

AUSTRALIA'S RELATIONS WITH INDONESIA

Address by Senator Gareth Evans QC, Minister for Foreign Affairs & Trade, to the Australia Indonesia Business Cooperation Committee, Bali, 24 October 1988.

My first overseas trip as Minister for Foreign Affairs and Trade was to the South Pacific. Now, shortly afterwards, I am visiting South East Asia. It is stating the obvious to point out the importance of these two regions to Australia, but in the sometimes over-subtle world of diplomacy it does no harm to occasionally state the obvious. Certainly as Minister for Foreign Affairs and Trade I will be paying the closest attention to these two most important neighbouring regions.

I am keen to give greater breadth, depth and vigour to Australia's ties with the South East Asian region of which we are, geographically, so inescapably a part, and with each country within it. I want to foster a relationship between us based on mutual interest and practical benefit; and, as I shall say again later, I am more interested in each case in practical cooperation than in abstract analysis of "the relationship" as such.

For most countries, seeking to build a relationship based on mutual interest and practical benefit is a self-evident approach, and one that requires no great effort of adjustment. For Australia, however, it is otherwise. There are social, cultural and political differences between Australia and the part of the world in which we live. These differences, which also vary from country to country, inevitably have the potential to complicate relationships, although they can also enrich them.

Australia suffers more than most countries in not having in common with its neighbours those shared customs, cultures and structures that provide a solid basis for easy mutual understanding. Instead we and our South East Asian neighbours have to work at identifying those areas of mutual interest and those common perceptions which do sustain ties between nations. Until we do so, relations with our neighbours will be thin, and overly affected by the sort of minor disagreements which naturally occur between countries, and particularly between neighbours.

A difficult consular case involving an Australian traveller, differences in diplomatic policy, or criticism of one country by the other's mass media can create serious complications even between neighbouring countries of a common culture and economic interdependence. When such incidents occur between neighbours such as Australia and Indonesia, where cultural differences are greater than similarities and the substance of cooperation for tangible mutual benefit has been limited, relations can be

disproportionately affected.

It is my view that for many years there has been too much talk on both sides of the Timor Sea about "the state of the relationship" - a preoccupation with atmospherics which has virtually ensured that it remained excessively politicised. The relationship certainly has more than its share of challenges, but I am confident they can be managed sensibly and cooperatively.

My message to you today is to suggest we need now to build more substance into our bilateral ties. Specifically, the time has come to concentrate on the more practical business of developing areas of mutual interest and mutual profit between Indonesia and Australia. An example of this is the work of the Dewan Kerja-sama Pengusaha Indonesia Australia and the Australia Indonesia Business Cooperation Committee in bringing together the business communities in both countries for mutual benefit.

Of course, we already have long-established areas of mutual interest, particularly in terms of cooperation on regional issues, where Australia has been and continues to be one of ASEAN's strongest supporters. ASEAN has convincingly demonstrated its importance as a force for stability in the region. Thanks to the ice-breaking initiative of the Indonesian-sponsored Jakarta Informal Meeting, after long years of diplomatic stalemate, a solution to the tragic problem of Cambodia now seems to be a matter of 'when' rather than 'if'.

It is only natural, but it bears repeating, that Australia and Indonesia have a common interest in the promotion and protection of regional security. As was made clear in the Government's Defence White Paper of 1987 the archipelago to Australia's north is the most likely route through which a major threat to Australia's security would need to pass. The security of that archipelago, and the areas surrounding it, is vital for Australia's own security. Equally it is in Indonesia's interest to have a reliable friend on its southern flank. Neither country can be expected to be complacent about its national security, but between us it need not become an obsession.

In the field of trade diplomacy, we also have important mutual interests. Both Australia and Indonesia recognise that the liberalisation of international trade, especially in agriculture, is essential to sustained world trade and economic growth.

The achievement of tangible results at the mid-term review of the Uruguay Round of Multilateral Trade Negotiations in Montreal in December is crucial to the ultimate success of the round. Progress on issues such as agriculture, and particularly tropical products, will be evidence that real efforts towards trade liberalisation are being made.

The Cairns Group of fair traders in agriculture, of which both our countries are members, has played and will play an important role in achieving agricultural reforms. The proposal

for mid term review action on agricultural reform, which was developed by the Cairns Group members, outlines a balanced and integrated framework for reform. Australia continues to encourage both the US and the EC to achieve genuine progress in reforming agricultural trade.

Singapore extract

We were pleased with the indications given at the recent informal meeting in Islamabad that the United States, for its part, was will to work with the Cairns Group on both short and long term measures to that end.

Regional economic cooperation is a field where there has been a good deal of dialogue between Australian and Indonesia, as with other countries in the Asia-Pacific area, for some years. With a trend towards trading blocs in Western Europe and elsewhere, these discussions suddenly have much more point. I foresee great scope for closer meshing of our interests in such matters in the future as we determine how our dynamic Western Pacific region should respond to these other moves, although the overwhelming priority for both of us must of course remain the achievement of multilateral trade liberalisation.

The areas that I have just outlined provide a solid basis of common interest on which a mutually profitable relationship can be established. But there is much more that can be done.

In this regard, I am greatly encouraged by progress on the Zone of Cooperation in the Timor Gap. Minister Alatas and I will be discussing in Jakarta tomorrow the agreement on the basic principles of the Zone reached by our officials in September. We now await the more detailed work to be done by working groups and, hopefully within the next year, signature of a final agreement.

Irrespective of the hopes of both sides that exploration under these new joint arrangements will lead to discoveries of significant quantities of oil, the very attempt to deal with the issues raised by joint development of the Zone will involve close coordination and cooperation on a wide variety of commercial, legal and possibly even defence matters. Our two countries will be developing together a unique and complex regime to enable the exploitation of petroleum resources to take place to our mutual benefit.

In addition, the cooperative nature of the Zone raises some other intriguing questions in regard to the legal regime which will apply and the provision of security for installations in the Zone. What, for example, will be the regulations governing search and rescue? These might sound humdrum issues, but they are likely to provide an enduring basis of

mutual interest that should withstand any political squalls between the two countries.

There is certainly scope for much greater cooperation in our commercial relations with each other, and with the rest of the region. We all live in what is constantly, and rightly, described as the most dynamic regional economy of the world. This growth in turn is creating a new generation of fast-growth economies in Asia as the region becomes more inter-dependent.

These developments pose a challenge for both the Indonesian and Australian Governments - the challenge of how to manage our economies in a way that maximises the potential for growth.

The Australian Government has recognised that, to be part of the region's growth, there has to be no less than a major structural change in the Australian economy. We have had to improve our international competitiveness in a broad range of manufacturing and service industries.

Our approach has been not only to improve labour productivity, company profitability and new investment activity through a stable Accord with the trade union movement, but to adopt policies of deregulation and liberalisation to free up the economy and make it more responsive to international market forces. We have done this through floating the exchange rate, removing all foreign exchange controls, and deregulating the financial sector. In addition the Government announced in May this year a series of major microeconomic reforms including phased reductions in industry assistance and a review of company taxation.

The phased reductions in tariffs amount to lowering protection for manufacturing by about one third. At the same time, the Developing Country tariff preference has been retained so that the products of Indonesia and other ASEAN countries will be subject to very low tariff levels by international standards. We are also progressively removing all import quotas. Even in the sensitive field of textiles, clothing and footwear all quotas will disappear by 1995.

These changes will not only promote efficiency and international competitiveness in Australian industry; they will also create opportunities for import supplying countries such as Indonesia in areas where Australia is less competitive. This is a timely development in the case of Indonesia given the emphasis it has placed on developing non-oil exports.

I am not sure that the full import of these changes is yet recognised in Indonesia and South East Asia generally. I will certainly be repeating the same message in the other ASEAN countries I will be visiting on this trip. I hope it will promote a reassessment among business communities of the commercial potential in the relationship between Australia

and the countries of the region. At the moment the ASEAN countries as a whole constitute only 6% of Australia's total trade, which is absurdly small given our geographic proximity, the generally favourable economic performance of the ASEAN countries in recent times, and the size of Australia's import market, which at A\$40 billion is the fifth largest in the Western Pacific rim, despite our small relative population.

Developing two-way trade is of course a two-sided business, and I am very much aware of recent economic reforms undertaken by Indonesia, in particular the measures designed to promote non-oil exports. The relaxation of the previously stringent local content requirements of foreign-owned manufacturing operations is welcomed by investors. I am also aware that the business community regard the Indonesian Government's appointment of the Swiss company SVG to streamline customs clearance procedures as a very positive step in facilitating trade.

While I have emphasised the role of government in promoting a more diverse commercial relationship, it is obvious that this will not happen automatically. It will also require a concerted effort on your part to build the commercial links necessary to expand our bilateral trade and investment.

Two-way trade between Indonesia and Australia is about A\$1 billion, and steady increases have been achieved in recent years. While all this sounds promising, our bilateral trade nevertheless represents only a miniscule 1.4% of Australia's total two-way trade.

Investment flows are also relatively small and actually have declined recently, particularly following the stock Market fall in October last year. The fact that this event has been able to have such an effect is perhaps a reflection of the general lack of depth in our commercial relationship. It is relevant also that our financial institutions still do not have extensive operations in each other's country.

It is clear that we have some way to go before we can say that we have the sort of diversified and integrated commercial relationship that is appropriate for two countries which are close neighbours in a region of such dynamic economic growth. This must be the goal of both Indonesia and Australia; and one that we can work together in achieving to our mutual benefit.

This point can be illustrated by Indonesia's Second Digital Project, for which a consortium of Australian companies is bidding. Minister Soesilo Soedarman showed an active interest in the Australian proposal during his recent visit to Australia. This is an area in which Indonesia has great need and Australia has great expertise. A successful Australian bid would have equally important results for Australia. It will help us in the development of high technology exports, an area better suited to Australia's small productive base than traditional manufactures.

This project is a good example of where particular Australian enterprise can help Indonesia with the infrastructure that will assist a boost in non-oil and gas exports.

The same can be said of tourism. Indonesia is well aware of the importance of Australian tourists to the Indonesian tourist industry. This is something we welcome and encourage, but we should remember too that Indonesian tourism to Australia, while still small is now growing fast.

The movement of students is another area of mutual benefit and growing importance. Australia has the educational facilities and the proximity to Indonesia that should make it a natural destination for Indonesian students. The benefits for both countries go far beyond Indonesia's acquisition of skills and our acquisition of payments. It means that a significant number of Indonesia's best educated young people will have experienced, I hope sympathetically, Australia at first hand.

The importance Australia attaches to this is indicated by the growing emphasis in our technical cooperation program on training for Indonesians in Australia. That is to say, the Australian Government is also prepared to use its money to give Indonesians training in Australia. But the fundamental point about all such exchanges of people, whether tourists or students, is that they should help ensure that we understand each other better as countries and societies.

These are the areas that, I hope, are showing the way for the relationship between Australia and Indonesia. For many years now we have possessed what could be called common strategic interests. These interests are important, but they have not been enough to give ballast to the overly intense political relationship. That ballast, in the form of mutual interest, can be achieved through increased, balanced trade, cooperation in exploitation of the Timor Gap, exchanges of tourists academics and students, the education of Indonesians in Australia and the like.

Obviously, then, human contacts constitute the machinery that drives Australia's further integration into the region of which, as I have said, geographically we are so inescapably a part. It is unfortunate in this context that some recent public debate in Australia has represented Australians as having backward looking attitudes to immigration from Asia. I simply want to reassure you, as I did the United Nations General Assembly three weeks ago, that racial prejudice and discrimination have no accepted place in Australia today, and I am sure that - as was recently resolved by both Houses of Parliament, and as my Government has unequivocally undertaken - race will never again be used as a criterion in our immigration policy.

May I say again, finally, that I look forward to the day when the interests of Australia and Indonesia are so varied and so important that we no longer talk of 'the relationship' as

though it were a patient of precarious health, sometimes sick, sometimes healthy, but always needing the worried supervision of diplomatic doctors.

What matters much more than taking the temperature of our relationship is getting on with the task of building it. Let's start doing something more in those areas which we already have in common, so that we have a robust, vigorous and diverse relationship which can in the future sustain itself.