easily erased the number of poor people in this region. According to the United Nations Development Program (UNDP), the Asia Pacific Region has already achieved the target of halving the proportion of people living below \$1.25 (P59) a day (this achievement, however, mainly came from China with more than 500 million people “lifted out of poverty”). Yet the region remains home to more than 750 million poor people. The number will increase further if \$2 per day is used as the poverty line. It added that approximately 400 million workers are the “working poor” living with their family on less than \$1.25 a day.

The same conclusion was reported by the Asian Development Bank (ADB) in its published reports on rising inequality in Asia. The ADB said that despite Asia's prosperity, rising inequality has denied the benefits of growth to many millions of its citizens. It noted further that the problem "is worsening as the regions rich get richer much faster than the poor."

APEC has not defined a new strategy in combating this age-old problem of inequality, except by further accelerating free trade and facilitating the ease of doing business in all APEC economies.

### **All for business**

In just two decades, the region's GDP has doubled and trade increased by sevenfold. It's a good story to tell. But who is reaping the gains from APEC miracle? APEC does not hide the fact that its agenda are all meant for business as they were all crafted by top CEOs and select business executives under the APEC CEO Summit and APEC Business Advisory Council (ABAC). These elite business bodies provide APEC leaders the expertise and perspective for many initiatives all aimed at easing the way for doing business. And as trade and investment rules were freed to the max, the maximum benefit therefore goes to the owners of business.

No wonder Asia and the Pacific now has the most number of billionaires in the world. For a long time most billionaires are found in the United States. Now it is taken over by Asia. The Hurun Research Institute's Global Rich List 2015 contains 943 billionaires from Asia with total net worth of \$2.5 trillion, followed by North America with 589 with total net worth of \$2.4 trillion. Forbes also has the list for Philippines' Richest 50 whose combined wealth of \$74 billion in 2014 can actually provide the basic food and non-food requirements of 17 million of the country's 22 million families for one year.

When Forbes started making the list in 1987, there were 140 billionaires in the world, 96 of them outside the US. Hurun's 2015 list has a total of 2,089 and US and China make up half of them. They made their wealth from a range of businesses such as technology, media, and telecoms; real estate; manufacturing; investments; retail; food and beverages; energy; financial services; pharmaceuticals; logistics and shipping; automobile; mining; luxury goods; and hospitality.

### **Workers left to themselves**

The world's self-made billionaires were supposed to have created their fortunes but theoretically, their wealth all came from what Karl Marx then termed as "socially necessary labor-time." In the APEC region, actual productive work is never done by the 2,000 billionaires but by the 2 billion people, most of them working in vulnerable conditions. These are clothes being made at Bangladesh's deadly sweatshops; the first world's contact industry being outsourced to India and the Philippines for only a fraction of its cost; electronics parts done at export zone workers in China, Vietnam, Philippines, and Indonesia, where workers' freedom to organize and collectively bargain are extremely prohibited. This is one reason why wages in the APEC region are at the bottom part of the global pay scale.

APEC has also made outsourcing the best global practice in labor flexibilization, giving business the ease and freedom in hiring and firing its workforce. The billionaire boss of Philippine Airlines (PAL), Lucio Tan, argued along this line in justifying the contractualization of 2,600 regular workers in 2011, with another round of mass layoff going to be implemented this month. President B.S. Aquino III has authorized this scheme which eventually established the government's new legal framework in industrial relations.

The International Labor Organization's (ILO) Asia-Pacific Labor Market Update for February 2015 has indicated that finding decent jobs is a major challenge for the youth in the region, with youth unemployment rising above 10 percent in almost all APEC economies. Likewise, the ADB pointed to lack of gainful employment characterizing the 18 economies of Asia, with 40 percent of total employed without formal work and as high as 80 percent in India and Bangladesh.

And what about the conditions where these poor people live? In the slums and far-flung housing areas because urban lands had been appropriated by land developers to high-end clients; or in rural areas where people face environmental and health hazards from mining and power companies.

This other side of the coin story clearly points to the fact that while APEC policies created wonders for business, the real creators of wealth — the region's billions of workers — are left to fend for themselves and all by themselves because legal frameworks have all been modified and suited exclusively for business through the APEC process.

### **Inclusive economies?**

APEC may have realized that after almost three decades it has failed to achieve shared prosperity in the region. This year's APEC host, President B.S. Aquino III, could have felt the same as his "tuwid na daan" platform failed to narrow down inequality in the country. Perhaps this is the reason why APEC 2015 in Manila will be running under the theme "Building Inclusive Economies, Building a Better World," another catchphrase that has yet to assume a practical meaning for the working people.

But can they show this time a different strategy — something that they can prove better than the Bogor Declaration which focused primarily on eliminating barriers to free trade and investment?

I see none at this point in time. The Economic Committee had just been instructed — just recently in Cebu — to develop a policy framework on how structural reform can contribute to inclusive growth as well as a set of indicators for evaluating inclusiveness of structural reform policies. In short, there still has no new policy or strategy to talk about. It is an explicit admission that inclusiveness is a framework that APEC never had.

Nevertheless APEC ministers have already identified some areas such as "fostering small and medium enterprises (SMEs)" and "investing in human capital development" in pursuing this track, these being part of the 2015 APEC priorities. But again, I cannot consider them as a fresh approach to this lingering problem as I have seen SME development and skills training as part of the country's development strategy since the time of Cory. And I really doubt his son, PNoy, is doing the right thing in making this country more inclusive.

As a matter of fact, by declaring a four-day holiday, road closures, and banning air travel and mass protest next week, PNoy has made this year's APEC Summit as just another exclusive and highly secluded event for the capitalist class.

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**P.S.**

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