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Trade disputes are often as much about rhetoric as about reality. Shawn Thew/EPA/AAP

Australia should steer clear of the sanction fight between the US and China

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Even though Australia follows the United States in much of its policy, Australian exporters and consumers will be hoping we don't get caught in the crossfire as the US and China impose sanctions on each other.

US President Donald Trump has the power to impose trade sanctions on China for its disregard of US intellectual property (IP) rights: patents, trademarks and copyright.

These sanctions could make Chinese exports more expensive or prevent access to the US market. China has already indicated it will play tit for tat, imposing its own sanctions.

Read more: Trump's \$60 billion in China tariffs will create more problems than they solve

Trade disputes are often as much about rhetoric as about reality. China will remind the world that the US began as a pirate nation, harvesting European technological innovation and cultural production

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(such as work by Byron, Shelley, Dickens and Trollope) on the basis that it was a developing nation and because it could.

Away from the headlines China will likely take the US to the World Trade Organisation (WTO), a global mechanism for resolution of trade disputes. The US has announced it will take China to the WTO over patent violations.

The US will presumably ramp up claims with the WTO against other trading partners (such as India, Indonesia, Thailand and members of the European Union) that appear on its watch list for allegedly pirating US knowhow.

What this means for Australia

Academics such as Matthew Rimmer have astutely highlighted disadvantages for Australian consumers as citizens of an IP colony. This is where we import more than we export in content and pay a premium for work from overseas.

For example, we pay more than our US counterparts for software and hardware that most people take for granted. Our IP regime – in principle and practice – construes many violations of IP rights as piracy.

Our regime is aligned with that of the US. That reflects our traditional defence policy and the significance of US investment. What is good for US companies Microsoft, Pfizer and Disney is deemed to be good for Australia.

But joining in this cascade of retaliation will jeopardise economic growth, foster political unrest in developing economies and penalise consumers. The salient feature of economic growth over the past four decades has been globalisation – trade and investment across borders – rather than fundamental productivity gains through information technology.

Integration with the global economy (alongside the hollowing-out of local manufacturing and the TAFE system) mean that we cannot turn back the clock to the days of Alfred Deakin. Deakin's grand compromise – the Australian Settlement – promised to protect small farmers, local manufacturers and workers behind walls that restricted migration and imports.

The headline-grabbling sanctions from Trump might also not necessarily be supported. Some business leaders recognise the importance of trade across the global economy and are perplexed by the current policy that seems to be driven by Trump's late-night tweeting rather than anything coherent.

Where does that leave China?

China's response has so far been cool. Moderation in the public arena highlights the idiosyncratic nature of Trump's statements. It also reflects a deeper reality.

China wants to sell high-technology products to Australia, the US and other nations. One is example is 5G telecommunication networks from Huawei.

It wants the advantages that come from exploitation of the global IP regime, with its innovators and entrepreneurs building portfolios of patents and buying leading Western brands. It is likely to emulate what we saw with Japan: from “pirate” to IP citizen, complying with laws, within a few decades.

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Beijing is slowly strengthening the enforcement of IP rules in key regions such as China’s Pearl River Delta. In part that’s an effort to reduce the backlash in its export markets and it’s also a recognition that growth may be a matter of fostering innovation rather than copying or cheap labour.

Australia sources many manufactured items from China, with that production often dependent on US, Japanese and EU IP. Our own economy depends on exports of commodities; universities are dependent on overseas (particularly Chinese) students. So we don’t want to see an increase in international tensions and don’t want a slowing of the global economy because of a cascade of tit-for-tat sanctions.



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