Chapter-3

AUSTRALIAN GOVERNMENT'S FOREIGN AND TRADE POLICY

The defence and security policy could not be studied in isolation; atleast not in today's world, where economics is the major channel through which the world is prospering. A prospering state would have extensive inter relationships and interdependence with other countries leading to cooperation rather than conflict. A mutual dependency in trade, finances and technology rises the costs of conflict as well as lowers the incentives for war. Costs results from the disruption of markets, investments and flows of goods. Economic dependence upon others makes states more vulnerable to such dislocation, while at the same time fostering habits of communication and compromise among them\(^1\). In order to frame defence and security policy, the economic or trade policy has to be understood along with the foreign policy of the government, this gives a clear picture of a country's national interests and national priorities. Hence defence and security policy-making are dependant variables while economy and trade policy are independent variables in a country's overall policy making procedure.

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The chapter will be dealing with Australia’s foreign and trade policy with special reference to East Asian economy and Australia’s involvement with the region and with South-east Asian countries and other countries of the Asia-Pacific region. The region provides highest priority and the opportunities, which Australia has to grasp. For this Australia needs strong economy at home and an active voice on the global dias. Australia emphasises itself to be an Asia-Pacific member, not an Asian power. Gareth Evans was very careful while framing Australian identity saying that “.... There are always going to be some limitations on the extent to which Australia, is, or can be, part of Asia. Geographically or geomorphologically—we are not so much in Asia, but along side it, what we ‘are’ unequivocally part of is the ‘Asia-Pacific’ region embracing East Asia, Oceania, North America and, in some account at least the Pacific west of Latin America as well.2

Security Perception and Economy Growth In Asia: Where Australia Stands in the Region?

Most of the Asian states were former colonies, which were economically shattered by the colonisers. Just after these countries gained freedom, the Cold War had further marred their economy with proxy wars of the two super powers. Still Asia rose economically to great heights. This

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Asian economic miracle is substantial and quite applaudable. Asia gained independence by the dint of their economic and social development. This development cannot be called western inflicted as there is a strong 'Asianness' about it. As Funabashi says, 'its success stories are likely to inspire and provide voice for distinct original Asian values of a range of issues like human rights, the debate over democracy versus economic development, the relationship of corporate enterprises to the states, individuals to society and society to the states, security in the new world order and in the region.'

As Europe remains divided, Asia is closing ranks, with increased intra-Asian ties and cooperation in the emerging new world order. This was made possible due to the similarity of the structure, culture and the very peculiarity of the typical 'Asian' factors like the region's dynamism, its economic growth etc. The remarkably large middle class, gradual demonetisations, self-help discipline, open regionalism, self-confidence and healthy optimism. Armed with a success story, Asia at long last started to define itself in the whole world as an independent and respectful player and not under the agies of any superpower.

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4 Ibid, p 84.
Another important factor to be noted is that their attitude towards security is not in narrow military terms but the amalgamation of military, economic, technological and social strengths. This view is encouraged by Japan's emergence as a global civilian power. It could also be seen among the ASEAN countries whose defence spending does not equalise the rise in their GDP, like it happens in most of the western countries. Australia could cash in here by increasing its economic relations as well as its defence relation with these countries.

Australia, is too close to these vast and fast growing Asia. Australia's defence White Papers clearly defined the region from two categories the 'Area of Direct Military Interest' and the 'Area of primary strategic interest', which engulfs all the South-east Asian countries and all the south-Pacific Island countries. According to its economic policies, the region apart from the above includes the economic giants of Asia like Japan, South Korea, Taiwan, China (Hong Kong) etc; with whom its economic relation had started in late 50's.

However economically developed a region can be, there is always room for misunderstandings and conflicts, like the recent Gulf war. If there is a major kind of disturbance or instability in the region, it would make an impact on Australia in ways that could lead to more bilateral tensions and

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5 Ibid.
disturbance to the practical aspects of the relationship. Thus, Australia not only needs to be cautious in the affairs of the Asians but also have to strike a proper balance in its defence and economic policies.

National Interest and National Priorities

The study on Australia shows its distinctive and interesting geographic, historical and strategic interest which are to be assessed to understand Australia’s national interest. Australia does not really have a closely-knit regional grouping. Though the fact remains unparalleled that Australia’s most important and strategic and economic interests lie in the Asia-Pacific of great cultural and historical diversity. The region covers South-east Asia, North-east Asia, the Pacific Island countries as well as the eastern reaches of the Indian Ocean. Australia’s biggest markets are in the north east Asia. While its main strategic ally is US and it has close historical, political and investment links with Europe. ‘Australia draws a unique strength from its history and geography’. The government has openly announced that its foreign and trade policy ‘will be geared towards exercising leadership on the issues which advance Australia’s economic and strategic interests. Due to its distinctive combination of economy, history, geography and strategic circumstances, it has to make an active foreign and

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7 Australia, Department of Foreign Affairs and Trade, In the National Interest”, Australia’s Foreign and trade policy. White Paper, Australia, p vi.
trade policy. The important policy issue is to identify the major trends which will shape the international environment and the implications of these trends for Australia’s national interest and the way in which they are pursued.

The priorities attached to Australia have been unchanged like firstly its importance given to Asia-Pacific region, especially the east Asia, Australia has always been concerned with the fact that its security depends on strategic developments in the Asia-Pacific region. It claims that ‘economic growth will increase the power of nations in the region .... and economic growth and technological developments increase the potential of countries in the region'. Since it understood the capabilities of a strong economy, Australia had to be more cautious and extend a friendly hand towards the east Asian rapidly growing economics, where arms acquisition and arms race has actually started, after the end of Cold War with the removing of bases by US from the region.

Secondly, forging close relationship with the US, Japan, Indonesia and China, Australia proclaimed a multidimensional approach to regional security, involving the careful development and competition of foreign policy and diplomacy, development assistance, immigration policy and educational and cultural activities. Thirdly, commitment to further trade

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liberalisation and strong support to World Trade Organisation (WTO) and Asian-Pacific Economic Cooperation (APEC), giving importance to bilateral relationships and a selective approach to multilateral agenda, (this attitude could be debated which will be done later in the same chapter). Fourthly, Australia supports fundamental human rights. Australia is also concerned of a positive international reputation as a responsible, constructive and pragmatic nation in its approach. In short Australia’s national interest is the security and increased jobs and standard of living for Australians which comes from an internationally competitive economy, which could be achieved by maximising the economic and strategic opportunities offered by close engagements with the Asia-Pacific region.

**Australian Foreign Policy in Post World War II and Post Cold War Days**

Once the national interest is understood it is interesting to follow its foreign policy in both the Cold War and the post Cold War days. The governments from Evatt (1941-49) till Evans (1988-1996) has followed a line, which could be categorized in the words of Evans and Nancy Viviani, as nationalism, regionalism and internationalism. The foreign policy of Australia gave emphasis on United Nations Organisation (UNO) as an agent

11 David Lee and Christopher Water's (ed.)," Evatt to Evans. The labour Tradition in Australian Foreign Policy" (Allen and Unwin and Dept of International Relation Canberra, ACT, 1992), pp 12 and 99.
for social and economic reform and as a protector of human rights. Secondly Menzies was the main man behind increasing the importance of US alliance which was aggravated by the Howard’s government through AUSMIN 98. While Evatts believed that far-reaching economic and political reform would ultimately guarantee Australia’s security better than a system of military alliances, for Menzies it is the alliance with UK, Anti-communism and US.¹² Menzies once pointed out in Parliament that “the sacrifices of two wars have taught us grim but great lessons. The greatest of these is that we stand or fall with our ‘great association’ in freedom.”¹³ Whitlam’s brief but effective reign for three years have been very dramatic due to his regionalistic tendency. He was the first leader who recognized Australia’s Asian orientation. The regionalistic tinge could be felt in his governments policies like recognising China, while bringing back the Australian troops from Vietnam pointed out that political change in Asia was inevitable and Australia would not interfere and confirmed that “Australia will never again send troops to fight in Asian mainland wars.”¹⁴ Questioning France on its nuclear tests in the Pacific accelerating PNG’s independence. Later Frazer had abandoned the ‘governments legitimised’ racism¹⁵ at home and abroad.

which helped closer links with the region. The emphasis of Australian policy in South-east Asia has shifted in 1973, from military alliances and ideological consideration to the direction of increasing cooperation in trade and cultural exchanges and increasing consultations\textsuperscript{16}. Even during Evans, Australian foreign policy was regionally inclined.

Australia in internationalism, i.e. its role in world affairs was defined by the end of the sterling bloc, the acceptance of a trade treaty with Japan and American regional strategies\textsuperscript{17}, and its involvement in peace strategies all over the world. Moreover, it is felt that the modesty of Australia's economic and military capacity meant that Australian government alone could not hope to significantly shape its international order\textsuperscript{18}. While the UN is almost defunct and for all practical purposes runs under the supervision of US and US being the only powerful ally of Australia. Thus Australia can give emphasise on to international order via US. Hayden was supportive to both internationalism and nationalism. He was also the man behind institutionalizing the foreign and trade affairs into one department, i.e. the Department of Foreign Affairs and Trade (DFAT).

\textsuperscript{17} Wayne Reynolds, "Labour Tradition, Global Shifts and the Foreign Policy of the Whitlam government's", in David Lee and Christopher Water's, (ed.), Op.cit no 11, p 129.
Whatever had been the terms and conditions of Australian foreign policy during the Cold War days, the trend is still continuing. Though we do not find the typical ‘White Australia Policy’, the alliance with US is rising though at a diminishing rate, especially with Howard coming to power in 1996. Its policy towards Asia-Pacific is also maintained independently, but with the help of US. Since the Vietnam War, all the studies has made it clear that “Australia’s strategic and economic interests demanded that western hegemony be maintained in South-east Asia.”19 Though Whitlam was the hero of regionalism, his government ‘was institutionally and ideologically committed to the preservation of the international order created under the aegis of Pax Americana’.20 Its foreign policy as pointed out earlier as nationalism, regionalism and internationalism shows consistency and coordination in policy-making by the Australian government.

While framing the foreign policy in the post Cold War era, Australia for the very first time wanted to make an independent stand at the world in general and to the region in particular. Though its overall policy framework has not gone though a major change its ideas of ‘Continental Defence’ and ‘Fortress Australia” has given to a more flexible and outward looking continent in order to shape Australia’s future through its assets like economic, strategic, cultural and international vistas, Australia had brought

19 Ibid, p 83.
out a strategy through its foreign and trade policy in which it gave importance to the region first and then the globe. Atlast, it has compromised rather than to come in terms of its geography and history. “Australia is almost unique as a rich westernized country with nearly all its neighbours being non-western, with no common language and having little in common with them in its history, culture, tradition or shared experiences. This is not a problem – in many respects its exciting.”21 These unique features actually influences its foreign, economic, defence and security policies. The emphasis on economy was starkly clear in its post Cold War foreign policy, Keating’s government has been the spokesman for it. He said that “everything else we do in this country depends on our success as a trading nation.”22 The first systematic attempt in this direction had been through the ‘Garnaut’s Report: Australia and North-east Asian Ascendancy.’ This report makes it clear that Australian foreign economic policy would be basically aimed towards north-east Asia. While the South-east Asian countries especially Indonesia, Malaysia, Singapore and to some extent Indo-China, are important strategically.

Multilaterally, Australia participated in the region through APEC and the ASEAN Regional Forms (ARF) and proved to be a country ‘in the

region, rather than a twilight zone outside it. Bilaterally, with the South-east Asian countries, especially with Malaysia, Singapore and Indonesia, it has strong relations. The defence links are profound; like the Singapore Air Force Training School in western Australia became operational and in the Operation Kangaroo 95, Indonesian and Australian ground forces undertook joint exercises on Australian soil for the first time. Thirdly, the completion of Australia-Indonesia Security Agreement was the most significant of all. The relation with Malaysia has always been good; solid trade and investment, a defence link through (FPDA), a large cohort of senior Malaysians with Australia University education. With other South-east Asian countries Australian relation is marginal, only defence arrangements of little importance. It is only with Indonesia that Australia’s relations is maximum and with the countries of Malaysia and Singapore it maintained infact due to the FPDA. It seem like Australia talks of the region to only mean Indonesia, due to its close proximity and to some extent Malaysia and Singapore, due to its British legacy and of course its proximity. It’s more of a fear of the neighbour than fear of the region. Australia has strong trade relations, since it is the most dynamic and growing economy. Moreover, east Asia consists of all those powers which have a streak of aggression in them, like Japan North and South Korea etc.

24 Ibid, p 204.
Apart from the regional issue, where the debate can go on and on, Australian foreign policy also gives emphasis to Human Rights diplomacy. It is most scathing to know that in countries which are of economic importance to Australian business, human rights will take presumably the second place to trade and investment opportunity. In spite of this attitude, Australia had gained some points by its successful endeavour for peace at the Cambodian crisis. With Indonesia and East Timor, Australia feels that it is easier to tackle a single big state than small cluster of states so it supported Indonesian government inspite of the Human rights violation in East Timor.

Trade Policy of Australia.

The major issue that affected the trade policy of Australian government has been first, globalisation underpinned by the communications revolutions that will continue to transform the way in which people work and live. Secondly the dynamism of east Asian Economy.

Globalisation not only increases competition within countries but also breeds animosity between each other. Australia’s role in the world’s trade and investment is quite influential. It is one of the active participants in World Trade Organisation (WTO), enjoys good access in the capitals of the

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major powers in Asia, North America and Europe, has been a key participant in the development of regional institution such as APEC and ARF and also is an active member of the UN, OECD and the common wealth. All this shows that Australia has a strong record of achievement in multilateral diplomacy. Australia’s economic power is quite substantial along with strategic and cultural strength, through which it pursues its foreign and trade policy. Australia is the fourteenth largest economy in the world and fifth largest economy in the 18 member APEC forum. Australia like other countries has used the tenets of globalisation and liberalisation to the fullest extent. In the famous Bogor Declaration, the APEC countries, planned for a Free Trade Area by removing all trade barriers within 2010AD by the industrialised countries and by 2020 AD by all the developing countries of the APEC members. With them two organisation WTO and APEC on trade and investments, the world trading system has entered a new phase. The government will see to it that the WTO will live up to the expectations. Regionally, Australia plans to pursue trade policy objectives through APEC, by furthering trade liberalisation and reduce business impediments in areas such as customs procedures and standards. This will be carried out through Asia-Pacific institution-building and removing business impediments and

29 Australia, Department of Foreign Affairs and Trade, “Australian Trade with Asia”, DFAT. International Public Affairs Branch, Fact sheet, January 1995, 023.
improving market access. There will be discussion on linkages between AFTA (ASEAN Free Trade Area) ad CER (Closer Economic Relations, Australia maintains with New Zealand) and ARF (ASEAN Regional Forum). ARF is a high profile and a newer institution than APEC and its central theme of including security, have won a high degree of acceptance.

This new system of economic cooperation has given way to defence cooperation, which has been instrumental in removing Australia’s ‘Continental Defence’ posture and its isolationist policies.

The Department of Foreign Affairs and Trade (DFAT) in 1994 produced a new corporate plan and emphasised to win a future for Australia in the world, and set certain goals like (i) to increase Australia’s economic prosperity, (ii) to ensure a favourable security environment, (iii) to advance Australia’s standing as a good international citizen, (iv) to promote rule-based cooperation on the global scale and (v) to help Australians overseas. Apart from these the trade policy of Australia, like any other country is to open new markets for Australian firms and secure business firms on the most favourable terms, especially in overseas market.

The Australian government will also take up discussions on certain new economic issues, like trade and environment, trade and investment,

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32 Ibid, pp 139.
33 Ibid, pp 138.
34 Ibid, pp 136.
trade and labour standards and trade and competition policy. At the bilateral level, the government will go through the ministerial-led visits and business mission to enhance trade promotion and maximise priority issues through industry, trade and investment agenda.\(^{35}\) Australia had been pursuing another line to market promotion in key markets, as a source of sophisticated manufactures and services; through 'Market Australia' campaign.' AUSTRADE's industry-based Export Development strategies and Country market Development Plans are working to promote 'export culture' and in facilitating recognition and exploitation of these opportunities\(^{36}\). The Australian Ambassador will give highest priority to working with Austrade to push Australian exports and investment though out the world.

**North-East Asian Ascendancy.**

The debates of the Australian government during 40's and 80's were to identify and to study Australian foreign policy perspective from the Asian point of view and trying to come in terms of its Asian identity, due to geographical constraint. With the end of the Cold War the debate is no longer to prove its Asian identity but to be a part of the Asian rising economy through cooperation and confidence building measures. The dynamism of the Asians especially the East Asian countries led Australian

\(^{35}\) Ibid, pp 138.

policy makers to give priority east Asia and then the South-east Asian countries in its foreign and trade policy agenda.

The policies with regard the east Asia has to be taken up in a whole new section due to the particular importance attached to it by the Australian government, according to the Garnaut’s Report on “Australia and the Northeast Asian Assendancy” in 1989. “In the National Interest,” Foreign and Trade Policy. White Paper North-east Asia, includes the subset of the Pacific Rim, with the countries of Japan, China, Taiwan, Hong Kong and the two Koreas. These countries of North-east Asia were powerful, dynamic force in the world today. Its (east Asia) dynamism cannot be over stated which presents Australia both challenge and opportunity. Moreover the economic rise of east Asia has opened new vistas of security implications for Australia. Australia’s power and influence are in decline in relative terms.37 ‘In the National Interest’ points out Japan to be larger than Australia in GDP terms, ten years ago. Today China and Korea have come along with Indonesia and Taiwan before Australia. This has not only led to their domestic development but also increased their military expenditure, posing a substantial challenge to Australia’s defence spending.

The trend of the political system within the region especially between China and Japan is accutely severed. Be it domestic, foreign policy or its

defence advancement both the countries are fighting for supremacy. China
and Japan an strictly in strained relations with each other and also competes
in every possible way. Both have tremendous effect in the region. China
from the side of aggression being a military power while Japan though the
economic angle being a civilian power. Korea’s have a possibility of
unification, which would be a major challenge to the security of the whole
region, since North Korea possesses nuclear arms and south is economically
strong. With South Korea, Australia’s trade increased, South Korea replaced
US and became Australia’s second largest export destination. Trade with
Australia grew by 16 per cent to $A6.6 billion in 93-94, with exports
increasing by 19 per cent to $A5 billion and imports expanding to 11 per cent
to $A2 billion. Export of manufacturers has also increased significantly and
now represent 24 per cent of total exports to the Republic of Korea. China
is trend setter and the major destabilising force in the Asia-Pacific region its
fear being supreme in the minds of the South-east Asian governments. As
Gary Klitworth aptly points out that ‘India is too far away, Japan is too
small, Russia is too weak and US seems to increasingly be a North
American power”39. In its place China, ‘a powerful, non-democratic,
nuclear-armed, unified state with one of the largest economics in the world
and having a huge defence budget40, is naturally a source of threat, to which

38 Ibid, p 223,
39 “Australia’s trade with Asia”, no 29, 0 23.
40 Ibid.
according to many countries in the region, the US presence is a must. Trade with China has been expanding by around 25 percent a year over the past five years. It has become Australia’s sixth most important partner and trade between the two countries grew too nearly $A6 billion in 1993-94.41

The story of Japan is an awe-inspiring journey to success. In 1980 Japan became number two in the world in terms of GNP. Japan underwent swift transformation through three industrial revolutions. Its development and achievement have not been transfixed but has trickled down to other countries in the region. According to the World Development Report 1991, the average annual growth rates of the GDP in Japan and the east Asian region were 6.6 per cent and 7.3 per cent during 1965 to 1980 respectively while the average annual growth rate of the world was 4.1 per cent 42 Japan’s annual growth rate is the highest among the developed countries. Being such an economic power, becoming a military power takes no time, since it could purchase from any seller. Infact, Japan is supplementing American power in the region.43 Many theorist feel that there is a need to revive the US-Japan Security Agreement. The ‘Beijing Review in 1989 carried a statement that “Japan is now going to extend its force in the Asia-Pacific region through investment and trade. This is an attempt to form a so-called East Asian

economic rising led by Japan. The circle is supposed to encompass Hong Kong, Taiwan, Singapore, South Korea and some of the ASEAN members countries. Japan’s economic circle in preparation for further conquest in Australia, New Zealand and Latin America\textsuperscript{44} would complete it.

Japan was the first Asian country to take advantage of Australia's proximity and the range of commodities it offered. It started with the signing of the first trade agreement with Australia in 1957. In 1966, it became Australia’s number one export market and by 1970 it was the number one trading partner,\textsuperscript{45} a position it maintained till date. Merchandise trade between Australia and Japan totalled almost $A28 billion in 1993-94. Long term structural change in Japan’s economy has resulted in a shift away from heavy industries to production of high-technology goods. Australia also remains a major supplier of raw materials to Japan. Japan remains a principal buyer of Australian agricultural products and is increasingly a buyer of manufactured products\textsuperscript{46}.

Hong Kong and Taiwan; were China’s prey, While Hong Kong has already become a part of China in 1997 and now Taiwan is the number one priority. Both Taiwan and Hong Kong are fast rising economics as well as politically liberalised. Though Taiwan has become the second largest trading

\textsuperscript{44} Australia, DFAT, “Australia as a World Trade”, International Public Affairs Branch, Fact sheet, January 1995, 030.

\textsuperscript{45} Ibid.

\textsuperscript{46} Swaran Singh, “Taiwan – Number one priority for China”, World Focus, vol 19, no 1 January 1998, p 11.
partner of China, after US, the Taiwanese may want to maintain Taiwanese identity. The political tension is quite disturbing though the economic development is not shaken. As far as Hong Kong is concerned its economy is one of the most robust and competitive in the world. It’s per capita GDP in nearly $US 2,600 and its foreign exchange reserves are more than $US 70 billion which is five times larger than the currency base and the seventh largest in the world. Australia’s trade with Taiwan in 1993-94 is $A5.1 billion and with Hong Kong at $A3.6 billion.

Australia’s trade with US, which was the number one trading partner in 93-94 was $A19 billion. Exports to US grew to 3 per cent in 1993-94. While with New Zealand, its third largest trading partner is at $A7 billion in 1993-94. Merchandise trade in both directions is centered on manufactures. Both the countries are competitive of primary producers. Exports to New Zealand has been increased by 19 per cent, in 1993-94.

**Australia and Asia-Pacific**

Asia-Pacific is quite a big area including north east and South-east Asia along with US, New Zealand and some parts of Latin America. Though Australia puts more emphasis on east and South-east Asia along with US

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49 Ibid.
and New Zealand. Australia’s ‘area of primary strategic interest’ is South-east Asian the South Pacific and the eastern Indian Ocean Rim countries, bounded by the ‘Ninety East Ridge”, the west Indonesia in the North and the Diamentina Trench in the south51. Today, Australia has increasingly become a part of the Asia-Pacific region, with the formation of APEC in 1989, strengthened the emerging sense of an Asia-Pacific region, With the addition of economic imperative to the security dimension. APEC was made as a robust regional group, which has been a dream among earlier ministers of Australia. APEC proves that Australia’s world was to be organised on principles reminiscent of Evatt’s desire to create regionalism within an international framework regulated by international law.52 The formation of yet another regional grouping in 1994, with the ASEAN members and their dialogue partners is ASEAN Regional Forum (ARF). For the first time Australia’s principle economic and security institution neatly coincided, along with a pronounced ‘Asia-Pacific ‘ community.

Australia’s link with Asia-Pacific apart from the regional arrangements have been growing quite steadily, through trade. More than half of Australia’s exports is going to north and South-east Asia. The trade with Asia-Pacific and other countries especially the merchandise exports were shown in the table given below.

51 Ibid, p 29.
Australia’s merchandise exports by destination A$ million, current prices (1993-94).

<table>
<thead>
<tr>
<th>Country</th>
<th>1989-90</th>
<th>90-91</th>
<th>91-92</th>
<th>92-93</th>
<th>93-94</th>
<th>Percent trends</th>
</tr>
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<tbody>
<tr>
<td>Japan</td>
<td>12781</td>
<td>14376</td>
<td>14589</td>
<td>15206</td>
<td>15907</td>
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<tr>
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<td>5015</td>
<td>6,332</td>
<td>7,288</td>
<td>8,669</td>
<td>8,882</td>
<td>15.7</td>
</tr>
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<td>EU</td>
<td>6829</td>
<td>6357</td>
<td>6861</td>
<td>7062</td>
<td>7315</td>
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</tr>
<tr>
<td>NAFTA</td>
<td>64323</td>
<td>6651</td>
<td>6161</td>
<td>6233</td>
<td>6414</td>
<td>-0.4</td>
</tr>
<tr>
<td>Republic of Korea</td>
<td>2700</td>
<td>3237</td>
<td>3374</td>
<td>3970</td>
<td>4703</td>
<td>14.0</td>
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<td>2826</td>
<td>3365</td>
<td>3994</td>
<td>11.9</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>1342</td>
<td>1559</td>
<td>2104</td>
<td>2597</td>
<td>2785</td>
<td>21.8</td>
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<tr>
<td>Taiwan</td>
<td>1821</td>
<td>1962</td>
<td>2537</td>
<td>2680</td>
<td>2735</td>
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<td>China</td>
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<td>1347</td>
<td>1457</td>
<td>2268</td>
<td>2589</td>
<td>23.5</td>
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<td>8735</td>
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<td>52371</td>
<td>55075</td>
<td>60785</td>
<td>64611</td>
<td>7.2</td>
</tr>
</tbody>
</table>

Source: Department of Foreign Affairs and Trades statistical services section, December 1994.

The table shows that Australia’s trade increased tremendously from 1989 to 1994 with China. It looks like Australia is set to make China feel economically inclined with the region and have amicable relations with the states than being militarily aggressive. With Hong Kong too its trade has increased, with ASEAN countries it is a steady rise. While with Japan, which is having, the largest of trade relations with it have been increasing steadily.

B-South-east Asia: Australian relation with South-east Asian countries have gone through a major transformation. The animosity which was created during the Vietnam war has to be reduced. Whitlam, one could say, was the
right man, at the right time and at the right place. One could not actually visualise what kind of foreign policy Australia would have picked up if some leader who keeps parroting US demands at that time and for the future was reigning then. Both diplomatically and economically, Australia reached a better position, while Whitlam in his short but very effective term had gained the confidence of the South-east Asians and by formally introducing Australia to the Asian region. Gareth Evans, in the Ministerial statement pronounced that Australia’s commitment with South-east Asian is to be that of "comprehensive engagement." The word engagement implies, a mutual agreement between countries which are in every sense equal. This also makes it clear about Australia’s determination to use the relative power not aggressively but constructively, in a spirit of partnership and mutual respect.\(^3^3\) Australia’s formal dialogue with the ASEAN Countries has been taken up through the following levels; the foreign ministers annual participation at the ASEAN Post-Ministerial Conference (PMC) attended by the foreign ministers of ASEAN countries and seven dialogue partners. Secondly, the annual meetings of the senior officials level ASEAN-Australia Forum, and thirdly the ASEAN-Australia Consultative Meetings (AACM), comprising Australian officials and the Canberra-based ASEAN heads of mission.\(^3^4\)

\(^3^3\) Ibid. p 183.
\(^3^4\) "Australia’s trade with Asia", Op.cit. no. 29, 023.
ASEAN’s interest in multilateral economic issues, like Australia’s has been growing rapidly, the organisation’s record in internal economic cooperation has been less substantial. South-east Asia, though starting from a generally much lower base than its northern neighbours, is developing rapidly and the ASEAN countries are among the fastest growing economies in the world. The new Tigers were Indonesia, Malaysia, Singapore and Thailand. Two way trade between ASEAN and Australia stood at $A8.8 billion in 1990, an increase of nearly 50 per cent since 1988. In 1990, an increase of nearly 50 per cent since 1988. In 1990, exports increased to nearly 70 per cent to $A5.8 billion\textsuperscript{55}. Exports of manufactures and services to ASEAN countries are rising more rapidly than exports of bulk commodities\textsuperscript{56}.

Australia’s largest trading partner among ASEAN member countries is Singapore with two-way trade reaching $5 billion in 1993-94. Australian exports to Singapore have grown at the rate of 17.5 per cent in the past five years, reaching $3.2 billion in 1993-94, with computer equipment and petroleum the principal items\textsuperscript{57}. Exports to Indonesia grew at an annual average rate of 22.7 per cent over 90-95 to reach $1.9 billion. Indonesian exports to Australia have also grown strong in the same period, more than

\textsuperscript{55} Ibid.
\textsuperscript{56} Ibid.
\textsuperscript{57} Ibid.
doubling to $1.1 billion in 93-94.\textsuperscript{58} Crude and refined petroleum were the principal exported products. Exports to Malaysia rose by an average 23.9 percent between 1989-90 and 93-94 to reach $1.8 billion.\textsuperscript{59} The largest single proportion of Australia's trade with Malaysia is in the agricultural sector. In recent years, elaborately transformed manufactures have grown strongly from a low base to reach $A446 million in 93-94 or 25 per cent of exports. Imports of Malaysian products cuts Australia have grown moderately in 90-95 to $A1.1 billion in 93-94\textsuperscript{60}. Exports to Thailand has reached to $A1.3 billion in 93-94 and its imports to Australia rose strongly in the five years to 1993-94 to reach $A794 million\textsuperscript{61}. Exports to Philippines grew by an average annual rate of 14.1 per cent between 1989-90 and 93-94 to reach $698 million. Vietnam is a small but rapidly growing market for Australian exports. The two-way trade was to $A443 million in 93-94\textsuperscript{62}. Thus, the trade with the ASEAN countries show that Australia is really committed to the region more in defence and strategic terms as in economic terms compared to the east Asian traditional partners.

The Economic Crisis and Security in the Region.

The economic crisis that started in 1997 had sent shivers all over the world. The total and swift collapse of the Asian stock exchange and money

\textsuperscript{58} Ibid.
\textsuperscript{59} Ibid.
\textsuperscript{60} Ibid.
\textsuperscript{62} Stuart Harris, Op.cit. no. 6, p 2.
markets and aggravating economic crisis led to destabilising economies, but not to a great extent. The reasons for this crisis were as Jan Bereman points out, firstly, the lack of solidity and profitability of investments. Secondly the lack of transparency of financial injections in the economy which was to disguise nepotism and corruption on a truly gigantic scale. Thirdly due to the way the new economic tigers like Thailand, the Philippines, Malaysia and Indonesia grew. This economic growth was only partly supported by a genuine increases in the GDP and to a lesser extent on higher labour productivity. Only a small percentage has been shifted to the industrial sector, while technological innovations are as good as absent. The growth was due to rising prices of real estate and speculation on the stock exchange. The fourth cause he says was the flight of capital, the motive of the flight, especially in South-east Asia were both political and economical  

This economic crisis, apart from having global consequence has regional security concerns jeopardized. It made the regional security perspective more incomprehensible and unknown. Particularly in south-east Asia, military budgets have been cut substantially. In rest of Asia, equipment purchases were reduced or deferred, training limited and fewer exercises undertaken  

Stuart Harris is of the opinion that the problem for the region as a whole is that it was economic growth that underpinned regime

63 Ibid.
64 Ibid
legitimacy, regional resilience and stability and cooperative international relations. And so he feels that the implication of the economic crisis can lead to the regional countries turning away from their open economic policies and become more protectionist.

Australia could help these nearer states in coming out of the glut. The ARF and the APEC can be taken as maxims under which to be worked. This way both these multilateral forums could be strengthened. Apart from this one has to just wait and see what colour the US-Japan-China triangle takes in the near future. These are the three countries that are majorly contesting for the superpower status in the region. This deadly triangle has to be understood properly. US-Japan ties can be amicable as they have a tradition of defence cooperation. But US-China have been seriously contending as the 'world's' reigning superpower and the world's rising superpower. Both were at loggerheads for some time. It needs to be seen how the relation between the two develops in the coming century.

Conclusion

The end of Cold War led to a dynamic economically oriented world. The economic liberalisation in today's world has raised severe question with

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regard to the basic human value i.e. the continuity of democracy in an unstable world, which could lead to a major breakdown of social and political cohesion provoked by electors resentful of the pain of economic restructuring, high unemployment and growing disparities. Moreover the end of bipolarity gave way to a complex strategic situation, especially in the Asia-Pacific region. The ‘Pacific Era’ has begun, bringing with it different vistas of strategic economic and diplomatic changes among the countries nearer to it. The Pacific region, being the epitome of diversity, kept the economically powerful countries, especially of the western orientation dazed and perplexed. Not only did the world turn to be economic but the armed forces also changed its role of being to defend national sovereignty and protecting the national assets from being involved with national security and national development, to come to pace with the ‘Pacifists’. The military expenditure is increasing, showing it to be an effective means to protect nationalists, including in areas where sea and land territorial claims overlap. In this world of the Pacific era, there are certain regional forums which had been very effective, like the ASEAN and its related forums like AFTA and ARF. Apart from it another forum with considerable significance and success has been APEC; which contributes to the growth and development of the region as well as the world economy.

68 Desmond Ball and Pauline Kerr, Op.cit. no. 9, p. 83.
69 Ibid., p 90.
Australian initiative in the world is launched under the background of dynamic regional partners and regional interdependence along with the emerging trade tensions. Australia’s move strategically has been nothing but sound, since economy is the base to develop good and amicable relations with neighbours. Its long held dream of a structured regional economic cooperation has been almost fulfilled through the platform under APEC and the strongly developing ARF. Apart form multilateral relations it also has developed bilateral relations. The Department of Foreign Affairs and Trade (DFAT) had been taking up broad-based policies. The department has also been active in the activities like dispute settlement and peace keeping, promotion of international disarmament and non-proliferation regimes etc. In order to be more effective the DFAT needs funds but its budget is only $2.3 billion, which is insufficient to support the full range of cooperative activities\(^\text{70}\) for which DFAT is responsible.

\(^{70}\) Desmond Ball and Pauline Ker, no.5, pp 83.