

Australian–ASEAN relations

Prevailing images

The ASEAN countries recognise diversities that exist among them and from this background have moulded the Association so that it is flexible enough to contain their different elements, yet is able to operate effectively as an international grouping. How do people from the ASEAN nations see Australians and what impressions do Australians have of them, are questions the Committee considered during the inquiry. The replies were varied but a common theme emerged, namely that a real need exists to develop a greater knowledge and appreciation of each other's social, cultural, economic and political systems, languages, problems and aspirations. Evidence indicated that ASEAN images of Australia varied among member countries and groups and individuals in the countries. Some see Australia as well meaning and co-operative, others see it as wealthy, racist, selfish and fundamentally not interested in the region. There is appreciation of Australia's support and assistance and some recognition of Australia as potentially important in the region. There is criticism that some Australian leaders have an ambivalent stand on economic issues such as protection and the news media is periodically accused of negative reporting and bias on ASEAN topics.

Australian perceptions of ASEAN countries also vary. Some see them as friendly, uncomplicated societies, ethnically and culturally different but familiar enough to be attractive as tourist venues. Others see ASEAN countries as having social pressures, economic problems, corruption, authoritarian governments, different interpretations of human rights and as having little affinity with Australian ways. One witness summed up the situation in the following manner:

Australian ignorance of its neighbouring states and peoples is considerable and regrettable. Their ignorance of us is almost overwhelming and could at some future time react seriously against us.¹

Throughout this report the Committee provides examples of the various efforts to promote greater understanding between Australia and the ASEAN States. It is encouraging that real progress is being made and contacts are increasing in many sections of the respective societies. To promote greater understanding is a lengthy and immense task and will require continuing and concerted application on as broad a scale as possible.

It has been the Committee's experience that at the official levels there is growing mutual understanding between Australia and the ASEAN countries. Contacts and exchanges are increasing and discussions are held in an amicable, but frank manner. Exchange visits have been promoted and the obvious benefits accruing from these have been confirmed to individual Committee members when they have visited the ASEAN countries. A limiting factor has been that exchanges are restricted mainly to official, academic and commercial levels and the Committee, while endorsing their merits, feels that scope exists to expand reciprocal exchanges into many sectors of the respective communities and their various activities. Tourism has been recognised as a means of developing mutual understanding but opinions differ on how effective and genuine a reflection of a country and its people it provides for visitors. Conversely, the value of the image visitors create in the countries they visit is also sometimes questionable.

¹ See transcript of evidence, *Official Hansard Report*, p. 1941.

What are Australia's impressions of ASEAN as an organisation? Has Australia over-reacted as it experiences, for the first time, a regional grouping of developing countries which exerts collective pressure? Is Australia placing more importance on ASEAN than is justified in the context of Australian-South East Asian relations? The Committee posed these questions during the inquiry and received varied responses. Some comments reflected feelings that Australia has over-reacted to ASEAN pressures and issues, others expressed the view that more emphasis should be placed on furthering co-operation and developing closer ties with ASEAN. Generally the prevailing images of ASEAN, expressed to the Committee, were that the Association has become a lasting feature in the region; it has growing international recognition; it has helped the stability of the region; it has achieved results collectively that individual members could not have achieved and that it is important to Australia in many ways.

It is the Committee's assessment that Australia should continue to regard the Association as an important, friendly grouping of States with which Australia will want to pursue a sound long-term relationship based on mutual respect. However, there is no suggestion that a 'special' relationship exists or should be fostered. A relationship of this type can nurture false hopes and expectations which cannot always be fulfilled and can be construed by others as discriminatory in the context of Australia's overall foreign relations. It must be accepted that there are occasions when Australia and ASEAN act to serve their own interests in a manner which may be opposed to the other's interests.

When considering Australia's approach to ASEAN it is salutary to recognise that within this decade a new generation of political leaders will emerge in the member States. They will be leaders whose attitudes were not moulded by colonial experience. It is possible that their attitudes will differ from present attitudes towards Australia and ASEAN. The Committee concludes that Australia's approach to ASEAN and its members must take into account these changes and must recognise that Australia's response to these developments is crucial to sound long-term relations.

The political relationship

Historically Australia's political relations with the independent countries of South East Asia began with issues of defence and security. The long-standing bilateral relationships with these countries continue and are becoming broader. The formation of ASEAN and its development has been supported by successive Australian Governments, Australia being the first non-member country to establish a formal relationship with the Association, starting in 1974 what is now known as the ASEAN-Australia Economic Co-operation Program (AAECP). In the period since ASEAN was formed the region has experienced major changes that have affected the Association's members' and Australia's policies. These changes include:

- the emergence of three communist Indo-China states and the decline of the United States military role in South East Asia;
- an international economic recession bringing a reduction in growth rates and a swing to protectionist policies in developed countries, including major ASEAN market countries;
- changes in major powers' relationships e.g. China and the United States, China and Japan;
- progressive economic development in ASEAN countries in spite of increasing energy costs; and

- growing doubts about the regional security situation created by the Chinese invasion of Vietnam, Vietnamese invasion of Kampuchea and Vietnamese incursion into Thailand.

The rapidly changing regional situation has required Australia and ASEAN to adapt their policies to meet these changes. Australia was also presented with the requirement to adjust, by the mid-1970s, to a situation of dealing with a revitalised ASEAN. The growing international acceptance of ASEAN as a cohesive group has brought with it repercussions for Australia's relations with the Association. Continuing sound bilateral relations with individual ASEAN members have not necessarily guaranteed Australia the same treatment when dealing with them as a group, especially on trade and economic issues. A point has now been reached where Australia's relations with ASEAN encompass most aspects of Australia's international relations and many of these issues increasingly impinge on Australian domestic policies.

Australia's interests in the ASEAN region include:

- concern for the stability of the region, that it should be free of conflict and not a focal point for rivalry among the major powers;
- harmonious relations with ASEAN governments which have a regard for Australia and do not foster attitudes inimical to Australia;
- co-operation in the social and economic development of member countries which have increasing potential as export markets for Australian products, investment and services; and
- close co-operation with ASEAN countries to promote mutually acceptable policies internationally on political, strategic and economic issues, as well as co-operation on solutions for common problems such as refugee resettlement and narcotics trafficking.

In 1977 the Heads of Government of the ASEAN countries and Australia met in Kuala Lumpur and the Australian Government introduced measures in the economic and development assistance fields to enhance co-operation. Since then increased exchanges at the Ministerial and official levels between ASEAN and Australia have taken place including the Australian Foreign Minister's attendance at the 1979 and 1980 annual meetings of ASEAN Foreign Ministers. A network of economic co-operation bodies has been formed and there are growing contacts between the ASEAN and Australian private commercial sectors. Formal parliamentary links have also been established through the ASEAN Parliamentary Association. Australia and the ASEAN countries have reciprocal, bilateral, diplomatic and trade representation including consular representatives (apart from Singapore) in most Australian States.

Australia supported the establishment of ASEAN and since then at the official level considerable effort has been placed on intensifying and widening relations with the Association. Australian political leaders have frequently commented on the importance and significance of ASEAN to Australia e.g. in 1978 the Prime Minister on a visit to the Philippines said:

Australia is very conscious of the importance of ASEAN as a force for moderation in the region. ASEAN has emerged as the most cohesive and resilient grouping of countries in recent South-East Asian history. We fully share and support the fundamental aims of ASEAN: the maintenance of peace and stability in South-East Asia, freedom from great power rivalry, the promotion of friendly relations with other countries, and the raising of the living standards of the peoples of the region.

Let me emphasise, . . . that Australia's interest and involvement in South-East Asia is strong and growing, and that it is a central and enduring policy objective of the Australian Government to strengthen contacts and relationships with ASEAN in all fields of common

interest. The acronym ASEAN has a second meaning for us. It stands not only for the Association of South-East Asian Nations, but also for Australia's South-East Asian Neighbours.

In a statement to Parliament in 1979 the Foreign Minister said of ASEAN:

The movement toward greater cohesion among ASEAN countries is of particular importance to Australia's interests. It provides mutual support, promotes co-operation, strengthens confidence and assists forces for stable development. Accordingly, Australia seeks to strengthen our links with the ASEAN countries.

The Leader of the Opposition has stated:

ASEAN is the touchstone of Australia's performance in international relations; if we cannot manage our relations successfully on this front, there must be severe reservations about our prospects on others. Our ASEAN relationships cover the field. They proceed from a long-established basis of amity and recognise strong mutual interests. At the same time, however, it has become increasingly clear that they must accommodate competitive pressures and political differences that often go to the heart of our perceived national interests.

I am confident about the relationship in the long term because the elements of mutual interest should predominate in the judgment of reasonable and objective managers. Having said that, there must be changes on both sides if we are to avoid over-emphasis on the frictions and differences. We—and I mean both sides—must be honest and consistent with each other. The neighbourhood is too small for hypocrisy and double standards to go unnoticed.

Apart from the ASEAN–Australian economic relationship, which is discussed in the following section, Australia has in recent years maintained close co-operation with ASEAN on situations that have regional and wider implications. The outflow of refugees from Indo-China since 1975 placed a heavy burden on ASEAN countries, especially Thailand. Australia, in close co-operation with the ASEAN countries, continues to be actively involved with regional and international attempts to find solutions to the refugee problem. The Vietnamese invasion of Kampuchea is another source of regional tension and Australia shares the ASEAN countries' concerns over this situation. At the June 1980 meeting of ASEAN Foreign Ministers the Australian Foreign Minister supported the stand taken by the ASEAN Foreign Ministers in their Joint Statement on Vietnamese incursions into Thailand. He stated that the security of Thailand must be ensured, that the solidarity and cohesion of ASEAN must be fostered and sustained and that the search for a political settlement must be maintained.

Australia was one of the co-sponsors of the 1979 and 1980 ASEAN draft resolutions on Kampuchea in the United Nations and voted with the ASEAN countries and other countries to support the recommendation of the Credentials Committee of the United Nations to accept the credentials of Democratic Kampuchea. Despite mounting domestic pressure Australia continued to recognise the Pol Pot regime in Kampuchea, due in part to support of the ASEAN stand, until October 1980. On 14 October 1980 the Minister for Foreign Affairs announced that Australia had decided to derecognise the regime, he said '... Australia cannot prolong its recognition of such a loathsome regime as that of Pol Pot'. Referring to the date for the derecognition he added, 'Only the limited time frame remains to be determined'. The Labor Party had called for the derecognition in April 1980 and it was stated by the Leader of the Opposition in the Senate that the withdrawal of recognition would be 'one of the first actions in foreign policy ...', of a Labor Government.

Perceptions of the political relationship

The Committee acknowledges that economic issues are of particular significance to Australian–ASEAN relations and in fact have been the dominant feature.

Nevertheless the political relationship, economic influences aside, is fundamental. The publicity it receives is often determined by events that are external to it e.g. the situation in Indo-China. The official Australian position on the importance of ASEAN and support for its development is frequently emphasised by national leaders. During the Committee's inquiry a variety of views on the relationship were received from witnesses. They questioned aspects of it and the way it is conducted. While opinions on the state of Australian-ASEAN relations differed it is significant that no-one doubted the need for close Australian co-operation with ASEAN.

Evidence given to the Committee by the Department of Foreign Affairs stressed the Government's view that co-operation with ASEAN is at the 'core' of Australia's foreign policy and that relations with the individual ASEAN countries and with ASEAN itself should continue to be given a high priority, on a long-term basis. Another witness questioned the Australian reaction to ASEAN and considered that it 'may be looming too large in Australia's international perspective'. He pointed out that Australia should treat the Association with respect and that it is important to Australia but so are many other States and groups, some of which are more vital to Australia's political and economic security. He felt that there is a tendency in some parts of the Government and the news media to think that no other country or group of countries is as important to Australia as ASEAN and that Australia's approach to it is deferential and compliant to pressures from the group. There is a requirement that Australia's national interest should be calculated carefully, taking account of domestic pressures, and presented in a manner that best serves that interest. An adverse reaction from ASEAN to a particular Australian policy does not necessarily make it wrong, yet there seem to be some Australians who assume this to be the case.²

One witness felt that ASEAN countries had adjusted better than Australia to changes in the global strategic, political and economic systems and that consequently Australian-ASEAN relations are 'somewhat unsteady and uneven'. This witness stated that Australia has a domestic economic policy and a foreign economic policy which are going in a different direction to the foreign political policy. Both the domestic and foreign economic policies are turning away from the ASEAN countries concerns; yet the foreign political policy is placing more emphasis on ASEAN, thereby creating problems.³ Strategically, however, Australia is important to ASEAN as a friendly neighbour and it lends support to the Association's aspirations for peaceful settlement to regional tensions.

Other evidence the Committee received indicates that Australian-ASEAN relations are viewed by numerous witnesses as being essentially in the formative stage and always subject to the vagaries of international affairs. It was pointed out that although Australia was the first country to establish formal links with the Association, it is somewhat ironic that it is also the country most criticised by ASEAN. Witnesses felt that as Australian policies towards ASEAN are defined the following issues have implications and need to be considered:

- it is in Australia's interest to have a peaceful and prosperous region to its near north and ASEAN is only one of the elements in South East Asian politics;
- therefore, Australia needs to define for itself the relative importance of ASEAN in the entirety of its relations with South East Asia and further afield;
- there is the question of ASEAN's cohesion considering the diversities that exist among its members and the influences on it of regional and major powers;

² See transcript of evidence, **Official Hansard Report**, pp. 1937-40.

³ See transcript of evidence, **Official Hansard Report**, pp. 784, 799.

- Australia's role in ASEAN–Indo-China relations and other regional rivalries is not clear;
- relations with ASEAN should be on a basis of mutual respect not deference and should serve the national interest even if certain aspects differ from ASEAN expectations;
- it is important to clearly establish when Australia deals with ASEAN collectively on matters and when it should deal individually with a member country;
- the significance of ASEAN to Australia's relations with its major trading partners; and
- a clear perspective of the totality of the relationship, how close is it, or should it be, what benefits, disadvantages, pressures and expectations does it bring.

The Committee acknowledges that ASEAN's record of development and its achievements, notably from the mid 1970s, has been impressive. It is apparent that in many respects ASEAN is still in its formative stages, as are Australian policies on relations with the Association.

The frequently expressed Australian desire for a peaceful and prosperous region is shared by the ASEAN countries and the Committee agrees with the accepted view that the evolution of ASEAN has been a contribution to regional stability. The Committee recognises that the member States of ASEAN are confronted by considerable and diverse domestic problems of varying degrees of severity which could cause internal instability. These could have a direct bearing on the nature of Australia's long-term association with ASEAN.

The complexities of issues that can arise and a link between economic and political matters was illustrated by the ASEAN reaction to Australia's International Civil Aviation Policy. The ensuing, protracted negotiations have been widely publicised, documented and discussed as examples of ASEAN solidarity, a downturn in the relationship, an attempt by Australia to split the Association and a manifestation of protectionist policies. The Committee sees little purpose in repeating the issues or analysing the interpretations placed on them. The ICAP issues created temporary difficulties but they do highlight that Australian–ASEAN relations can be severely tested and that such differences can affect the overall relationship beyond the confines of the particular commercial or economic policy at issue.

The ICAP experience also demonstrates the need for Australia's policies to be carefully explained and presented only after all their elements have been fully considered and co-ordinated. The Committee is aware from previous inquiries that the policy co-ordination system has deficiencies and is becoming increasingly complex as more domestic policies affect foreign policy. The relevance of long-term effective policy co-ordination in the Australian–ASEAN context is obvious and the Committee emphasises that Australian policies should only be presented after comprehensive consideration and agreement at the inter-departmental level, in consultation with the non-government sector where involved, and where necessary, decision at the Cabinet level. This should be supported by intensive diplomatic activity and detailed explanation at every possible point of contact.

Future Australian–ASEAN relations will involve a multitude of multilateral and bilateral considerations and external events will have a bearing on the relationship. Examples of possible influences are:

- the effect of regional and major power rivalries in the area;
- changes of leadership and of government in Australia and the ASEAN countries;

- the state of Australian–ASEAN economic issues;
- differing concepts of human rights, e.g. the Australian Labor Party platform includes the withdrawal of recognition of Indonesia’s annexation of East Timor and a United Nations examination of human rights violations in Irian Jaya;
- the implications of proposals for a Pacific Basin Community;
- continuing difficulties with the ASEAN countries over Australia’s International Civil Aviation Policy; and
- sea bed boundary negotiations with Indonesia.

The extent to which any of these influences will create differences is open to conjecture but they serve to illustrate the importance of continuing to develop better understanding and co-operation. It is essential to promote a relationship that looks beyond the limits of day-to-day issues, in order to establish long-term mutually acceptable relations.

The Committee endorses the view expressed by the Department of Foreign Affairs that:

The co-ordination and pursuit of policy towards ASEAN and the ASEAN countries has become a task of special significance. It is a task, and a set of circumstances, which Australia has not been required to confront in its external relations before the present decade.⁴

The Committee in its 1979 report *Australian Representation Overseas—The Department of Foreign Affairs* commented on the increasing complexities of domestic and international issues, their interdependence and effect on policy co-ordination. The Committee considers the requirement for effective policy co-ordination is vital to furthering relations with the Association and its members and therefore recommends that:

- (i) priority be given to developing policy-making processes to effectively co-ordinate the interdependent elements of domestic and foreign policies;
- (ii) consultative procedures in policy co-ordination should be broadened to promote closer liaison with the non-government sector when the issues involve them; and
- (iii) to meet the growing demands of Australian–ASEAN relations, Australia’s diplomatic missions in the region be provided with adequate staff and resources to ensure that policies are effectively implemented.

Economic relations

Throughout the 1970s there was a growth in trade between developed and developing countries, demonstrating the increasing interdependence of national economies. As a result of increasing industrialisation in many developing countries, their growing competitiveness and the onset of the world recession, many developed countries, including Australia, have experienced increased import competition, slower growth, unemployment and balance of payments problems. This, in turn, has provoked among some developed countries a protectionist response. The growth of some developing economies has brought increased demands for imports. These have benefitted developed countries and in Australia’s case caused a shift in the relative importance of export markets.

During this period economic development in the ASEAN countries has been rapid, despite disruptions such as the energy crisis. Their progress has been partly as a result of the growth in North Asia, their industrial development and partly as a result of

⁴ See transcript of evidence, *Official Hansard Report*, p. 328.

world demand for their traditional exports. Their Gross Domestic Product growth rates have been above world average levels and above the average levels for industrialised countries and developing countries.

In the context of Australian–ASEAN relations, economic issues, both bilateral and multilateral, have developed as the focal point of the relationship, especially Australia's trading policies. In 1974 when Australia established its formal links with the Association, Australia's development assistance program was the main item of discussion; two-way trade was then at relatively modest levels. Since 1976 when ASEAN countries adopted a joint approach and delivered the first of two memoranda on Australian–ASEAN trade co-operation, trade has emerged as the central element of the economic relationship. Australian–ASEAN trade continues to be conducted on a bilateral basis with the member countries but with increasing frequency ASEAN is used to present a joint approach on issues which affect one or more of the group.

Australian–ASEAN economic relations encompass an ever widening range of economic activities and issues both at the Government and the private sector levels. Consultative arrangements have been created and formalised. Australia has taken a number of initiatives especially to promote economic co-operation with ASEAN countries e.g. the Joint Research Project and the ASEAN–Australia Economic Co-operation Program.⁵ Nevertheless, differences in the relationship arise and some are continuing.

The focus of continuing ASEAN countries' criticism, both bilaterally and as a group is on their trade imbalances with Australia (excluding Singapore) and the quantitative restrictions on imports of 'sensitive' items of export interest to them. Even though ASEAN countries' share in the Australian market for these products has grown rapidly and quotas are applied on a global basis, ASEAN sees Australia's trading policies as protectionist. While Australia has a legitimate right to decide what extent of protection it gives its industries, it has indicated these restrictions will be adjusted when domestic economic conditions improve.

In discussions Committee members had with leaders in ASEAN States there is a growing appreciation of the size limitations of the Australian market, the fact that trade imbalances exist and are likely to continue and that domestic economic, social and political considerations affect industry assistance and restructuring. The Committee considers it disturbing that there are anti-protectionist pronouncements made abroad by Australian leaders which do not seem to fully correspond with the policies initiated at home. In the ASEAN countries these statements have been described as rhetoric and they ask for a demonstration by Australia to give credence to the statements. Over the years some efforts to assist developing countries have been made e.g. in the context of the Multilateral Trade Negotiations tariff reductions on tropical products and in 1979 new or increased margins of tariff preference on the imports of sixty-six products from developing countries. ASEAN countries have not always given Australia due credit for its efforts, and firmly expressed intentions, in this area. But Australia should not give room for such criticism by overstating the case.

In addition to their impact on Australian–ASEAN relations, economic matters have wider implications for Australia, mainly in the context of proposals for a new international economic order and relations generally with the Third World countries. The ASEAN countries identify themselves as Third World members and in this respect the Committee's observations in its report *The New International Economic Order—Implications for Australia*, page 45, are relevant:

⁵ For details of these see transcript of evidence, *Official Hansard Report*, pp. 523–35.

Australia's attitudes must continue to take into account that the Asian countries are its neighbours and that the ASEAN group in particular has a cohesion and solidarity which is significant, one which is shaped importantly by the Group of 77 philosophy and has to be interpreted in that context. Consequently, Australia's actions and responses will be closely examined from that aspect. They will affect political relations with the region and the countries in it and this itself will affect relations with the developing world generally. Consistent with their interests, the ASEAN countries have at times had a moderating influence in developing country forums.

A demonstration of the New International Economic Order principles being used occurred during the negotiations ASEAN had with Australia over the International Civil Aviation Policy.

Evidence the Committee has received on Australian-ASEAN relations endorses the fact that economic issues are a dominant feature, they receive constant emphasis and are likely to remain a central element of the relationship. Witnesses differ in their comments on how well this aspect of the relationship is conducted but there is general agreement that it can be improved through well co-ordinated, effective policies aimed at furthering co-operation to achieve mutually beneficial results. The Committee recognises the complexities in Australian-ASEAN economic relations and that solutions to some issues are not readily available. It recommends that emphasis be given to the importance of developing sound, acceptable economic policies as they are a key element in the relationship and serve both ASEAN and Australian long-term interests.

Economic co-operation

Consultative processes

Australia conducts extensive consultations on economic matters with ASEAN as a group and on a bilateral basis with its individual member countries. The consultative process involves Heads of Government, relevant Ministers and officials in exchange visits and formal meetings. The ASEAN Australia Forum has established the ASEAN Australia Consultative Meeting to facilitate continuing consultation on matters of mutual interest and it in turn has formed a Special Working Group on Trade. The Group meets at least quarterly and has responsibility for the Early Warning System. The Early Warning System provides ASEAN countries prior notification of, and an opportunity to consult on, Australian industry assistance proposals of interest to them.

To assist governments and industry with decisions on economic co-operation and development on a long-term basis in the ASEAN-Australia context a Joint Research Project has been proposed by Australia. The Project has been considered by ASEAN, the terms of reference have been agreed to and it will be implemented.

Trade promotion

Under the ASEAN-Australia Economic Co-operation Program assistance is given on an ASEAN-wide basis to help the member countries achieve their maximum potential in the Australian market consistent with Australia's domestic policies. Promotion activities include:

- sponsoring of two ASEAN trade fairs held in Sydney in 1978 and in Melbourne in 1980 involving a total 320 ASEAN exporters;
- an Australian-ASEAN Industrial Co-operation Conference in 1978 involving delegations of business representatives from each ASEAN country, led at ministerial level. (They met with over 200 Australian firms from seven industry sectors; another conference is due for 1981.); and

- seminars for business representatives and officials in the Philippines and Thailand on various aspects of the Australian import market; more are planned, including some in Indonesia.

In the three year period commencing July 1981 the Government had allocated an additional \$4 million to develop with ASEAN countries a three year trade promotion program under the AAACP. This complies with the desire of each ASEAN country to have its own national trade promotion and investment programs geared to individual requirements. The program will include a range of promotional activities such as missions, trade displays, store promotions and seminars.

The Market Advisory Service of the Department of Trade and Resources provides trade promotion assistance to developing countries and some 20.0% of all product inquiries originate from ASEAN countries. Over 170 ASEAN officials and business representatives have participated in the Department's training projects including workshops on trade publicity techniques and the operation of Trade Commissions.

The observation has been made to the Committee that to date the ASEAN countries' share of the Australian market has not reached substantial proportions. In the sensitive area of textiles, apparel and footwear the available evidence suggests that the ASEAN countries are not as competitive as other developing country suppliers to the Australian market and that trade is generated in these products by the Australian importers rather than promoted by the ASEAN suppliers. However there is evidence of an awareness of these facts at the official level in the ASEAN countries and in the course of bilateral discussions with Australian officials there is a focus on developing exports which will not disturb Australian industry. Instead assistance is being sought which will displace third country suppliers rather than compete with Australian industry.

Australian trade promotion in the ASEAN nations is active and approximately 10.0% of the total Trade Commissioner Service is located in the five countries. The relatively rapid expansion of these markets has made ASEAN countries significant areas for promoting Australian exports. A continuing program of trade promotion activities has been implemented with particular emphasis on trade fairs, displays, trade missions, service to business visitors, market surveys and promotional publicity in each ASEAN country.

The Export Finance Insurance Corporation (EFIC) offers Australian exporters insurance against risks of non-payment from overseas buyers, actions of overseas governments such as foreign exchange blockages and sudden import controls. It also offers supplier and buyer credit to financial institutions. Since its formation EFIC has covered \$886.6 million of exports to ASEAN countries, 10.8% of its cover to all countries. To overseas buyers EFIC is able to provide medium to long-term loans at subsidised interest rates and up to June 1979 it had made six loans totalling \$57.9 million to buyers in ASEAN countries.

Trading relations

Australia and the ASEAN group of countries have common major trading partners e.g. Japan, the United States and the European Economic Community countries. Australia and the Association are not vital to each other's economic survival yet the last decade has shown a marked growth in the overall levels of trade and ASEAN is now Australia's fourth largest trading partner. In 1968-69 exports to ASEAN from Australia amounted to \$217 million, but by 1978-79 they had grown to \$1090 million, an annual average growth rate of 18.0%. The 1978-79 figure of exports to ASEAN countries represented 7.7% of Australia's total exports. In the same year ASEAN countries supplied 4.7% of Australia's imports valued at \$642 million compared to a

value of \$108 million in 1968–69. This is a 19.5% increase annually, against a 12.0% annual increase in imports from all sources. However the ASEAN increase is calculated from a relatively low base figure in 1968–69.

Australia's major exports to ASEAN countries are primary products (51.0%) and manufactures (44.0%) in 1978–79. Major exports from the ASEAN countries to the Australian market include oil, petroleum products, rubber, timber and manufactures mainly textiles, apparel and footwear. A significant feature is that the import of manufactured products from ASEAN sources is growing at a much higher rate than Australia's total imports of manufactures, an annual growth rate of 46.3% since 1972–73. Australia has Trade Agreements with Indonesia, Malaysia, the Philippines and Thailand. Summaries of Australian trade with the ASEAN member countries are provided in Appendix 2.

While trade and formal trade relations continue to be conducted on a bilateral basis there is a growing trend for trade issues which affect one or more ASEAN members to be raised collectively in the ASEAN context. The three major issues that have developed in the trading relationship are the trade imbalance (in 1978–79 some \$448 million in Australia's favour), Australian industry assistance policies limiting ASEAN access to the market and the imposition of the 12.5% additional import surcharge on certain finished products subject to quotas or import restraints.

The imbalance of trade. In response to ASEAN criticisms of the imbalance of trade Australia takes the approach that as a multilateral trader undue significance should not be given to the bilateral balancing of trade. As long as the overall external account is balanced in the long-term, bilateral surpluses and deficits will inevitably occur in a liberal trading situation. If bilateral balances were maintained with each trading partner world volumes of trading and economic activity would be reduced and a barter trade situation could result.

When the imbalance of trade is viewed the invisible transactions in the balance of payments must also be taken into consideration. For example it has been estimated that in 1977–78 these transactions, mainly Government expenditure on development assistance, defence forces, tourism, investment, etc., reduced the imbalance by 64.0%. Indications however are that ASEAN's trade deficit with Australia will continue to grow in absolute terms and it can be anticipated that the members will sustain their criticism of the imbalance.

Access to the Australian market. At the centre of Australia–ASEAN trade relations are the levels of protection accorded to Australian industries. ASEAN sees these industry policies as protectionist, inhibiting market access to new items from ASEAN's growing manufacturing sector, and limiting areas of trade which show promise of expanding. The most criticised assistance measures are those which ASEAN sees as protecting high cost or labour intensive Australian industries, particularly textiles, apparel and footwear. Timber products and furniture are other items which ASEAN considers are adversely affected by levels of protection.

The ASEAN countries have listed products of export interest to them that are subject to high tariffs in Australia and criticised the protection accorded Australian manufactures by tariff escalation through the various stages of processing.⁶ Also of concern to ASEAN countries is the imposition of import quotas on products of key interest to them. In response Australia has emphasised the rapid growth of ASEAN exports to Australia (which are growing more rapidly than Australian exports to ASEAN), the growth of those exports per capita and the current economic situation in Australia, in

⁶ See transcript of evidence, *Official Hansard Report*, p. 1332.

particular the need to check increases in unemployment. Australia has also pointed out the measures that it has introduced to facilitate trade with ASEAN, for example:

- a network of consultative arrangements including ministerial and official visits, the annual meeting of the ASEAN–Australia Consultative Meeting and its Working Group on Trade;
- access to Australia’s non-reciprocal system of preferential tariffs for developing countries, the Australian System of Tariff Preferences (ASTP) including the handicraft concession;
- the establishment of an Early Warning System which enables ASEAN countries to put their views on Australian industry assistance issues when they are under consideration (apart from the ASEAN countries this facility is only extended to India); and
- assistance to ASEAN countries to achieve their maximum potential in the Australian market through Australian-organised and financed trade promotion programs under the ASEAN–Australia Economic Co-operation Program e.g. two Australian-sponsored trade fairs.

Additional customs duty of 12.5%. In August 1978 a special additional duty of 12.5% was imposed on certain finished goods which are subject to import restraint measures (either by means of tariff quotas or import licensing). It is a revenue raising measure and not in conflict with Australia’s international trading obligations⁷. The ASEAN countries regard the surcharge as an additional barrier to trade and state that importers pass the charge on to suppliers. ASEAN countries also consider the surcharge discriminatory in that it inhibits their attempts to improve their position as relatively minor suppliers of textiles, apparel and footwear to the Australian market. In its first twelve months the surcharge affected imports from ASEAN in only five items where trade has not increased and in four cases, this is due to stagnant demand in Australia. From ASEAN imports it has raised just over \$2 million dollars in revenue. Ministers have assured ASEAN that if the surcharge can be demonstrated to have an adverse effect on their exports the Government will consider representations on the matter. As yet no cases have been presented.⁸

The Australian System of Tariff Preferences

The second ASEAN Trade Memorandum stated:

. . . The ASTP has not really contributed towards any substantial increase in exports of the ASEAN member countries to Australia, the main reason being, among others, the limited product coverage, the low level of tariff reductions, the existence of a quota system and the stringent definition of handicrafts pursuant to Item 36 of Schedule 2

The ASTP is designed to assist developing countries to overcome any disadvantages they have with other countries for access to the Australian market, providing there is no injury or threat of injury to Australian industry. Where Australian industry is deemed to be threatened preferences are not accorded, are withdrawn or modified. If developing countries are assessed as being already competitive on the Australian market preferences are not accorded, or if developing countries enjoying a preference become competitive with a third country, the preference can be withdrawn or modified. Apparel and footwear are considered already competitive and are excluded from the system. ASEAN countries are critical of the provision for the withdrawal of

⁷ see transcript of evidence, *Official Hansard Report*, p. 1334.

⁸ see transcript of evidence, *Official Hansard Report*, pp. 1730-1.

preferences. They also seek a widening of the product coverage, removal of import quotas and a further reduction in tariffs on ASTP products of interest to them.

In evidence to the Committee the Department of Trade and Resources stated that all ASEAN member countries have been beneficiaries under the ASTP since its introduction in 1966. In 1978-79 some 9.0% (\$60 million) of imports entered Australia duty free at ASTP preferential rates and 12.0% (\$76 million) were dutiable but at ASTP preferential rates. In response to the other ASEAN request for more liberal treatment under the ASTP a further sixty-six products were given improved treatment. The ASTP quota levels are reviewed annually and further quota increases were announced in 1980. As well the Government removed British preferential tariff margins on 500 items which had enjoyed a lower rate than the relevant developing country rate. All remaining British preferences will be removed by July 1981. The Government at ASEAN's request has been conducting seminars in the member countries to explain the ASTP. The handicraft concession which permits goods duty free entry has been described by ASEAN countries as 'too stringent'. The use of modern materials and equipment in handicrafts production has complicated the criteria assessment and the concession is under review by the Australian Government.

Other witnesses have raised concerns over the merits of preferential arrangements in trading relations. The Treasury on preferential tariffs expressed the following views:

There are inherent dangers in relying on a widening of preferential trading arrangements as a means of improving relations in the ASEAN countries. This is not to say that in any general reduction in barriers to imports there might not be some advantage in giving priority to the reduction of restrictions on imports of major interest to neighbouring developing countries, including ASEAN. It is another matter, however, to consider proposals that concentrate on widening of the ASTP. The very development of such non-reciprocal schemes has directed attention away from the potential benefits of reciprocal or MFN tariff reductions, and in any case the value of the ASTP scheme has diminished considerably with the expanded use of non-tariff barriers. There is a danger that industries established on the basis of preferential trading arrangements which are non-binding in character can turn out to be uneconomic in the longer-term.

Added to the disadvantages of preferential arrangements is the diversion they represent from the primary goal, both for Australia and for the longer-term interest of developing countries themselves, of becoming more involved in reducing trade barriers on a reciprocal and non-preferential basis. Australia has traditionally supported an MFN trading environment, both because it permits countries to secure their imports from the most efficient sources (promoting efficient international resource allocation) and because in the global context it is of particular value to smaller trading countries, such as Australia, which have limited trade negotiating power.⁹

Another witness also argued that it is in Australia's national interests, given ASEAN economies' growth and Australia's difficulties in manufacturing industry, to look for reciprocal access to markets as a means of promoting stable trade. Reciprocity in international trading can have advantages on the domestic market by offsetting pressures from industries affected by overseas competition against the gains made by industries able to penetrate the overseas markets. The Committee recommends that this general approach to preferences should continue where it is practical and mutually beneficial keeping in mind the considerations referred to by the Treasury in its evidence to the Committee.

Private sector activities

Australian investment interest in the ASEAN countries was given new impetus in mid-1972 when the then Australian Prime Minister, on a tour of Indonesia, Malaysia

⁹ see transcript of evidence, **Official Hansard Report**, pp. 1335-6.

and Singapore received specific requests for more Australian investment. Australian investment survey missions visited the ASEAN countries and in 1974 a general policy was announced and confirmed by successive governments. This policy encourages direct investment overseas in accordance with the economic, social and developmental priorities of the host country on a joint venture basis and local participation. Investment which prejudices employment opportunities in Australia or demonstrates no benefit for Australia is not favoured.

Australian direct investment in the ASEAN countries amounted to 11.3% of the total flow of Australian direct investment overseas, as at 30 June 1978. The breakdown between each ASEAN country is:

Table 1. Levels at 30 June 1978
(amounts to nearest \$A million)

	<i>Corporate equities</i>	<i>Other direct investment</i>	<i>Total</i>
Indonesia	14	26	40
Malaysia	21	9	30
Philippines	12	1	13
Singapore	27	24	51
Thailand	4	4	8
ASEAN	78	65	143
All countries	657	773	1 430

Source: The Treasury

While these figures show direct investment flows they do not include retained earnings and therefore considerably underestimate the current value of total investment which is estimated to be over \$500 million in the ASEAN countries. Japan and the United States are the major sources of foreign investment for ASEAN countries. Australia ranks among the minor investors but Australian investment is appreciated as it provides useful technology and skills and helps to offset the dominance of the major investors.

The bulk of Australian direct investment has gone to Indonesia, Malaysia and Singapore. Indonesia's share has declined in recent times, prompted by uncertainties over the Pertamina indebtedness, and shifted to Singapore. The shift in preference has been aided by variations in the type of enterprises Australians are investing in overseas. Although manufacturing still accounted for 48.0% of Australian direct investment in 1978, there is a trend towards investment in other industries such as insurance, finance, property, transport and construction, in the ASEAN countries.

Investment in Australia from ASEAN countries, mainly Singapore and Malaysia, has been increasing but they remain mainly minor investors. Portfolio investment and institutional loans are the main form of investment from these sources. From 1974 to 1979 these investments amounted to \$98 million, 5.5% of the total inflow of portfolio investment and institutional loans for the period.

Australia has double taxation agreements with Singapore and the Philippines. A draft agreement has been settled with Malaysia and negotiations are in progress for an agreement with Thailand. Indonesia has not sought an agreement.

Business co-operation

Aided by the Australian Government's facilities for overseas investment and the incentives provided by ASEAN governments, there are now over 200 Australian firms

represented in the ASEAN countries. The majority have their interests in joint venture operations with local entrepreneurs and many operate in more than one member country. Their activities cover the primary, secondary and tertiary fields with manufacturing and light engineering predominating.

Generally from the information the Committee has received Australian firms enjoy a good reputation in the ASEAN countries and their growing presence is encouraged. There were comments that some Australian business representatives seeking opportunities in these markets are not as thorough in their market research as, for instance, the Japanese and the Europeans but those that are can become established and can function effectively. The inducement and support for investment in and export to ASEAN countries is there but in some cases the professionalism is not there to follow up the opportunities.

The Australian and ASEAN private sectors have established formal links to promote closer economic ties. In 1971 the Australia-Indonesia Business Co-operation Committee was formed to increase co-operation in trade, investment, technical assistance and tourism. It has a counterpart committee in Indonesia. The Australia-Philippines Business Co-operation Committee was formed in 1974 again to foster economic co-operation. Two Chambers of Commerce have also been formed, one with Malaysia (1970) and one with Thailand (1980). In addition to the Business Co-operation Committee, Australian business representatives in Jakarta formed a Chamber of Commerce in 1978 known as Austcham.

The ASEAN Chambers of Commerce and Industry (ASEAN-CCI) was formed in 1972 and has formal links with Japan and the United States. In June 1980 ASEAN-CCI links with Australia were formalised in a meeting with representatives of the Confederation of Australian Industry and the Australian Chamber of Commerce, to be known as the ASEAN-Australia Business Council. Its program includes the establishment of respective national sections of the Council and the formation of a task force to examine bilateral trade flows and investment opportunities.

The Committee agrees with the evidence from the Confederation of Australian Industry that the ongoing activities of the business sector and the formal links 'are essential ingredients in improving Australian-ASEAN relations, and in enabling Australian industry to participate in the future development of the region'.¹⁰ The Committee acknowledges government initiatives and assistance to encourage Australian enterprises to develop industry links with ASEAN members and recommends that continuing support be given to promoting and strengthening co-operation with industry for this purpose.

Labour relations

A matter of increasing significance is the impact labour relations issues have on foreign relations. In evidence the Confederation of Australian Industry pointed out that it and its predecessors have for many years maintained close links with employers' organisations in the ASEAN region. Australian employers form part of the Asian Electoral College with the employers' group at the International Labour Organisation and the International Organisation of Employers. The Confederation has provided assistance to employers' organisations in the ASEAN group and it states that Australian employers see themselves as part of the Asian area and are accepted as such by Asian employers' organisations.

Action by trade unions can have international ramifications as illustrated by the detention of the Malaysian Airline System aircraft in Australia (due to industrial

¹⁰ See transcript of evidence, *Official Hansard Report*, p. 1106.

problems in Malaysia) and the impact on trade through industrial disputes affecting shipping. It is of great importance that other countries understand that Australian industrial disputes are not an act of discrimination against them by the Government or the general community. This is particularly relevant to the ASEAN countries where trade union movements are not so well developed.

To achieve a better appreciation within ASEAN of Australian industrial relations the Confederation of Australian Industry has suggested the appointment of an Australian Labour Attache to serve the ASEAN group of countries. It is equally important that industrial relations in ASEAN countries should be better understood in Australia. Throughout the inquiry the Committee canvassed witnesses on the proposal to have a Labour Attache in the ASEAN region and the concept met with approval including support from the Australian Council of Trade Unions' witness.

The Committee supports the proposal for a Labour Attache, with the appropriate background and qualifications, in the ASEAN region and recommends that the Government, in consultation with industry and the ASEAN Governments, should examine the proposal.

On a related matter, the Committee received a suggestion that an Australian Ambassador to ASEAN could serve a useful purpose. The Committee followed up this suggestion with witnesses and generally the response indicated that there is insufficient need at this time for an appointment of this type. However the Committee feels that this matter and the concept of ASEAN representation in Australia should be kept under review.

Data on trade flows

Industry representatives pointed out the problems of not having available balance of payments statistics for individual ASEAN countries or for the group. They felt that these statistics are needed to permit a proper assessment of the total trade relations between ASEAN countries and Australia. Officials from ASEAN countries frequently refer to the imbalance of trade in Australia's favour, the absence of balance of payments statistics inhibits an accurate analysis of the total trade, including the invisible transactions.

The Committee raised the matter with the Treasurer and was informed that a wide ranging review of this type of data was in progress. Estimates of transactions with ASEAN as a group were made available for the first time on 1977-78 figures. The Treasurer advised that other information was available on a recorded trade basis rather than on a balance of payments basis, he added:

For other transactions it appears that the data available, its reliability, and the need to avoid releasing figures that are confidential for one reason or another will continue to make it impossible to provide detailed estimates of balance of payments transactions with each ASEAN country. These problems particularly affect estimates of invisibles transactions and certain capital account transactions. It seems unlikely that the problems mentioned will be resolved in the course of the review being undertaken.

It is obvious that a need exists for balance of payments figures, these are available for other countries that are smaller trading partners for Australia than the ASEAN countries. The Committee recommends that the Australian Government should give further consideration to providing more detailed statistics on the balance of payments with ASEAN countries particularly to serve industry needs.

Prospects for trade development

The future development of Australian-ASEAN trading relations are conditional on a multiplicity of factors beyond the relationship. For ASEAN economies the following

considerations will influence their development, albeit in varying degrees for each of the member countries:

- the effects of domestic pressures within each country, e.g. population growth, internal tension, per capita income distribution and political stability;
- their ability to overcome the effects of the world recession and the resulting protectionist barriers in developed countries;
- ASEAN countries remain less industrialised than other Asian economies, the exports of manufacturers are heavily based on natural resources, excluding Singapore, therefore emphasis will need to be placed on improving the productivity of the primary sector. If trade barriers against these exports continue or increase they may be forced to adapt to the production of goods less subject to trade barriers;
- their ability to attract foreign investment to promote industrial development;
- the changing structure of other Asian economies (Hong Kong, Korea, Taiwan) has assisted ASEAN to develop labour-intensive light manufacturing and expand their imports (to the extent that other lower wage countries e.g. China, enter this area of trade and ASEAN countries lose their comparative advantage, the implications could be serious); and
- access to energy, resources and technology to continue industrial growth.

On the assumption that ASEAN countries can continue their development growth rates they will present opportunities for greater Australian trade with the member countries. To what extent the markets will expand and how well Australia responds to these opportunities are vital considerations to Australia's future.

Australia's assessment of trading potential in the ASEAN countries should take into account that:

- growing industrialisation will generate demand for metals, semi-finished products, plant and equipment and technology;
- the need for energy sources will stimulate demand for coal and uranium;
- the introduction of steel industries will provide prospects for sales of iron ore and coking coal;
- upgrading of existing agricultural and mining industries offers markets for related machinery and technology;
- rising living standards and population growth offer expanding opportunities for bulk and processed food sales; and
- agricultural and industrial development provide scope for export of consultancy and construction services.

Although North Asia is the major area for Australia's Asian trade (40.0% of Australia's exports in 1978-79) and is likely to remain so for some time, the growing importance of the ASEAN region (8.0% of Australian exports in 1978-79) is evident. Australia's share of the ASEAN import markets declined through the 1970s, the concentration of Australia's exports being in products for which demand grew more slowly than that for other products. How well Australia can respond to the market potential in the ASEAN area depends on the ability of its industries to adapt to the market opportunities and the Government policies on industry assistance.

The Committee considers that expected increases in export opportunities for Australian industries are likely to be limited unless developing countries can expand their exports to developed countries. Australian trade barriers to imports from those sources are limited in effect but contribute to restraining expansion (apart from the

political pressures they generate). Australia's dilemma is in attempting to promote export growth while continuing to provide high tariff and quota assistance to particular industries. The provision of this assistance for import competing industries has raised costs for exporting industries, to the detriment of export promotion policies.

Greater trade with developing economies, including the ASEAN Group, will involve structural adjustment for Australian industry, scaling down for some sectors and expansion of others. Limited structural adjustment has occurred in Australian industries and extensive studies such as the report from the Study Group on Structural Adjustment advocate the benefits of change. The Government White Paper on Manufacturing Industry proposes the development of industries which are less reliant on government support and more export oriented.

It is the Committee's view that the expanding markets for exports in the ASEAN economies are an incentive for the successful liberalisation of trading policies. Trade liberalisation can benefit the productivity of industry through imports exerting competitive pressure, provide consumers with wider variety and cheaper goods and check inflationary pressures through lower prices. In contrast, tariffs and quotas can raise prices on locally produced products, force up wages and other costs for imported products. The Government has acknowledged the need for tariff review and has implemented a program due for completion by about the end of 1981.

The Committee concludes that it is in Australia's interests to develop opportunities for greater trade with ASEAN and reduce restrictions on this trade. Australia is a global trader and the reduction of trade barriers should be non-discriminatory rather than on a bilateral basis. ASEAN countries have trade barriers and they serve perceived needs in the member countries as they do in Australia. Assistance has been provided by Australia to facilitate ASEAN access to the Australian market but the Committee can see no case for establishing 'special' trading arrangements. It is in the long-term interests of Australia and its trading partners to reduce trade barriers on a reciprocal and non-preferential basis. The interdependence of trade between developed and developing countries is established and for Australia to successfully operate in this economic environment it is essential that its industry policies, trading policies and foreign policy are effectively co-ordinated and presented. The Committee recommends that Australia should continue to stress its commitment to the reduction of trade barriers on a reciprocal and non-preferential basis and intensify its efforts to achieve such reductions. See for example the Committee's coverage of these matters in its report *The New International Economic Order—Implications for Australia*, pages 28-9.

Development assistance

Bilateral

On a bilateral basis the countries of ASEAN have been recipients of Australian development assistance since the inception of the program in 1945-46, total disbursements are shown in Table 2.

Table 2. Aid Disbursement

(\$ million)

	<i>Total to</i>							<i>Total</i>
	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	
Indonesia . . .	126.5	22.9	24.6	22.5	28.3	36.0	34.4	295.2
Thailand . . .	38.1	4.4	4.6	6.1	9.7	10.2	8.3	81.4

<i>Total to</i>								
	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	Total
The Philippines	10.0	5.1	6.8	6.1	6.5	6.4	7.8	48.7
Malaysia	35.7	3.9	4.3	3.6	5.9	4.8	4.9	63.1
Singapore	7.5	0.7	1.1	1.1	0.8	0.7	0.5	12.4
Regional Education and Training Projects . . . . .	..	..	..	..	..	*1.4	1.8	3.2
AAECP . . . . .	..	..	0.7	1.0	1.5	2.9	3.2	9.3
Total	217.8	37.0	42.1	40.4	52.7	62.4	60.9	513.3

* Prior to 1978-79 expenditure on Regional Education and Training Projects was broken up on a country basis.

Source: The Australian Development Assistance Bureau.

In 1977 the development assistance program to ASEAN countries was revised and a commitment of \$250 million was made for disbursement. Projects and technical assistance are allocated \$200 million, for training programs and food aid \$50 million is available. On a country basis the allocation is as follows and there is no fixed period for disbursement:

Indonesia	\$150.0 million
Malaysia	\$15.0 million
Philippines	\$40.0 million
Singapore	\$3.5 million
Thailand	\$40.0 million

When the assistance program began, training was the main feature but as the program developed projects and technical assistance have become the major elements. The training program has been reviewed and now concentrates on areas where Australia's comparative expertise matches the priorities of recipient governments, its relevance to national manpower goals, and country 'packages' within the context of the overall program. The ASEAN countries receive the bulk of Australia's project assistance. This assistance concentrates on, developing the agricultural sector in Indonesia; water resource and hydro-electric development, transport and communication in Malaysia; assistance with roads, agriculture and education in Thailand; regional infrastructure development involving roads, agricultural transport and water resources in the Philippines. Singapore's relative prosperity makes it a small recipient of Australian assistance, mainly in the form of transfers of technology in the health and education fields.

Australian development assistance is given in grant form thereby eliminating the burdens of repayment by recipient countries. To improve the quality of the assistance given the program is being continually reviewed to develop its effectiveness. Examples of recently introduced initiatives include the financing by Australia of up to 50.0% of a project's total cost, or the foreign exchange costs and the unifying of supplies procurement so that, with the agreement of the recipient country, all ASEAN countries can tender with Australian suppliers on Australian supported projects. In 1980 two new facilities were introduced, one is the joint venture scheme which provides a grant of finance to the recipient government for it or a local firm to acquire equity in new Australian commercial ventures in that country. The other is a Development Import Finance Facility which is to be offered to four ASEAN countries, excluding

Singapore. This facility will enable the purchase of capital goods and services for developmental purposes on more concessional terms than are available at commercial rates.

Australia's official development assistance is managed by the Australian Development Assistance Bureau (ADAB) and apart from its own staff resources, it draws on a wide range of expertise throughout the community to implement its programs. The Bureau also contributes to the efforts of other assistance providing schemes and organisations e.g. the Australian Volunteers Abroad Scheme which has provided volunteers to work overseas, including the ASEAN countries. Australian Non-government Organisations (NGOs) provide important and effective assistance overseas often at the 'grass roots' level where their efforts are tangible and have a marked impact. In the ASEAN countries NGOs have implemented a number of schemes concentrating on Indonesia and the Philippines which rate their highest priority. Some NGO projects, seventy-one in total, have received counterpart funding from the Australian Government under the Non-Government Project Subsidy Scheme but this represents only a part of the NGOs total activities in the ASEAN countries. By mid-1979 these subsidies amounted to \$697 000 for projects totalling in excess of \$1.3 million.

The ASEAN-Australia Economic Co-operation Program

In addition to bilateral development assistance to ASEAN members, in 1974 the AAACP was formed. This program made Australia the first country to formalise a relationship with ASEAN and it became a model for similar economic programs between the Association and other countries. The agreed principles of the program are:

- co-operation with ASEAN as a group should not be at the expense of existing bilateral arrangements;
- co-operation should serve to complement ASEAN's capabilities and not supplant them;
- co-operation should be for projects conceived by ASEAN which are of a regional character and for the benefit of all ASEAN countries; and
- co-operation should be carried out within the ASEAN region.

Since the program's inception \$34.5 million have been committed to its aims to enhance the quality of Australia's development assistance to ASEAN members. Under the program a wide range of projects and activities have been agreed to including:

- a protein project
- a food handling project
- a trade co-operation program
- an education project
- a consumer protection agency
- a trade promotion program
- a population project
- a joint research project
- a program of research into developing, non-conventional energy
- a food wastes management program
- a materials handling bureau

The protein and food handling projects have been implemented. Under the trade co-operation program two ASEAN trade fairs have been held in Australia as well as an

Industrial Co-operation Conference. Funds of \$4 million have been allocated for an expanded three-year trade and investment program commencing in 1981 and for the population project funds of \$3.1 million have been committed. For the education project funds of \$2.6 million have been committed. The ASEAN–Australia Joint Research Project will be implemented and \$100 000 have been committed for a feasibility study on an ASEAN Regional Animal Quarantine Station. Other projects are being evaluated and so far some \$9.37 million of the program's allocation has been expended.

Multilateral

Australia supports multilateral regional co-operation programs which include assistance to the members of ASEAN. Australia's contributions to the activities of the organisations conducting this work are regarded as a key element of its development assistance program and have been increasing steadily over the last ten years. The main organisations involved are:

- various United Nations organisations
- the Asian Development Bank (ADB)
- the Economic and Social Commission for Asia and the Pacific (ESCAP)
- the South East Asian Ministers of Education Organisation (SEAMEO)

Australia has been a major contributor to the ADB since 1966 and has concentrated on protecting the interests of the ASEAN members in loan and technical assistance procurement. The ASEAN countries had received \$US3253.57 million in loans from the Bank by the end of 1979. In 1978–79 Australia contributed \$700 000 to ESCAP to sponsor organisations and networks and participates in the activities of the bodies. Australia is an associate member of SEAMEO and contributed \$593 000 in 1978–79 to its operations in the region. Australia has also been actively involved with the Inter-Governmental Group for Indonesia, created in 1967 to co-ordinate international assistance to Indonesia.

Development assistance perspectives

Australian development assistance on a bilateral basis to the ASEAN countries accounts for around 40.0% of the resources available under the program after the allocation to Papua New Guinea. In terms of volume, Japan, the United States and the Federal Republic of Germany provide more bilateral assistance. As a donor Australia ranks fourth in Indonesia, third in Malaysia and the Philippines, second in Thailand and third in Singapore, based on 1977 Official Development Assistance figures. In evidence ADAB commented:

Even though these countries are so prominent in the Australian program, Australia's contribution verges on being insignificant when related to the massive and generally growing development assistance requirements of these countries and is considerably less than the aid disbursements made by other donors whose geo-political interests in the region are significantly less than Australia's.¹¹

Other witnesses questioned the relative distribution of Australian assistance to each ASEAN country and whether Australia has come to terms with the giving of assistance direct to the Association. On the question of ASEAN regional projects under the AAACP the Treasury commented:

Australian assistance is provided for projects conceived in ASEAN which are of a regional character and for the benefit of all ASEAN member countries. It must be acknowledged,

¹¹ See transcript of evidence, *Official Hansard Report*, p. 466.