

## **AUSTRALIA IN ASIA: THE INTEGRATION OF FOREIGN AND ECONOMIC POLICIES**

Address by Senator Gareth Evans, Minister for Foreign Affairs and Trade, to the Seminar on Australia and the Northeast Asian Ascendancy, Sydney, 22 November 1989.

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Diplomacy never had an age of innocence. But there was a time when its boundaries were fairly well defined. Today, the lines between foreign policy and other policies with external application are rarely neat. This may have taken away some of the certainties of foreign policy practice but it has also opened up many new opportunities.

Ross Garnaut's observation about the increased blurring of the logical boundaries between the bilateral, regional and multilateral zones of diplomatic endeavour - made in the context of Australia's economic diplomacy towards North East Asia - can indeed be applied more broadly. In a world, particularly a trading world, which has become so elaborately joined together, many of the old demarcations no longer apply. External policy has become both more prominent, as international economic issues preoccupy so many countries, and more complex, as the number of issues and actors on the international scene have rapidly proliferated.

In this environment the structure of external policy making and implementation acquires particular importance, because we are dealing with a process in which several different threads need to be woven together. And of these various strands the relationship between foreign policy on the one hand and economic and trade policy on the other is of fundamental importance.

Today, I want to focus on how the integration of foreign policy and trade policy, which we have sought to bring about with the amalgamation of the former Departments of Foreign Affairs and Trade, is faring in Australia's external relations. I also want to say a little about the relationship between foreign policy and domestic economic policies. Both these themes are squarely relevant to the recommendations of the Garnaut Report, and very much in keeping with the multifaceted and coordinated approach to our relations with North East Asia which it advocates.

Much of the emphasis in the Garnaut Report is upon the particular structural features of the North East Asian economies, and their complementarities with Australia, which have made that region far and away now our dominant regional trading partner - taking now fully 43 per cent of our exports, as compared for example last year with 13 per cent to

North America, 16 per cent to Western Europe and only 8 per cent to ASEAN. Because of the sheer strength and size of the North East Asian component of our external economy, the rewards to be gained from the kind of policy adjustments the Report recommends will necessarily be quantitatively greater than elsewhere.

But it is important to stress at the outset that there is nothing in the Report which suggests that our efforts should be directed to North East Asia to the exclusion either of our traditional North American and European markets, or our rapidly growing neighbouring ones, especially in South East Asia, with all of whom there are also complementarities on which we can further build. Indeed most of the Garnaut Report's policy prescriptions are quite general in their application, and that is the spirit in which they are now being actively explored by the Government.

### Domestic Policy and External Policy

The theme of the Garnaut Report with the most general application of all is that Australia's future lies in forging an outward-looking, internationally competitive economy. This has been the view of the Hawke Government from its earliest days in office. The whole thrust of our economic reform program - at both the macro and micro economic levels - has been to restructure the Australian economy, to make it more open internationally, to increase its productivity and to broaden and deepen its export capacity.

This policy approach has both a domestic and an external dimension, and it is crucial that both dimensions work in harmony. The initial burden lies with domestic policy: getting the macro settings right, with the appropriate balance of fiscal, monetary and wages policy; and pursuing a coherent program of economic reform across the full range of economic activity, including the financial sector, the taxation system, foreign investment, transport and communications, and government business enterprises.

As impressive as our record in all these respects has been over the past six years - and no other Government has ever moved so far so fast - there still remains a great deal to do, and we acknowledge that. The dead weight of protectionism - which has been the prevailing policy for most of the post-Federation history of Australia - cannot be thrown off overnight. Structural adjustment is not a course of bitter pills which one takes and is then cured. Nor is it a problem which can be left to the government alone to resolve. Flexibility, and the willingness to respond to rapid changes in the international economic environment, are as much as anything habits of mind which need to be both acquired and sustained.

The role of external policy in all of this is equally vital. Its task is to ensure that the overall international economic and trade policy environment is as favourable as possible to trade and growth, and that the particular barriers which inhibit fair competition by Australian

producers are dismantled to the greatest possible extent. Our foreign policy and trade policy, working together, have a continuing responsibility to strengthen the rules of the multilateral trading system, and, by the quality of both our trade and political diplomacy, to clear the path for Australian exports in particular bilateral markets.

In pursuing these objectives, in North East Asia as in most other parts of the world, the principle weapon available to Australia is, simply, persuasion. While it may be that in the South Pacific considerations of geography and comparative economic size give Australia particular influence, in North East Asia we do not have the capacity to achieve our goals through the influence of our presence itself. We do bring to our relations with North East Asia several economic and related assets, but none of these by themselves guarantee the security of our economic interests in the region. Even in the commodities field, where Australia is most competitive, the North East Asian economies have other options in terms of sources of supply, so we must rely, not only upon our claims as competitive and efficient producers, but also upon our capacity to persuade them that it is in their own interest to move in directions that are consistent with Australia's interests.

### The Amalgamation of Foreign Affairs and Trade

The Government's view, and one of the central thrusts of the Garnaut Report, is that the close integration of foreign and trade policies strengthens the instruments of persuasion that are available to us. And this view has been vindicated by our experience since the amalgamation of the Department of Foreign Affairs with the Department of Trade in 1987.

Implicit in an integrated approach to foreign affairs and trade is a recognition that trade policy issues have a foreign policy component and vice versa. Integration does not mean the subordination of traditional foreign policy interests to trade policy concerns, nor indeed the swamping of trade issues by broader foreign policy considerations. Rather, it entails a different and more sophisticated approach in which artificial distinctions are abandoned and national interests are both defined and pursued in a coordinated way.

It means our 89 diplomatic missions abroad are focusing equally, and reporting with equal thoroughness, on political and economic relationships; it means that when my portfolio colleague, the Minister for Trade Negotiations Michael Duffy, and I travel abroad we see a much more diverse range of interlocutors than we otherwise would, carry full briefs on both trade and more traditional foreign policy issues, and bring each to the service of the other in developing our bilateral relationships; it means the policy desks in Canberra are being occupied by officers with very different backgrounds and experience in trade and foreign affairs working side by side, and pooling and sharing that experience; it means that there is a fertile and administratively more workable environment within which to now develop, and follow through to conclusion, creative new initiatives in external policy; and it means an end to the tensions and almost wholly unproductive internecine conflicts

between Trade and Foreign Affairs Departments which characterised so much of our external policy in decades gone by. Integration has not meant submerging options, but rather weighing and balancing them better internally, with less waste of interdepartmental committee time, ministerial time and, certainly, Cabinet time.

The most clear cut recent example of integrated external policy at work was in Australia's successful initiation of the Asia Pacific Economic Cooperation (APEC) process. The APEC agenda is preoccupied with economic issues - trade and investment - but the evolution of the APEC structure has important political implications, going to a range of issues at the heart of intra-regional relationships in the Asia Pacific.

An integrated approach was crucial to the success of the APEC initiative in two main respects. First, it is extremely unlikely that the range of decisions taken at this month's Canberra meeting could have been taken by Trade Ministers or Foreign Ministers acting alone: they each had to be persuaded to come, with each in turn having to be persuaded of the delicate balance and inter-relationship of economic and political objectives involved. Secondly, the diplomatic groundwork which Australia put into the Canberra meeting - which was generally seen as a crucially important factor in its successful outcome - simply would not have worked as effectively had we, in an institutional sense, been working within a divided system. In this instance, amalgamation contributed greatly to our capacity to define the issues, craft a consensus strategy, and coordinate a program to bring it to fruition.

Another large scale example of integrated external diplomacy effectively at work has been our involvement in the current Uruguay Round of multilateral trade negotiations. The Cairns Group was an Australian initiative which pre-dated the amalgamation of the Foreign Affairs and Trade Departments, but which has very much flowered under it. We have been able to bring to our Chairmanship of this 14-nation, 5-continent group of fair agricultural traders a wider perspective which has not only strengthened its effectiveness, but has also had a flow-on effect on our bilateral relations with the individual members of the Group. An integrated approach has improved the scope we have to use the many bilateral and regional channels of communication available to us in the course of our broader diplomacy to advance our multilateral trading objectives. This is particularly useful given that the Uruguay Round itself is a complex set of interconnected negotiations which have important implications for relations among trading partners.

The advantages of amalgamation of Foreign Affairs and Trade into a single departmental structure are so obvious that it is difficult to imagine anyone seriously contemplating reversing that amalgamation. Yet apparently that is very much on the mind of the Coalition in the unlikely event that they should return to government. National Party Leader and Opposition "Trade and Resources" (not Foreign Affairs and Trade) spokesman Charles Blunt made it very clear earlier this month, in a widely reported television interview, that the continuation intact of the Department of Foreign Affairs and Trade was

not a given so far as he was concerned, and that the National Party very much had in mind the recapture of its traditional Trade constituency.

Similarly, in a long series of questions to me in the Senate Estimates Committee in late September, the Opposition "Foreign Affairs" (not Foreign Affairs and Trade) spokesman Senator Robert Hill tried very hard to find reasons why the amalgamation might not have been a good thing - no doubt to reinforce his claim to occupancy of that area in the event of a change of government. I can only say that, in the again unlikely event of such a change, it would be a foolish and regressive step to unwind the amalgamation, and doubly disgraceful were this to be undertaken not for any reason rationally related to Australia's best interests, but simply to accommodate the demands of internal Coalition politics.

### Trade Policy versus Foreign Policy?

It is sometimes asserted - in defence of keeping trade policy insulated from foreign policy - that the latter can on occasion work to hinder trade objectives. Human rights representations are advanced as an example of the cost that foreign policy considerations can impose on trade policy.

It is, in my view, a misconception to regard foreign policy issues of this sort as somehow in competition with our commercial objectives. They are both elements in Australia's overall national interests and it is the art of foreign policy - as well as the responsibility of governing - to seek to ensure that one element is not advanced at the expense of the other. There may, to be sure, be instances when the government has to act on a human rights issue in a way which may have adverse commercial consequences, at least in the short term. However, with careful handling, human rights policy need not conflict with commercial objectives, and I don't believe they have had in practice any significantly adverse effect.

Most relationships between nations are multifaceted. Human rights issues - important though they are - are only one of several elements in the overall relationship. It is unrealistic to treat them as the touchstone of the total relationship. In any event, for countries like Australia where the community rightly expects its government to defend fundamental human rights wherever they are threatened, this sort of policy dilemma will arise irrespective of whether foreign and trade policies are formally integrated: if they are not, it just means that a longer period of almost certainly unproductive interdepartmental tension will be needed to get the balance right.

China and Taiwan. There are obviously occasions when we have to make choices about how best to handle a human rights issue in order to be effective and protect our national interests at the same time. China is a case in point. In the post-June period we have not shied away from our firm view that the suppression of fundamental and universally

recognised human rights justified strong expressions of condemnation by us, and that the carrying on of bilateral "business as usual" is simply not an option. At the same time, we have also sought - in common with many other like-minded countries - to keep open our commercial, cultural and other lines of access and communication lest China move towards policies of isolation, which are neither in Australia's commercial interests nor our larger interest as a good international citizen in advancing the cause of human rights protection.

Another area where foreign policy is mistakenly seen by some as undermining trade interests is that of the impact of our "one China" policy on commercial relations between Australia and Taiwan. But it is not the case that Australia, and Australian business, somehow have to choose between relations with China and Taiwan: in commercial terms our trade with both is in fact substantial. In 1988/89, Taiwan was Australia's sixth largest trading partner with total exports from us of about \$A1.6 billion, while China was Australia's ninth largest trading partner with total exports from us running at \$A1.2 billion.

The fact is that our policy of recognising the PRC as the only government of China, which we share with most other countries, is in the best interests of Australia, irrespective of whether one places the primary emphasis on broad foreign policy/security interests or narrower commercial interests. Without that policy, our existing commercial links with China would be less extensive and their potential for expansion bleak. Within that policy we have still been able to build up a substantial and growing commercial relationship with the economy of Taiwan.

Nor has the absence of a government-to-government relationship with Taiwan really significantly affected the capacity of the Australian private sector to address difficulties which may stand in the way of expanded commercial contacts. Our commercial relations are facilitated by the Canberra based Taiwan Market Service, a branch of the Australian Chamber of Commerce, and by the Australian Commerce and Industry Office in Taipei. The Taiwan Trade Association, representing Australian companies active in Taiwan, also acts as a bridge between the business communities of both sides.

Whether the issue is access to the Taiwanese market for Australian beef, the institution of air services between Australia and Taiwan or the protection of Taiwanese investment in Australia, there are various unofficial channels of communication which offer a means of resolving problems without cutting across the government's firm commitment to a one China policy. These channels are being actively pursued, and I have some hope that they will continue to be productive.

Living in Asia

It follows from all that I have said about the integrated way in which the Government is

pursuing its external policy generally, and its relations with the economies of North East Asia in particular, that the coordinated approach advocated in the Garnaut Report is very much an endorsement of present Government policy. We agree, and indeed have been acting on the assumption that, to take full advantage of the opportunities offered by the complementarities between the Australian economy and the economies of North East Asia we must continue with policies which embrace not just trade, but also cultural links, education ties and a dialogue on security issues. In particular, we whole-heartedly endorse the view, elaborated by Professor Garnaut, that as a nation we need to be better informed about, and more skilled in dealing with, a vigorous North East Asia.

As the Report elegantly puts it we need to devote more attention to Australia and North East Asia "in each other's mind". This entails reducing the sense of "otherness" which exists between Australia and the societies of North East Asia, or at least ensuring that the differences are understood and regarded in a positive light. We need to build up people-to-people links and explore other ways, through so-called "second track" diplomacy - that is, the utilisation of a variety of non-government channels and processes to advance diplomatic interests - to reduce the cultural distance between Australia and North East Asia.

The underlying message in the Garnaut Report is one of optimism about the economic future, provided that Australia sticks with our current policies of economic reform at home and a constructive multifaceted diplomacy abroad. It is a message the Hawke government welcomes, as we go about the crucial task of putting in place a coherent set of foreign and trade policies to take Australia into that long heralded Pacific century now very much upon us.

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