

**STRENGTHEN
THE GLOBAL AND
REGIONAL TRADE
ARCHITECTURES**

DR JEFFREY WILSON



Context and background

Australia needs to facilitate US re-engagement with the rapidly evolving global and regional trade architectures.

During the Trump administration, the United States withdrew from several important trade institutions, while launching a series of costly – and ultimately ineffective – trade wars. These policies have compromised the integrity of global trade institutions and weakened the benefits of regional trade agreements such as the Trans-Pacific Partnership (TPP). While the Biden administration has signalled a change in approach to trade issues, countervailing domestic and international imperatives mean the direction of its trade policy remains unclear. Australia now has an opportunity to shape the trade policy outlook of the Biden administration in a way that favours rule making, multilateralism, and greater collaboration with allies and like-minded partners.

The Biden administration

The Biden administration inherits a ruinous set of trade policies from its predecessor. Trump's first presidential act was to withdraw from the TPP, greatly weakening an institution that locked in a US-preferred model for trade liberalisation. The Trump administration vetoed new

appointments to the World Trade Organization (WTO) Appellate Body, rendering its dispute settlement and rule-enforcement functions ineffective. It aggravated allies and friends by imposing trade balancing agreements under thinly-veiled threats of diplomatic coercion. Most significantly, it prosecuted a self-harming bilateral trade war with China, which has demonstrably failed to either change the US-China trade balance or lever reform to China's trade practices.

While the Biden administration has signalled an intent to change trade policy, mixed signals mean its new direction remains unclear. On the positive side, it has flagged a more multilateral approach to managing trade tensions with China, recognising that Trump's bilateral trade war has failed.^{2.1} The selection of Katherine Tai – a veteran trade lawyer with deep China expertise – as the next US Trade Representative telegraphs that substantive issues (such as intellectual property) will now dominate the agenda.^{2.2} The United States has begun to re-engage with the WTO by supporting the appointment of its next Director-General and may remove the veto on Appellate Body appointments, restoring the global trade dispute settlement mechanism to normal function.^{2.3}

However, countervailing imperatives mean the Biden administration is also unlikely to fully recommit to trade liberalisation or rule making. Trump's China tariffs will

be politically costly to wind back at home (particularly in the steel sector) and also function as bargaining chips for future negotiations with China. It is unlikely they will be unilaterally reduced in the near term.^{2.4} Biden's "Buy American" pledge^{2.5} is not strictly a trade policy but indicates that protectionism will remain a feature of US economic policy. Several selections to the Council of Economic Advisers have a record of trade scepticism, suggesting liberalisation is unlikely to be on the immediate agenda.^{2.6} Rejoining the TPP will also be a longer-term proposition, due to opposition within Congress at home and complex negotiations with partners abroad.

Beyond the costs to the US economy itself, trade policy under the Trump administration has been harmful to the global and regional trade architectures. The WTO's dispute settlement mechanism has been compromised due to Appellate Body appointment vetoes and cannot enforce trade rules in a timely and effective manner.^{2.7} The United States has disengaged from regional trade diplomacy, depriving these efforts of the political and economic heft that US leadership offers. Bilateral pressure on China has failed to achieve Trump's objective of increasing US exports,^{2.8} and even then, a focus on trade balancing ignores the real trade policy challenges currently posed by China, such as intellectual property protection and subsidies to state-owned enterprises.

Table 3. US trade diplomacy under the Trump administration

Target	Year	Action
Trans-Pacific Partnership partners	January 2017	Withdrawal from Trans-Pacific Partnership, rendering entry-into-force numerically impossible
WTO members	January 2017 – ongoing	Systematic veto of Appellate Body nominations to force US-requested governance reforms; Appellate Body became inquorate on 10 December 2019
Canada and Mexico	August 2017 – September 2018	Renegotiation of North American Free Trade Agreement under threat of termination
Korea	January – September 2018	Renegotiation of Korea-US Free Trade Agreement under threat of termination
World	March 2018 – ongoing	Tariffs applied to solar panels, washing machines, steel and aluminium imports on national security grounds; Canada, China, the EU, India, Mexico, Turkey and Russia all impose retaliatory tariffs
China	July 2018 – ongoing	Escalating the application of tariffs to demand a bilateral trade agreement, rising to cover \$550 billion of imports from China; China repeatedly retaliates, with tariffs imposed on \$185 billion of exports from the United States
Turkey	August 2018 – ongoing	Removal of Turkey from US Generalised System of Preferences (GSP) scheme; imposition of additional 25 per cent tariff on Turkish steel (enacted August 2018, withdrawn May 2019, reimposed October 2019)
Japan	April – December 2019	Negotiation of a bilateral trade agreement favouring US agricultural exporters under threat of tariff imposition
European Union	May 2019 – ongoing	Imposition of retaliatory tariffs on \$7.5 billion of EU exports in Airbus dispute; threatened imposition of 25 per cent tariff on automobiles to force a trade-balancing bilateral agreement
India	June 2019 – ongoing	Removal of India from the US Generalised System of Preferences (GSP) scheme
Brazil and Argentina	December 2019	Removal of exceptions from steel tariffs in retaliation for alleged currency manipulation

Source: Jeffrey Wilson, "Adapting Australia to an era of geoeconomic competition," Perth USAsia Centre, January 2021, available at: <https://perthusasia.edu.au/our-work/geoeconomics-report>

Australian interests

The absence of US trade leadership is a major challenge for Australia. As a highly open economy, Australia depends on a reliable and rules-based trade system. Its medium size means Australia lacks either the economic or political heft to defend its trade interests bilaterally, so multilateral institutions, such as the WTO globally and the TPP regionally, are of critical importance. US disengagement – and at times, non-constructive interventions – threaten the reliability of these institutions. It also deprives Australia of a powerful and like-minded partner to work within new trade negotiations.

US re-engagement with global and regional trade architectures is critical for Australia's national interests. However, the extent of current US disengagement, and competing domestic and international imperatives, means the direction and pace of trade policy recalibration under the Biden administration cannot be taken for granted. Australia should engage the United States to encourage and shape patterns of re-engagement in 2021 and beyond.

Policy recommendations

- › **Communicate the importance of a functioning WTO system and collaborate on WTO reform efforts.** Australia should clearly reiterate to its alliance partner the value of a rules-based and functional global trading system. It should also work with the United States to support constructive WTO reform efforts, particularly in terms of the smooth functioning of the dispute settlement mechanism.
- › **Begin preparatory work enabling the United States accession to the Trans-Pacific Partnership.** Domestic economic priorities in the United States mean its accession to the TPP will be a long-term process. However, preparatory efforts should begin now to address key obstacles. Within the TPP group, Australia should lead discussions on how the (presently untested) accession mechanism will operate. With other major TPP economies – such as Japan, Canada and Singapore – it should start engaging the United States on key reform issues that need to be negotiated. Of key importance are issues to do with the implementation of intellectual property provisions suspended as a result of the United States' departure from the regional agreement in 2017.
- › **Support confidence-building through US-Australian leadership in emerging trade platforms.** Constructive US engagement in new multilateral trade platforms will help restore global confidence in the United States as a trade policy leader. Australia and the United States could work together in areas of shared priority. A useful starting point is the recently-launched e-commerce negotiations within the WTO, which Australia co-convenes with Japan and Singapore.²⁹ Establishing global e-commerce rules will be essential in protecting the 21st-century industries of these economies and would also signal to the world a more engaged and leadership-oriented US trade outlook.

ENHANCE HEALTH COOPERATION IN SOUTHEAST ASIA AND THE PACIFIC

MATILDA STEWARD



Context and background

Australia and the United States should build on existing commitments to strengthen health security in Southeast Asia and the Pacific. These efforts must focus on addressing the secondary impacts of the COVID-19 pandemic, which threaten to reverse fragile gains made across broader health and development indicators over recent decades. Despite early containment measures resulting in lower caseloads throughout Southeast Asia and the Pacific compared to other regions, progress in controlling the spread of the virus and the ongoing capacity of national governments to respond to outbreaks remains deeply uneven.^{3.1} Diversion of material and human resources to address COVID-19 has placed further strain on already weak health systems, causing significant disruption to essential services and stalling momentum towards universal health coverage.^{3.2} An estimated 34.8 million infants throughout Southeast Asia have missed routine vaccinations as a result of the pandemic,^{3.3} with health experts warning that efforts to control and eradicate malaria in the Pacific are also at risk.^{3.4}

The 2020 AUSMIN Global Health Security Statement established a foundation for bilateral cooperation in tackling COVID-19 throughout the region with its pledge to strengthen and accelerate health security capacity building.^{3.5} Australia and the Biden administration should recommit to this joint plan of activities with an expanded

remit to confront a broader suite of health and development challenges emerging from the pandemic. This approach will be crucial for ensuring collective action strengthens health systems holistically, rather than creating parallel infrastructure that operates solely in response to COVID-19 and generates limited long-term impact.^{3.6}

The Biden administration

Engagement with multilateral institutions and stronger coordination with allies in meeting global health challenges is a key priority for the new administration. President Biden has stressed the need to “restore US global leadership to fight [the COVID-19] pandemic” and reversed former President Trump’s withdrawal from the World Health Organization on his first day in office.^{3.7} The White House roadmap for combating coronavirus includes ambitions for sustained domestic and international funding for global health security that extends beyond emergency funds for health and humanitarian assistance. The administration also intends to enact institutional change, creating an office of Global Health Security and Diplomacy at the State Department and re-establishing the Obama-era Directorate for Global Health Security and Biodefense within the National Security Council.^{3.8} This heightened focus on America’s contribution to health security has been underpinned by personnel appointments with experience navigating

pandemics, including Biden’s chief of staff Ron Klain who oversaw the Obama administration’s response to the 2014 Ebola outbreak. Other picks for key positions – including the Secretary of Homeland Security and Ambassador to the United Nations – also played active roles during the Ebola and Zika outbreaks.^{3.9}

But translating this momentum into sustained attention and resources for the Indo-Pacific will be a considerable challenge. Securing funding for an expanded international response will require ongoing congressional support in the face of significant challenges facing America’s own COVID-19 response and domestic economy more broadly.^{3.10} These efforts will also require a reconceptualisation of American global health financing, which has developed under a model of shared responsibility that encourages recipient countries to increase their own investments in health systems strengthening alongside donor contributions.^{3.11} Equally, achieving an explicit regional focus will require the introduction of specific directives or initiatives led by senior figures within the US government. For instance, USAID’s Over the Horizon Strategic Review – conducted to provide goals for the agency’s medium- to long-term response to COVID-19 – identified 14 focus countries that combined development need, opportunity for impact, and US national security interests, none of which are in Southeast Asia or the Pacific.^{3.12}

Table 4. The Australian Government’s COVID-19 development response: Partnerships for Recovery (published in May 2020)

Focus	2019-20: The swift initial response	2020-21: Investing in regional recovery
<ul style="list-style-type: none"> › Pacific and Timor-Leste › Southeast Asia › Global response <p>Priority action areas</p> <ul style="list-style-type: none"> › Health security › Stability › Economic recovery <p>with a cross-cutting focus on protecting the most vulnerable</p>	<ul style="list-style-type: none"> › Our development investments have pivoted to COVID-19 priorities. All continuing investments are addressing development challenges exacerbated by COVID-19. › Immediate distribution of PPE and other critical medical supplies. › \$280 million for the Indo-Pacific Response and Recovery Package. › Kept critical transport links open in our region amid global supply chain disruptions. 	<p>FY2020-21 budget:</p> <ul style="list-style-type: none"> › A\$4 billion in Overseas Development Assistance aligned with Partnerships for Recovery › Including \$80m commitment to Gavi-COVAX Advance Market Commitment <p>Additional targeted measures:</p> <ul style="list-style-type: none"> › \$304.7m COVID-19 Response Package Pacific and Timor-Leste › \$23.2m Vaccine Access and Health Security Pacific, Timor-Leste and Southeast Asia › Response detailed in 27 tailored COVID-19 Development Response Plans

Source: Australian Department of Foreign Affairs and Trade, “Infographic: Partnerships for Recovery.” Available at: <https://www.dfat.gov.au/development/infographic-partnerships-recovery>

AUSTRALIA’S NEW PARTNERSHIPS FOR RECOVERY POLICY INCLUDES HEALTH SECURITY AS A CORE ACTION AREA, WHICH, COUPLED WITH AUSTRALIA’S RECENT COMMITMENT OF \$500 MILLION TOWARDS THE EQUITABLE DISTRIBUTION OF VACCINES THROUGHOUT THE REGION, FURTHERS THESE ONGOING HUMANITARIAN AND REPUTATIONAL EFFORTS.

Australian interests

Enhanced health cooperation with the United States in Southeast Asia and the Pacific would help to ensure a stable and prosperous Indo-Pacific, a key Australian national interest. Even before the COVID-19 pandemic, Australia had taken significant steps towards raising its profile and commitment to strengthening regional health systems and resilience, namely through the 2017 Indo-Pacific Health Security Initiative and associated Indo-Pacific Centre for Health Security.^{3.13} Australia's new Partnerships for Recovery policy includes health security as a core action area, which, coupled with Australia's recent commitment of \$500 million towards the equitable distribution of vaccines throughout the region, furthers these ongoing humanitarian and reputational efforts.^{3.14} Such projects also align with broader regional priorities, including ASEAN's COVID-19 Comprehensive Recovery Framework which focuses on enhancing health systems and accelerating inclusive digital transformation.^{3.15}

Pooling resources in pursuit of joint objectives will also enable Australia to step up its engagement throughout the region. Despite recent statements by Prime Minister Morrison that "ASEAN's centrality is at the core of Australia's vision for the Indo-Pacific,"^{3.16} Canberra's pivoted aid program focuses primarily on the Pacific,

Timor-Leste and Indonesia due to the presence of pre-existing partnerships.^{3.17} As the largest source of bilateral COVID-19 aid to Southeast Asia – with major contributions to the Philippines, Cambodia and Myanmar – further collaboration with the United States can help Australia bridge this gap.^{3.18}

Policy recommendations

Australia and the United States should:

- › **Partner to protect and restore essential health services in priority countries.** These efforts could focus on the delivery of routine immunisations that have been disrupted during the pandemic, or on a specific infectious disease at risk of re-emergence.
- › **Commit to joint investments in digital health technologies.** These would offer opportunities to support better care and disease surveillance and can act as an important tool for public communication during health emergencies. Financing should address the digital divide and ensure equitable access for rural communities and women. Such investments would align with the goals of the WHO 2020-2025 Global Strategy on Digital Health and present an avenue to operationalise the MOU between the United States Agency for International Development and the Department of Foreign Affairs and Trade from July 2020 supporting high-quality and sustainable development outcomes in partner countries through digital connectivity.^{3.19}
- › **Deepen regional and bilateral engagement in the Pacific.** Australia should express its support for bipartisan legislation currently before Congress that provides an expanded framework for US foreign policy in the Pacific islands. The Boosting Long-Term US Engagement (BLUE) Pacific Act proposes increased diplomatic and development presence, supports public health programs, and proposes funding of more than triple current levels of assistance. Importantly, the framework would integrate the US approach with other partners including Australia, New Zealand, Japan and Taiwan.^{3.20}