

THE NEW AUSTRALIA IN ASIA

Address by Senator the Hon Gareth Evans QC, Minister for Foreign Affairs, to the Asia Society, Hong Kong, 30 March 1994

This is not an audience that needs to be told that the age of the Asia Pacific has well and truly dawned. You know - because Hong Kong has been an integral part of the process throughout - that there has been phenomenal growth in production and trade on this side of the Pacific over the last thirty years, led by Japan and the East Asian tigers, but with China and the other ASEANs in the last few years making dramatic contributions of their own. You know that, as a result, the Asia Pacific region as a whole, including North America, already now accounts for around 40 per cent of world trade and 50 per cent of its production, and that the stage is now set for the engine room of the region - East Asia - to become, after a gap of nearly 700 years, once again the centre of gravity of world economic life.

You will know that, excluding Japan, which is still struggling out of recession, East Asia is expected to grow at around 7 per cent per annum for each of the next two years. You may well be aware that over the next three years some 40 per cent of global investment demand is expected to come from this region. You know that China, provided it can manage the politics of its transition to modernity, is poised to become the next economic superpower - not just because Mr Overholt has told you that in his recent bestseller, but because here in Hong Kong you can sense and feel that dynamic all around you.

You know, moreover, that all this is occurring in an environment where the Asia Pacific is not only the most economically dynamic region in the world, but also just about the most peaceful, current anxieties about the situation in the Korean Peninsula notwithstanding. Certainly the region is more peaceful now than it has been in the lifetime of anyone living in it.

What you (including even the Australians among you) may be less conscious of - and what I am here today primarily to talk to you about - is the extent to which Australia has been part of this East Asian and Asia Pacific renaissance. We have been part of it in terms of changing our own consciousness, and identifying with the region as we have never done before; we have been part of it in terms of

getting our own economic act together, so that we can be more competitive players in the game than we have ever been before; we have been part of it in terms of our own evident economic performance, which places us well and truly among the region's more significant economic players; and we have been part of the Asia Pacific renaissance in terms of our own contribution - in economic and security policy, and the diplomacy associated with it - to the prosperous and peaceful development of the region.

The most dramatically visible change in Australia - not least for an expatriate returning home after a few years away - would be the explosion in "Asia consciousness". The media is full of Asian stories and supplements; the schools are full of children studying Asian languages, at the highest rate - for non-local languages - of any country in world; the cities and streets are full of Asian students and tourists, with the immigrant community of Asian origin expected to constitute fully 10 per cent of the Australian population within the next generation; the business sector is falling over itself to understand, analyse and take up Asian market opportunities; and Arts Festivals, like that just concluded in Adelaide, are now deriving more than half their programs and events from Asia. Perhaps most significantly of all, Prime Minister Paul Keating won last year's Australian election (and the Labor Party's fifth in a row) with Australia's engagement with Asia made one of the two or three most central themes of the whole campaign. The overall flavour of the changes that have occurred is perhaps best captured in the title of the book about Australia published a year or so ago by the Indonesian journalist Ratih Harjono, "The White Tribe of Asia". It is not only Australia's perception of its own role in the region that has changed, but the region's perception of us.

All the Asia consciousness in the world, however, would not help Australians compete and perform effectively in the region unless it were accompanied by fundamental reshaping of the Australian micro-economy, to make us lean and taut and genuinely internationally competitive. And that has happened, at an accelerating pace, over the last ten years.

Just as there have been dramatic structural changes in almost every country in Asia, so also has Australia been undergoing far-reaching reforms in its industrial, financial, trade and investment environments. We have responded, systematically and comprehensively, to the powerful forces of the international market by floating the Australia dollar; substantially relaxing controls on the entry of foreign banks and other businesses; dropping tariffs to the point where the

general rate by 1996 will be just 5 per cent; restructuring the tax system; providing a range of specific investment incentives to business; restructuring and dramatically improving productivity on the waterfront; corporatising and privatising the major government business enterprises, and creating real competition in the transport, telecommunications and electricity sectors; and freeing up labour market regulation and moving away from centralised wage fixing to a much greater focus on enterprise bargaining.

The record now speaks for itself. We have increased international competitiveness by 30 per cent over ten years. We have reduced industrial disputes to their lowest level in 42 years. We have achieved the highest rate of growth in the OECD at 4 per cent, with manufacturing leading the recovery. And we have brought inflation down to 2 per cent. We have achieved what has been described as the "best conjuncture of economic fundamentals in thirty years", and have, we believe, sound monetary and fiscal policies in place to lock in high growth and low inflation.

This has all translated directly into massively improved export performance, and in particular export performance in the Asian market place. Australia is now exporting almost one quarter of everything we produce, and we have been sustaining high rates of growth in the value of exports, even in recessionary years - 9 per cent in 1991-92 and 5 per cent in 1992-93. Moreover, we have succeeded in achieving significant structural shift in our export base away from commodities to high-growth, high-value manufactures and services, a shift which now sees us exporting more manufactures than rural products.

Last year, our exports of simple manufactures grew at a rate of over 16 per cent and - better still - exports of elaborately transformed manufactures (ETMs) grew at a rate of 23 per cent. This spectacular growth in our ETMs in large part has been made possible by our leading-edge research and technology and industrial expertise. We supply, for example, some of the world's most sophisticated airport landing guidance systems, stock exchange software, traffic management systems, water and sewerage purification technology, high-speed ferries and medical equipment. No longer can Australia be dismissed as simply farms, mines and tourist beaches - proud as we continue to be of the quality of all of these, and conscious as we still are of the contribution they make to national income.

East Asia now takes fully 60 per cent of our entire exports - up from 50 per cent just five years ago. Eight of our top twelve markets are immediately to our north.

North East Asia is Australia's largest regional market, and has been for decades as a result primarily of our minerals and energy exports, which have fuelled so much of this region's growth. But what may be less widely appreciated is that in 1992, South East Asia overtook Europe to become our second largest regional market.

All these factors, and others as well, have led to Australia being selected by an increasing number of multinational corporations as their regional base for doing business in the Asia Pacific. We do enjoy a comparative advantage across a range of criteria essential to the competitive performance of business in this region. We operate in the East Asian time zone. We have a strong skills base and technical excellence, not least in telecommunications and information technology. We have a stable political and policy environment. We have strong government support for the establishment of regional operations, and can negotiate customised business packages. We have a lifestyle perceived as just about second to none in the world. We have residential and commercial property values, and managerial wage rates, which make us very competitive indeed with other major Asian locations. We have a research and development tax deduction of 150 per cent to add further value to our already very competitive overall cost structure.

In addition to all these specific considerations, there is a general point about Australia which seems to be better recognised these days, viz. that despite our relatively small population size, with just 17 1/2 million people, we are in GDP terms round about the fourteenth biggest country in the world, and that - in comparative terms - our GDP is nearly two and a half times the size of Hong Kong's, or Thailand's, and bigger than that of Indonesia, Malaysia, Singapore and Brunei put together.

Already sixty international companies have established their headquarters in Australia to service the Asian market. Another fourteen have in recent months made the decision to relocate in Australia. And an active effort is under way to recruit more. Already nearly 100 companies in North America and Europe which we have approached about setting up regional headquarters have expressed high levels of interest.

Australia's size makes us no more than a middle power, but we have tried, in our economic and political diplomacy in the region and beyond, to be an effective middle power, something more than a mere spectator of the development of this region with which we now feel so much of a bond.

Perhaps Australia's most important contributions have been to the evolution of the now increasingly visible sense of Asia Pacific community, with the emergence side-by-side in recent years of two sets of machinery to reflect this: the ASEAN Regional Forum on the politico-security side, and APEC on the economic. Both these institutional frameworks are still in their infancy, especially the ASEAN Regional Forum which will meet for the first time in Bangkok in July. But both, I believe, are developments which should give us more confidence than anything else about the way in which the region is evolving - and a perspective which is sometimes lost in the endless discussion of what Japan, China and the United States are doing, or might be about to do, to each other: the endless analysis of each step in the minuet of the giants.

The Asia Pacific Economic Cooperation (APEC) process, which Australia initiated in 1989, is now accepted both within the region and around the world as the Asia Pacific region's pre-eminent economic forum. APEC not only embraces the seventeen major economies of the region (eighteen when Chile comes in later this year), but builds a very firm institutional bridge across the Pacific in a way that is capable of operating as a very useful counterweight to some of the dangerous pressures for division that exist between North America and East Asia, particularly between the United States and Japan.

At this early stage of its evolution, APEC inevitably promises more than it has delivered. Governments in the region have an increasingly clear idea of what it has delivered and is capable of delivering in the future, but I am not sure that that understanding has yet extended very far into the wider community, and in particular into the business community. So let me try and draw a map for you as quickly and simply as I can.

Australia sees APEC, in its present and future development, as involving essentially three bands, or streams, of activity. "Band 1", which has operated more or less from the outset in 1989, is OECD-style economic cooperation - in data compilation, policy dialogue and in the development of cooperative strategies in particular sectors like minerals and energy, transport and communications infrastructure and human resource development.

"Band 2" - which has only recently begun to gather real momentum following decisions in last year's Seattle Leaders' Conference and Ministerial meeting - involves trade facilitation: a series of strategies (which will need active

negotiation and agreement if they are to produce results), designed to facilitate trade and investment flows, and reduce costs to business, in areas such as technical standards, mutual recognition of qualifications, customs harmonisation, phytosanitary and other non-tariff barriers, and investment guidelines.

"Band 3" activity, dialogue on which has barely begun, and about which views presently differ very widely, would involve actual trade liberalisation - in the traditional tariff reduction sense - on a "GATT plus" basis. It has been speculated that the ultimate outcome, some years from now, might be some kind of Pacific Free Trade Area, but there is an unresolved conceptual debate as to whether such a Free Trade Area, if it were ever to emerge, should be constructed on a strictly non-discriminatory "open regionalism" basis, or on a more familiar preferential model. I stress that thinking on this issue is still very much in its infancy, as it is on all the associated issues that arise about the role of bilateral free trade arrangements, about regional sub-arrangements like NAFTA, AFTA and CER, and the relationship between them. But it is where APEC could well end up going if the present evolutionary momentum is maintained.

There is every reason to believe that APEC's momentum will be maintained. The most significant development ensuring that is the commencement - under President Clinton's chairmanship at Seattle last year - of a series of regular APEC Leaders' meetings. The second of these will be held under President Soeharto's leadership in Jakarta later this year. The agreement to hold these Leaders' meetings was itself the product of an Australian initiative, proposed by Prime Minister Keating as a way of injecting more political momentum - or 'horsepower', as he put it - into the APEC process. The evidence today is that this effort has succeeded admirably.

The other important context in which a sense of community has been emerging in our region, and which Australia has been playing its part to develop, is security. As I have said already, with the conspicuous exception of the current very tense situation on the Korean Peninsula, this most prosperous region in the world is now also most certainly the most peaceful. Our task is to take advantage of this favourable atmosphere - which history tells us simply cannot be presumed, as a matter of course, to last - and do everything we can to make sure it stays that way. And we see this as best accomplished by using the close affinities and shared interests which are rapidly growing amongst us to build up now processes of dialogue and cooperation which will embrace all the region's major security players, including all those countries traditionally hostile towards, or nervous

about, each other.

Nearly four years ago, when I first floated the possibility of the development in the Asia Pacific region of a new regional security architecture to respond to the new security realities of the post-Cold War world - one modelled loosely on the Conference on Security and Cooperation in Europe (CSCE) - I met with a less than enthusiastic response from my then American counterpart James Baker. Why, he said, did we need new multilateral approaches when our old bilateral alliance structures had served us so well for so long? But times have changed, in Washington and everywhere else. What seemed quite radical propositions just three or four years ago have now become almost the regional orthodoxy.

Undoubtedly the most important development is the creation of the new ASEAN Regional Forum (ARF) on security issues. This Forum, which as I have said will meet for the first time in July in Bangkok, will bring together not only the members of ASEAN and their traditional regional dialogue partners, but also the other major regional security players, in particular Russia, China and Vietnam. Despite its name (which reflects its origins in the long standing ASEAN ministerial dialogue process), the ASEAN Regional Forum is not intended to focus solely on South East Asian security issues: its brief will extend to the whole region.

Some of the themes which we would look to that Forum's considering in the years ahead are the development of a variety of trust-building measures, including transparency in matters to do with arms acquisition, force structures and strategic assessments; strengthening of preventive diplomacy processes; and the establishment and strengthening of weapons non-proliferation regimes.

The initial meeting of the Forum is being planned as essentially an armchair session followed by a working dinner (on the model of President Clinton's APEC Leaders' meeting), and it is not expected by me or anybody else that the Forum will rapidly come to play a major role in any of the areas I have mentioned. But it is not difficult to see how the existence of such a body can contribute to the development of a new sense of confidence and comfort among nations in the region, in talking to each other about security problems - real and imagined - which until now have been talked about, if at all, only in very hushed tones indeed. It is not difficult, in particular, to see how the kind of effort that went into crafting the peace plan for Cambodia could well take place in the future under the ARF umbrella; similarly with the preventive diplomacy efforts now under way

on an informal basis for the territorial dispute in the South China Sea; or even with the much more highly charged preventive diplomacy now being conducted on the DPRK nuclear issue.

Perhaps I should add that I do not think it is likely that, in the foreseeable future, the Forum will become some kind of fully fledged collective security institution pledged to support its members militarily in the event of any exposure by any of them to attack. The Asia Pacific area is just too far flung and disparate in character to make that a credible option: any collective security response will necessarily have to come, if it is to come at all, from the United Nations. But collective security is only one aspect of the larger concept of cooperative security, and there is an enormous amount that states can usefully do to reduce tension, build confidence and reduce the risk of conflict between them. Becoming more economically interdependent is one important route to a more peaceful regional environment, but it is not the only route: it is necessary and desirable to work in a number of dimensions at once, and the creation of the ASEAN Regional Forum is a very important new dimension to emerge.

In all the areas I have mentioned, and in all the ways I have mentioned, Australia has been making common cause with, and becoming ever more economically and politically engaged with, the Asian countries of our region. Our credentials as a fully paid up, fully participating member of not only the wider Asia Pacific community but indeed the East Asian community, should to that extent not be in doubt.

But nonetheless doubts do continue to be expressed by various people in various parts of the region, as to just how engaged, and how like-minded, Australia is: are we not still unequivocally Western, and non-Asian, in our outlook and orientation? Are not, for example, our regularly stated positions on democratisation and human rights out of line with attitudes and values prevailing in this region?

It is the case that there are limits to the extent to which Australia is, or ever can be "part of" Asia. Demographically it is going to take another generation - as I have already said - before Asian faces constitute even 10 per cent of our permanently resident population; geologically, it is going to take quite a few million more years beyond that before our attachment to the region becomes physical! Culturally, things are moving rather faster than that, but it is still true to say - as Australia's Prime Minister Paul Keating did recently - that

Australia is not and never can be an 'Asian nation' any more than we can - or want to be - European or North American or African. We can only be Australian, and can only relate to our friends and neighbours as Australia.

All that said, one should simply not exaggerate the differences between Australia and the region to our north. "Asia " is not a monolithic entity, and demographic, cultural and political differences are at least as great between particular Asian countries - say Japan and Vietnam - as they are between Australia and any given Asian country.

As to the most widely-remarked suggested difference - over attitudes to democratisation and human rights - let me say just this. First, any positions we adopt on these issues are based on our perceptions of them not as involving Western values, but universal values. These are the values enshrined in the Universal Declaration of Human Rights to which the whole international community subscribes. And they are the values enshrined in the International Covenants on both Economic, Social and Cultural Rights, and Civil and Political Rights, to which countries from every part of the world, and every cultural tradition in the world, have willingly subscribed. Concern for the life, health, dignity and worth of the individual is not a Western hang-up: it is, and should be, a universal preoccupation.

Secondly, our approach to the pursuit of human rights is pragmatic as well as principled: how we pursue particular human rights objectives depends on what we judge would be productive, and not counter-productive. Very often, particularly in Asian contexts, quiet dialogue and persuasion, systematically pursued, will give better results than noisy drum-beating, however much emotional gratification or political appeal that might generate at home. Australia has not been averse to applying economic sanctions in response to human rights abuses when particular circumstances have been extreme, and the international community has been so united that the effort has been likely to bear fruit. But, equally, we have taken the view for some time that, for example, the US approach to attaching conditions to the renewal of Chinese MFN status - a status which should be seen as a normal basis for international trade rather than a privilege - is unlikely, in prevailing circumstances, to significantly advance

the human rights cause in China, and may indeed result in change being slower and more grudging than it would otherwise have been.

Thirdly, we have taken the view that many of the problems with civil and political rights in developing Asian countries are likely to be transient in nature: as economic liberalisation proceeds at the pace it is presently doing, it will drag political liberalisation along in its wake. William Overholt, in his *China: the Next Economic Superpower*, is just one of the many to make the point that economic growth loosens authoritarian levers over job opportunities and incomes; expands trade, travel and access to foreign information; and produces a population that is better educated, more self-confident, and more willing to make organised demands for less corruption, more free speech and much more political participation.

The fact that a good deal of this progress is bound to occur naturally should not, however, be regarded as a good reason for taking no action to accelerate the process. If countries feel confident enough - or can be encouraged from outside enough - to make the change to political liberalisation in less than the 'generation or two' that Overholt posits as the norm for this to occur, then so much the better.

Thus it is, for example, that Australia has not felt inhibited in openly supporting the very modest changes that Governor Patten has been proposing for the Hong Kong legislature. So long as it can credibly be argued, as I think it can, that an extension to the electoral franchise and other representative arrangements is consistent with the terms of the 1984 Joint Declaration and the 1987 Basic Law, and so long as it is evident that those proposals continue to command clear majority support within Hong Kong, then we think they should proceed. The important point to emphasise to China, as we do, is that these changes will be very helpful in securing Hong Kong's long term viability as an accountable, open, rule-based regional commercial and financial centre after 1997 - and China has everything to gain from that happening.

For the new Australia to manage its new relationship with Asia will not always be easy: any intimate relationship requires adjustments to be made on both sides if its longevity is to be assured. But we believe that we have made - and are continuing to make - all the necessary transformations in our own consciousness, in our own internal preparation, and in our own

external performance, to get the best out of what for us is an enormously exciting and stimulating new experience. Our new relationship with Asia has already enriched our own society in a multitude of ways, and we believe that - in all the ways I have spelt out - we have something to contribute in return.

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