

## Pacific Partners Outlook

Volume II | Issue 10 | October 2012

### Australia and the Real Politick of Trade in the Asia Pacific

ERNEST BOWER AND MARIA ENGLISH

*Ernest Bower is codirector of the Pacific Partners Initiative at the Center for Strategic and International Studies in Washington, D.C. Maria English is a researcher with the Pacific Partners Initiative.*

October 4, 2012

Australia is seeking a practical and effective path to regional economic integration in the Asia Pacific. For reasons both commercial and strategic, Australia would like the United States to be part of that effort.

As in other Asia Pacific countries, trade is at the core of Australia's future prosperity and security. For that reason, it cannot risk placing only one bet—on the Trans-Pacific Partnership (TPP).

The United States should not begrudge its treaty ally for tabling other models that would encourage the United States to stay with the TPP but also allow Australia to pursue another vehicle, the Regional Comprehensive Economic Partnership (RCEP), that is open to ASEAN and all countries with which ASEAN has a free trade agreement (FTA). These FTA partners include China, India, and Japan. The United States, too, could seek to join the RCEP, either by signing an FTA with ASEAN or under the agreement's open accession to "[other external economic partners](#)."

For much of the last two years, discussion of regional trade liberalization in the Asia Pacific has focused on the ongoing negotiations in the TPP. The TPP is technically and politically ambitious, seeking to establish a high-standard, legally binding regional trade agreement that will

### Inside This Issue

#### THE WEEK THAT WAS

- Detention centers prove a deterrent to some seeking asylum in Australia
- Panetta visits New Zealand to boost bilateral ties
- Fiji expels International Labor Organization delegation

#### LOOKING AHEAD

- Lecture on the role of sports in the recovery from the Christchurch quake
- Lecture: "Unraveling of Pax America?"
- Trans-Pacific Partnership negotiations to be held in New Zealand

## Australia and the Real Politick of Trade in the Asia Pacific *(continued)*



*Asia Pacific leaders meet in Vladivostok for 2012 APEC summit. During the summit, the ASEAN countries and their six free trade agreement partners renewed discussion of a Regional Comprehensive Economic Partnership. -<http://www.flickr.com/photos/gobiernodechile/7977266439/>*

effectively create a free trade and investment union in the region that all members of the Asia Pacific Economic Cooperation (APEC) grouping can eventually join. The TPP is often described as a U.S.-led initiative, although the truth is that the United States joined well after the TPP had been initiated by other, more aggressively trade-focused nations.

However, Australia and other Asian nations have recognized the need for a more wide-reaching and frankly less comprehensive trade opening vehicle that would include the engines of growth in Asia—namely, what Indonesian investment board chair Chatib Basri recently called “the three pillars of Asian growth: Greater China, Greater India, and Greater Indonesia.” The latter, he clarified, meant all of ASEAN. Notably, only 7 of the 10 ASEAN countries that are in APEC are eligible for TPP membership. India is also ineligible for membership in the TPP under the current criteria.

What Australia and other important U.S. partners such as Singapore are seeking is an Asia Pacific trade integration model that could include all members of the East Asia Summit (EAS), including the United States, China, India, and all of ASEAN.

China’s favored vehicle to drive what it considers East Asian economic integration, within its self-defined area of predominance, is the ASEAN + 3 forum. This grouping fits well with a Chinese geostrategic narrative that presupposes China’s predominant role in East Asia and tolerates other regional discussions such as the EAS and APEC, but regards them as secondary priorities. The rest of Asia is rightly concerned about limiting its trade and investment bets to a China-led model, especially after Beijing has been willing to use commercial leverage to turn the screws on its neighbors over maritime and territorial disputes.

In this context, it was not surprising that officials attending September’s APEC summit in Vladivostok renewed the push for another vehicle: the Regional Comprehensive Economic Partnership. RCEP would be open to all EAS members except, at least for now, the newest members—the United States and Russia. No leaders have yet officially endorsed the agreement, but all potential members—the ASEAN member states plus China, Japan, South Korea, Australia, New Zealand, and India—have signaled they are likely to sign up, and negotiations will begin in November.

## Australia and the Real Politick of Trade in the Asia Pacific *(continued)*

The United States should take heed of the friendly advice from Australia and seek to join the RCEP. The RCEP need not be competitive with the TPP, and it fills the strategic gap that exists between U.S. strategy and U.S. trade policy in the Asia Pacific. The United States has placed a strategic emphasis on an ASEAN-based regional architecture and strengthening key relationships around Asia—the “rebalancing”—but its ideological trade policy is focused on the TPP and APEC, neither of which includes all the ASEAN countries (Cambodia, Laos, and Myanmar are excluded) or India.

To close that gap and establish a strong foundation for substantive and balanced engagement in Asia, the United States should seek to join the RCEP negotiations alongside a reinvigorated TPP effort. The TPP could set a high standard for the RCEP and APEC economies to aspire to, and joining the RCEP would give the United States a trade and economic vehicle to drive at the EAS leaders’ meetings.

If the United States does not join the RCEP, the White House should prepare for an awkward moment at the EAS when presidents Barack Obama and Vladimir Putin are asked to step out of the room while the rest of the Asia Pacific leaders move forward on economic integration and line up for the RCEP photo op.

Opponents of U.S. consideration of the RCEP will say that the Office of the U.S. Trade Representative does not have the bandwidth or the staff to seriously participate in another set of negotiations. That is a problem that can be solved by prioritizing Asia and trade—a paradigm shift much needed after the U.S. elections in November.

What Australia and many of the United States’ best friends in Asia long to see is a U.S. president who will talk with Americans about the long-term importance of Asia to the core interests of the United States. Speeches by the president made in middle America about why trade and security engagement in the Asia Pacific region matters to every American family—in terms of jobs, economic prosperity, innovation, and a safe and secure future—would answer the questions in the region about the sustainability of the United States’ stated rebalancing toward the Asia Pacific. ▲



*Chief negotiators from nine Trans-Pacific Partnership negotiating countries meet in Leesburg, Virginia, for the latest round of negotiations. The high-level free trade agreement has met resistance from stakeholders in each of the countries, including Australia. <http://www.flickr.com/photos/75610371@N08/7983317660/>*

# The Week That Was



*The Reserve Bank of Australia recently cut its benchmark lending rate, hoping to devalue the Australian dollar as a boost to the economy. <http://www.flickr.com/photos/kruggg6/211749612/>*



*A protest by Australian Muslims in Sydney against a U.S.-made video denigrating Islam turned violent September 15. <http://www.flickr.com/photos/49283475@N00/7991800757/in/set-72157631548624094>*

## AUSTRALIA

**Detention centers prove a deterrent to some asylum seekers.** Australian authorities September 14 moved a group of asylum seekers from Christmas Island to the country's new detention center on the island republic of Nauru. Eighteen of the asylum seekers opted September 22 to return to their home country, Sri Lanka, rather than face a long detention process. Members of Australia's ruling Labor Party are hailing this as the first success of their plan to discourage asylum seekers by housing them in detention centers outside Australia. Despite the new plan, September saw a record 2,295 asylum seekers arrive in Australia by boat, up from 1,933 in August.

**Australia cuts interest rates.** The Reserve Bank of Australia cut its benchmark lending rate October 2 to 3.25 percent in reaction to declining commodity prices and a slowdown in the mining industry that had underpinned the economy in recent years. The new interest rate, the lowest since the peak of the global financial crisis, surprised financial observers who had expected the bank to hold the rate steady. The bank hopes that the lower rate will help boost the retail and construction sectors and devalue the Australian dollar.

**Gillard government rises in the polls.** The government of Prime Minister Julia Gillard September 17 hit its highest approval ratings since March 2011. Gillard has effectively rekindled political support after repealing unpopular policies in quick succession, including changing how the country's carbon tax is implemented, banning a Dutch super-trawler from fishing in Australian waters, and reinstating the so-called Pacific Solution of former prime minister John Howard to stem the flow of asylum seekers by sending them to detention facilities in the Pacific Islands. Gillard's personal approval rating has jumped to 46 percent, while opposition leader Tony Abbott's has plunged to 32 percent.

**Protests by Australian Muslims turn violent.** A protest by Australian Muslims in Sydney against a U.S.-made video denigrating Islam turned violent September 15. Eleven rioters were arrested and 23 people were injured, including several police officers. The Australian Muslim community has since received threats and abuse, the most serious being a telephone threat to blow up an Islamic school in Sydney. More than 475,000 Muslims live in Australia, about half in Sydney's suburbs.

**Australian manufacturing likely to remain weak.** The Australian Performance of Manufacturing index, released by the Australian Industry Group (AIG) October 1, showed a further contraction in the country's manufacturing industry from August to September. The contraction was blamed on the strong Australian dollar and the apparent end of Australia's mining boom due to China's economic slowdown, which has forced mining industry suppliers to cut orders. AIG estimates that the trend in manufacturing will continue in the coming months.

**Australian delegation attempts to shore up support at the United Nations.** A delegation led by Prime Minister Julia Gillard spent five days in New York attempting to shore up support for Australia's bid for a seat on the UN Security Council. Australia has spent more than \$24 million on lobbying for the seat, but was late to the game—its main competitors, Luxembourg and Finland, began campaigning for a seat several years earlier. UN members will vote on the seat October 18, and Australia so far enjoys its firmest support from small coastal states.

#### NEW ZEALAND

**New Zealand announces date for Afghanistan withdrawal.** New Zealand announced September 3 that its Provincial Reconstruction Team will return home from Bamiyan Province by the end of April 2013, 17 months earlier than originally planned. The withdrawal will bring to an end 10 years of New Zealand military involvement in Afghanistan. The NATO-led International Security Assistance Force in Afghanistan requested that the withdrawal date be moved up in an effort to streamline the withdrawal of coalition troops.

**Panetta visits New Zealand to boost bilateral ties.** U.S. defense secretary Leon Panetta met with New Zealand defense minister Jonathan Coleman and New Zealand foreign minister Murray McCully September 20 during a visit to New Zealand as part of an eight-day trip that also included China and Japan. Panetta announced that New Zealand naval vessels would be allowed to visit U.S. ports for the first time since military relations soured over New Zealand's nuclear weapon ban 25 years ago. Panetta was the first U.S. defense secretary to visit New Zealand in nearly 30 years.

**Key issues apology to Megaupload founder Kim Dotcom.** Prime Minister John Key issued an apology to Megaupload founder Kim Dotcom for "basic errors" in the Government Communications and Security Bureau's handling of his extradition case. A government [report](#) was released to



*New Zealand soldiers provide protection in Bamiyan Province, Afghanistan. New Zealand has announced that its troops will leave Afghanistan by April 2013. <http://www.flickr.com/photos/isafmedia/3757572076/in/set-72157621834823976>*

the public September 27 detailing unlawful monitoring of Dotcom by law enforcement agencies. Dotcom, a German-born Internet mogul who immigrated to New Zealand, is facing extradition to the United States on charges of copyright infringement on his file-sharing site Megaupload.com.

#### PACIFIC ISLANDS



*An Ugbo boot factory in Nadi, Fiji. Fiji's worker's rights practices have come under scrutiny recently, as the country expelled an investigation team from the International Labor Organization and faces a review of its eligibility to export to the United States duty free. <http://www.flickr.com/photos/equilibrate/5177262497/>*

**Fiji expels International Labor Organization delegation.** Fiji's interim government September 19 expelled a delegation from the International Labor Organization (ILO) that was investigating complaints of government harassment of unions. The ILO had obtained the government's consent to conduct the fact-finding mission, but that consent was revoked after the delegation refused to adhere to new terms governing the visit. Fiji's neighbors, including Australia, have warned that such actions undermine the credibility of the government's democratic transition.

**Fiji faces losing preferential access to U.S. markets.** The Office of the U.S. Trade Representative (USTR) held hearings October 2 to determine whether Fiji is still eligible to benefit under the U.S. Generalized System of

Preferences (GSP), which allows developing countries to export goods to the United States duty free. The hearing will focus on complaints from Fijian unions that the country does not provide internationally recognized worker's rights. Fiji has warned that losing its GSP eligibility could affect up to 15,000 jobs. USTR announced in June that it would review the GSP eligibility of Fiji, Indonesia, Iraq, and Ukraine.

**Palau compact legislation faces delays.** Legislation to renew the terms of the Compact of Free Association between the United States and Palau continues to face delays as the United States tries to offset the costs of the deal. Representative Madeleine Bordallo (D-Guam) September 12 warned that further delays could jeopardize U.S. diplomatic relations with allies in the Pacific. The Continued Free Association with Palau Act of 2012, which has languished in the House Foreign Affairs and Natural Resources committees since June 27, would grant Palau federal financial support and access to U.S. domestic programs in exchange for basing rights for the U.S. military. The 1994 compact between the United States and Palau has no expiration date, but the financial assistance provided under it expired in 2009.

**Tuvalu deregisters Iranian oil tankers.** Tuvalu formally announced its decision September 21 to remove all Iranian oil tankers from its registry in Singapore to comply with U.S. sanctions against Iran. Tuvalu claims that at the time the ships were registered, it was not aware of the international sanctions against Iran. Tuvalu reached its decision after intense international pressure and calls from the U.S. Congress for punitive actions against it for allowing Iranian tankers to use Tuvalu as a flag of convenience to avoid oil sanctions.

**Bougainville to review peace agreement.** The government of Papua New Guinea's autonomous province of Bougainville announced September 19 that it will review its peace agreement with the national government because "not enough progress" has been made toward the agreement's implementation. The announcement came in response to a petition presented to the province's president, John Momis, by a group of former combatants from the province's 1989 struggle for independence. That fighting left thousands dead and up to 70,000 displaced. Momis said the province has seen gains under the agreement but problems remain, especially surrounding issues of national funding. ▲

# Looking Ahead

**Lecture on the role of sports in the recovery from the Christchurch quake.** The Center for Australian and New Zealand Studies at Georgetown University will host a presentation November 15 by New Zealand Fulbright Scholar Holly Thorpe. She will present the findings of her study on the role of sport in the recovery of individuals and communities affected by natural disasters, examining the case of the February 2011 Christchurch earthquake. The event will take place from 12:00 p.m. to 1:30 p.m. at the Edward B. Bunn, S. J. Intercultural Center, 37th and O Streets, N.W. Please contact Marie Champagne, (202) 687-7464 or e-mail [CANZ@georgetown.edu](mailto:CANZ@georgetown.edu) to RSVP.

**Lecture: “Unraveling of Pax America?”** Georgetown University’s Center for Australian and New Zealand Studies and Center for Security Studies will host on November 8 a talk by Alan DuPont, director of the Center for International Security and Development Studies at the University of New South Wales, Australia, on how global geopolitical conditions are shaping a new world order. The event will take place from 12:00 p.m. to 1.30 p.m. For more information, please click [here](#).

**Contemporary Australian art from the Balgo Hills on exhibit.** The Australian Embassy is hosting a number of contemporary paintings and etchings from the Balgo Hills in its gallery until November 9. The Balgo Hills lie in a remote area in Western Australia. The exhibit is open from 10:00 a.m. to 2:00 p.m. on weekdays and is located at the Australian Embassy, 1601 Massachusetts Ave., N.W. For further information, please call (202) 797-3383 or e-mail [Cultural.RelationsUS@dfat.gov.au](mailto:Cultural.RelationsUS@dfat.gov.au).

**Trans-Pacific Partnership negotiations to be held in New Zealand.** The next round of the Trans-Pacific Partnership (TPP) trade negotiations will be held December 3-12 in Auckland. New members Canada and Mexico will join the TPP negotiations for the first time, increasing the group membership to 11 countries. The last TPP negotiating round was held in Leesburg, Virginia, in early September, but differences over state-owned enterprises and intellectual property rights reportedly remained sticking points between various parties.▲

## PACIFIC PARTNERS OUTLOOK

CSIS Pacific Partners Initiative contributors:

Ernest Bower, Codirector

Michael Green, Codirector

Murray Hiebert, Senior Fellow and Deputy Director

Elke Larsen, Research Assistant

Maria English, Researcher

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