

AUSTRALIA AND THE PHILIPPINES : ASIA PACIFIC PARTNERS

Address by Senator the Hon. Gareth Evans, QC, Minister for Foreign Affairs,
to the Makati Business Club, Philippines, 10 June 1994

I am honoured by your invitation to speak here today in the heart of the capital of one of Australia's oldest and most important regional partners. I particularly welcome the opportunity to address such a distinguished and influential audience - one whose focus not only bears directly on the economic core of Australia-Philippine relations, but whose wider interests, in fields such as domestic and foreign policy, mirror the mature and diverse interests of our relationship.

It has been two years since my most recent visits to the Philippines for the inauguration of President Ramos and for the ASEAN Post-Ministerial Conference. Those two years have been ones of rapid and relentless change for Australia, the Philippines and the region. This visit gives me the opportunity to again see the Philippines first hand and to assess how the relationship between our two countries has been faring.

May I say immediately how impressed I have been by the changes which have taken place here over those two years. The reform program which President Ramos has introduced in political, social and economic life, and the determination his administration has brought to the task of national development, are truly impressive. I would like to offer my congratulations to the Philippines Government for its achievements.

I wish to begin by posing and then, I hope, answering what may seem to be a very obvious question: What is it about Australia and the Philippines that makes us important to each other? It is the kind of basic question that is perhaps too often overlooked, yet it is a useful one to address if we are to get the relationship right.

There can be no mistaking the fact that we are important to each other, that we are - in the real sense of the word - inextricably linked as partners, whose

relationship offers mutual prosperity, security and a host of other benefits. For Australia, the Philippines provides an excellent case study of our commitment to engage comprehensively with Asia, to go beyond the simplicities of the Cold War years and give effect to the principles of cooperation and interdependence in our dealings with our neighbours.

The answer to the question is itself straightforward and it is one which will recommend itself particularly to hard-headed businessmen: quite simply, Australia and the Philippines are important to one another, and the relationship is flourishing, precisely because our major interests coincide in many ways and offer great mutual advantage. Let me sketch the key elements in our relationship as I see them.

First, there is geography. Australia lies close to the Philippines, with easy lines of communication by sea and by air. Darwin is closer to Davao than it is to Canberra or Sydney. This provides us with significant comparative advantages in certain trade areas, such as the supply of live cattle from Northern Australia to the southern Philippines - a trade which began early this century. There are similar economies for two-way trade in fresh agricultural produce, minerals and other commodities. Our geographic proximity also creates prospects for cooperative ventures in areas such as fisheries and tourism development, and has significant political, security and related implications, to which I will come back later.

Being roughly the hub of the wheel linking South East, East and North East Asia, the Philippines enjoys some real advantages of geography. As your President has put it: "The Philippines is back in business in the heart of Asia". This is an important message for many Australian business people, who are intently focused on this dynamic part of the world.

Secondly, then, there is our economic relationship which is now rapidly developing. Australian exports to the Philippines grew by nearly 18 per cent in 1993 to a total of \$US 463 million, while imports from the Philippines grew by 12 per cent to a total of \$US 133 million in the same period. What is even more impressive is that these results were achieved during a time of sluggish growth in both our economies. The Philippines is currently Australia's twenty-fourth largest trading partner, and Australia is the

Philippines eleventh largest.

As encouraging as these figures are, more needs to be done to stimulate the economic relationship. This is particularly necessary in the field of investment, where performance has been in marked contrast to the real potential that exists. Last year, total registered Australian investment in the Philippines stood at \$US 106 million, and Philippine investment in Australia reached only \$US 19 million. I am confident that the restoration of political stability, market liberalisation and strong growth in the Philippines will send positive signals to Australian business and encourage greater investment interest - indeed, as the latest economic trends are beginning to suggest.

There are some large and exciting new Australian investment projects planned. The most recent, a \$US 180 million commitment by Australia's telecommunications company Telstra to enter into a joint venture with ICC (International Communications Corporation), will include the installation of about 300,000 lines and the provision of an international gateway and national transmission network. To achieve higher total investment levels and improve investor confidence, however, both sides will need to do further work to streamline the regulatory framework and to improve information flows. In this context, the Investment Promotion and Protection Agreement we plan to conclude with the Philippines this year will be an important step in strengthening this confidence.

Although there is significant and growing interest in Australia in the Philippines, business here has yet to explore fully the range of opportunities we have to offer. We understand Philippine concerns about the trade imbalance in Australia's favour, which stood at about \$US 330 million last year, and maintain our readiness to support the Philippines' export drive to Australia. At the end of the day, though, it is up to the Philippine business sector to make the most of the competitiveness and comparative advantage of the Australian market.

Before proceeding, I would like to dispel some of the old myths about the Australian market which still seem to linger in some quarters: namely, that Australia is too small to be worth worrying about, and that it is highly protected. We may have only seventeen and a half million people, but the

Australian economy is the fourteenth largest in the world and the third largest in Asia, after Japan and China. Last year, we imported goods worth about \$US 45 billion, reflecting an import growth rate of 12 per cent over the previous year. And let there be no doubts when I say that Australia is not protectionist. The Australian Government, as part of its comprehensive program of economic reform, has removed all import quotas and has undertaken to lower tariffs to an average of around 2 per cent by the year 2000, from their current level of less than 5 per cent.

Looking to the future of our economic relationship, it is clear that there are some major complementarities between us which make for highly profitable participation opportunities for business on both sides. The Philippines' pool of highly skilled and efficient labour provides a good match for Australia's leading edge research and development skills. There are plenty of grounds to be considering joint-venture partnerships in the production of elaborately transformed manufactures across a number of sectors, and particularly in biotechnology, environmental management systems, renewable energy and information technology.

Australia is a world-class competitor in areas vital for the development of the Philippines such as mining, major infrastructure, telecommunications, and energy management and engineering. P & O Australia is a major player in the new \$US 30 million bulk grain terminal and is redeveloping the Manila South Harbour Port. Just a few days ago, a group of Australian business leaders in the energy field visited the Philippines to look at prospective projects and to promote Australia's capabilities in energy infrastructure construction, equipment supply and systems management. Their visit provided the opportunity to hold the inaugural meeting of the Philippines-Australia Joint Working Group on Energy, which will still, no doubt, give considerable new momentum to our bilateral energy relations.

Australia is a proven, quality supplier of agricultural products, mineral commodities and manufactured goods. While we are an important supplier of live cattle, dairy products, grains and metal ores to the Philippines, there is more we can do in tropical agriculture and related fields, including education and research. We were delighted to receive an official visit recently by Agriculture Secretary Sebastian to Queensland and the Northern Territory to

explore the wider opportunities that exist in this sector.

Reflecting the broadening of Australia's manufacturing base and expertise, we are increasingly providing the Philippines with Australian-made machinery, transport equipment and other manufactures. The rising purchasing power of the Philippine consumer market and the expansion of the Philippine economy will ensure that the Philippines remains a very attractive market for Australian exporters.

A particularly welcome trend has been the expansion of trade in services. Australian firms are active in a wide range of service ventures in the Philippines, ranging from telecommunications to air cargo and energy control systems to environment management. The Philippines, too, is benefitting from this trade, particularly through the export of computer software, which is one of your fastest growing exports to Australia. Trade in services is significant not only because it provides wider developmental and commercial spin-offs, but also because it brings Australians and Filipinos closer together. We should not underestimate the value of these people-to-people connections, which we also enjoy through education, tourism and migration. They are essential if we are to develop our bilateral relationship in a way that gives it greater depth, durability and texture.

As a mark of the recognition of the importance of our economic relations with the Philippines, we are inviting a mission of ten leading business and government representatives from the Philippines to spearhead Philippine participation in the 1994 National Trade and Investment Outlook Conference, to be held in Melbourne from 6 to 8 December. This annual conference is developing into one of the region's largest and most important trade and investment forum and brings together leading business, financial and political figures from around the world.

In the political domain, the third area in which our interests coincide, I am happy to say that relations between our two governments are open, stable and harmonious, providing the necessary underpinning for the growth of all our other linkages. At ministerial and official levels, discussions are carried out in an atmosphere that is as friendly as it is productive. This is not just a matter of simple goodwill or a predisposition to please, although these things are

important. The fact is that we share similar views and values on a wide range of post-Cold War issues, including democracy, economic and security cooperation and what I like to call good international citizenship. We are both continuing to undergo rapid structural change as we adjust to the challenges of a more interdependent and highly competitive world, and we accept that there is much we can learn from each other about how to adapt to it. Australia is actively assisting the Philippines with its development priorities in education and training, natural resource development, clean water supply and community health through a development cooperation program, which is our fourth largest after Papua New Guinea, Indonesia and China.

Australia and the Philippines are bound by very similar defence and security interests. The fiftieth anniversary this year of the battle of Leyte Gulf, an engagement which involved the largest Australian naval deployment of the Second World War, brings to mind the Philippines' strategic importance to Australia, positioned as it is across our sea lanes and air routes to East Asia. Our mutual commitment to creating in our region a zone of peace and stability, and to devising institutional arrangements better suited to the new uncertainties replacing the old Cold War enmities, is demonstrated by the trust-building measures we have been developing bilaterally through our defence cooperation program (which makes Australia a major source of training for the Philippines' armed forces) and regionally through the ASEAN Regional Forum and other processes. I am looking forward to the inaugural ministerial meeting of the Forum in Bangkok next month, and welcome the opportunity to work with Foreign Secretary Romulo in developing this most valuable initiative.

Many of these strands of mutual interest I have already mentioned come together in a fourth and final area - our common membership of the emerging Asia Pacific community. We in Australia have identified comprehensive integration with the region, the fastest growing in the world, as central to the task of winning a place for ourselves in the world, and we see collaboration with the Philippines as an imperative part of that process. We highly value our dialogue with the Philippines - an active and integral member of ASEAN and APEC - on regional issues. I would also like to commend the role the Philippines has played in promoting the Brunei, Indonesia, Malaysia, Philippines East ASEAN Growth Area (B.I.M.P.-EAGA), which was

officially launched in Davao three months ago. Australia, and in particular the Northern Territory, is closely interested in encouraging business involvement in this growth zone, offering us, as it does, opportunities to diversify our live cattle exports to the southern Philippines. I will be travelling to Davao and General Santos in Mindanao this weekend to look at the benefits this imaginative concept has to offer.

In both regional and global economic global issues we have cooperated closely in a number of forums, but in none more successfully than the Cairns Group of fair agricultural trading nations, which acted as a rational and very influential third force during the very difficult Uruguay Round negotiations. I should mention here that this Australian-initiated Group, made up of fourteen members including the other five ASEAN states, agreed last month to take on the vital task of monitoring the implementation of the outcomes of the Round.

Australia and the Philippines attach great importance to the creation of an effective institutional economic framework for the region. We are both major players in the Asia Pacific Economic Cooperation process, initiated by Australian Prime Minister Bob Hawke in 1989. APEC's membership has grown to eighteen and its achievements have far surpassed the modest gains initially hoped of it. APEC now takes in all the region's major economies and is very active in the development of measures for economic cooperation, trade and investment facilitation and trade liberalisation. It operates as a vital bridge across the Pacific, providing a multilateral framework which helps to defuse trade tensions between North America and North Asia.

The Philippines and Australia have had a long and productive relationship with ASEAN; you as a founding member and us as the first country, twenty years ago, to enjoy dialogue partner status with the group. Australia welcomes ASEAN's decision to establish its own Free Trade Area (AFTA) and we hope that our own experience in developing Closer Economic Relations (CER) with New Zealand could provide some useful insights for ASEAN members. As many of you may be aware, the Australian Prime Minister, Paul Keating, recently announced Australia's interest in examining the potential for some form of linkage between the two free trade areas. This is a question Australia will be carefully pursuing with the Philippines and other ASEAN members. I need hardly point out to you the significance for business in both our

countries of an effective doubling of the size of the AFTA market.

The mutual interests I have outlined bear out the benefits of Australia and the Philippines forging close linkages across a range of areas. But this has not always been the case. For much of the past one hundred years, since the first contacts were established in the late nineteenth century, we tended to look past each other and to take each other for granted. While we politely mentioned the importance of neighbourliness, our sights were set on more distant friendships. But developments over the past ten years have dramatically changed all this. We have seen the dismantling of the Soviet Union, a broadening of our focus beyond the US, a clearer emphasis on our close neighbours, and the nascency of an Asia Pacific economic community, underpinned by a range of regional organisations such as ASEAN, AFTA, APEC, CER and now ARF.

Over the same period, we in Australia set in train a process of reshaping our own and others' perceptions of who we are - and of accepting ourselves, and becoming accepted, as an integral part of the region. This has involved an accompanying program of dramatic and far-reaching structural reform of our economy to equip it to perform effectively against world-class competition in our region and in the rest of the world. In the Philippines, with far more drama and difficulty, a dictatorship was overthrown and the process of major political and economic reform begun. None of these things has been secured without pain or hardship, but the result has been to lay the foundation for a more prosperous future for us both.

Australia and the Philippines cannot expect that our mutual interests, as clear and compelling as they may be, will by themselves ensure that our relationship flourishes -- that will require continued imagination, hard work, patience, understanding and optimism. But most of these qualities (I'm not quite sure about patience!) come naturally to us both.

Australia is here for the long haul. I am very confident that both our countries will make the most of the exciting opportunities open to us, ensuring thereby that our partnership in the future goes from strength to strength.

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