



Current Issues Brief  
No. 7 2000–01

## The United States 2000 Elections: Implications for the Asia-Pacific

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I N F O R M A T I O N   A N D   R E S E A R C H   S E R V I C E S

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The United States 2000 Elections: Implications for the Asia-Pacific

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## Glossary—Trade Terminology

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APEC	Asia-Pacific Economic Cooperation. Established in November 1989 to promote multilateral economic cooperation on issues of trade and investment. Current members are Australia, Brunei, Canada, Chile, China (People's Republic), Hong Kong SAR, Indonesia, Japan, Korea (South), Malaysia, Mexico, New Zealand, Papua New Guinea, Peru, Philippines, Russia, Singapore, Taiwan, Thailand, USA, and Vietnam
EU	European Union
Fast-track	Legislative procedures stipulating that once the US president formally submits to Congress a bill implementing an agreement (negotiated under fast-track authority) concerning barriers to trade, both houses must vote on the bill within 90 days. No amendments are permitted. The purpose of these procedures is to assure foreign governments that Congress will act expeditiously on an agreement they negotiate with the US government. <sup>1</sup>
G-5	Group of Five economies: US, UK, France, Germany and Japan
ILO	International Labour Organization
IMF	The International Monetary Fund is an international organization of 182 member countries, based in Washington, established to promote international monetary cooperation, exchange stability, and orderly exchange arrangements. <sup>2</sup>
MFN	Most-Favoured-Nation principle whereby any advantage, favour, privilege or immunity granted by any WTO Member to any product originating in or destined for any other country shall be accorded immediately and unconditionally to the like product originating in or destined for the territories of all other Members
MTNs/Rounds	Multilateral Trade Negotiations. Since 1947, eight MTNs have been undertaken. They are Geneva (1947), Annecy (1949), Torquay (1950–1), Geneva (1955–6), Dillon (1960–2), Kennedy (1962–7), Tokyo (1973-9) and Uruguay (1986–94)
NAFTA	North American Free Trade Agreement currently covering Canada, Mexico and the US, applying from 1 January 1994
Plaza Accord	An agreement reached in 1985 by the G-5 economies to drive down the price of the US dollar, when the US dollar was at an all time peak in terms of other major currencies, and the US was running a large trade deficit. The coordinated effort led to a depreciation of the US dollar by 30 per cent over the next two years. <sup>3</sup>  The accord is named after the New York Plaza Hotel where the agreement was announced on 22 September 1985
PNTR	Permanent Normal Trade Relations—the granting of normal (ie MFN) trade status on a permanent basis (currently this is granted by Congress on an annual basis) to China by the US, essential for the US to gain from the admission of China to the WTO. <sup>4</sup>

Super 301	Part of the 1988 <i>United States Omnibus Trade and Competitiveness Act</i> requiring the USTR to prepare an annual report identifying 'priority foreign country practices, the elimination of which is likely to have the most significant potential to increase US exports' concentrating on systemic unfair trade practices. <sup>5</sup>
Uruguay Round	The Round of Multilateral Trade Negotiations that ran from September 1986 to April 1994. It started with a Ministerial meeting in Punta del Este, Uruguay
USTR	United States Trade Representative—chief US trade negotiator
WTO	World Trade Organization

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## Major Issues

The United States, now the world's sole superpower, has a comprehensive range of interests in the Asia-Pacific. It has, through its alliances and its strategic strength, a central role in the maintenance of stability and it is also a major trading partner for the region. These factors make the outcome of its recent elections of major relevance to all regional states including Australia. This paper provides a preliminary assessment of the key issues and implications arising from the elections.

The 7 November elections produced an unusually close result. In early December the outcome of the presidential poll was still being contested while the Congress was narrowly balanced between both major parties, with an equal split in the Senate and a narrow Republican majority in the House. The nature of this result itself could be an issue for the Asia-Pacific because there have been widespread concerns that the new President will have a narrow and qualified mandate to deal with a potentially highly partisan Congress. This outcome could impede policy making in foreign relations and particularly in trade.

After reviewing briefly the Clinton Administration's Asia-Pacific record (particularly in relations with China, Japan and the Koreas) the paper notes that foreign policy matters did not attract heated partisan debate during the election campaign. On policies towards China and Japan, the candidates did differ in emphasis. Mr Gore is committed to continue the direction of the Clinton Administration in engagement with China and continued emphasis on the Japan relationship. On China Mr Bush has promised both continued engagement and a robust pursuit of key US interests, including development of a National Missile Defence program, which China opposes. On Japan, both candidates are committed to the relationship but Mr Bush has called for an explicit increase in the US emphasis on the bilateral security alliance.

The situation on the Korean peninsula and in Southeast and South Asia, while they did not attract significant attention in the campaign, will also demand attention from the new administration. The recent detente between South and North Korea has produced promising initial results but is at a delicate stage, Southeast Asian states are still wrestling with the impact of the financial crisis (most seriously in the case of Indonesia) and a stand-off continues between India and Pakistan, both of whom now possess at least some nuclear weapons.

The outcome of the elections is of particular concern in relation to trade policy. Mr Gore has actively supported the promotion of labour and environmental standards in trade agreements, a stance popular with his domestic constituencies but likely to be much more

acceptable in Europe than in the Asia-Pacific. Mr Bush is seen as a more concerted supporter of free trade outcomes with strong commitments to gain 'fast-track' authority for trade negotiations from Congress and to pursue a new round of WTO negotiations with an emphasis on agriculture and little interest in 'new trade agenda' issues like environmental and labour standards.

In the wake of the close and highly contested election result, both candidates are likely to have difficulties in gaining support in Congress for their major trade policy objectives. These challenges, however, appear to be relatively more forbidding for Mr Gore than for Mr Bush, since the Republicans will have the capacity to control (albeit narrowly) the Houses of Representatives and would have (under a Bush administration) the casting vote in the Senate.

The next US administration, whether led by Governor Bush or Vice-President Gore, will face some sensitive and difficult tasks in the Asia-Pacific and Australia has direct interests in the character and direction of the policies to be pursued.

Australia has strong interests in an administration which can maintain the progress in dialogue with China which has been (however haltingly) achieved through the 1990s. It will be beneficial for Australia and the region if the US can pursue its interests in consolidating its allied relationships (especially with Japan) and in developing new areas of defence policy (possibly including a potentially controversial form of National Missile Defence) in a way which does not lead to anxiety and alienation on China's part. A continued active commitment by the US to supporting inter-Korean dialogue while encouraging a continuing opening to the wider world by North Korea is essential if the recent progress on the peninsula is to be consolidated. A sympathetic and supportive US interest in Indonesia can be a positive factor for stability and progressive change. Continued interest by the US is also likely to be an important element in the chances for maintaining peace and increasing confidence in South Asia, where the situation of conflict continues to pose serious potential dangers both to the two countries directly involved and to the wider Asia-Pacific region. Australia itself can make a contribution to the evolution of US policies by playing a role of pro-active ally, able to offer both detailed advice and positive criticism.

Australia's interests in the trade arena, it is argued, are best served by a US administration committed to the multilateral system represented by the WTO, and in particular to successfully launching a new Round of multilateral trade negotiations. This is because particular sectors in which Australia holds a comparative advantage, for example agriculture and services, or which Australia's export destinations specialise in, for example textiles in developing Asian economies, are only likely to be treated more equitably in the world trading system following a successful Round of trade negotiations. Of the two Presidential candidates Mr Bush seems to be comparatively more likely to pursue such policies, and to be able to gain the necessary cooperation with and support from Congress.

## **Introduction**

The national elections on 7 November 2000 produced an unusually close result. At the time of writing (5 December), George W Bush had claimed victory in the contest for the Presidency but this was being contested by Vice-President Al Gore. In the Congress the Senate is now split 50–50 (after the Democrats picked up a net four seats) and the House of Representatives will see a narrow majority for the Republicans of only about 9 seats. The narrowness of the results, and the acrimonious dispute over the outcome of the presidential elections, have produced predictions that the next president may well have problems in operating effectively, especially vis-à-vis Congress.

The Clinton Administration, after a rather uncertain start, has made some substantial progress for the US in relations in East Asia. The next administration, however, will continue to face some major policy issues and challenges in pursuing relations with China, Japan, the Koreas and in Southeast and South Asia. This paper provides a brief assessment of the implications of the 2000 elections for the Asia-Pacific and identifies the key political and economic issues which will face the next administration. The paper also identifies differences in emphasis and policy between Vice-President Gore and Governor George Bush, differences which, it is noted, are relatively more sharply defined in relation to trade and economic matters than they have been on political and security issues.

## **The Clinton Record and the 2000 Elections**

President Clinton came to office in 1993 with comparatively little experience in foreign policy. In Clinton's first term, the US experienced some difficulties in establishing and implementing a coherent set of priorities in its major policies in the Asia-Pacific region. In an early initiative, for example, the Administration sought to explicitly link China's access to ongoing trade relations with the US (subject to annual review since 1980) with discernible progress on human rights conditions. This effort proved ineffective and impractical and was abandoned in May 1994. US-China relations were also strained in mid-1995 when the Clinton Administration, in the face of Congressional pressure, had to accept a private but highly publicised visit by Taiwan's President Lee Teng-hui. The visit resulted in intense criticism from Beijing, and tensions worsened in early 1996 during Taiwan's presidential elections, when China launched missiles close to Taiwan and the US responded with a naval deployment near Taiwan. The United States' relations with its most important ally in East Asia, Japan, were also subject to some strain as the Clinton

Administration sought to improve market access for US industry by an assertive stance in trade negotiations, especially in mid-1995 over the automobile industry.<sup>6</sup>

The Clinton Administration, however, worked to stabilise key US relationships and a major report by Joseph Nye in 1995 reaffirmed US long-term interests in Asia-Pacific security. The Administration also made some important progress in some key policy areas. With China, relations improved after the tensions of 1995–96 and contacts were enhanced by a series of high level visits and by the granting by the US of Permanent Normal Trade Relations in 2000, which is likely to be regarded as one of the Clinton Administration's most important achievements in foreign policy. With Japan, the US worked to improve relations and to facilitate a gradually enhanced role for Japan in regional security issued through the guidelines on defence announced in 1997 (and approved by the Diet in 1999).

The US tackled the difficult issue of how to contain the widely perceived threat posed by North Korea's nuclear program by developing and implementing the Agreed Framework (signed in October 1994) on remodelling North Korea's nuclear energy industry along lines less likely to lead to proliferation and weapons development. President Clinton also addressed the longstanding and emotionally charged issue of redeveloping relations with Vietnam. After many years of estrangement and contention (for example, on the issue of searches for the 'missing in action'), President Clinton normalised diplomatic relations with Vietnam in July 1995. This was followed five years later with the conclusion of a bilateral economic agreement between the two countries which will effectively normalise trade and by the historic visit by Mr Clinton in November 2000. In addition to promoting key bilateral relationships, the Clinton Administration also took the opportunity in the post-Cold War environment to assist in the promotion of multilateral cooperation, partly through participation in the ASEAN Regional Forum and particularly through sponsoring the first of what is now the annual meeting of heads of government of the APEC (Asia-Pacific Economic Cooperation) group in Seattle in 1993.

After eight years of the Clinton Administration it was notable that foreign policy issues did not play a major role in the partisan contest during the 2000 election campaign. George W Bush and some of his key advisers had certainly set out a range of criticisms of the Administration and promised a more concerted assertion of US interests and he and Vice-President Al Gore had discernible differences on a range of issues (see below). One clear difference in emphasis was on the overall issue of the extent to which the US should be willing to intervene internationally, particularly over specifically political and humanitarian questions, with Mr Gore indicating a significantly greater preparedness to support this than Mr Bush.<sup>7</sup> However opinion polls suggested that only about 2 per cent of the public considered foreign policy issues to be highly important in the election and the presidential debate focussing on foreign policy was not noticeably acrimonious.<sup>8</sup>

## After the Elections—a Weakened Presidency?

The outcome of the elections could have substantial implications for foreign relations in general and the Asia-Pacific in particular. At the time of writing, the result of the presidential race was still being contested with Mr Gore having won a majority of the popular vote, but facing the prospect of defeat by Mr Bush if his narrow lead in the crucial state of Florida (which would give him the required majority in the Electoral College) is upheld. In the House of Representatives, the Republicans had 220 seats to the Democrats 212, with two held by independents and one still undecided. The Senate was split 50–50, which meant that if the Bush-Cheney team won, Vice-President Cheney would have the casting vote in the event of a tie, while if the Gore-Lieberman team took office the Senate balance would revert to a 51–49 balance in the Republicans' favour (because Senator Lieberman's successor would, following normal practice, be a Republican appointed by the Governor of Connecticut, who is a Republican).

The narrowness of the Presidential and the Congressional contests, and the intense partisan conflict over the disputed ballot in the state of Florida, has raised substantial concerns about the legitimacy and authority of the presidency, whoever is the victor. As Mark Mitchell (*Far Eastern Economic Review*) observed about the next president:

... the chances are good that he will be one of the most feeble American leaders the world has seen in more than a century—a leader who will be presiding over a deeply divided public, an equally divided Congress and a political environment that has been horribly poisoned by post-election shenanigans.<sup>9</sup>

If a narrowly elected president has to contend with an evenly divided Congress, policy making and administration—which has been a major challenge for most US administrations including that led by Mr Clinton—could become even more difficult. One potential problem area could be the process of gaining Congressional approval for appointments to senior posts in the executive government. The time period needed to secure approval has already recently been up to nine months.<sup>10</sup> Continuing and further delays could inhibit the policy making capacities of the new administration.

The next President's authority may also have a substantial impact on his capacity to implement his foreign policy goals. In the American system of loose party alliances and highly active interest and lobby groups, a President usually has to mobilise support for any significant policy initiative from among members of both the major parties. Organising a coalition of support often requires extensive negotiations with individual Senators and Representatives. President Clinton, for example, engaged in extensive lobbying in his (ultimately successful) efforts to secure Congressional support for the granting of Permanent Normal Trade Relations to China. A President with compromised authority dealing with a fractious and highly partisan Congress could have major difficulties in securing stable groupings to support his key agendas and this could inhibit his effectiveness in managing foreign policy, both generally and in the Asia-Pacific.<sup>11</sup>

## Political and Security Issues

### China

In the Asia-Pacific region China has posed the most complex set of challenges for the Clinton Administration. The United States is China's single most important export market and China in turn is a major focus for US exporters. Trade has expanded rapidly and has been heavily in China's favour (at a level of \$US 68.7 billion in 1999). For two decades China's 'normal' trade relations status with the US was subject to annual review and approval by Congress, a process often accompanied by acrimony over human rights and other issues. The successful achievement of Permanent Normal Trade Relations status for China was a major step in relations which also cleared the way for the US to support China's bid to enter the World Trade Organisation. The US has also sought to improve its overall dialogue with China and President Clinton made a nine day visit in June 1998 to advance this. Discussions on security issues have also increased; Secretary of Defense William Cohen held a series of talks in China in July 2000, talks which still underscored continuing substantial differences of policy (particularly over Taiwan and weapons proliferation issues).<sup>12</sup>

Alongside this growing dialogue, the US has continued to pursue a series of contentious issues, including human rights, aspects of China's exports of weapons (including missiles and missile technology) and the US interest in developing a 'national missile defence' program) and in commercial relations (such as protection of intellectual property rights of US corporations). Taiwan continues to be the most sensitive area in the relationship with the US maintaining support for a 'one China' policy while also preserving 'non-official' relations with Taiwan and rejecting China's right to use force against Taiwan.<sup>13</sup>

Policy towards China was one of the few clearly discernible areas of difference on Asia-Pacific issues between the presidential candidates. Mr Gore maintained the broad emphasis of the Clinton–Gore Administration in supporting continued engagement with the PRC while also calling for improved practices on human rights and strongly endorsing ongoing close ties with Taiwan. Mr Bush and his advisers have criticised the emphasis of the Clinton Administration on China which they see as having been pursued to the detriment of relations with US allies in East Asia, especially Japan. On 17 May 2000, Bush said that:

China is not our 'strategic partner' ... China is a competitor, to be faced without ill will and without illusion. When I am president, China will have no doubts about our power and purpose in the region—about our strong commitment to democratic allies throughout Asia.

On Taiwan, Bush reaffirmed the 'one China' policy but has also said that if China were to use force against Taiwan it could expect a 'resolute' response from the US. Mr Bush has

also declared his strong support for the development of a National Missile Defence program for the US, a policy opposed by both China and Russia.<sup>14</sup>

For its part, China is considered to have generally preferred a Gore victory because of the expectation of continuity with the Clinton-Gore Administration. A key question is whether a Bush Administration would in fact see substantial change in the overall policy of the US towards China. There has been clear evidence of some internal dissension within the Republican party over China policy with some more conservative elements objecting to those who favour active dialogue and exchanges. There were reportedly some disputes at the time of the drafting of the Republican Platform.<sup>15</sup> There has also been an ongoing pattern of debate in the US in which some conservative elements (often referred to as the 'blue team') have objected to the views of those promoting active dialogue and engagement with China and have highlighted China as a high level national security threat to the US.

Governor Bush's most important advisers do not appear to fully share these views, Mr Bush's father pursued a policy of engagement and dialogue (including in the difficult period after the Tainanmen massacre in June 1989) and the Bush family has a considerable background of interest in China, including some business relations.<sup>16</sup> Nonetheless, a Bush Administration might well see a shift in tone in China relations, particularly because of the Bush team's declared interest in explicitly strengthening the Japan alliance and in moving to develop a National Missile Defence program.

The reality facing the next administration is that China will be simultaneously a competitor and a partner and extensive attention will be needed to manage a multifaceted and sensitive set of relations. The British analyst James Miles (International Institute for Strategic Studies) has observed:

The style and presentation of American engagement with China will be of critical importance ... It should be aware of the dangers of pushing an insecure Chinese leadership into a confrontational stance, but it should also be aware that firmness, consistency and tactful diplomacy in the pursuit of US security goals in East Asia will help to enhance stability and prevent Chinese nationalism from triggering aggression.<sup>17</sup>

## Japan

The relationship with the US is central to both Japan's foreign relations and to the structure of security in East Asia. The bilateral alliance includes the presence on Japanese soil of about 40 000 US military forces, which Japan supports economically. The tensions in the Taiwan Straits between China and Taiwan in early 1996 reinforced the importance of the US-Japan alliance. Agreement was reached in October 1997 on revised security guidelines, which were approved by the Diet in August 1999. The guidelines allow Japan, within existing constitutional constraints, to cooperate for the first time with US forces not only against a direct attack but also in areas surrounding Japan. Under the guidelines Japan

would be expected to provide rear area support, search and rescue operations, transportation services, hospitals and other public facilities within Japan and the repair and maintenance of equipment.<sup>18</sup>

US-Japan economic relations are of great importance to both countries. The trade tensions of the late 1980s and early 1990s had abated in the late 1990s with the US enjoying continued high growth rates and no longer concerned about the challenge of an 'invincible' Japanese economy. Recently, however, relations have again become strained as the US has been frustrated at the slow pace of change in Japan's economic policies and at the continuing bilateral trade imbalance, which has been exacerbated by declines in US exports and a continuing strong performance by Japanese exports: the deficit was \$US73.4 billion for 1999.

Useful progress has been made in a number of areas of the relationship recently including the sensitive issue of the presence of US forces in Okinawa where there have been demands for a reduction of the impact of some US facilities on local communities. However, there has been some concern at the overall lack of policy attention which the US has appeared to be giving to Japan in the latter phase of the Clinton Administration. This was particularly the case at the time of President Clinton's visit to China in 1998, when he did not also visit Japan. As Yoichi Funabashi (Chief Diplomatic Correspondent for *Asahi Shimbun*) has written:

Japan resented the US-China announcement of a 'constructive strategic partnership', and was even more bitter when Clinton failed to reaffirm, in talks with Chinese President Jiang Zemin, the stabilising importance of the US-Japan alliance.<sup>19</sup>

It has also been argued that negative perceptions in the US about Japan's prolonged recession and its 'revolving door' politics, which has seen seven different prime ministers in office during the Clinton presidency have had an adverse impact on the level of US interest in Japan.<sup>20</sup>

Both the Republican and Democratic platforms emphasised the importance of the Japan relationship. The platforms differed on trade relations. The Democrats criticised Japan on steel and the auto industry and promised 'an aggressive' effort to 'promote fair trade with Japan and China'. The Republicans charged that the Clinton Administration's 'managed trade' approach to Japan has failed.<sup>21</sup> The Republicans have also made a point of criticising the Clinton Administration for its alleged neglect of the alliance relationship (with Mr Bush condemning President Clinton's decision to visit China but not Japan in 1998). Both candidates expressed their desire to strengthen the security relationship.<sup>22</sup> However, in the wake of the recent strain in bilateral relations and the commitment of the Republicans to re-emphasise the alliance, opinion in Japan, particularly among policy-makers, is considered to strongly favour a Bush presidency.<sup>23</sup>

Several major studies of the US-Japan relationship were underway in the lead up to the elections and it has been argued forcefully that increased attention to this relationship



should be a major priority for the next US administration.<sup>24</sup> However, the relationship would need to be pursued actively by both sides and it is not clear that Japan at present has a leadership with the focus and commitment to do this.

## The Koreas

The Korean peninsula will clearly constitute one of the biggest policy challenges for the next administration. The US has been a staunch ally of the Republic of Korea (ROK); the 37 000 US forces in the South continue to be its second largest deployment in the Asia-Pacific. Since 1994 the US has sought to reduce the threats posed by the Democratic Republic of Korea (North Korea) nuclear program by redeveloping its nuclear industry through the Korean Peninsula Energy Development Organisation (KEDO) with major financial contributions from the ROK, Japan and other countries including Australia. KEDO is sponsoring the construction of new and safer reactors in the North. The US has also supported the development of four party talks involving the two Koreas along with the US and China as a further way of promoting dialogue and detente on the peninsula.

Tensions on the peninsula have eased substantially with the 'sunshine' policy of President Kim Dae-jung and especially since the leadership summit between the ROK President and Chairman Kim Jong-il of North Korea in June. The summit has been followed by further exchanges, family reunions and commercial contacts. The US has actively supported President Kim Dae-jung's policies and has sought to encourage a more outward looking approach in North Korea: Secretary of State Albright visited Pyongyang in late October and the US received a visit from Marshall Jo Myong Rok, North Korea's second most important leader. The US has also been concerned that the rapid progress in inter-Korean dialogue should not lead to a situation where there is in the future pressures for the rapid withdrawal of US forces from South Korea, which are seen widely as a key stabilising factor on the peninsula. President Kim Dae-jung has emphasised his support for a continued presence and in the latter part of 2000, North Korea has also indicated that it does not oppose a US presence.<sup>25</sup> Nonetheless, if Korean peninsula detente proceeds, the presence and role of the US forces is likely to be the subject of increasing debate.

The US was pleasantly surprised by the success of the June summit but has been concerned to see more substantial changes of policy from North Korea in major areas of concern, including its missile development program (which has included development of medium range missiles and testing of a longer range model) and its weapons exports (including missiles). The US also wants to see continued progress in relations between the North and the South: in late 2000 there has been some concern that the early signs of progress after Kim Dae-jung's visit to the North have not been followed by reciprocal gestures from the North Korean regime. There have also been some reservations in Washington about the danger of a one-sided process of thaw in US-North Korea relations in which the DPRK might gain benefits of economic concessions from the US without pursuing domestic reform or taking serious steps to reduce tensions on the peninsula.<sup>26</sup> Such reservations are likely to have been considered when a mooted visit by President

Clinton to North Korea, at the time of his journey to East Asia to the APEC summit in Brunei and to Vietnam, was postponed.<sup>27</sup>

There was no significant discussion between the US presidential candidates over policy towards Korean issues during the campaign but the search for stability and long-term peace on the peninsula will continue to be a major interest of the US as well as for all the major powers.

## Southeast Asia

The US has extensive networks of economic and security interests in Southeast Asia. The US is an important market for the region's economies, especially in the electronics sector, and most of the region's economies have an intimate stake in the overall health of the US economy. The US has longstanding security associations in the region and these were reaffirmed in the second half of 2000 by a series of extensive maritime exercises (Cooperation Afloat Readiness and Training) involving phases in Thailand, Malaysia, Indonesia, the Philippines, Brunei and Singapore.

Southeast Asia overall has been undergoing a period of uncertainty in the wake of the regional financial crisis and the next administration will face sensitive issues in some major relationships, particularly with Vietnam and Indonesia.<sup>28</sup> As noted above, the US has recently enhanced its relationship with Vietnam, with a major trade agreement concluded in July and President Clinton's visit in November. The agreement commits the Vietnamese government to a wide range of liberalising measures between 2000 and 2009 covering five main areas: market access for industrial and agricultural goods, intellectual property rights, market access for services, investment provisions and transparency provisions. These measures will greatly increase access for US business to the Vietnamese market. In return, the US will reduce tariff barriers to Vietnamese goods from their present level of about 40 per cent to 3 per cent, a step which will open up the US market for Vietnamese-made goods such as shoes, textiles and garments which have hitherto been priced out of the US market. There will, however, be many detailed issues to deal with as the trade agreement is presented for ratification by Congress in 2001. When the agreement is ratified, Vietnam will still only have normal trade relations on an annually renewable basis and there will be the potential for ongoing areas of dispute over issues including human rights and labour standards.<sup>29</sup>

In Indonesia, the process of profound change after the fall of the Suharto regime has involved some tensions in relations with the US. The US has welcomed the progress towards developing democratic government since the June 1999 elections but was critical over the events in East Timor before the August ballot, as well as over other incidences of alleged human rights violations. The forthright style of US Ambassador Robert Gelbard has attracted allegations of American 'interference' in Indonesia. In October the US Embassy was subject to a bomb threat and Indonesian patrol boats challenged a US Navy ship transiting Indonesian waters amid claims that it might have been involved in

supplying weapons to separatist movements (charges immediately denied by the US).<sup>30</sup> The immediate future for the relationship is clearly heavily dependent on the issue of political stability and ongoing reform efforts in Indonesia, but is also likely to need considerable attention from the incoming US administration.

Southeast Asian issues gained no significant attention during the campaign. In the region itself, it has been considered that Mr Bush would be preferred as President in a number of countries. In Southeast Asia, Mr Gore's identification with the issue of attempting to advance labour and environmental standards through trade negotiations has been viewed negatively and his speech at the APEC meetings in Kuala Lumpur in November 1998 (in which he was seen to have lent support to opposition elements in Malaysia) produced critical reactions.<sup>31</sup>

## South Asia

Another region providing policy challenges for the next administration is South Asia and particularly India. For a number of years the US maintained relatively closer relations with Pakistan (with which it cooperated closely in relation to the war in Afghanistan in the 1980s) than with India. However in recent years strong pressures developed for a reassessment of US approaches to India, particularly as its relationship with the former Soviet Union receded and its economy became more outward looking. Relations have also been enhanced by the role of the South Asian communities in the US, who have been highly active in 'new economy' sectors and have the highest incomes of any immigrant group in the US. Progress in relations was inhibited by the nuclear tests in 1998 but this issue has not prevented moves on both sides to improve communications, highlighted by President Clinton's journey to the subcontinent in March 2000 when he made an extensive visit to India and brief visits to Bangladesh and Pakistan.

The US and India have continued their high level dialogue with a visit by Prime Minister Vajpayee in September. The two sides have important interests to develop with India keen to receive greater US investment and to gain US support for a greater presence for India in international institutions including the UN. The two sides, however, also continue to have major differences over nuclear proliferation issues with India refusing to formally disavow nuclear testing and the US continuing to ban exports of certain potentially defence related technologies. India also wishes to balance its association with the US with a redeveloped relationship with Russia including a major defence cooperation program.<sup>32</sup>

With India and Pakistan still locked in conflict over Kashmir and both now with a nuclear capacity, the situation on the sub-continent is of substantially greater significance for Asia-Pacific security than it was at the outset of the Clinton Administration and compels continuing attention from its successor in Washington.

## Multilateral Cooperation

The Clinton Administration increased US interest in multilateral activities in the region and the next administration will also face challenges in this area.

The post Cold War environment has seen increased efforts to advance multilateral cooperation in the Asia-Pacific. The Association of Southeast Asian Nations (ASEAN) remains the premier regional grouping but it has been challenged by the impact of the Asian financial crisis, by its expansion to include all ten Southeast Asian states (which has made cohesion harder to maintain) and by the troubles of its leading member, Indonesia. The ASEAN Regional Forum (ARF, initiated in 1994) is a promising attempt at promoting dialogue on issues of security concern in the region and the US has been a member from the outset but it is still at a relatively early stage of development. The US gave added status to APEC by inaugurating the annual leaders meetings in 1993 but APEC since the late 1990s has had difficulties in maintaining steady progress towards trade liberalisation and the US has not been able to provide as much leadership on trade issues as might have been hoped several years ago (see below).<sup>33</sup>

The regional states are continuing to seek ways to pursue useful multilateral cooperative efforts. One reflection of this has been the efforts between ASEAN members and China to develop a code of conduct to help reduce the potential for conflict in the South China Sea. The impact of the regional financial crisis has also stimulated regional states to explore new bases for groupings, with ASEAN moving to hold regular meetings with China, Japan and Korea in the 'ASEAN plus three' process. China in particular has seen these as useful avenues for discussions that do not involve the US directly and (from China's perspective) can help to limit US influence by promoting concepts of economic and security cooperation which emphasise dialogue among regional states with less involvement by external powers.<sup>34</sup> In developing its regional policies, the next US administration will therefore need to consider carefully how the US can relate constructively to the range of cooperation initiatives now being developed. As Professor Carlyle Thayer (Asia-Pacific Center for Security Studies, Hawaii) has observed in relation to ongoing discussions about regional security issues:

The United States must work hard to ensure that China and the US proposals do not become a zero sum game. The US will have to be more accommodating and sophisticated in its response to the 'ASEAN way' and security multilateralism under ARF auspices.<sup>35</sup>

## Trade and Economic Issues

In order to assess the implications of the US elections on trade and other economic issues it is useful to briefly assess how trade policy works in the US. There is no Department of Trade: rather most negotiating authority is allocated to the Executive, in fact in the Executive Office of the President under the auspices of the US Trade Representative (or USTR), which is

currently Charlene Barshefsky.<sup>36</sup> However administrative responsibility for most trade issues rests with the Department of Commerce. In the absence of Presidential 'fast-track' authority both Houses of Congress have the right to micro-manage essentially the full range of trade issues as well as to impose specific requirements on the USTR.<sup>37</sup> Thus it is not only the outcome of the Presidential contest that will determine the United States' trade policy for the next four years: this is even more true with a less than overwhelming mandate for the President (whoever he is). It is also important to understand the state of US trade policy at the end of the Clinton Administration.

## The Clinton Administration

President Clinton was elected in 1992 under the catchcry 'It's the economy, stupid!' Measured by this yardstick—growth in GDP, reduction in unemployment and control of inflation—the Clinton presidency has been unprecedentedly successful. Other major economies, i.e. Japan and Europe, have been remarkably less successful over the same period, so at least some of the credit for US economic success must be attributed to policy-makers. Foremost among these is the Federal Reserve Board,<sup>38</sup> and its chairman Alan Greenspan, which manages monetary policy. However the cooperation of President Clinton and the (Republican controlled) Congress to generate a substantial surplus at the federal level also deserves much of the credit.<sup>39</sup> Many commentators have given this freeing up of funds credit, in particular, for the expansion of the hi-tech sector in the US. A by-product of the economic success has been an extremely strong US dollar,<sup>40</sup> which in turn has been credited with lowering the cost of imports and thus helping contain inflationary pressure during a period of such strong economic growth.

The first few years of the Clinton presidency were indeed devoted primarily to economic issues, including trade. In fact many international relations experts 'fretted that Clinton seemed to think that trade policy could substitute for a coherent foreign policy'.<sup>41</sup> A number of important advances on trade issues were made during this period, including the completion of the Uruguay Round of multilateral trade negotiations and the consequent establishment of the WTO, initiatives in APEC and NAFTA.<sup>42</sup> However the second Clinton term has been characterised by much less interest in trade issues, and therefore a reduction in successful initiatives. This was obvious from before the start of his second term,<sup>43</sup> and from President Clinton's failure to secure fast-track negotiating authority from Congress following the 'Republican Revolution' from November 1994, when the Republican party gained control of both houses of Congress for the first time in forty years.

In addition there was a stronger interest in the Asia-Pacific economy from 1993 to 1996 in Washington than in recent years. In part this reflects the slide of the Japanese economy and the drift in Tokyo toward insularity, as well as the onset of the Asian financial crisis in 1997. But it also reflects a feeling in Washington that the previous emphasis on Asian initiatives for example the creation and strengthening of APEC had not been followed by commensurate results. Even the highly charged conflicts between the US and Japan over trade policy have faded, as both now pursue issues in the WTO dispute settlement system (a good example of

what it was designed to do) rather than bilaterally, for example under the highly resented US Super 301 actions.<sup>44</sup> The main issue of continued interest to US lawmakers has been the negotiation of China's entry to the WTO, and the related granting of Permanent Normal Trade Relations (PNTR) to China by the US.

The other important trade issue in the late Clinton presidency was the Seattle WTO Ministerial held in December 1999. This was supposed to launch a new round (possibly to have been called the Clinton Round) of multilateral trade negotiations and was very important from an Australian perspective due to the mandated inclusion of agriculture in the discussions.<sup>45</sup> While much attention has been paid to the role of protestors in scuttling the launching of a new round, in fact the lack of consensus (the basis of agreement in the WTO), particularly between the US and EU and developing countries, made the failure inevitable. Much of the lack of consensus flowed from the US<sup>46</sup> and EU push to include WTO-irrelevant issues such as labour standards and environmental issues, and in particular President Clinton's threat—just before the Ministerial was to open—to enforce these with trade sanctions (the equivalent of a new form of protection).<sup>47</sup>

## Gore's Policies

Much in line with the Clinton Administration as a whole, Vice-President Gore developed a highly respected trade role in the first two years in office. The highlight of this was a debate with protectionist Ross Perot over the NAFTA legislation in November 1993. It was widely considered that Vice-President Gore had easily won the debate and public support with his formidable presentation of an articulate free-trade agenda. Since then it has become apparent that Mr Gore has drifted from the position of the moderate Democratic Leadership Council<sup>48</sup> on trade in order to woo support from the influential labour and environmental lobbies within the Democratic Party.<sup>49</sup> This was represented by his role in scuppering the first deal hammered out between the US and China on China's WTO entry, and the push to late this year to grant China PNTR which he eventually supported, but 'in a remarkably lukewarm way'.<sup>50</sup>

Al Gore, while at times advocating positions reasonably compatible with an open trading system, has a stronger ideological interest in pursuing European type policies of restricting access to the international trading system to those with developed country standards for labour rights and the environment, i.e. 'fair trade'. The negative role taken by President Clinton at the Seattle Ministerial Meeting of the WTO, was clearly taken with more than half a view to the interests of Al Gore vis-à-vis (import competing) unions and environmental groups. Al Gore's proposed policies are available, in considerable detail, in Chapter 6 of his 192 page economic plan<sup>51</sup>. The emphasis is on a mercantilist-type aggressive opening of foreign markets, while protecting the US from competition by imposing worker rights and environmental conditions on other nations. This is even more notable considering that his running mate, Senator Lieberman, was chairman of the moderate Democratic Leadership Council.<sup>52</sup>

The current US Trade Representative (USTR) Charlene Barshefsky has apparently claimed that there is no pressing need for fast-track,<sup>53</sup> a position at odds with almost all outside observers.<sup>54</sup> A possible Gore appointee would be Laura D'Andrea Tyson—who created difficulties within Clinton's Council of Economic Advisers due to her positions on trade and relations with Japan. The absence of a specific trade plan, and the contested nature of many of the specific policy positions that are mentioned, probably mean that President Gore and his USTR would not successfully conclude many international trade negotiations.

It would be reasonable to expect that a President Gore (as at the Kuala Lumpur APEC Leaders Meeting) would be more troubled than Mr Bush by human rights standards in many APEC economies and hence be less able to separate economic and political interests. Neither Bush nor Gore has focussed specifically on APEC, although there is unlikely to be a further downgrade from that witnessed under Clinton.<sup>55</sup> Under President Gore, however, it would be likely that the United States would upgrade trade relations with the EU, perhaps reviving the Trans-Atlantic economic initiatives, because of the greater compatibility of his positions with those fashionable in Europe. On the other hand the need to cooperate with a Republican controlled Congress and the intellectual coherence of a free-trade position, might see a President Gore's actual trade policies return to a more moderate position.

## Bush's Policies

Presidential candidate Bush has proposed a number of changes to current US trade policy, and to international economic institutions. At this stage he is proposing a return to a much clearer US line supporting free trade, and seeking to accelerate progress in multilateral fora such as the WTO. In some ways this stands in contrast to his approach to other multilateral institutions such as the World Bank and IMF (although there is an economic rationale for the distinction.<sup>56</sup>) While Vice-Presidential candidate Cheney also has a reputation as a supporter of free trade,<sup>57</sup> his expertise is in defence policy, and he appears to believe that not selling weapons for foreign policy reasons is an abrogation of a free trade principle. Bush has proposed new initiatives in NAFTA,<sup>58</sup> and the possibility of trade 'agreements in other regions with individual countries or groups of countries'.

The important policy initiatives proposed by the Bush-Cheney team are outlined at the Bush campaign website. In particular, proposed specific approaches are outlined there on international trade<sup>59</sup> and agriculture.<sup>60</sup> The approaches outlined there are much closer to the approach taken by Australia at the recent WTO Ministerial Meeting in Seattle than recent US policy and include seeking to get Presidential fast-track authority, support for a new WTO Round with an emphasis on agriculture, and little emphasis on the 'new trade issues' such as trade and labour. Possible appointments to the USTR position include Larry Lindsey, Robert Zoellick or Warren Maruyama.<sup>61</sup>

Neither Gore nor Bush has received high acclaim from economists for their overall economic proposals.<sup>62</sup> Both are likely to put at risk the current US budget surplus through spending (Gore) or spending and tax cutting (Bush) plans. If they are actually able to implement their plans, there are likely to be implications for the international community as well as the US economy. In particular the military spending/tax cuts proposed by Mr Bush have many parallels with the Reagan years. By the middle of President Reagan's term it was discovered that a strong US dollar (such as now exists) is incompatible with trade balance and such fiscal policies. In order to salvage the export sector the Plaza Accord to drive down the US dollar was considered necessary. Such pressures are likely to emerge for either set of policies, but more acutely for the Bush program.

### Impact of Congress

As mentioned above Congress has important powers in terms of trade policy, and these are accentuated during periods, as now, when the President has not negotiated fast-track authority. In the past, Republicans in Congress have been much more reliably supportive of an open international trading system, while Democrats have been aligned to protectionist interests in the labour movement. In one assessment of the previous Congressional session (the 105<sup>th</sup> 1997–98) this remains true, although Republican Revolution members (i.e. those elected in November 1994 under the leadership of Newt Gingrich) were less likely to vote along free trade lines than traditional Republicans.<sup>63</sup> On individual issues Republicans can be as responsive as Democrats to special interest lobbying.<sup>64</sup> The House Democratic Leader, Dick Gephardt is particularly associated with protectionist policies. This all becomes critical in a situation where the President must seek congressional approval for any trade initiatives. While Congressional Democrats are 'determined that labour and environmental concerns should receive higher priority in trade agreements, Republicans were adamantly opposed to such linkage'.<sup>65</sup> Building a consensus has been difficult enough even for a renowned dealmaker like President Clinton; it will be much harder for a weak President facing an embittered and more narrowly divided Congress, such as will be the case for the 107<sup>th</sup> Congress.

The increased polarisation between Democrats and Republicans, often overstated in the past, now seems to be a more impassable obstacle for any President. This is well illustrated by the functioning of the US Trade Deficit Review Commission.<sup>66</sup> The Commission was created in October 1998, and was to run from August 1999 to August 2000, with the purpose of studying the nature, causes, and consequences of the United States merchandise trade and current account deficits. The Commission had 12 members, 3 each appointed by the House and Senate Majority and Minority Leaders respectively. Although all appointees were experts in some way on the issue, this body was not able to issue a joint report; rather there was a straight split on party lines. That such a body should be so riven with dissent that it could not issue a joint report pointing the way forward for reform of US policies that impact on trade, indicates the remoteness of the possibility of achieving consensus or even working majorities for most serious trade issues likely to face



the US in the forthcoming four years. While one of the agreed recommendations 'was to favour a fiscal policy that substantially increases national saving' neither Presidential candidate is in fact proposing policies consistent with this. This also implies the likely revival of ad hoc and inconsistent unilateral trade policies<sup>67</sup> such as the use of Super 301 trade action to pressure foreign nations to buy otherwise uncompetitive US products.

## **Australia's Interests**

### **Political and Security Issues**

The way in which either a Bush or a Gore administration pursue policies in the Asia-Pacific will have a substantial bearing on Australia's own regional environment. The 2000 US elections have occurred at a time of some important processes of change in the Asia-Pacific. China and Taiwan have been engaged in a reassessment of policy which is still in progress but which could lead to a new basis for dialogue if the concept of 'one China' can be redefined in a manner that is acceptable to both parties.<sup>68</sup> There is also however some continuing potential for instability, miscalculation and even of outright conflict. The process of detente between the two Koreas has progressed in a positive manner so far, but there have yet to be decisive steps taken to reduce the scale of the military confrontation across the Demilitarised Zone. In Southeast Asia, the future of Indonesia remains highly uncertain, with economic recovery still fragile and the democratic government led by President Wahid facing pressures for decentralisation of power and control over resources while at the same time needing to deal with substantial disaffection and demands for independence from many people in the provinces of Aceh and Irian Jaya. In South Asia, India and Pakistan remain in a bitter dispute over Kashmir and both are now in possession of at least some nuclear weapons.

In the region itself, a majority of countries probably prefer a Bush Administration, because this would be expected to be more clearly committed to trade agendas pursued without attempts to incorporate labour and environmental standards and because a number of countries would (at least privately) view with favour Bush's promise of a cooperative but robust approach towards China. The Australian Government has been reported as predominantly preferring a Bush presidency but it may be expected that Australia would clearly work closely and cooperatively with an administration led by either candidate.<sup>69</sup>

The next US administration, whether led by Governor Bush or Vice-President Gore, will face some sensitive and difficult foreign policy tasks in the Asia-Pacific. Australia has strong interests in an administration which can maintain the progress in dialogue with China which has been (however haltingly) achieved through the 1990s. It will be beneficial for Australia and the region if the US can pursue its interests in consolidating its allied relationships (especially with Japan) and in developing new areas of defence policy (possibly including a form of National Missile Defence) in a way which does not lead to anxiety and alienation on China's part. A continued active commitment by the US to

supporting inter-Korean dialogue while encouraging a continuing opening to the wider world by North Korea is essential if the recent progress on the peninsula is to be consolidated. A sympathetic and supportive US interest in Indonesia can be a positive factor for stability and progressive change. Continued interest by the US is also likely to be an important element in the chances for maintaining peace and increasing confidence in South Asia, where the situation of conflict continues to pose serious potential dangers both to the two countries directly involved and to the wider Asia-Pacific region. Australia itself can make a contribution to the evolution of US policies by playing a role of pro-active ally, able to offer both detailed advice and positive criticism.<sup>70</sup>

## Trade and Economic Issues

Australia's interests in the trade arena are best served by a US administration committed to the multilateral system represented by the WTO, and in particular to successfully launching a new Round of multilateral trade negotiations. This is because particular sectors in which Australia holds a comparative advantage, for example agriculture and services, or which Australia's export destinations specialise in, for example textiles in developing Asian economies, are only likely to be treated more equitably in the world trading system following a successful Round of trade negotiations.<sup>71</sup> Of the two Presidential candidates Mr Bush seems to be much more likely to pursue such policies, and to be able to do the necessary negotiating with Congress.

In terms of regional trade issues, which are important to Australia but perhaps less critical, the issues are more ambiguous. APEC has not been a focus of either candidate, and in the absence of a US initiative, is likely to stagnate into irrelevance. The Clinton Administration has recently started to pursue a free trade agreement with Singapore.<sup>72</sup> This was (in American terms) a 'no-brainer'<sup>73</sup> due to the high labour and environmental standards (and lack of agriculture) in Singapore which make the move uncontroversial. Further regional initiatives are likely to be very difficult for Mr Gore due to the issues of labour and environmental standards. Australia has traditionally opposed the idea of having to choose between trade deals with the US and Asia. Thus a President who could negotiate numerous free trade agreements in the region with economies in APEC would be preferable, but perhaps unlikely. Mr Bush is more likely to focus on NAFTA for regional trade initiatives.

In terms of bilateral trade relations, because so much depends on the lobbying of individual industries (for example lamb or sugar) it is difficult to predict whether either Presidential candidate, in the absence of multilateral initiatives would be substantially better for Australia in practice.<sup>74</sup> The Clinton administration has had a variable record, despite its early success with the WTO. In terms of relations with our important trade partners, for example Japan, China or Korea, it is likely that Mr Bush's *trade* policies are less likely to cause irritation (due to the imposition of fewer political strings), but this is very much subject to the level of interference by Congress.

## Endnotes

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1. Excerpted from *American Trade Policies* 3rd ed., Institute for International Economics, 1995, see <http://www.iie.com/FOCUS/focfast.htm>.
2. see <http://www.imf.org>
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14. For a discussion of the National Missile Defence issue see Gary Brown and Gary Klintworth, 'The US National Missile Defense Program', Research Paper no. 16, 2000–01, Department of the Parliamentary Library, 5 December 2000.
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16. Murray Hiebert, 'Red Scare', *Far Eastern Economic Review*, 2 November 2000.
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23. Andrew Cornell, 'Japanese would never say it, but many want it to be Bush's week', *Australian Financial Review*, 6 November 2000.
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34. Carlyle A. Thayer, 'China's "New Security Concept" and ASEAN', *Comparative Connections*, Third Quarter 2000, p. 1–7.
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36. According to Oxford Analytica, even in 1996, Barshefsky was considered unlikely to introduce a clear trade agenda to the Clinton Administration, and was even noted to be 'technically in violation of a law that would prohibit her from serving in the post', 'United States: Trade Agenda', *Oxford Analytica Daily Brief*, 19 November 1996.
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38. The US central bank.
39. This cooperation, of course, has neither been amicable nor voluntary: rather neither side has been willing to support the other's spending or tax cutting initiatives, beyond very minimal levels. The outcome, then, of the process has been to generate a surplus.

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44. Paula Stern 'The road from here: US trade policy in the second Clinton administration', *Vital Speeches of the Day*, 1 February 1997.
45. For more details of the agenda and scope of the Ministerial see Bruce Donald, *The World Trade Organization (WTO) Seattle Ministerial Conference, December 1999: Issues and Prospects*, Current Issues Brief, No. 12, 1999-2000, Department of the Parliamentary Library, 30 November 1999.
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52. See [http://www.ndol.org/ndol\\_ci.cfm?kaid=86&subid=85&contentid=1943](http://www.ndol.org/ndol_ci.cfm?kaid=86&subid=85&contentid=1943); the general position of the DLC is available at [http://www.ndol.org/ndol\\_ci.cfm?kaid=108&subid=133&contentid=2746](http://www.ndol.org/ndol_ci.cfm?kaid=108&subid=133&contentid=2746) and places much more emphasis on labour standards being addressed in the ILO rather than in the trade context.

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55. Although the current situation has led *The Economist* to ask 'if APEC has served its natural term?' ('Whatever happened to the Pacific Rim?', *The Economist*, 12 November 2000).
56. See Daniel Griswold, 'Free Trade, Free Markets: Rating the 105th Congress', at <http://www.freetrade.org/pubs/pas/tpa-006es.html>.
57. A speech related to this topic is at <http://www.cato.org/speeches/sp-dc062398.html>.
58. This highlights the importance that Governors attach to trade initiatives, due to the facts on the ground at state level.
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63. See Daniel Griswold, 'Free Trade, Free Markets: Rating the 105th Congress', at <http://www.freetrade.org/pubs/pas/tpa-006es.html>.
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66. See <http://www.ustr.gov/>.
67. The Democratic representatives explicitly thought that targeting Japan and China was reasonable given their trade surpluses with the US.
68. See Gary Klintworth, op cit.
69. Greg Sheridan, 'Asia prefers Bush and so do we', *The Australian*, 3 November 2000.
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72. See US and Singapore to Launch Negotiations for a Free Trade Agreement, 16 November 2000, <http://www.ustr.gov>.
73. That is an initiative requiring no brain effort, due to its simplicity and straightforwardness.

74. It should be noted that many States important to Mr Bush, for example Montana and Florida, have protectionist agricultural lobbies i.e. lamb and sugar. This does not mean that Mr Bush will necessarily pander to these lobbies, but must raise the possibility.