

AUSTRALIA'S REGIONAL ECONOMIC CO-OPERATION INITIATIVE:

AN IDEA WHOSE TIME HAS COME

Address by Senator Gareth Evans, Minister for Foreign Affairs and Trade, at the opening of the Twelfth Australia-ASEAN Forum, Perth, 15 May 1989.

This Forum sets the agenda for Australia-ASEAN economic relations and has an important role to play in widening those relations. Australia's political relationships with the ASEAN countries have always been close but our commercial ties, although increasing, ought to be stronger. I certainly accord a very high priority to boosting Australia's commercial links with ASEAN. I am particularly pleased in this respect that, for the first time, the private sector is able to participate in the work of the Forum, because obviously it has a crucial part to play in developing these links.

Since this Forum first met in 1974, there have been extraordinary changes in the world's economic topography. Then, the Atlantic was still the centre of the economic universe. Today the centre of gravity of world production has shifted decisively to the Pacific. Then, for most countries in this region, successful industrialisation was more a promise than a reality. Today, the Western Pacific is the fastest growing region in the world.

These changes have not only brought more prosperity and opportunity, they have also increased the self-confidence of regional countries. Along with rising self-confidence has come a heightened awareness of intra-regional relationships. This goes beyond the increasing spread of

industrialisation and the complementarities in trading patterns. There is also a growing sense that, as nations and neighbours which depend on trade, we share many common objectives and that our economic futures are increasingly intertwined. It is on this last point - our growing sense of common interests and the related question of how we can best advance them - that I wish to focus today.

The Australian Initiative: Background. The idea of regional economic co-operation has, of course, been around in one form or another, for some time. Japanese leaders like former Prime Ministers Ohira and Nakasone have canvassed the issue. United States figures like George Shultz, Senator Bill Bradley and, most recently, Senator Alan Cranston, have argued its merits. Former Korean President Chun proposed in 1982 an economic summit for the region. The list goes on.

The Australian initiative on regional economic co-operation, announced by Prime Minister Hawke in Seoul on 31 January, has sought to draw these threads together. My purpose today is to take stock of that initiative - to describe what we have been about, where we have got to so far, and the next steps we now have in mind.

The Hawke initiative has always been premised on the notion that we do not wish to promote a mere talking shop. We want constructive discussions which seek to identify our common interests and which help to develop a long range strategy based on shared assessments.

There are, of course, existing networks of economic co-operation within the region - most notably ASEAN itself at the inter-governmental level, but also other organisations like the Pacific Economic Co-operation Conference (PECC) and the Pacific Basin Economic Council (PBEC). These institutions are operating effectively in terms of their separate objectives and mandates. But, in our view, none of the existing structures quite meet the requirement for a broad regional dialogue, at the inter-governmental level, aimed at identifying and advancing - across a wide front - common economic interests. Just as the regional economic agenda is itself evolving, so also is there a need for institutional arrangements to evolve. This is the context in which the Australian initiative should be seen.

The detailed soundings that we have now taken in the region indicate that this is a view which is widely shared: that closer regional economic co-operation is an idea whose time has come. The question now is not whether we want greater regional economic co-operation, but how should it be directed and what is the best way to implement it.

I would summarise this emerging regional consensus as an acceptance that a more formal arrangement for inter-governmental consultation is required; that its focus should be exclusively economic; that it should have some modest institutional support; and that a ministerial level meeting toward the end of this year would be the appropriate way to launch the process.

From an Australian perspective, the logic of greater regional economic co-operation is abundantly clear. I have said elsewhere that it will be developments in the Asia/Pacific region, more than any other external factor, which will shape Australia's economic and strategic security. And last month, in a major speech on the priorities of Australian foreign policy, I noted that Australia and all Australians should see the region, not as something external which needs to be assuaged, but as a common neighbourhood of extraordinary diversity and significant economic potential.

The central objective of the Hawke Government's economic policies has been to

restructure Australia's economic base; to make Australia a more outward-looking and internationally competitive nation. And in doing so, we have very deliberately sought to extend the integration and interdependence of the Australian economy with the growing regional economy.

Put simply, Australia believes that its economic well being depends upon the continuing economic success of the Asia/Pacific region; and that the prospects of the latter would be enhanced through greater - and more structured - regional economic co-operation.

Obviously I can speak only for Australia on these matters. But behind the Australian initiative on regional economic co-operation is our belief that increased co-operation will benefit all participants. We do not seek to hide our hope that the initiative will bring economic returns to Australia. But we also believe that there is something in it for everyone because more co-operation, in our view, will result in more and freer trade and a strengthening of the process of industrialisation and structural change underway in the region. And that is something that is in the interest of ASEAN nations and all other regional countries.

Objectives. Let me be more specific about the objectives of, and benefits which would flow from, greater regional economic co-operation.

First, it would help to ensure that the positive economic trends which are already evident in the region are not obstructed. Given the economic interlinkages in the region it would obviously be useful, in terms of our own policy development, to know what each other of us is thinking. Regional co-operation would strengthen our individual and collective capacity for analysis and policy formulation by widening our knowledge base and facilitating a more systematic identification of our common economic interests. A sharper appreciation of common interests should, in turn, help to clear the way for further trade liberalisation within the region in an open and non-discriminatory manner. It should also facilitate co-operation in particular sectors such as industrial co-operation, technology transfers, flows of direct investment, as well as improvements in basic infrastructure in areas like transport and telecommunications.

Secondly, regional co-operation would strengthen our ability to project - and protect - regional interests in wider economic forums and negotiations. Each of us can have influence. Each of us can have leverage. But as small or medium sized nations we are in constant competition for attention and influence in the capitals of the great powers and major economies. Collectively, however, we can exert more influence than if the ASEAN nations, or Australia, or even Japan were to act alone. More specifically, co-operation would enhance the prospects of success in the Uruguay Round and subsequent rounds of multilateral trade negotiations, thereby contributing to the progressive strengthening of the multilateral trading system. The export orientation and the outward looking strategies of

countries in the region makes this an essential feature of co-operation.

In multilateral negotiations there is strength in numbers, as the success of the Cairns Group of fair traders in agriculture has shown. And just as the formation of the Cairns Group has strengthened the negotiating position of agricultural fair traders in the Uruguay Round, so also by working together the countries of the Asia/Pacific region can help shape an open economic and trading environment in the coming decades.

Thirdly, a stronger framework for regional co-operation now might help alleviate any future trade problems among regional countries by providing an opportunity to anticipate and discuss differences sensibly and openly. This would help to ensure that potential trade difficulties are resolved through dialogue, rather than by resorting to bilateral or unilateral measures.

The sorts of potential benefits that I have outlined cannot be achieved overnight. We are, after all, talking about a very diverse group of economies. Any collective arrangement will need time to find its feet, and to accommodate the special sensitivities which have in the past acted as a constraint on the development of closer co-operation.

These are difficulties which we readily acknowledge. We do not, however, believe that they ought now to stand in the way of getting on with the job of trying to define how the structure and process might work. While there is considerable diversity in the region, there are also several common features which assist our task: the dynamism of regional economies, the rapid structural adjustment which has made them successful and has created much closer trade and investment links among regional countries, and the lowering of trade barriers, are just a few of our common positive attributes.

Means. Australia has not sought, and does not now seek, to draw a complete blue-print for regional economic co-operation. If the arrangements are to be effective they must reflect the views of regional countries. They should emerge from a regional consensus. We see our role as a catalyst, helping to facilitate a genuine regional consensus. This was the main purpose of the recent visit to the region by the Prime Minister's special envoy and Secretary of my Department, Dick Woolcott. Mr Woolcott's brief was to listen to the views of regional countries and to canvass ideas on next steps.

We do, of course, have our own preferences about how to proceed, and we have expressed some of those preferences in order to stimulate discussion, but these are in no way prescriptive. We take the view that an exercise of this nature must begin with modest steps. That is why we have suggested to our regional partners that an initial ministerial meeting be convened later this year to take the idea further.

We envisage the Ministers attending this meeting being essentially those with external

economic responsibilities, but it would of course be a matter for each participating country to determine its own ministerial attendance, and there would be no inhibition at all on two or more ministers representing a country if that were felt appropriate. As to the venue of the meeting, while we have made it clear from the outset that we would welcome other suggestions, there appears to be an emerging consensus that Australia itself should host the first meeting. We are happy to do so, and - subject to further consultation with all interested parties - envisage it being convened in Canberra in the first half of November, immediately prior to the PECC VII meeting scheduled for Auckland from 12-15 November.

We hope that such an inaugural ministerial meeting would establish common understandings on the key external developments affecting the prospects of regional economic growth and on what might need to be done to ensure continuing high growth rates for the region. We would also be looking to the ministerial meeting to reach some in principle agreement on the scope for co-operative and complementary economic and trade policy actions among participating countries, including the scope for economic co-operation in specific sectors.

The issues thus identified as priorities for economic co-operation could then be examined in more detail with, perhaps, a small group of officials coordinating analysis and research on how best to carry them forward. The work coordinated by this officials level group could, in turn, serve as inputs to subsequent productive ministerial meetings.

We do not envisage that much would be gained from a single meeting where Ministers get together, have a polite exchange of views and go home. We envisage an ongoing process which will need some simple structure to service it.

I would like to emphasise that when we speak of the need for some ongoing support structure we do not envisage a large body. The structure we end up with must match needs to available resources. Nobody wants to establish - or for that matter can afford to establish - any massive new regional bureaucracy. It may be sufficient to make do, at least in the first instance, with a relatively small number of officials, possibly seconded from regional governments, to act as a focal point to draw together the analysis which we believe is essential if we are to develop regional economic co-operation in a focussed and policy oriented fashion. We do not see a need for this group of officials to themselves do all the required analytical work. Rather, they could draw on the resource network of existing regional bodies such as the Pacific Economic Co-operation Conference (PECC).

In this respect we are very encouraged by the support for the Hawke initiative expressed at the meeting of the PECC Standing Committee in San Francisco on 25-27 April. That meeting indicated its willingness to contribute to realising the proposal, in the first instance through submitting ideas on the agenda for the inaugural ministerial meeting and

its subsequent support structure. If it proves possible, as we hope it will, to schedule the ministerial meeting immediately prior to PECC VII, this would not only symbolise the close on-going relationship between PECC and the inter-governmental framework we envisage, but would also - as a practical matter - provide an excellent opportunity for detailed discussion of the themes and proposals that emerge from the ministerial meeting.

Participation. Since the Prime Minister launched his initiative there has been a great deal of speculation, both within the region and outside it, about the membership of a regional forum. This matter was discussed in some detail during Mr Woolcott's consultations.

For its part, Australia has had from the outset an open mind on participation. Mr Hawke identified ten countries in the Western Pacific region which we believe constitute the essential minimum base for an effective grouping. These are Australia, the six ASEAN nations, Japan, ROK, and New Zealand. During Mr Woolcott's consultations we canvassed the issue of wider participation and there was broad agreement that participation should be extended to include a number of other economies with close ties to this group.

When I visited Washington in March, the Australian initiative was canvassed in the discussions I had with Secretary of State Baker and others in the US Administration; it was also an important topic in the discussions that Prime Minister Hawke and I had with Vice President Quayle when he visited Australia last month. All our US interlocutors have taken a close interest in the proposal and how it might develop. The question of possible US participation was also discussed. The Prime Minister and I have already made it clear, and I do so again now, that the Australian Government has no difficulty with the inclusion of the United States and Canada in the regional forum. Indeed we favour it. But, as I have previously noted, it is not for Australia to decide who is in and who is out.

We can see the value of including the United States. It is a major force in the regional economy. Some regional countries may regard the United States as part of the trade problem or may worry that US participation will mean US domination. But even though Australia also has several important trade differences with the US, we would still like to see it as part of the solution. This appears to be a view shared by a clear majority of potential participants.

There is a strong case for seeking to include China in the process given the way the Chinese economy is moving and the already substantial and growing economic links between China and the core group countries. I think the core group shares this view. Hong Kong's strength and role as a regional economic force, although it is not a sovereign state, clearly merit its involvement. We believe China, and the other participants, would support Hong Kong's inclusion.

Because of the importance of the Taiwanese economy and its links with other regional economies, we would also like to see Taiwan - although recognised by most potential participants as part of the PRC - associated in some way with the initiative. Whether a formula can be found, which is acceptable to all participants, to bring Taiwan in remains to be seen. There are certainly precedents for such arrangements, e.g. in the Asian Development Bank. Mr Woolcott will shortly be visiting Beijing to discuss the Australian initiative, including these issues. This second round of consultations by Mr Woolcott will also include Hong Kong, the United States and Canada.

Further down the track, it is possible that even more countries may wish to participate - although it would need to be considered whether there is a point beyond which size would erode effectiveness. Vietnam and the other Indo-Chinese countries are obvious examples of possible new participants, as they emerge from their economic isolation, and we will retain an open mind on this. Another case is the Soviet Union which has always regarded itself as a Pacific as well as European power. We have no ideologically based objection to involving the Soviet Union. But at this initial stage of the process we doubt whether it yet has those interlinkages with the economies of the region which lie at the heart of the concept of increased regional economic co-operation.

I have so far been explaining what we are trying to do in advancing the cause of regional economic co-operation. But it is also important that I make very clear what we are not trying to do. First and foremost, it has been firmly agreed by all those in the region that we are not seeking to create an Asia/Pacific trading bloc. Nor would we support such a development.

Certainly we see regional co-operation as a means of projecting more effectively regional interests in international bodies such as GATT. But the purpose of such coalition building is to enhance the prospects of the Uruguay Round agreeing to strengthen the multilateral trading system. Defensive trading blocs are not the way to solve international trade problems. The countries of the Asia/Pacific region have the self-confidence to compete openly, fairly and effectively in world markets. We should lead by example to keep world markets open.

The other thing we are not trying to do is to cut across or displace any existing regional institution. I have already noted that any secretariat which is established should work with and draw on the expertise of organisations like PECC. And I want to emphasise to this audience that we do not see our proposal as diminishing in any way the significance of ASEAN or such other valuable institutions as the ASEAN Post Ministerial Conference or meetings of ASEAN Economic Ministers. Australia has been a steadfast supporter of ASEAN from its earliest days. ASEAN is and is likely to remain the pre-eminent body in the region. Indeed, we believe that the Prime Minister's proposal will enhance the capacity of ASEAN, and of the other participants, to project their economic interests regionally and globally.

Let me conclude by reaffirming my view that regional economic co-operation is an idea whose time has come. The momentum in favour of early action is growing. Just ten days ago, in a speech in Jakarta, Prime Minister Takeshita reaffirmed the strong support of the Government of Japan for closer economic co-operation among the countries of the Asia/Pacific region. We have been very encouraged by the positive response given to the Australian initiative and by the careful and serious consideration it received at the highest levels during the visit by the Prime Minister's special envoy.

So the stage is set for the idea of greater regional economic co-operation to become reality. And how appropriate it is that as we are about to enter the "Pacific Century", the countries of the Asia/Pacific region strive for a joint effort to create common opportunities and overcome common problems. Over two decades ago, the nations of ASEAN saw the value of co-operation and economic consultation and moved with vision and determination to implement it. Your success shows what can be achieved when nations co-operate. Today, when the negativism of managed trade and the false promises of protectionism appear to exert growing appeal, we need, more than ever before, nations prepared to fight for an open and liberal multilateral trading system.

A region which is changing as fast as ours is must be open to fresh ideas and novel approaches. I hope that the collective caution of the 1970s and early 80s will give way, before this decade ends, to a more imaginative approach. This is the tide of the 90s. With vision and political will we can take this tide together, ensuring that the outstanding recent economic success of the region is sustained well into the next century.

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