

AUSTRALIA, ASEAN AND THE EAST ASIAN HEMISPHERE

Statement by Senator Gareth Evans, Australian Foreign Minister, to the ASEAN PM&C 7 +1 Session, Bandar Seri Bagawan, 2 August 1995.

Economic Relations

The past decade has seen a dramatic restructuring of the economic relations between Australia and ASEAN, encompassing both trade and investment.

Two way trade has expanded rapidly and in 1994 totalled around \$A 15 billion. Over the past decade Australian exports to ASEAN have increased at an annual rate of 20 percent - phenomenal by any standards. Over the same period, ASEAN exports to Australia have also grown strongly, at an annual rate of 14 percent, which is stronger than Australia's overall import growth rate of over 8 percent per annum.

The fundamental reason for this impressive growth in trade is that the restructuring and modernisation of both the Australian economy and the ASEAN economies has led to the emergence of new patterns of trade. Over the last five years, the share of the more sophisticated manufactured goods, the so called elaborately transformed manufactures (ETMs) in total Australian exports to ASEAN has increased from 13.1 percent to 18.5 percent. The growth rate of Australia's total ETM exports to ASEAN over the past five years has been over 25 percent per annum.

Services now account for over one fifth of Australia's exports to ASEAN. As ASEAN countries industrialise, their industries are requiring more capital goods and their growing middle classes are demanding more processed foods and manufactured consumer goods. Australian services exports to ASEAN are booming as the ASEAN economies require more legal services, more insurance and more architectural work, and as ASEAN citizens look to Australia for their holidays and to our universities for education.

The Australian economy, with the removal of most of its rigidities and tariffs, has moved towards a high degree of de-regulation over the past 10 years. We are now efficient, highly competitive by international standards and a source of high quality manufactured goods and services. For its part, ASEAN is succeeding in dispatching more and more sophisticated manufactured goods to Australia, of a kind that earlier came from the industrial powerhouses of the northern hemisphere. In these ways what we are seeing, as both Australia and ASEAN restructure, are emerging complementarities between our respective economies.

This trend towards greater mutual interest in the economic opportunities is also reflected in investment - which has also been growing strongly in recent years. Australian investment in ASEAN in the 1980s was, frankly, sluggish, as Australian companies concentrated on directing their wealth to expansion of their commercial networks in the European Union and in North America. But this pattern has been reversed in recent years. Australian investment in ASEAN in recent years has surged, growing at more than 20 per cent in the year to June 1993 and a further 10 per cent in the year to June 1994. Government studies currently under way indicate that our own statistics for foreign investment have presented a false picture of the final destination of that investment, significantly understating the amount and proportion of Australian investment into the ASEAN region. ASEAN investment in Australia is also increasing, accelerating by 27 per cent in 1993-94 to \$A 9 billion.

We believe that the structural transformation that has taken place in the Australian economy now presents ASEAN investors with enormous opportunities. Shrewd entrepreneurs from ASEAN are now looking beyond investments in real estate and tourist resorts to direct investments in our manufacturing sector. A new development has been the proposals for cooperation through Australia - ASEAN investment alliances aimed at third countries.

I am confident that, with accelerating trade liberalisation in ASEAN countries, the ASEAN and Australian economies will become more integrated than they are already. But for the economic relationship between Australia and ASEAN to reach its full potential, we must continue to work towards the removal of trade and investment barriers. Australia certainly welcomes the unilateral trade liberalisation undertaken in recent times by ASEAN Governments, for example the recent packages announced by Indonesia, Malaysia and the Philippines. We would encourage ASEAN Governments to maintain this momentum and achieve further tariff reductions and trade liberalisation.

The expansion of Australian - ASEAN trade is still impeded by market access barriers, principally on the ASEAN side. Australian firms face high tariff barriers in a number of potentially lucrative sectors. We have the hope, though, that through trade liberalisation measures introduced in the context of APEC, AFTA and unilateral decisions, the access afforded Australia by ASEAN countries will in the medium term and hopefully sooner, match the relatively unimpeded access allowed ASEAN exporters into the Australian market.

Security Relations

Australia's defence links with some of the ASEAN countries go back a long way. Today, Australia and individual ASEAN countries have substantial, constructive and growing defence links. It seems to be the case, in fact, that most, if not all, of the "old ASEAN Six"

have more significant defence links - in terms of training and exercises - with Australia than with any other country, including amongst themselves. Certainly there has been a welcome growth in these defence links.

One manifestation of this closeness of defence links between ASEAN and Australia will be the participation of troops from several ASEAN countries in the forthcoming Kangaroo 95 military exercise due to take place in Northern Australia this month.

As for Vietnam, I feel sure that in due course our growing dialogue with Vietnam on security issues will expand into defence cooperation.

Some of you are also well aware that serious discussions and negotiations are underway for major defence industry projects between ASEAN countries and Australia. This would elevate our defence links and our mutual trust, to new levels. Individual ASEAN governments and armed forces are recognising that Australia offers sophisticated defence technology and that, in terms of a joint commitment to sustaining this technology into the future, Australia, being in the region and utilising the same technologies itself is very well placed.

I would suggest that there is much to be said for greater cohesion between ASEAN and Australia in the defence and security field. This would give our end of the wider East Asian region greater weight and standing.

People-to-People Relations

One particularly welcome feature of the growing connections between ASEAN and Australia is increasing people-to-people contacts. The economic and defence links are an important aspect of this. One wonderful feature of this is the dramatic growth in the number of South East Asian students studying in Australia. The number of private, fee-paying, students in Australia from overseas now totals around 70 000, the great majority of whom come from East Asia, and especially ASEAN. I understand that this year Australia will become the number one destination for Indonesian and Singaporean students studying overseas. Numbers of private students coming to Australia from ASEAN are increasing by over 30 percent a year.

Similarly, the number of tourists from ASEAN visiting Australia is increasing, indeed accelerating at a most impressive rate - from several countries by over 40 percent a year. Already the number of Malaysian tourists visiting Australia is greater than the number of Australian tourists going to Malaysia for their holidays, and I am optimistic that this pattern will be repeated with other ASEAN countries in the near future.

Another dimension of the growing links between ASEAN and Australia is the increasing

number of migrants from the region now living in Australia. Already, it is estimated that one in eight of the residents of Sydney comes from East Asia - many from ASEAN. Anyone who has been to our major cities recently will have noticed the large number of Asian faces on our streets: not all of them are tourists, many of them are Australian citizens making their valuable contribution to our society.

We welcome all these increasing people-to-people contacts, not only because they give people in each of our countries a much better appreciation of our respective cultures and societies, but because the increasing familiarity will lead to greater economic and other substantive links.

New Institutional Linkages

The ASEAN-Australian relationship is also developing in an institutional sense, in some interesting new directions.

I would like to note first the new area of cooperation between the two economic regions encompassed by the ASEAN Free Trade Area (AFTA) and the Australia-New Zealand Closer Economic Relations Area (CER). This cooperation was first proposed by Thailand's former Deputy Prime Minister Dr Supachai in 1993, and was subsequently discussed at Prime Ministerial and Foreign Minister levels with ASEAN in the course of 1994. There have already been fruitful discussions between Australian, New Zealand and ASEAN officials, the most recent in Jakarta in March this year. That meeting agreed to explore a priority list for enhanced commercial cooperation including customs, quarantine links, standards, human resources development and investment promotion.

At the April 1995 Phuket Trade Ministers Meeting, ASEAN Ministers announced their wish to hold a consultative meeting with their CER counterparts, in September, in Brunei. A formal invitation has been received and the Australian Minister for Trade, Senator McMullan, and his New Zealand counterpart, Mr Burdon, have responded positively. We hope that the September Ministerial Meeting can discuss a variety of practical, business - oriented projects. Our firm belief is that the focus in AFTA-CER cooperation should be on projects which demonstrate practical value to our respective business communities.

A second area where a bit of vision on both sides is leading us in productive new directions is that of Australia's links with developing ASEAN growth areas, particularly the East ASEAN Growth Area, BIMP-EAGA, as I understand it is known. We welcome the development of such growth areas within ASEAN because of the contribution to economic development and regional stability.

EAGA, in particular, offers the opportunity to promote Australian engagement with ASEAN through practical cooperation, especially through commercial links with our

States and Territories. The Federal Government appreciates the positive attitude EAGA members have displayed towards participation by Australia through the Northern Territory, most recently at the 1994 Business Convention in Davao in the Philippines. I understand that Memorandums of Understanding are scheduled to be signed shortly between the Northern Territory and EAGA member countries. I should add that the Federal Government is very conscious that EAGA's focus primarily is on the provinces and therefore our role as a national Government is a supporting one. We hope though that EAGA members will have access though Northern Australia to the Australian economy as a whole, its full range of high technology, skills and services.

Another interesting new area of cooperation between ASEAN and Australia is that of science and technology. Australia will have a strong presence at the Fourth ASEAN Science and Technology Week that will be held in Bangkok in three weeks time. Over 50 Australian organisations will be participating in the fields of biotechnology, marine science and technology, information technology and telecommunications and energy. I would like to note in this context as well the ASEAN - Australia Economic Cooperation Program, Phase III of which commenced in July last year. This new stage of the AAECF reflects the maturing ASEAN - Australian partnership. The new program provides for significant private sector involvement, in which the principle of "mutual benefit" is fundamental. Another program which we strongly endorse is that in the field of culture and information where we are working with the ASEAN Committee on Culture and Information. Already there have been a number of successful projects and workshops and more are planned.

One very welcome new feature of this transformed relationship between ASEAN and Australia is that, more and more, ASEAN countries are "looking South" - for goods, services and a whole range of different benefits. In the past, sometimes we in Australia had the feeling that we were knocking on the door of ASEAN trying to get your attention to tell you of what we had to offer. Over the past couple of years, I very much have the impression that the message has got through and that Ministers, companies and individual citizens from ASEAN countries are now turning to Australia of their own volition. We are delighted with this.

Australia in East Asia

I have been using recently two new concepts to help describe the dramatic changes, both in perception and substance, that have occurred recently in Australia's relationship with its regional neighbourhood. The first is the concept of "partnership and integration" as a description of the current phase of Australia's relationship with East Asia. Some six years ago, the Australian Government adopted a policy of "comprehensive engagement" with our region. This has served us well, as I have indicated, diversifying and intensifying Australia's links with our region. But it is evident that we are now heading towards a new plane, in which there is now greater reciprocity and mutual commitment. Partnership and

integration also implies a degree of mutual dependency, a degree of reliance on each other, and a high degree of trust. I would suggest that we are now moving into that phase.

The second relevant concept is that of the "East Asian Hemisphere". We are all familiar with the expression "American Hemisphere" or "Western Hemisphere" to describe North and South America together, even though these continents do not stretch literally half way around the globe: the segment of the earth's sphere stretching from longitudes west of China to east of New Zealand is a similarly large slice of the globe. And there are similarly strong ties binding Australasia together with North and South East Asia, notwithstanding all the obvious differences between our various countries.

The old preconceptions or paradigms, based on "Asian" and "European" identities, are losing their utility. Australia may not be an "Asian" country anymore than it is "European" or "North American", but it is definitely part of the East Asian Hemisphere. Our culture and society are uniquely Australian, but they encompass qualities which are increasingly influenced by the cultures of our near neighbours. These influences will inevitably grow as economic, defence and people-to-people contacts accelerate the interaction between us. The term "East Asian Hemisphere" captures not only the geographical reality, but a good deal of this culture and social flavour as well.

We look forward to ASEAN and Australia becoming even more closely integrated together not only as neighbours, but as friends and partners within the East Asian Hemisphere.