

## AUSTRALIA AND CHILE: THE ASIA PACIFIC AND LATIN AMERICA

Address by Senator Gareth Evans, Minister for Foreign Affairs and Trade, to the Chilean Council for International Relations, Santiago de Chile, 9 March 1992.

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I want to say at the outset how honoured I am on this, my first visit to Chile, to be invited to address such an important and influential body as the Chilean Council for International Relations. Indeed, this is the first ever visit to Chile by an Australian Foreign Minister and the first visit to this continent by an Australian Foreign Minister for eighteen years.

I am able to make at least one proud claim about Australia's relations with Chile: our first Labor Prime Minister, back in 1904, John Christian Watson, was born in Valparaiso. But I have also to admit that political connections since, and in particular visits to this region by Australian Ministers, have been scarce. Despite some important and growing points of contact - not least economic, with Australia now the third largest foreign investor in Chile - we are largely unfamiliar to each other, and the assumptions and priorities of our foreign policies are largely unknown to each other.

So what I want to do on this occasion is to give you some idea of Australia's outlook on the world, and in particular on how we are managing our relationship with the Asia Pacific region. There are many dimensions to Australian foreign policy these days, but the single most important of them is our commitment to comprehensive engagement with our own region. From being a country that thought of itself for most of its first two centuries of European settlement as an isolated Anglo-Saxon outpost - looking 20,000 km across the world to Britain and Europe for our economic ties and cultural identity - Australia has been in recent decades a country very much coming to terms with a new destiny. It is one that recognises that the Asia Pacific (and especially the Western Pacific rim) is where we live, must survive strategically and prosper economically, and must find a place and role if we are to develop our full potential as a nation.

I hasten to add that this outlook is not narrowly parochial. We are very conscious of the far-reaching process of change that has been under way in Latin America for the last five years or so - almost as dramatic in its way as the change which has swept Europe. We are conscious in particular of the new outward-looking orientation, economically and politically, of most Latin American countries, which has created many new opportunities for linkages between us. And we are of course also conscious that not only is there a much greater focus in Latin America now than ever before on looking west to the Asia Pacific, but that - at least so far as the Pacific coast countries are concerned - there is an actual

overlap between the Latin American and Asia Pacific regions. (Although for present purposes, to avoid confusion, I shall refer to the "Asia Pacific" in the way it is most commonly nowadays defined - as embracing just the countries of the Western Pacific rim and North America.)

I will return a little later to the theme of our relationship with Latin America, and Chile in particular, and the inter-relationship between Latin America and the Asia Pacific. But at the outset, let me say a little more about the environment in which we find ourselves across the other side of the Pacific.

Economically, the Asia Pacific region is characterised by dynamism, openness and increasing inter-dependence. In less than three decades production in North-East Asia alone has increased from about one quarter of the production of North America to one quarter of that of the world. The economies of the Western Pacific rim were, by the late 1980s, recording an annual GDP growth rate of about 7 per cent and an export growth of 14.5 per cent. The Asia Pacific region as a whole (the Western Pacific rim and North America) now accounts for about half of global production and about forty per cent of global trade.

This economic dynamism has depended heavily on the ability of the Asia Pacific economies to take advantage of the relatively open post-war international economic order. The result has been a region whose trading instincts are outward-looking, and which is probably the most committed of all regions to trade liberalisation - even though Japan and Korea do continue to refuse to concede that such liberalisation must include their own heavily protected agriculture.

The economies of the region are also increasingly linked. A process of shifting complementarities is working its way through the region to produce a new economic map crisscrossed with the ties of interdependence. Economic development in one part of the region has opened the way to development for other parts. The spread of manufacturing industries, for instance, from Japan to Korea and now to South-East Asia and beyond has been fuelled by intra-regional flows of technology and finance.

Security developments in Asia have been overshadowed by these economic developments, but they are an important part of the Asia Pacific context to which Australia is contributing and adjusting. The end of the Cold War has removed the threat of superpower conflict in Asia. It has also helped us make enormous progress in bringing peace to Cambodia which has been one of the region's most distressing and protracted security problems. However, the end of the Cold war has also left a regional security picture that is more complex and less certain.

Three key elements are involved. First, there is the reality of the diminishing (or at least

less than all-pervasive) presence of the superpowers. Secondly, there is a correlative growth in the capacity for influence of the region's other major powers, Japan and China. And finally, there is a significantly growing military capability in a number of other regional countries, reflecting their new economic strength. The area is not without its potential flashpoints - the Korean peninsula and the disputed islands of the South China Sea conspicuous among them. Non-military threats to security (like the movement of peoples, the spread of crime and disease and environmental problems) also have the capacity to contribute to regional tension, particularly in the absence of developed habits of looking at security on a region-wide basis.

The pace of political change within countries in the Asia Pacific over the last few years has also been on any view remarkable, although certainly no more remarkable than in your own region. Democratic principles have made significant strides forward in South Korea, Taiwan and Hong Kong. Elections are due in Thailand soon and the UN Secretary General has scheduled elections for April next year in Cambodia. It is the case that hopes of change in Burma have, for now, been thwarted, and political repression continues in China, North Korea and Vietnam, but these can be seen as negative elements in a generally positive environment.

Australia's response to these changes, economic and political, represents a great turn-around in our contemporary history: this dynamic, changing region, from which we sought essentially to protect ourselves in the past, is now the region that offers Australia the most. Almost 60 per cent of our exports go to North-East and South-East Asia alone. The wider Asia Pacific region provides nine of our ten largest export markets. And the same historic shift is clear in terms of security. The need to live in our region strategically has led us to realise that we must seek security with Asia rather than from it.

The centre-piece of our Asia Pacific regional economic policy has been APEC, the Asia Pacific Economic Cooperation forum, which resulted from an Australian initiative in 1989 and was formed, initially at least, largely through persistent Australian diplomacy. In little more than two years APEC has consolidated its position as the principal vehicle for regional economic cooperation. It featured prominently in the Tokyo declaration of President Bush and Prime Minister Miyazawa and in the communique of the January summit meeting between the leaders of the Association of South-East Asian Nations.

There has been strong interest from Chile and other Latin American countries in membership of APEC. Chile, which conducts more than half its trade with APEC members, has a particularly strong claim, as does Mexico. There is a view that APEC, after its initial period of rapid growth, particularly after the recent inclusion of the three Chinese economies, now needs consolidation. However if a consensus were to develop in APEC for admitting new members, Australia would support that.

APEC's rapid success has been largely due to the way in which it has built on the region's openness. The very existence of APEC has been a powerful vote of its members' confidence in the future of a fair and liberal international trading system and a rebuttal of the scenario-writers' visions of a world dominated by discriminatory trade blocs based respectively on Japan, the United States and the European Community. APEC is not in any way a trade bloc. And the diversity of its existing membership (quite apart from a possibly expanded membership) would alone make that an unrealistic goal.

APEC is currently considering ways in which it may promote non-discriminatory regional trade liberalisation and to that end Australia has been arguing strongly that it should tackle the task of identifying highly protected sectors where a high proportion of trade takes place within the region itself and where gains from liberalisation for regional economies could be accordingly significant.

APEC builds on regional economic interdependence principally through its work programs - currently ten in number - designed to improve sectoral links. In parts of the region, economic growth has outstripped or strained the current levels of physical and human infrastructure. The massive infrastructural programs of some Asia Pacific economies make it all the more pressing that we cooperate to produce a region-wide infrastructure that enhances the flow of information, trade and technology.

The same themes of interdependence and cooperation have marked Australia's response to regional security developments. In the first place, we have recognised that our approach to regional security must necessarily be multidimensional. It is a matter of focusing not just on strictly military capabilities, but on traditional diplomacy (of the sort that we employed to very positive effect in Cambodia), on politico-military capabilities (in the zone where defence and diplomacy interact), on economic and trade relations, on development assistance, and on human contacts generally. Instead of seeing our regional security in purely military terms, and turning anxiously, as we did for generations, to Britain and then the United States, for military reinforcement, we have seen that we must engage with our region in the most direct and comprehensive way, utilising all the resources of external policy to shape a welcoming and positive environment.

The most specific feature of our new approach has been the emphasis we have placed on the need for a substantial regional dialogue on security issues, involving a combination of bilateral and multilateral forums. Australia's view is that the very existence of such dialogues would build general confidence in the region, as well leading, possibly, to specific new confidence building measures, such as cooperation on maritime surveillance and agreements covering incidents at sea. A multilateral dialogue along these lines is already developing out of the annual 'Post Ministerial Conference' meeting of the Association of South-East Asian States (ASEAN) with its dialogue partners: this forum is emerging in some ways as the political and security parallel to the development of APEC as the regional vehicle for dialogue on economic cooperation.

The time I have devoted to the changes in the Asia Pacific and Australia's adjustment to them is an indication of the overwhelming importance to us of that region. It is true that for a variety of reasons - including distance, language and culture - Australia has not developed substantial links with Latin America. Australians have not, by and large, travelled here, done business here or seriously studied this region. Yet the nature of the modern world does not tolerate isolation and in the last decade or so - as part of a natural process of outreach on both sides - bilateral contacts and multilateral cooperation started to grow.

Recent developments in Latin America have carried emerging Australian interest in the region a considerable stage further. As I said at the outset, and as you know much better than me, political and economic change here has been almost as dramatic as that sweeping Europe. In 1981 ten out of the seventeen Latin American countries were under military rule. Today none is, and almost all have recently held elections for new governments. Civilian governments have had varying success in establishing their authority over military forces and security agencies. Internal armed conflicts and allegations of human rights abuses such as extra-judicial executions and disappearances continue to cause concern but, in general, the human rights situation in the region has improved out of sight. We have admired the way in which Chile in particular has handled the process of shifting from military to civilian rule.

The economic changes have been no less important. The economies of Latin America, almost without exception, have been in the past based on a centralised form of state capitalism, with tariff protection of import substitution, large external debts and hyper-inflation. Reforms under way in most countries now show over the region as a whole an emphatic drive towards market-based economies, privatisation and trade liberalisation.

It would be foolish to assume that habits of centuries can be swept aside in an avalanche of political and economic reforms that will transform Latin America overnight. And it may conceivably be the case that if economic reforms are not quickly successful, there could be reversion to old political habits. However, the reforms in this region are being reinforced strongly by the emergence of economic integration within Latin America and with North America - along with an inclination, of particular interest to Australia, and on which I have already remarked, to be more outward-looking toward the Asia Pacific region.

This sort of regionalism is not new in Latin America - certainly there are precedents on which the region can build, compared with the almost blank page on which the Asia Pacific has had to write its experiments in multilateral economic and security cooperation. Latin American regionalism has in the past been hindered by tension between economic nationalism and, on the other hand, structural reform and trade liberalisation. Economic

liberalism is now, however, in the ascendant and provides the momentum behind the plethora of recent economic integration initiatives. If these initiatives become fully established, it will be much more difficult for countries to back-track to the comfortable, inward-looking nationalism of the past.

Economic cooperation in Latin America has gone much further than in the Asia Pacific. The Andean Pact in the north and Mercosur in the south are functioning trade agreements, whereas APEC is, less ambitiously, a forum for economic cooperation. On the other hand, APEC can build on much greater intra-regional flows of trade. Most Latin American economies conduct less than a third of their trade with others in the region, whereas in APEC the comparable figure is more than two thirds.

What is of common importance to both our regions is that economic and trade cooperation be trade creating rather than trade diverting, and retain the current emphasis on trade liberalisation. Our experience with APEC so far suggests that the real value of regional economic cooperation is greatest when it enhances the open, outward-looking economic character of the region. We accept the assurances of regional governments in Latin America that their agreements will likewise create trade rather than divert it.

As in the Asia Pacific, cooperation on regional security in Latin America has been a sensitive matter. It would seem to an Asia Pacific observer such as myself that the need in Latin America has been less: there has been no major armed conflict between countries within the region this century. Still, as with economic cooperation, the roots of regional political cooperation in Latin America go back much further than in the Asia Pacific, with the Organisation of American States being one of the oldest regional associations in the world.

Our experience in the Asia Pacific and yours in Latin America of regional cooperation, economic and political, are clearly different. But we can learn from our different strengths. The important point is that, in an increasingly interdependent world, we need to develop new and innovative ways for dealing with problems and taking advantage of opportunities that are simply beyond the scope of any single nation-state.

Indeed, many of these problems can be resolved only on a global scale. So Australia and Chile find themselves involved in cooperation with each other on issues of sometimes crucial national interest. Our multilateral cooperation was constrained, although not stopped altogether, by the nature of the previous regime in Chile. With the return of responsible, democratic government to Chile we can look forward to an increase in our multilateral contacts.

Although we have worked very well together in areas such as the Antarctic Treaty System, the most conspicuous example of our multilateral dealings has probably been the

Cairns Group of agricultural fair trading nations in the Uruguay Round. A successful outcome to the Round, by which I mean one that includes credible commitments to the reform of global agricultural trade, is of great importance to Chile, Australia and other efficient agricultural exporters penalised by the protectionism and production and export subsidies of the European Community and other producers. And a successful conclusion is of crucial importance to the continuation of an open, fair international trading system from which we all profit.

Australia's economic relations with Latin America have been characterised by potential rather than achievement. Poor transport links and a lack of awareness of each other have hindered trade. But radical economic reform in Latin America and Australia could and should change that. I should say in this context - though now is not the time to spell it out in detail - that economic reform in Australia has been every bit as sweeping and unprecedented as in Chile: the Government of which I am a member has been engaged in nothing short of a fundamental restructuring and reorientation of the Australian economy, to make us much more lean, taut and competitive than we have been, particularly in the manufacturing sector.

So far our bilateral economic relations have pivoted on investment, and that has in fact been very significant. We are, as I have said, the third largest foreign investor in Chile, principally through Australian involvement in the Escondida copper mine. With the dramatic opening up of the Chilean economy we believe that there are prospects for further Australian investment, and we are working hard to urging other Australian companies to explore the opportunities. Several major companies have taken up the challenge and there are good prospects for more Australian investment.

Bilateral trade has not kept pace with the growth of investment. Australia's exports to Chile last financial year were about only about \$ 50 million, and Chile's to Australia about \$ 40 million. However, I was pleased to see that my colleague the Minister for Resources, Alan Griffiths, led an Australian trade delegation to Chile last October which identified new trade opportunities, particularly in the mining sector. As a result, a mining and energy specialist from the Australian Trade Commission will be posted to the Australian Embassy later this year. As Chile and Australia continue on their outward-looking course, improving our international competitiveness and searching for markets beyond as well as within our immediate regions, I expect that we will find each other of greater commercial interest.

Clearly, links between Australia and the Asia Pacific on the one hand and Chile and its regional neighbours on the other will grow. In turn, Latin America and the Asia Pacific are both attracting greater attention in the world as they realise their enormous potential. I am confident that as the countries of each region achieve their domestic economic reform agendas, and benefit from regional economic integration, their attention will turn to more distant opportunities.

Moreover, I think we have both learned from working together in the Cairns Group that national interests are not necessarily satisfied simply by clubbing together with countries traditionally regard as "like minded" or "comparable" - we can and should make common cause and build coalitions in the many areas of international relations where we have common basic objectives.

I believe that Australia and Chile are two reform-minded and innovative countries who are destined to enjoy closer and stronger links. I hope that my visit will contribute to the process of forging them.

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