

AUSTRALIA'S RELATIONS WITH THAILAND

Address by Senator Gareth Evans QC, Minister for Foreign Affairs & Trade, to the Thai Australia Business Council, Bangkok, 29 October 1988

I am privileged to be the first Australian Minister to visit Thailand since the new Thai Government assumed the reins of office. My visit at this time symbolises the importance that Australia today places on Thailand and on this strategically vital part of the region. But my purpose today is to emphasise not only the continuity of our ties but the momentum that we can together inject into the relations between our countries.

Australia and Thailand have much more in common than is evident at first glance. What we lack in terms of shared cultural or historical experience, we make up for in important shared perceptions and interests, underpinning what is a growing and fruitful bilateral relationship between our two countries.

There are many different elements which demonstrate the scope of the current relationship between Australia and Thailand including shared security perceptions, the importance we both place on the cohesion of ASEAN, our cooperation in the control of narcotics, the closeness of our defence forces as evidenced by joint exercises, high level defence visits and the Defence Cooperation Programme, and development assistance.

Australia's concern about the situation in Cambodia speaks for our commitment to issues of common regional concern. This year that coincidence of interests has deepened as Australia has been able to change to co-sponsor ASEAN resolution at the United Nations. It is pleasing to see positive signals on a Cambodia settlement which meets concerns of regional countries. This will clearly require continued commitment by all. A Cambodia Settlement could have substantial psychological and economic impact on the region. We will all be pleased to see an end to suffering there and to have the principle of Cambodian sovereignty upheld at last.

We also have a common interest in the Indochina refugee problem. The outflow of people from Indochina has been a particular burden for Thailand for more than a decade, and Australia has been concerned to provide the necessary support for a resolution of the problems caused by this outflow. Over the years Australia has provided a very substantial amount of financial assistance both bilaterally and multilaterally to help Thailand to cope. In particular, Australia supports proposals to hold an international conference on refugees to address some of the more intractable problems of the outflow.

I am sure that you know that Australia has taken more Indochinese refugees per head of population than any other country. We have done so as a substantial expression of our wish to contribute to regional stability out of a sense of humanitarian concern and to fulfill our international obligations, but the effort has not been without some domestic cost.

In the field of trade diplomacy, we also have important mutual interests. Progress in the Uruguay Round of multilateral trade negotiations is essential to sustained world trade and economic growth. Middle sized countries such as Australia and Thailand have a vital interest in the achievement of tangible results at the mid-term review in Montreal in December. 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 countries are members, has and will play an important role in achieving agricultural reforms. The Cairns Group proposal for mid-term review action on agricultural reform, 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.

Yet another issue for the region as a whole in which we have obviously shared interests is the question of the appropriate form and pace of regional economic cooperation for the Asia/Pacific area. Australia and Thailand have been engaged together in exploring this issue for some years and your former Foreign Minister Thanat Khoman will be remembered as one of the chief early supporters of stronger Pacific Cooperation.

Even as we do this, however, we have to protect our interests by investigating more energetically than before the prospects for regional-based economic cooperation. We are not necessarily talking here about another trading bloc, but rather trying to identify how existing trading patterns in the region can be enhanced and strengthened. Again, I see no divergence in the interests of our two countries on such questions, provided we keep firmly in mind that the overwhelming priority for all of us in the region remains the achievement of multilateral trade liberalisation.

Of all the shared interests between Australia and Thailand, the one that is most immediately quantifiable is our bilateral trading relations. Here it has to be said that notwithstanding its importance to the relationship as a whole, and what I believe is its very bright future, existing bilateral trade and investment is still relatively limited. Two-way trade amounts to approximately \$A 650 million. Australia's major exports are a narrow band of non-ferrous metals, petroleum and foodstuffs. Thailand's exports to Australia are a mixture of traditional Thai exports of seafood and other foodstuffs and the new range of manufactures. Although it is encouraging to see that two-way trade grew some 27 percent in 1987/88 and that Australian investment in Thailand more than doubled in the same period, we must recognise that the base levels are relatively low. Our bilateral

trade does represent only a tiny 0.8.% of Australia's total two-way trade.

All in all, we do have a solid basis for our existing good relations. But it is still in many ways only a basis, and we need to keep working to build on that basis a more extensive, diverse and mature relationship.

This is especially so given that the region, and every country within it, is changing as fast as it is. Some people fear change, but my belief - and that of the Australian Government - is that change creates opportunities and challenges. Today I want to suggest to you that change gives us a chance to broaden, deepen and give more vigour to our bilateral and regional ties as a basis for the future. Change inevitably brings out some strains and misunderstandings but eventually it can bring us all together in a stronger and closer relationship.

It is important to appreciate at the outset just how much scope there is for further growth and development in our respective relationships.

It is not only with Thailand but ASEAN countries as a whole that Australia's two-way trade is low: ASEAN represents only around 6% of Australia's total trade, which is really surprisingly small given our geographic proximity and your generally favourable economic performance in recent times. Investment flows are also relatively small, with the only major exchange occurring with Singapore, and most of this being portfolio investment. Our major trading partners are the industrial zones of North Asia, North America and Europe, rather than each other.

I don't think it is an exaggeration to say that the ASEAN countries' own reliance on the majors seems to have led them to the view that Australia is a small player in the region, with a commercial relationship that does not require a lot of their attention.

I suspect, moreover, that the countries of ASEAN still tend to see Australia in 1960s terms, i.e. as a country with rigid trade and industry policies, inefficient manufacturing and service industries, and a recalcitrant labour force.

In this way they have, perhaps, tended to not notice the changes that are occurring in the Australian economy and in the Australia/ASEAN commercial relationship, to undervalue its potential and to approach the dialogue with Australia as a low priority, an occasion for focussing on particular industry policy issues or claims for concessions based on perceived trade imbalances, rather than for continually reevaluating the commercial potential of the relationship.

These circumstances are changing in two quite basic ways. First, ASEAN countries are, as we all know, industrialising with varying degrees of speed - quite dramatically in the case

of Thailand - and taking advantage of new-found comparative advantage in labour intensive manufactures.

And secondly, Australian policies of deregulation and liberalisation are making for a much more competitive environment which is placing our manufacturing and services sectors in a better position to join with ASEAN in a more complex commercial relationship.

These changes mean, in short, that the rather stereotyped view of Australia which has tended to exist until now throughout South East Asia is out of date, and the impressions that have existed of the limited commercial potential in our relationship are in need of reassessment.

I want to highlight just how Australia is restructuring its economy to reduce our dependence on commodity exports. We are looking to do more downstream processing of our raw materials in Australia and to establish new industries based on our high standards of education and technology.

We are planning a wholly new emphasis on trade in services - not only tourism, but education, a whole variety of professional services, communications and in particular telecommunications, where highly developed Australian technology and managerial expertise have proved very marketable around the developing world.

Deregulation of the banking sector and the floating of the Australian dollar occurred early in the life of the Labor Government and we announced in May this year a major program of microeconomic reforms including lowering of assistance to industry and a comprehensive review of company taxation. We have also been responsive to ASEAN concerns in proposing changes to the Foreign Tax Credit system.

And we have, not least through the Accord we have struck and maintained with the trade union movement over the last five years, restored growth, reduced inflation, improved company profitability, dramatically increased employment and generated a high level of investment activity.

It is appropriate that I emphasise these changes today because for many years ASEAN countries have been critical of Australia's industry assistance policies and have seen them as barriers to the development of two-way trade. I want to emphasise that Australian industry policy has changed direction in a fundamental way. Protection for the manufacturing sector is being reduced by about one third while at the same time the developing countries tariff preference has been maintained. By 1992 most ASEAN products will face tariffs no higher than 10%, and all import quotas are to be eliminated by 1995.

The trade imbalance with ASEAN is rapidly being corrected, and on present trends will in fact be in ASEAN's favour in the next year or so: the current account is already in ASEAN's favour.

I hope that the full extent of these changes is recognised in Thailand and that it helps in promoting a new understanding of the commercial potential in the relationship. The changes will mean an Australia which is in a much better position to participate with Thailand in building a more complex bilateral commercial relationship. The changes will also create important market opportunities for Thailand at a time when your new export industries are beginning to make their mark in world markets, and at a time when you should be exploring alternatives, in particular, to the US market, given that US demand will probably slow as it comes to grips with the trade and budget deficits of that country.

It is worth remembering that the Australian import market presently amounts to A\$40 billion, and is the fifth largest in the Western Pacific Rim.

Thailand's spectacular economic takeoff of recent years combined with the solid foundation of the existing bilateral relationship creates an ideal environment for a range of activities. The potential is there for far greater commercial involvement between our two countries.

But expansion of our commercial relationship will not happen automatically. It will require the concerted efforts of our respective business communities and encouragement by governments through policies that facilitate trade and investment flows.

I know that some of you are already following up on these new opportunities. But there is much to be done.

For our part, we are actively encouraging Australian firms to examine more closely the opportunities for greater investment and general commercial involvement in Thailand. The Australian Trade Commission is working on a more intensive effort to draw Australian industries' attention to these opportunities.

The Australian Government is sponsoring a visit to Thailand of a mission next month to explore opportunities in coal and related areas such as coal mining, coal handling and coal-fired power station technology. This is a good example of where particular Australian expertise can help Thailand build the infrastructure necessary for its economic growth. Australia has been active for sometime in assisting Thailand develop its own lignite resources.

The field of telecommunications is one with very significant potential. The large and

highly experienced Australian telecommunications authority, Telecom, is leader of a consortium which is bidding for the contract to provide and construct the main digital trunk network throughout Thailand. This is a very competitive bid and includes the attractive offer of transferring technology and expertise to Thailand.

There are other areas of potential such as in steel mills and education services and a range of other products and services worth close examination.

In terms of your own export access to Australia, the point I cannot over emphasise is that the myth of Australia hiding behind high tariff walls and other forms of protection is just that, a myth. Deregulation and reduced protection levels of the kind that we have been rapidly putting in place have not brought disaster to Australian industry; they have given it new vigour and incentive, and Australian businessmen are now in fact looking outwards - treading the pathways of commercial opportunity in South East Asia - more energetically and with more imagination than before.

Our capacity to take full advantage of new bilateral trading opportunities will only be realised if our efforts are matched by a similar approach on the Thai side to removing barriers to trade and innovative entrepreneurship. I understand that Thailand is addressing the question of import liberalisation and tariff escalation, especially some relatively high tariffs on manufactured and processed products and certain other import restrictions. I certainly hope that as Thailand's confidence in its own performance grows, such barriers as exist will be expeditiously removed.

One of the characteristics of Australia's new export drive into South East Asia is the growth of services trade. It will be no surprise to those familiar with Australia's capacities to hear that in areas such as computer software, financial services, and educational services Australia is rapidly acquiring a name for itself.

For those among you who feel that the recent unfortunate debate on immigration in Australia implies that Australia devalues the human contribution to our growth and prosperity, let me quickly refute that. As I said in the United Nations General Assembly three weeks ago, 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.

Those of you familiar with Australia will know that Asians in Australia have enormously enriched our country, economically, culturally and intellectually, and that understanding is very widely established in the Australian community.

The Australian Government is determined to do all it can to promote Australia's

integration into this dynamic and diverse region through much expanded economic links, political and humanitarian cooperation, and through encouraging simple human contact in as many ways as we can.