

## **Australian Foreign Policy and the Trans-Tasman Relationship**

### **Speech by the Secretary of the Department of Foreign Affairs and Trade, Dr Ashton Calvert, to the New Zealand Institute of International Affairs Wellington, 22 November 2000**

It is a great pleasure to have an opportunity to speak to you today on Australian Foreign Policy and the Trans-Tasman Relationship.

I am visiting Wellington this week for the annual meeting of Secretaries of Foreign Affairs and Trade, which is one of the many elements of close policy dialogue and consultation that our two Governments enjoy at the Prime Ministerial, Ministerial and senior official levels.

These processes of consultations reflect, of course, the great affinity in values and outlook between our two peoples, the shared strategic interests that have seen our armed forces serve together in numerous wars and peacekeeping operations, and the enormous success of Closer Economic Relations in bringing our two economies together into what is virtually a single market.

Yet for all this common ground between us, Australia and New Zealand are still two different countries, each with its own distinctive domestic and international agendas.

In discussing Australian foreign and trade policy this evening, it is not my purpose to set out in exhaustive detail a compendium of activity in all main policy areas.

Rather, I thought it would be more useful for a New Zealand audience to describe some of the major themes that characterise Australia's current foreign and trade policy agenda.

This will also provide a useful context for my remarks later about the Australia-New Zealand partnership.

Perhaps the most important factor driving Australia's current international policy effort is an awareness of the enormous opportunities and challenges that confront all countries in an era of globalisation.

Australia's experience during and since the East Asian financial crisis gives us quiet confidence that we are well positioned to cope with the challenges and take advantage of the opportunities of globalisation.

In terms of GDP, Australia ranks fourteenth in the world.

We have a modern industrial economy with a sophisticated manufacturing and services base.

Agriculture accounts for 19 per cent of our export earnings, but only around 3 per cent of GDP.

Manufacturing makes up around 12 per cent of our GDP, and services around 64 per cent.

Indeed, the contribution made by services to our economy is similar to that in the US economy.

And the Australian economy has been performing strongly, especially during and since the East Asian financial crisis.

Over the last decade, Australia had the fifth fastest growing economy in the OECD, outperforming the United States, Canada and most of the EU.

Australia's strengths in an era of globalisation include our robust national political institutions, high standards of corporate governance, an open and increasingly internationalised economy with a wide diversity of overseas markets and investment linkages, and a private sector and wider

community that are confident in dealing with the new information age.

We have a well-educated, technically sophisticated population with ties to just about every national grouping on the globe - more than 17 per cent of our population speak a language other than English at home.

And the achievements of the Australian Defence Force in East Timor - where they operate alongside colleagues from New Zealand - serve to remind us that their quality and professionalism contributes to Australia's international and regional standing.

If these are some of the credentials that Australia brings to its international role, we realise there are no grounds for complacency.

A sustained effort in terms of economic and structural reform, technological innovation and uptake, skills development and entrepreneurship is needed to maintain the international competitiveness of our economy.

And the traditional objectives of foreign and trade policy - protecting and advancing our country's security interests, and fostering the most conducive possible environment for productive trade and economic relationships - remain just as important as before.

Indeed, these traditional objectives of foreign and trade policy are particularly challenging at a time of fluidity in our regional security environment, and at a time of complicated interplay between globalisation and regionalism in the international system.

### **Relations with Asia**

Close engagement with Asia is an abiding priority in Australian policy because of the fundamental strategic, political and economic interests we have at stake in the region, and because of the important relationships we have developed with Asian partners.

It is worth noting, for example, that before the financial crisis East Asia accounted for 60 per cent of all Australian merchandise exports.

During the crisis this ratio fell to 48 per cent, and is now back to 55 per cent.

And seven of our top ten export destinations are in Asia - in order of importance they are Japan, the Republic of Korea, China, Singapore, Taiwan, Hong Kong and Indonesia.

Those of you who follow the domestic discussion on foreign policy in Australia will be aware that relations with Asia is an issue of lively debate.

It is not my intention today to add to this debate in a controversial way.

Let me simply offer three or four comments from a broad perspective.

First, we should not be surprised that different Australians have different views on the conduct of relations with Asia.

After all, the interplay between the basic Western make-up of Australian society and its institutions and our wider international associations, on the one hand, and the imperative of close engagement with Asia, on the other, lies at the very heart of Australian foreign policy.

Secondly, Australia currently enjoys very sound bilateral relations with virtually all Asian countries, and in particular those with Japan, China, the Republic of Korea, Singapore, Thailand, Vietnam and India are excellent.

Thirdly, Australian policy towards Asia is an evolving and dynamic process that seeks to respond constructively and imaginatively as new situations unfold.

During the past year, for example, Australia has sought to support the wider effort to encourage North Korea to engage more openly with the international community.

In May we re-established diplomatic relations with the Democratic People's Republic of Korea, and last week Mr Downer became the first Australian Foreign Minister to visit Pyongyang in 25 years.

Fourthly, South-East Asia is currently going through a period of considerable fluidity and challenge which cannot help but have some impact on its international relations.

Nowhere is this more evident than in Indonesia.

Australia recognises the historical significance of the democratic transition now unfolding in Indonesia, and the prospect it holds over the longer term for a closer and more broadly based relationship between our two countries than was ever possible in the past.

At the same time, we need to show understanding of and sympathy towards the major challenges that Indonesia currently faces in returning its economy to a sustainable growth path, and in managing the political pressures generated by continuing unrest in several provinces.

The Australian Government is realistic in appreciating that our official relationship with Indonesia will take some time to recover from the strains caused by last year's East Timor crisis.

We are committed to work steadily to rebuild a friendly and constructive relationship with Indonesia based on mutual respect.

Good progress is being achieved in this direction.

Last week in Brunei, Prime Minister Howard had his third meeting this year with President Wahid, who thanked Mr Howard for supporting the territorial integrity of Indonesia when Irian Jaya was discussed at the recent Pacific Islands Forum.

### **Relations with the United States**

Given the rather protracted process of presidential succession now unfolding in the United States, it is perhaps topical to mention here the important relationship that Australia enjoys with that country.

Australia's alliance with the United States is based on shared strategic interests, shared values, and a long and impressive tradition of defence cooperation.

Australia benefits from privileged access to US defence technology and from valuable intelligence - sharing arrangements.

Australia contributes to strategic stability and US early warning and intelligence capabilities through our hosting of the Joint Facilities at Pine Gap.

While Australia and the United States often see regional and global issues in similar terms, Australia always brings its own distinctive and independent perspective to the table.

The United States is Australia's second largest trading partner, after Japan.

While we benefit from this large commercial relationship, we don't always see eye-to-eye in the area of trade policy.

We often need to defend our interests vigorously particularly with regard to US subsidies for farm products and market access issues such as lamb.

### **Trade Policy Agenda**

Australia's key multilateral trade objective is to launch a new round of trade negotiations in the WTO at the earliest opportunity.

Like all WTO members, Australia has a vital interest in the global trading system, and the potential benefits of a new round for both developed and developing countries are enormous.

Australia and New Zealand work closely together in the Cairns Group, which is calling for substantial increases in market access for all agricultural and agri-food products and the elimination of farm export subsidies.

Australia and New Zealand cooperation is also evident in our joint complaint against the US lamb safeguard mechanism, and in our respective third-party roles in the Korean beef and Canadian dairy disputes.

For Australia, a new WTO round is our highest trade priority.

We believe that the multilateral system offers the greatest benefits for a medium-sized economy with diverse exports to a wide range of markets.

However, the Australian Trade Minister, Mark Vaile, has made clear that we are willing to consider concluding free trade agreements (or FTAs) where they deliver substantial gains across the Australian economy that could not be achieved in a similar timeframe elsewhere.

We recognise that genuinely liberalising FTAs may complement, or even spur, multilateral efforts.

We found at last month's AFTA-CER ministerial meeting in Chiang Mai that our ASEAN partners were not ready to move right away to a free trade agreement with Australia and New Zealand.

Nevertheless, we are encouraged that, for the first time, the 12 regional governments will now be involved in official-level talks to promote regional economic integration under the banner of Closer Economic Partnership.

Australia, New Zealand and some of our ASEAN partners would have liked to move faster, but there are clearly varying levels of appetite for further trade liberalisation in ASEAN at present.

Just last week at the APEC Leaders' meeting, the Prime Ministers of Australia and Singapore announced that we would commence immediate negotiations towards a bilateral FTA.

The Australia-Singapore free trade agreement - as with your own recently concluded Closer Economic Partnership agreement with Singapore - will be comprehensive in scope, covering goods, services and investment, as well as other issues of interest to international business.

Last week's meeting in Brunei highlighted APEC's continuing contribution to our joint efforts in a number of spheres, most notably in the call by APEC leaders for the launch of a new WTO round in 2001.

APEC also addressed the new economy, with leaders making significant commitments on Internet access, including tripling overall access by 2005, which will help turn the digital divide

into a digital dividend.

APEC has established a clear role in the debate on globalisation - with leaders of developing and developed economies acknowledging the indisputable benefits of globalisation, but also committing to greater efforts to communicate those benefits to their communities.

### **The South Pacific Region**

Australia has abiding security and economic interests in the South Pacific.

We devote very considerable resources to maintaining strong and cooperative relations with the Island countries.

We have contributed substantially to the development, welfare and security of the region.

New Zealand also has a long history of involvement in the region.

We share many interests and enjoy a well-established tradition of close cooperation and engagement in the South Pacific.

In Bougainville it was New Zealand that brokered the Lincoln and Arawa peace accords and led the Truce Monitoring Group.

More recently we have worked together to deal with crises and support peace-building efforts in Fiji and the Solomon Islands.

The signing of the Townsville Peace Agreement on 15 October highlights the important contribution Australia and New Zealand make to regional peace efforts.

Notwithstanding a generally good record of democratic government and some progress in economic development, the South Pacific region is undergoing a period of uncertainty and change, and there will be a continuing need for Australia and New Zealand to work closely together.

The coup in Fiji, disorder in the Solomons, increasing strains in Papua New Guinea, and - over a longer period - the conflict in Bougainville, all have deep roots.

The impact of globalisation, the breakdown of law and order and the debilitation of the key institutions of state, often inherited without much tailoring to local needs, have combined with severe social stresses within their complex communal structures and the uneven course of development and social change.

During the course of this year, I have been struck by the unrealistic expectations of what Australia can do to resolve problems in countries like Fiji and the Solomons.

As Foreign Minister Downer said recently, our proper role is clear.

Australia seeks to play a constructive role in the affairs of the region.

We want to encourage stability, and respect for the rule of law and democratic government.

We cannot determine the course of events in the region, nor do we seek to do so.

We do not seek to dominate the affairs of our South Pacific neighbours or to meddle in their political processes.

The countries of the South Pacific are sovereign and independent countries, and our friends and neighbours.

We believe they must manage their **own** affairs, find solutions to their **own** problems, and take responsibility for their **own** actions.

We see ourselves as having very substantial responsibilities in the region.

We want to see the earliest possible restoration of peace and stability, and the return to constitutional rule and democratic government across the region.

We will contribute to the early rebuilding of the institutions of government and confidence in the future.

Australia will help the countries of the region to address problems of internal security, law and order, good governance and nation building.

Our aid programs will be more carefully targeted and linked to the implementation of programs of sustainable economic growth and reform.

All in all, we need to be more flexible, more creative and more active.

Australian and New Zealand support was critical in facilitating ceasefire negotiations between the Solomon Islands Government, provincial governments, militant groups and community representatives.

Australia made available HMAS Tobruk and Newcastle and New Zealand made available HMNZS Te Kaha as neutral venues for negotiations between the parties.

We worked quietly behind the scenes to help bring about the Townsville Peace Agreement.

In cooperation with New Zealand and others, we have set up an International Peace Monitoring Group at the invitation of the Solomon Islands Government to underpin the peace process now underway in the Solomons; a process which provides the mechanism by which the people of the Solomons can address, manage and resolve their own problems.

There have been other examples of new and creative efforts at regional problem solving.

Only a few weeks ago, the countries of the Pacific at their annual Forum meeting in Tarawa adopted the Biketawa Declaration.

The Declaration is a milestone in the history of the Pacific Islands Forum.

It recognises the need for member states to collaborate when difficulties arise and crises emerge.

It also encourages the countries of the region to uphold democratic principles, and allows them to take action if a member state breaches those principles.

This is a major step forward for the protection of democracy and good governance in the Pacific, and one in which we have both worked closely together to achieve.

Australia and New Zealand have also cooperated well in shaping the Commonwealth's response through the Commonwealth Ministerial Action Group (CMAG) to crises in the region.

The Commonwealth's record in promoting the rule of law, democratic practices and good governance makes it an invaluable partner in addressing the challenges facing the region.

## **The Australia-New Zealand Partnership**

The historic strength of the trans-Tasman relationship has provided us with a solid basis for our joint efforts in the region.

As independent nations, we have developed a uniquely close relationship, with deep historical ties, shared values, similar institutions and personal contacts on many levels.

We fought together at Gallipoli in 1915, forging a lasting bond that will be given further tangible expression when our two Prime Ministers attend the dedication of a New Zealand Memorial on ANZAC Parade in Canberra in April next year.

Prime Ministers Howard and Clark have developed a positive working relationship.

They had their first formal meeting in Sydney on 1-2 March, and met again in Sydney on 28 September during the Olympics.

They have also worked closely together at the Pacific Islands Forum and the APEC Leaders' Meeting.

Foreign Ministers Downer and Goff too have established a strong working relationship, and have kept in very close contact on events in the Solomons, Fiji, Bougainville and East Timor.

A sense of common purpose between our countries has been supported by special arrangements to facilitate the free movement of our people across the Tasman, dating from the 1920s and formalised by the Trans Tasman Travel Arrangements in 1973.

The free movement of labour has contributed to the growing integration of our two economies, providing significant benefits to both countries.

The Australia-New Zealand Closer Economic Relations Trade Agreement (or CER) we signed in 1983 remains one of the most open and comprehensive in the world.

The CER means that the long-term strength and vitality of the New Zealand economy is very important to Australia.

New Zealand is our third largest trading partner and our most important market for elaborately transformed manufactures.

Australia in turn is New Zealand's largest trading partner.

Trade Ministers Vaile and Sutton met in Auckland on 30-31 August for annual talks.

In addition to discussing regional and multilateral trade issues, they had preliminary discussions on possible future directions for CER, signed a revised Memorandum of Understanding on the Coordination of Business Law, and announced a review of CER Rules of Origin.

The open skies agreement signed by the Australian and New Zealand Transport Ministers in Melbourne on 20 November is a major step forward in bilateral aviation links.

The Agreement is the culmination of years of work aimed at creating a single aviation market between Australia and New Zealand.

It removes the last substantive aviation restrictions between Australia and New Zealand, allowing airlines virtually unrestricted access to, within, and beyond the territory of the other party.

The agenda for Australian and New Zealand policy collaboration extends well beyond the bilateral relationship.

For example, we both support the protection and conservation of threatened South Pacific fisheries, and have also provided leadership for the drive within the International Whaling Commission to create a South Pacific Whale Sanctuary.

A recent reflection of the strength and quality of our bilateral relationship is our work together in East Timor.

Australian and New Zealand troops continue to work alongside each other in UNTAET.

They bear the brunt of the security challenges along the western border.

The tragic death of Private Leonard Manning, killed by militia in the border area in July, is a stark reminder of the efforts of so many Australians and New Zealanders in bringing peace and security to the emerging nation.

We share your sorrow that two other New Zealand soldiers have died on duty in East Timor.

In early December, the Australian Government will release our new Defence White Paper, whose preparation has included extensive public consultation in Australia.

The White Paper reaffirms the importance of our defence partnership with New Zealand, recognises the outstanding contribution the New Zealand Defence Force made to INTERFET in East Timor, and welcomes recent decisions to strengthen the equipment of New Zealand's land forces.

The Paper also acknowledges some differences in strategic perceptions between Australia and New Zealand, particularly with regard to air and naval combat capabilities.

Looking further afield, Australia and New Zealand have long recognised the dangers of the spread of weapons of mass destruction.

Both countries are among the strongest supporters of the international non-proliferation and disarmament regimes.

We worked closely with New Zealand in contributing to the success of the 2000 Nuclear Non-Proliferation Treaty Review Conference, on the Comprehensive Test Ban Treaty, and on negotiations on a Fissile Material Cut-Off Treaty.

Unlike New Zealand, we are not a member of the New Agenda group formed to press the nuclear weapon states on the pace of disarmament, although we were able to support the group's resolution at the United Nations General Assembly this year.

We also want to see a strengthened International Atomic Energy Agency safeguards system especially to detect undeclared nuclear activity and secret nuclear programs.

We welcome our cooperation on the issue of the transport of radioactive materials through the Pacific, even though our views do not always coincide.

Promoting the importance of the Chemical and Biological Weapons Conventions is also a high priority issue for both our governments.

New Zealand and Australia have, as part of the CANZ grouping (with Canada), pooled our

resources to work more effectively in the UN and other forums.

We also both facilitate the work of Pacific Island Countries through funding for the Commonwealth Small Island States Office in New York and our support for the work of the South Pacific member states of the United Nations (SOPAC).

Of course, we are not like-minded on all multilateral issues.

We know New Zealand has some reservations about the Australian Government's UN treaty body review and our announcement of a high-level diplomatic initiative, but we believe the initiative will strengthen rather than undermine the treaty body system.

We also have some differences on UN Security Council expansion, but we share a commitment to a strengthened and more credible Security Council.

## **Conclusion**

I have devoted some time today to outlining Australia's foreign and trade policies, particularly in the Asia-Pacific Region.

There are many areas where Australia and New Zealand already work closely together, and others where there is scope for further cooperation.

We believe that the partnership is important to us both, and your government's establishment of a Foreign Affairs Defence and Trade Committee Inquiry into New Zealand's economic and trade relationship with Australia, confirms that view.

Indeed, I note that your Ministry of Foreign Affairs and Trade's submission to the Inquiry states that "New Zealand and Australia share common purpose and effort on much of the foreign policy, trade and security agenda".

I recall too, that your Prime Minister stated in her keynote address on foreign policy on 26 May that, despite some "differences in perspective", "Australia is our closest relationship in every sense, but especially in economic terms and in defence terms".

Our two economies have moved a long way towards economic integration and a single labour market.

There are increasing numbers of significant trans-Tasman companies; there is renewed discussion of a common currency, a stock exchange merger and further regulatory coordination.

We consult and cooperate on a wide range of foreign and trade policy issues.

At the same time, we are two sovereign nations.

There will on occasion be different approaches to issues and different priorities.

The special nature of our relationship, and recognition of all that we have achieved together, will allow us to accommodate those differences, and to continue to work together to secure our place in the world.