

AUSTRALIA, CHINA AND THE REGION

Address by Senator the Hon Gareth Evans, QC, Minister for Foreign Affairs, to the Chinese Association of Victoria and the Chinese Chamber of Commerce of Victoria, Melbourne, 24 August 1995

Introduction

I am very pleased to have the opportunity to address this meeting bringing together two such active and significant bodies as the Chinese Chamber of Commerce of Victoria and the Chinese Association of Victoria. You have a strong record of co-operative endeavour with government in building commercial links between Australia and China, a record that stands as an example for ethnic-based business organisations around the country. Many of your members have business ventures in China and are involved in ventures in Australia by Chinese firms - acting as strong representatives for Australia across the whole range of commercial dealings, not just with China but with the other major markets of our region as well. You have been active in major business events, such as the delegation the Chamber sent to the World Chinese Entrepreneurs Convention in Hong Kong last November and in your efforts to secure the hosting in Australia of the next Convention in 1997.

I know that the Chamber, under the Presidency of my old friend Wellington Lee - whose ubiquity is legendary, and who, like the country of his ancestry, seems to pop up on everyone's screens nowadays - has been particularly active in its involvement in frequent visits to Australia by delegations from China and in individual exchanges, such as the visit last year to Melbourne of a high level delegation from China's State Commission for Restructuring the Economic System, led by Minister and State Councillor Li Tieying. The Association has, of course, most ably represented the interests of Victoria's ethnic Chinese community for many decades and I look forward to the opportunity for future closer contact with its members, as well as the Chamber's members.

The type of bridge-building, much of it informal and of a cultural or personal nature, that bodies like the Chambers and the Association daily engage in, has been an essential driving force in the tremendous economic integration we have witnessed in the East Asian Hemisphere over the past decade.

The Asia-Pacific region as a whole now accounts for over half the world's production, nearly half its exports and more than half its population. Growth rates are well above world averages, with China leading the pack amongst major economies. The region has a long history of volatility - both within and between countries - but we currently enjoy

unprecedented tranquility, underwritten by a growing sense of common purpose based on economic integration.

Australia is actively working to create the conditions for "partnership and engagement", based on relations of mutual dependency, reliance and trust with our neighbours in the region. We certainly do not want to repeat the mistakes of the past when Australia for the most part saw its regional neighbours in terms of threat rather than opportunity. We are involved in developing regional economic and security institutions to provide mechanisms to defuse tension through transparency and confidence building. Ready access to resources and markets provided by liberal trade environments is removing one of the key sources of international tension. Equally, a good deal of the uncertainty regarding the military intentions of one's neighbours that generates arms races can be overcome by processes of dialogue and transparency.

China's emergence

The most important single development in our region in recent years has been the re-emergence of China as a major political and economic force, providing an important opportunity for us to engage nearly a quarter of the world's population. I use the word "re-emergence" deliberately here, because we must not forget China's past significance in world affairs. From the early Christian era until about the 16th century China was, in fact, the world's largest economy and it is certainly positioning itself to resume that role sometime not too far into the next century.

The remarkable economic and social development in China since it embarked on a process of economic reform in the late 1970s is well known. China's economy has grown in real terms by more than 9 per cent over the past decade and a half. And its economy is 50 per cent larger today than it was only four years ago. Though the benefits are still very unequally distributed, Chinese people are enjoying already substantially better standards of living both in terms of their forebears and in comparison to many other developing countries.

China's economic fundamentals for the longer term are good. Its natural resources, human capital, access to foreign trade, technology and capital and place in the middle of a booming East Asian regional economy can all underwrite continued growth at similar rates to the past fifteen years. China certainly does face challenges: its transport, communications and energy infrastructure is insufficient for high growth; population growth remains a problem; its legal system is inadequate for a modern economy; its fiscal and monetary control mechanisms need more development; and the problem of environmental degradation will have to be overcome. But the Chinese government, with help from others in the region, is adopting policies to deal with these problems.

A significant catalyst for this change has been China's "open door" policy. An influx of foreign technology and managerial knowhow has complemented domestic industrial and agricultural reform to create firms and joint-ventures able to compete in global markets and flexibly service domestic demand. In 1994, China's two-way trade with the world was worth \$US 236 billion, making it the eleventh largest global trader. It was only in 32nd place in 1979. And the foreign trade sector accounted for nearly 40 per cent of China's GNP, as that is presently calculated.

We in Australia have been keen to maximise our own involvement in the Chinese economy. Two-way trade in goods with China totalled \$6.186 billion last year: with exports at \$2.8 billion and imports from China at \$3.3 billion. Resources and primary industries exports continue to predominate in our trade relationship and remain vital to China's economy growth, but there are exciting prospects for Australian manufactures and services as a result of increased disposable incomes in China and our increasing capacity to supply that market.

Business networking is a very important strategy if we are to increase Australia's market share in China, particularly in the case of small to medium size firms. In that respect, I want to pay tribute here to the work of the East Asia Analytical Unit in the Department of Foreign Affairs which has just produced a very comprehensive account of overseas Chinese business networks in Asia. This study was launched last week by Senator Mc Mullan and of particular interest tonight is the chapter on the Chinese business networks in Australia in which, I am glad to say, this Chamber of Commerce gets several mentions! One of the many qualities of this study is to remind us that a multicultural society such as Australia can draw enormous strength from the special skills that Australians of, for instance, your background have brought to this country. Your knowledge of business culture, and your contacts are invaluable to expand business domestically, in China and elsewhere in the region. This government is keen on helping you in your endeavours and has selected China this year as one of the target markets for the National Trade and Investment Outlook Conference (NTIOC) which will be convened in November in Melbourne. This will most certainly be a prime opportunity for building and maintaining business contacts.

China in the region

China's continued economic growth is thus becoming a major engine of regional growth. Domestic Chinese activity already has a significant influence over the international prices of a number of key industrial raw materials and agricultural commodities. And patterns of regional direct investment show that its influence on the distribution of industrial production is also expanding rapidly.

The lesson in all this is not that economies of the region should feel threatened by China's

economic growth, but that the integration into regional and global affairs associated with economic growth gives China the same vested interest in stability we all have. Containment is for defeatists: engagement means building on opportunities. The key to securing this interest is to avoid the misunderstandings and policy blunders that too often lead to conflict. It is for this reason that we in Australia are concerned by the recent deterioration in relations between the US and China in a number of areas, but especially with regard to Taiwan: I will return to these questions later.

It is in the direct national interests of all members of the region, and of Australia in particular, to engage China at all levels. We consider it important that China participate in co-operative arrangements characterised by transparency and confidence-building, to help ensure its emergence as a major force occurs in ways which contribute to stability and economic progress not only in China, but in the region as a whole. Equally it is in China's own interests to join in constructing mechanisms that allow it to pursue its own objectives free of tension. Through partnership and integration we want to achieve political stability and security, respect for broadly defined human rights, and habits of dialogue and mutual trust to forestall the emergence of new tensions.

The region's new economic and security architecture to which Australia has been contributing is particularly important in this respect: the Asia Pacific Economic Cooperation (APEC) forum and the ASEAN Regional Forum (ARF).

APEC has come a very long way in the just over five years since it was launched in Canberra in November 1989. There is no doubt that APEC has now become the region's pre-eminent economic forum. At the APEC Leaders' Summit in Bogor last November, the leaders of the eighteen major economies of the region - accounting between them already for almost 45 per cent of the world's trade and nearly 55 per cent of its production - committed themselves to achieving free and open trade and investment: no later than 2010 in the case of the industrialised economies, and no later than 2020 for everyone else. The scale of the aspiration is mind-boggling: an open market of 2 billion people, with seven of the APEC economies likely to be by 2020 among the top ten in the world (currently there are just three - the US, Japan and China).

Already APEC is underpinned by very significant and growing trading links. Some two thirds of APEC countries' trade is with other APEC members, and whereas in the past a great deal of the region's trade and investment was between the US and individual countries in East Asia, there is now rapidly growing trade and cross-investment between East Asian economies which have not previously had much to do directly with each other. One of the most important contributions APEC has made to the region is to build bridges across the Pacific, counteracting the continuing tendency toward economic division between the United States and Japan, and the United States and China. The Osaka meetings in November will take this process forward with efforts to shape an action plan that will guide work towards to 2010/20 free trade and investment goals.

The interests that are the basis for Australia's support for constructive engagement with China at the regional level also are expressed at the global level, where we seek China's entry to GATT/WTO, in a manner that is consistent with basic GATT/WTO principles and that reinforces a rules-based global trading regime. By additionally securing its export markets for China the process boosts its confidence that economic integration will continue to be a positive force in its longer term development.

In security matters, as in economics, the notion of a community of Asia Pacific states, based on a recognition of real commonality of interest, has also been quietly taking root, and with rapidly accelerating momentum, since the end of the Cold War. Certainly the barren years of Cold War confrontation have left their mark here, 'balance of power' considerations still remain very important, and the habits of co-operation and consultation so necessary for the formation of any joint undertaking will take longer to develop in security than in economic matters. But things are happening to achieve this, most notably the establishment last year of a new regional security dialogue forum, the ASEAN Regional Forum (ARF).

Despite its name, the ARF is not confined in its focus to the South East Asian area. The ARF has brought together (for the first time in 1994 and again earlier this month in Brunei) to discuss matters like trust and confidence building, preventive diplomacy and non-proliferation - all eighteen major security players in the region: the six ASEAN countries; ASEAN's dialogue partners (Australia, Canada, Japan, New Zealand, the Republic of Korea and the United States), with China, Russia, Vietnam and Laos, and PNG as well. Of the significant players only the DPRK remains, for the moment, excluded. China has been actively participating in the dialogue process - taking the opportunity of the Brunei meeting, for example, to take some of the heat out of the Spratly Islands/South China Sea issue, which has been one of the most volatile security issues in the whole Asia-Pacific region.

But for regional and international forums to function they must be approached in good faith. One of the unfortunate consequences of China's decision to continue nuclear testing is that nations which aspire to possess nuclear weapons will question the sincerity of nuclear weapons states to eventual nuclear disarmament and their interest in developing nuclear weapons may be reinforced. China's action flies in the face of undertakings by all nuclear weapons states at the NPT review and extension conference in May this year to exercise "utmost restraint" with respect to nuclear testing pending the entry into force of a comprehensive test ban treaty in 1996.

The principles behind these approaches to international relations are co-operation and confidence-building rather than confrontation - engagement and inclusion rather than containment and isolation. Habits of co-operation and consultation take longer to develop

in the security area than in the economic sphere, but since the first ARF meeting in July last year there has been pleasing progress in building the mechanisms for trust and confidence-building, preventive diplomacy and non-proliferation.

US-China Relations

I have already pointed to the growing interdependence of the East Asian economies. But this recent trend has led some to overlook the continued and increasing vitality and strength of East Asia's economic linkages with the United States and the importance of these links for both the US and Chinese economies. US industry continues to export and invest heavily in East Asia, and it has growing investment interests in China. The relatively open access to the US market enjoyed by export-oriented Asian economies continues to make a crucial contribution to East Asia's dynamism and economic development.

There is an unfortunate tendency within East Asia to belittle the contribution that the United States has made, and continues to make, to the East Asian miracle. Japan and the four early Asian "tigers" were able to achieve economic progress because the United States provided not only the security umbrella which guaranteed a measure of stability but also the relatively open US markets on which their export-led economic successes have been based. The countries of ASEAN have similarly benefited, both directly and indirectly, from the US military presence and US markets. Those very same factors have contributed substantially to China's development since 1979.

The relationship between the United States and China will remain one of the keys to realising the potential and the vision Australia holds for the Asia Pacific region. Besides being two of the future major powers in the region, along with Japan and Russia, both are permanent members of the UN Security Council with significant common interests globally and a common need for close links. Significant interests can be identified on the part of both China and the United States for promotion of the relationship and constructive management of the array of issues that inevitably arise in the increasingly diverse and substantial dealings between these two significant countries.

China's drive for economic development should help contribute to its commitment to a constructive role in foreign policy and regional security - and China's relationship with the US is one of the most important for realisation of China's economic and modernisation goals. Growing US-China economic ties are also important for the priority given by the Clinton Administration, and more widely within the United States, to reinvigorating the US economy.

The weight of these interests has been demonstrated in decisions in Washington and Beijing over the last couple of years - in particular the decision by the Clinton

Administration to delink the granting of MFN trade status from specific human rights improvements and the decision by the Chinese Government to agree to enforce intellectual property rights more effectively.

Despite these achievements in managing the relationship, concerns have been heightened recently about the state of overall relations between these two great powers in our region and the potential for further deterioration. Through the first half of the 1990s, US-China relations have been bedevilled by a series of contentious issues. Partly this reflects the loss of the discipline imposed during the 1970s and 1980s by shared strategic concerns about Soviet power. Partly it is a legacy of the disenchantment that followed the events in Tiananmen Square in June 1989. The new depth and range of dealings and interlinkages between China and the United States that proliferated with China's more open policies in the 1980s have also made the relationship more complex and multifaceted, building in issues such as human rights, market access and weapons proliferation. A more recent aggravation has been the decision by the US administration to allow Taiwan President Lee to visit the United States in a private capacity. Domestic political circumstances in the United States, as well as in China and Taiwan, have added further complexities to policy making.

Each of the issues in dispute is perhaps manageable in itself, with sufficient political will on the part of the Chinese and US leaderships. But when combined they run the risk of reaching some sort of political critical mass and triggering a severe deterioration in relations - the sense of "free fall" that Henry Kissinger has recently warned about. And the repeated episodes of brinkmanship and crisis that have characterised the recent relationship can weaken an important part of the confidence and security that underpins regional co-operation and economic development. These are the risks, but recent events have reminded us all of the continuing centrality of this relationship for regional and even global prospects and for the realisation of our economic and strategic post-Cold War hopes.

Issues of difference naturally attract attention. As an interested and very attentive observer of the Sino-US relationship I must say that the interests of both countries as I see them are best served by accommodation, promoting dialogue and understanding of each other's positions - intensified dialogue rather than rhetoric; and negotiation rather than polemics. In this context, I welcome the firm assurances given by the US Administration that US policy towards China is for engagement not containment. A policy of containment would be a policy of fear. It would also be a policy of sterility.

There is nevertheless a need in such circumstances for reminders of common interests where they so substantially exist. It may be the case that the Soviet threat in the seventies provided a simpler and clearer background against which the US and China perceived such commonality of interests. Interdependent economic fortunes and the management of a complex, but less immediately threatening post-Cold War security environment should

not make us lose sight of this continuing common ground in fundamental economic and strategic interests. Australia earnestly hopes that China and the US will accept the challenges that the centrality of their relationship imposes upon them in the Asia-Pacific region.

Taiwan

It is impossible to consider China's importance and the importance of the state of US-China relations for the region, and for Australia, without also addressing the importance of Taiwan. Taiwan is undergoing significant changes that will affect China, the region and Australia directly.

Both China and Taiwan are major markets for Australia: our sixth and eighth largest trade partners; and seventh and sixth largest export markets, each buying just under \$A 3 billion worth of exports from us every year.

The consequences for regional stability of changes in Taiwan, and of China's and Taiwan's handling of these changes, cannot be ignored. Since 1987, Taiwan has embarked on a course of democratisation, with its first presidential elections to be held in March 1996. These very recent political changes have paralleled impressive, rapid economic development which will lead Taiwan to become one of the world's ten largest trading entities by the end of the century. Australia welcomes, indeed applauds, the progressive democratization and economic development achieved by the Chinese people of Taiwan. At the same time, in view of the history of China and Taiwan, and the rapid pace of recent changes involving Taiwan, it is not surprising that such changes should be unsettling.

As Taiwan's elections approach, in which positions on identity and international recognition are defining issues for the major political actors, it is also perhaps not surprising that increasing numbers in Taiwan should push to the hilt on issues such as securing international recognition.

Australia believes that such actions, of which the recent unofficial visit by Taiwan President Lee Teng-hui to the United States is the most stark example, are potentially destabilising if they are not properly handled.

Australia's approach is clear. In 1972, we recognised the People's Republic of China as the sole legal Government of China and we acknowledge, as do both the PRC and Taiwan, that Taiwan is part of China. Both Government and Opposition parties have endorsed this approach. We see the question of reunification of Taiwan with the Chinese mainland, and the terms under which that might be achieved, as a matter for the Chinese people to settle for themselves through peaceful negotiation. Indeed, we urge them to do so. And we become concerned when actions by either of our friends heighten tensions in the region.

Over the last four years, within the context of our one-China policy, the Government has sought actively to strengthen our unofficial economic links with Taiwan. Multilaterally, we have supported Taiwan's participation in APEC and bringing it under the disciplines of the GATT/WTO.

We propose to continue to develop these unofficial links and push for better access for our products into Taiwan. But we will continue to do so against the background of our support for Taiwan as a part of China. In the broader context of economic change in China and Taiwan that I have referred to, China needs not be concerned at the growth in our economic relationship with Taiwan within these political limits. Indeed, China would have even less cause for concern if it were to move quickly to open its own market to us and build the inevitably larger economic relationship we expect to build with China.

In a similar vein, while we understand Taiwan's wish to project itself as a Regional Operations Headquarters and regional financial centre in coming decades, Taiwan needs to realise that it cannot do so until its economy is as open and liberalised as those of, for example, Hong Kong or Singapore. It will need to have well developed commercial and communications links with the mainland economy.

To both China and Taiwan, it should be clear that any suggestion of the use of force to resolve differences is utterly abhorrent to Australia. As a point of immutable principle we urge recourse to peaceful mechanisms to resolve differences. We have too much respect for our solid political and economic relations with the PRC and our growing economic relationship with Taiwan, together with our respect for and friendship with the Chinese peoples on both sides of the Strait of Formosa, to wish to be drawn into the rivalry and competition for influence which currently marks relations between the PRC authorities and the leaders of Taiwan.

Conclusion

Governments alone cannot guarantee security and stability in our region any more than they can by themselves generate wealth for the countries of the region. Business also has a crucial role to play. As I said at the outset, it is the extensive personal and commercial networks between members of the communities across the region that underwrite the tremendous economic integration we are witnessing and perhaps place the most effective disciplines on governments to avoid actions that could disrupt stability. It is just those linkages which will build the framework in which peace and stability in the region can be best secured because there is a crucial interrelationship between progress in the economic and security fields. Without prosperity, jobs, infrastructure and services there will be little prospect of resolving the tensions which can generate conflict. And without a stable security climate there can be little hope of attracting the investment needed for economic growth to continue.

In this way I believe there is a great deal of scope for cooperative activity between government and business. The Australian government strongly supports business development activities on both sides of the Strait of Formosa. Activity in one market should not preclude activity in the other. And if that activity promotes a sense of mutually beneficial cooperative regionalism so much the better. I know that the Chinese Chamber of Commerce and the Chinese Association of Victoria, each in your own way, will play an important role in the process. I warmly commend your endeavours.