

## **Submission to the Joint Standing Committee on Foreign Affairs, Defence and Trade by the Development Policy Centre, ANU**

### **Inquiry into the implications of the COVID-19 pandemic for Australia's foreign affairs, defence and trade**

The Development Policy Centre is a think tank for aid and development serving Australia, the region and the global development community, based at the Crawford School of Public Policy at the Australian National University. Established in 2010, we undertake independent research and promote practical initiatives to improve the effectiveness of Australian aid, support the development of Papua New Guinea and the Pacific island region, and contribute to better global development policy. This submission was prepared by Dr. Ryan Edwards, Deputy Director, with input from Dr. Richard Curtain, Research Fellow.

This submission relates to the Committee's interests in the strategic implications of COVID-19 with particular respect to: implications for Australia's Foreign Affairs, Defence and Trade policy, particularly with respect to strategic alliances and regional security; the impact on human rights; and what policy and practical measures would be required to form an ongoing effective national framework to ensure the resilience required to underpin Australia's economic and strategic objectives. We comment on these matters in relation to (a) Australia's engagement and interests in the Pacific, and (b) aid and development policy.

#### **Summary of Recommendations**

1. Temporarily increase Australian ODA in response to COVID-19 to support regional economic and human security, sharing technical assistance and being the regional preferred partner in the crisis and for the recovery.
2. Maintain long-term development and strategic investments throughout the pandemic and beyond, using the crisis as an opportunity to improve rather than displace pre-existing investments. COVID-19 has not made these less important.
3. Prioritise supporting partner governments in introducing social protection systems, where they do not exist, to reduce the poverty and stability impacts of future crises.
4. Recognise the importance of labour mobility and migration for the economic success and stability of Australia and partners in the Pacific, and accelerate the movement of people to pre-crisis levels as soon as it is safe to do so.
5. Prioritise safe movement between Australia, New Zealand, and Pacific countries relatively unaffected by the virus, and an immediate pathway for Pacific workers to support Australia's food system and Pacific livelihoods.

### Impacts on human rights

Pacific countries are some of the world's most exposed countries to shocks (e.g., natural, economic, and health). The region is home to significant poverty and some of the world's highest levels of violence against women, child labour, and informality, offering the precise conditions to multiply the human costs of pandemics and drive rapid destabilisation.

Many countries of strategic importance in the Pacific are suffering as a result of reduced trade, migration, tourism, and the other policy responses to COVID. This is having a massive impact on hardship and poverty. Large swathes of the population live just above the poverty line and are particularly vulnerable to shocks. Based on [recent poverty estimates](#), even a conservative 5 per cent contraction in household consumption could result in the rate of extreme poverty increasing to anywhere between 17 and 30 per cent of the population (in Papua New Guinea, Timor-Leste, Solomon Islands and Vanuatu).

Situations of no or few COVID cases in the region means we need to be working to minimize harm and provide immediate economic relief to those affected, balance the risk of a new wave, and support a fast recovery should that wave not come. This should be done in an emergency one-off increase in Australian ODA to deal with the new COVID-19 activities, similar to what was done for the Aceh tsunami. Despite rising domestic budget pressures, a nationally representative Development Policy Centre survey in June 2020 finds that Australians are no less supportive of foreign aid during COVID-19 than they were before.

**Recommendation one: Temporarily increase Australian ODA in response to COVID-19 to support regional economic and human security, sharing technical assistance and being the regional preferred partner in the crisis and for the recovery.**

### Implications for policy in terms of strategic alliances and regional security

COVID-19 offers a unique opportunity to strengthen strategic alliances and regional security in the Pacific and emerge from the crisis in a stronger strategic position—as the preferred bilateral development partner and regional leader—through generous aid and development cooperation. There is little trade-off between development and national interest objectives in a pandemic, especially in the current geopolitical environment. An effective, predictable, and generous aid program is necessary for a strong and credible foreign policy program.

While there is a need for aid more than ever, we know that in the best of times the Pacific is a hard place to effectively deliver aid and that the current circumstances present major challenges to giving aid well, including limited in-country capacity, quick decisions, and even less data than usual. Budget support will continue to be essential for many countries and is an objectively good use of aid now, but caution should be taken to not displace longer-term development and strategic investments due to the shock. These priorities will continue long after the crisis and partners will remember who stayed the course.

**Recommendation two: Maintain long-term development and strategic investments throughout the pandemic and beyond, using the crisis as an opportunity to improve rather than displace pre-existing investments. COVID-19 has not made these less important.**

Donors sometimes have a little more leverage over policy reforms in partner countries during crises. Temptation to push through long-desired reform is best resisted. Encouraging partners to focus on the protection of vulnerable populations, human welfare, and new initiatives they have not tried before makes better sense.

One core long-term concern for our alliances and regional security, made especially salient by the COVID-19 crisis, is health and social protection in our region. Health and social protection systems across the region tend to be fragile and missing, uniquely more than the rest of the world, and challenges of establishing social protection in the region are not new. Implications during a pandemic are two-fold: countries are not well prepared to deal with the immediate health crisis, and lack the tools to support their citizens to remain in employment and who lose their livelihoods.

While Australia is active in strengthening health systems throughout the region, social protection is a major gap. Countries do not have the systems to cushion the direct poverty and broader economic impacts of the policy responses to the crisis, let alone those from an outbreak. Building these systems to deal with future pandemics will be crucial. In the past social protection systems have sometimes been met with resistance, as they are seen to undermine inadequate informal institutions. COVID-19 offers an opportunity for a new investment in poverty reduction and social protection which will bear fruit in future crises and reinforce pre-existing state capacity and governance investments across the region.

**Recommendation three: Prioritize supporting partner governments in introducing social protection systems, where they do not exist, to reduce the poverty and stability impacts of future crises.**

#### Measures to ensure the resilience to underpin Australia's economic and strategic objectives

Australia's prosperity has been built on waves of immigration and, as a small open economy, economic integration with the outside world. In addition to the necessary travel restrictions exacerbating the economic costs of the COVID-19, there is a real risk that the crisis may not see a return to pre-crisis levels of economic integration, especially in terms of international labour mobility, tourist flows, and international trade. Deepening regional economic integration, especially through labour mobility, continues to play an important role in Australian economic development and in promoting our long-term strategic interests.

**Recommendation four: Recognise the importance of labour mobility and migration for the economic success and stability of Australia and partners in the Pacific, and accelerate the movement of people to pre-crisis levels as soon as it is safe to do so.**

Even more than Australia, Pacific economies tend to depend quite heavily on external partner countries, for example in terms of trade, tourism, aid, and labour mobility. Tourism is unlikely to bounce back fast, undermining the main industry of many countries. Australia's recent focus on labour mobility with Pacific island countries is an important and welcome shift, and will likely play a crucial role in the recovery.

Australia's horticulture industry is facing a major labour shortage for the summer harvest season unless new labour arrives. Border closures and repatriations have resulted in lower numbers of backpackers and Pacific seasonal workers, the critical mass in horticultural labour. Preliminary evidence from SWP approved employers over 29 locations in four states from April to mid-June 2020 shows that few applicants for jobs in horticulture are Australian residents (less than one-in-ten job applicants). The rural labour shortfall could be as many as 40,000 workers, creating a major threat to the supply of fruit and vegetables for the domestic market.

Greater economic integration is essential to recovery of the region. Preferential access for Pacific workers to Australia via designated pathways with tight health security measures is one obvious way of supporting this. Establishing pathways for Pacific seasonal workers into Australia's labour market will not only help to meet critical rural labour shortages domestically, but provide critical income to households in the Pacific. With many Pacific islands characterised by high levels of loss of employment, remittances are a [vital source of income](#) in a number of Pacific island countries.

Thus, it is crucial to accelerate the opening of the relatively unaffected Pacific economies and piloting a carefully managed pathway—a “bubble”—to allow the tourism, migration, and remittances that many countries depend on to begin flowing again. Based on a recent Development Policy Centre survey, Australians generally are very supportive of the idea of a Pacific travel bubble before opening international travel to the rest of the world. This is not only good international and development policy but good domestic policy and politics.

**Recommendation five: Prioritise safe movement between Australia, New Zealand, and Pacific countries relatively unaffected by the virus, and an immediate pathway for Pacific workers to support Australia's food security and Pacific livelihoods.**