

AUSTRALIA'S DIALOGUE PARTNERSHIP WITH THE
ASEAN, 1997-2006

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MASTER OF PHILOSOPHY

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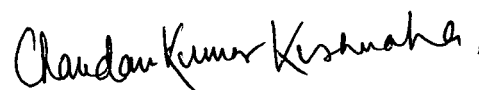
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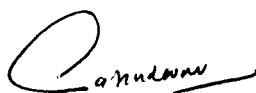
DECLARATION

I declare that the dissertation entitled "AUSTRALIA'S DIALOGUE PARTNERSHIP WITH THE ASEAN, 1997-2006" submitted by me for the award of the degree of **MASTER OF PHILOSOPHY** of Jawaharlal Nehru University is my own work. The dissertation has not been submitted for any other degree of this or any other University.


Chandan Kumar Kushwaha

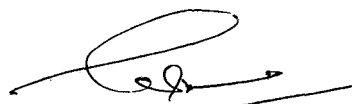
CERTIFICATE

We recommend that the dissertation be placed before the examiners for evaluation.



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Preface

Dialogue is primarily a process to identifying issues and opportunities. Dialogue Partnership has many uses. It can expand the base of constituencies and voices, reach common ground, surface common issues and the resources to address them, launch new initiatives, and help leaders of all sectors see their role in building sustainable communities. Australia-ASEAN Dialogue partnership is one of the best examples of expanding the areas of cooperation and understanding.

There are good reasons for paying attention to the Australia-ASEAN relationship. World is moving towards a new era of economic integration. Today the ASEAN, as an organization for regional cooperation, is a success story. Considering the growing interaction of Australia with ASEAN in previous years, the present study shows that Australia by establishing network of linkage in economic, political and strategic sectors with ASEAN is trying to enmesh itself with the region, Secure a safe place for itself, and be counted as a strategic factor in conflict management in the region. This dissertation is divided into five chapters.

The first chapter analyses the meaning of dialogue partnership and examines the historical background of ASEAN- Australia relations and their connectivity.

The second chapter looks at the Political relations between ASEAN and Australia. This chapter also discusses the bilateral relationship between Australia and member countries of ASEAN and Australia's role in East Asia Summit.

Third chapter has analysed the economic linkages between ASEAN and Australia. This has also examined various issues like FTA, FDI, Trade and commerce of Australia and ASEAN and various aid, education, economic programmes etc.

Fourth chapter analyses the security concerns, treaties and arrangements like ANZUS, SEATO, FPDA, ARF, Maritime security, counter-terrorism agreements. It also discusses changing trends in Australia's foreign policy in Howard Government period.

The last chapter has concluding observations.

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Chapter I

HISTORICAL BACKGROUND

Dialogue is primarily a process to identifying issues and opportunities. Dialogue Partnership has many uses. It can expand the base of constituencies and voices, reach common ground, surface common issues and the resources to address them, launch new initiatives, and help leaders of all sectors see their role in building sustainable communities. Australia-ASEAN Dialogue partnership is one of the best examples of expanding the areas of cooperation and understanding.

ASEAN countries have been central to Australia's closer engagement with Asia. Australia considered 'ASEAN' as an example of the best sort of practical regional self-help and co-operation. Foreign Minister Andrew Peacock in September 1978 in an address to the Australian Institute of International Affairs considered co-operation with ASEAN, "a central part of our original policy ." Australians see ASEAN as an outstanding example of the strength and stability that can be achieved through regional cooperation. Close cooperation with ASEAN, has been and will remain the core of Australia's foreign policy.

There are good reasons for paying attention to the Australia-ASEAN relationship. World is moving towards a new era of economic integration. Today the ASEAN, as an organization for regional cooperation, is a success story. Australia has tried to establish links with the social, economic and political development of the dynamic region. Since the end of Second World War, the Australian government had placed stressed on broadening the areas of cooperation with the ASEAN countries. It has also adopted a sympathetic attitude to resolve the political problems of the ASEAN. Now it is clear to Australia that it has to work to maintain and expand its influence in the region.

Australia played the role of catalyst in the formation of the Asia-Pacific Economic Cooperation (APEC) in November 1989. At their 11th forum in Manila in June 1988 the ASEAN and Australia found common grounds with respect to many issues related

to the Uruguay Round of multilateral trade negotiations. Australia and four ASEAN members Indonesia, Malaysia, Thailand and the Philippines are together in the Cairns group of traders in agriculture.

ASEAN and Australia are almost linked geographically through Indonesia; one of the core members of ASEAN. Australia is located in the Pacific Ocean at the extreme of “Asiatic tail”. Southeast Asia and Pacific have their significance and importance to Australia’s future. The importance of Southeast Asia grew as the world economy developed. During the Second World War the entire area of Southeast Asia was occupied by Japan. It emerged as a vital region in the struggle between the communist and western forces of the world after the end of World War

The “Near North” is an expression used by the Australians to describe the geographical relation of their country to Southeast Asia. R.G.Casey, Australian Minister of external affairs, stated to the House of Representatives after a visit to Southeast Asia on 27 September 1951, “Although Australia was colonised and developed by people of European stock and although our cultural past and present connection are such that our eyes turn most towards Europe, our geographical situation is such that we must inevitably be brought into close touch with the people of Asia. If we make no effort to understand their problem, we can scarcely expect them to make an effort to understand ours.” (Current notes on International Affairs, 1951)

After 1939 Australia began to diversify its relations beyond Great Britain. It started establishing relations with several other countries to promote its diplomatic and commercial interests. Even in 1939 when Second World War broke out, Australia announced it was also at war along with Great Britain. Australia’s relationship with its neighbours in Southeast Asia was normal. From the strategic point of view the Southeast Asian region was turning into a region of interest for Australia. During the Second World War Indo-China was occupied by Japan and this became a base to attack the rest of Southeast Asia. Again the occupation of Singapore and Indonesia gave Japan a passage to the Indian Ocean. It placed Japan as a threat to Australia. Sir Percy Spender in January 1950 in his speech upon his appointment as Minister of External Affairs said, “Geographically Australia is next door to Asia and our destiny

as a nation is irrevocably conditioned by what take place in Asia. This means, that our future to an ever-increasing degree depends upon the political stability of our Asian neighbours, upon the understanding and friendly relation between Australia and Asia.” (Percy Spender, 1969). Although there is a diversity of social values, cultures and above all the levels of economic development differ vastly in these two areas. But economically, politically and strategically the Australian are affected by Southeast Asia. Geography and politics have combined on the international level to make Southeast Asia one of the most strategically important areas of the world. The Strait of Malacca between Malaysia and Sumatra is the strategic gateway between the Pacific and Indian Oceans. The land and sea pattern in Southeast Asia, peninsular and insular, has provided the natural facilities for movement from Asia to Australia.

This shows that during the period of crystallisation of external relations, Australia was getting involved in the Southeast Asian region of social, political and pseudo military conflicts. The Australian position in Southeast Asia is doubtful because of the “obscurity of Australian policy reflects the ambiguity of her position in Southeast Asia. Geographically she is important, demographically she is weak. Her economic interest are limited, her strategic interest are great. At home she is strong industrialized power. But she looks inwards, and has done so for many decades.”(A. Bercan, 1955).

In the post Second World War era, Australia was mainly linked to three regions in Southeast Asia and they were:

- (1) Indonesia
- (2) Malaysia
- (3) Indo-China

Australia’s Engagement in Indonesia

After Second World War on 21 July 1947, The Dutch attacked Java, Madura and Sumatra to recapture Indonesia once again. On August 1947, the matter was taken up by the United Nations Security Council who called for a peaceful settlement. To this

Belgium was nominated by the Dutch and Australia by Indonesia. Thus the regional interests of Australia got enhanced which was in turn in Australia's international relations. In the Australian Parliament, Herbert Evatt on 26 February 1947 declared, "Just as far as the people of Southeast Asia cease to be development upon the European governments, so far do Australia's interest in the councils of Southeast Asia increase."(Herbert Evatt, 1947).

The Indonesian was looking forward to cooperation with Australia. The Dutch were becoming unpopular with the Australian troops. Police action of the Dutch in Indonesia compelled the Asian to hold a conference of interested regional powers in Delhi in January 1949. Australian participation in this conference was a major contribution to the independence of its neighbour. Three regulations, two dealing with the transfer of sovereignty to the Republic of Indonesia and the third with a wider issue of regional organization in Southeast Asia were passed. The geographical proximity left no chance before the policy makers of Australia. "No part of the world would be harmed more by chaos in Indonesia than Australia, because the Indonesian archipelago is a vital section in Australia's northern are of defence."(The Sydney Morning Herald [SMH], 16 November 1945).

It was felt by Australians that a unified nationalist state might be more useful to Australia's security than a divided, oppressed and wasted state (Beazley in CPD, no.14, vol.189, 13 November 1946, p.16). Australia set up its embassy in Jakarta which was its first in Southeast Asia." The final act in the drama of Indonesia was the joint sponsorship by Australia and India, of the admission of their common neighbour to the United Nations in September 1950."(United Nations General Assembly Official Records, 28 September 1950).

In the 1950s, the warmth of Australia-Indonesia relations was reduced. Difficulty arose over the Indonesian claim to the then Dutch New Guinea, the only part of Netherlands East Indies, which had not been transferred in 1949 to the Republic of Indonesia. New Guinea was important for Australia from its defence point of view. New Guinea lies in the north of the continent of Australia. It sprawls on the map like a huge bird. The Indonesian considered New Guinea as a part of the political unit of

their government and strategic necessity to Indonesia. The Dutch insisted on its retention while the Indonesian was demanding its transfer to them.

The adviser of the Indonesian delegation to the Round table conference on The Hague, Mohammad Yamir reportedly said that the people of the Australian New Guinea should be allowed to choose their own way (Charles A. Fisher, 1952). The Sydney Morning Herald (SMH) also claimed that the Indonesia did not regard their country as complete without the Dutch and Australian New Guinea, British Borneo and Portuguese Timor (SMH, 13 January 1950). Australia continuously rejected Indonesian demand for New Guinea on racial grounds. The Australian attitude was seen as "more pro Dutch than the Dutch" by the Times of Indonesia (The Times of Indonesia, 1950). The Indonesia was so irritated with the Australian attitude that President Sukarno warned Australia, that her attitude towards New Guinea problem was making their friendly relation bitter (SMH, 13 July 1950). America supported the Dutch position in this matter (The Advertiser, 18 November 1950). They saw New Guinea as a possible territory for future Japanese migration (Fisher, 1952). During this period, the Australia was cultivating their relationship with Indonesia through economic assistance. In 1950, Indonesia accepted economic aid from Australia and after two years joined Colombo Plan. This was criticized by the Dutch.

Two issues which were the obstacle to friendly relation were communist problems and West Irian dispute. After 1950, the fear of having a common border with an Asian country in New Guinea was the main cause of Australia's opposition to the Indonesian claim. The matter was submitted to the United Nations in 1954 by Indonesia. Percy Spender, the Australian ambassador to the U.S and the U.N, explained that the destiny of Australia is closely bound up with island (Mackie, 1954). By 1957, the general climate surrounding the dispute changed within Indonesia. The negotiations between The Netherlands and Indonesia were sought by American efforts. It was decisive factor for the settlement. Australia assures that it would not assist the Dutch military in New Guinea (A.L.Burns, 1961). Indonesia also sought a guarantee that Australia would remain neutral in the event of conflict. In May 1962, during the meeting of ANZUS at Canberra, it was decided that the U.S would not support either The Netherlands or the Australian position (Gordon Greenwood, 1974).

In August 1962, Indonesia and the Netherlands signed agreement for the transfer of the Dutch New Guinea (West Irian) to Indonesia and for an act of self determination in West Irian before the end of 1969. According to this agreement, Indonesia controlled West Irian from 1 May 1963.

East Timor Affair and Australia

In 1970s, Portuguese Timor became a hot issue between Australia and Indonesia. The Australian and Indonesian interests in Timor concerned on security aspects. Strongest negative Australian reaction was seen with the Indonesian take over of East Timor in 1975. The Indonesian moved military with haste to take the place of departed Portuguese colonialists. Five Australian journalists were killed in this process (Gareth Evans and Bruce Grant, 1991). Australia was concerned not only to deaths and suffering but also the way in which East Timor was incorporated. The Indonesian insisted that independent East Timor will be a political and security risk to Indonesia. Indonesian Foreign Minister Adam Malik also stated that Indonesia had no territorial ambitions over Timor (AFAR, 1974). But, at the same time they also insisted that independent East Timor will be a political and security risk to Indonesia. A meeting in Jakarta was held between Suharto and Whitlam. There was no interests among the Australians officials about East Timor. Whitlam was of the view that Australia must avoid any involvement in colonial problems of the ASEAN. He considered Australian involvement in this affair inconsistent. It would have tarnished the international image. Whitlam wished to mould for Australia and himself (Henry S. Albinski, 1977).

This statement gave an impression to Indonesian that Australia supported the Indonesian assimilation of the colony and colonies independence would not be in favour of the region (Nancy Viviani, 1976). There was difference over action on Timor among the different departments in the government of Australia. Department of Foreign Affairs and the Prime Minister of Australia wanted to settle disputes by leaving it on the people of East Timor, while Department of Defence supported solution favorable to Indonesia. Australia was not a party in East Timor affair and also wanted to have good relations with Indonesia.

By the end of 1974, Australia was in state of dilemma, whether it should support a union of the Portuguese Timor with Indonesia or not. In 1975, newspapers of Australia gave coverage to this issue. The news was based on official leak that Australian government is aware of a possible military take over by Indonesia (CPD, 1975). In late 1975, there was an unsuccessful coup by the conservative Timorese forces. As a result, Fretilin maintained its position in the Portuguese Timor. The Portuguese wanted to establish a three nation forces of the Portuguese, Indonesian and Australian in Timor (CPD, 1975). The Australian Prime Minister Whitlam was ready to participate in peacekeeping effort on the request by the UN, but not to send its troops to Timor. The government of Australia did not support Timor but the Australian media gave this issue complete recognition. Whitlam, while replying a question in Parliament about the Australian move, said, "There was no prospect of an ASEAN role." ASEAN was supporting Indonesia on this move (Viviani, 1976).

On 7 December 1975, Indonesia launched an attack on the capital of East Timor, Dili. Fretilin forces were driven out and pro-Indonesian government was installed. In Australia, the Liberal Country Party Coalition took over the charge from labor government. The new Prime Minister Malcom Fraser adopted a tougher attitude towards the Indonesian invasion than the previous government. On 12 December 1975, the UN General Assembly confirmed a resolution of its fourth committee, calling for immediate withdrawal of the Indonesian troops (SMH, 13 December 1975). Australia voted for it and the ASEAN countries were against it.

Formal incorporation of East Timor to Indonesia was in August 1976. The Australia government was anxious to improve its relationship with Indonesian. In January 1978, Australia recognized Indonesian sovereignty over East Timor (Australian Foreign Affairs And Trade, 1990). The then External Affairs Minister Andrew Peacock announced that Australia would recognize East Timor as a part of Indonesia, when the Indonesian government will start negotiations with the Australian government about seabed boundary. Negotiations started in 1979. In a statement to parliament on 22 August 1985, the Prime Minister Bob Hawke also reaffirmed the Indonesian sovereignty over the province.

Timor Gap is a seabed boundary between Australia and Indonesia. Australia tried to reach an agreement with Portugal about this boundary of East Timor but failed. Thus, the seabed boundaries surrounding the Portuguese colony remained unsettled. This area in Timor Sea without a maritime boundary is called Timor gap. In 1979, Australia recognized the Indonesian sovereignty; negotiations began over maritime boundary of Timor Gap of 100 miles. Australia stressed that the Timor Gap trench, a depression of about 50 miles of the south coast of East Timor is natural dividing line. Indonesia preferred Median line concept which shifts boundary further down the Australia wants. This was to give Indonesian control of large areas of the Bonaparte Gulf Basin, which has reserve of oil and gas (AFAR, 1979).

According to the agreement of October 1972 between Indonesia and Australia, a boundary line was agreed approximately 200 miles from Australia and 160 miles from the Timor Coast in south (SMH, 10 October 1972). Then a concept of Zone of Cooperation was introduced in 1985. According to this, shared exploration and exploitation of petroleum resources in Timor Gap was admitted by Indonesia and Australia. A treaty was signed on 11 December 1989 over the Zone of Cooperation. The treaty entered into force on 9 February 1991 (Insight, 1995). This treaty was good start in Indonesia-Australia relationship in a new decade. It was an example of non-military solution to a political problem where boundaries of valuable petroleum resources were associated.

Australia's role in Indonesia's Confrontation policy towards Malaysia

Manifestation of the Indonesian assertion since 1957 were the inception of new political system called 'Guided Democracy', rise of President Sukarno to a dominant position and the foreign policy of developing close relations with former Soviet Union and China. The Australian government concluded that the Indonesian conditions would frustrate efforts to contain communist expansion in Southeast Asia. Indonesian domestic atmosphere became both more radical and more anti western (Current Notes, 1964). Another development was the flow of arms from the communist bloc which was a threat to Australia's security. Australia has always believed that the establishment of Malaysia was an important aspect of the strategy of defence in depth

(Paul Hasluck, 25 September 1963 in CPD). It was necessary to establish a zone of stability between Australia and china.

In 1961, negotiations to create Malaysia out of a union of Malaya, Singapore, the British territories of North Borneo, Sarawak and Brunei took place. The Australian government's reaction came out strongly in favour of Malaysian proposal. On 25 November 1961, Prime Minister of Australia, Menzies stated, "We have through out indicated our belief that the concept was very good and we hope it will include all the countries originally indicated by the Tunku..... Having been in close touch we welcome the agreement now made. We hope that the Malaysia proposal will reach full achievement as soon as possible."(Current Notes, 1961).

The federation of Malaysia was to be brought into being by 31 August 1963. Again this idea was warmly welcomed by Australia, as Mr. Menzies described Malaysia as an "integrated and foresighted concept" and said, "if it proved practicable could contribute significantly to stability and progress in an area in whose development and progress Australia was deeply interested."

The Philippines claim over the Borneo territories was then only opposition to this proposal. It was rejected by the leader of the political parties in the Borneo territories. Indonesia had no objection to the formation of the new state as, Subandrio, the Indonesian Foreign Minister, speaking at the U.N in November 1961 emphasized, "When Malaya told us of her intentions to merge with the three British colonies of Sarawak, Brunei and British North Borneo as one federation, and we told them that we have no objections. Naturally, ethnologically and geographically speaking, this British part is closer to Indonesia than, let us say to Malaya. But we still told Malaya that we have no objections to such a merger based upon the will for freedom of the people concerned (Quoted Barwick, CPD, 18 March 1963).

On 8 December 1962, a revolt led by A.M.Azhari broke out in Brunei to promote an independent union of the British Borneo territories as the state of North Kalimantan. This was crushed by the British troops. Revolt received support from the Indonesian government (Keesing's Archive, 1963-64), while Australia condemned it. On 9 December 1962, President Sukarno promised to encourage the spread of rebellion to

British Borneo, Foreign Minister Subandrio in his speech to the Mahakarta regiment in Yogyakarta on 20 January 1963 said, "Now the president has decided that henceforth, we shall pursue a policy of Confrontation against Malaysia. This does not mean that we are going to war. This is not necessary. However, one thing is certain that we will no longer take a passive attitude towards all accusations, agitations and the hostile attitude of Malaya. For this, of course, Malaya has to bear all the consequences." (The Straits Times, 26 January 1963).

This shift in Indonesia policy towards the federation was the first stage on its policy of Confrontation from December 1962 to September 1963. Its only objective was to prevent the creation of Malaysia. Australia wanted to settle the disputes by negotiations. Sir Garfield Barwick, the Australian Minister for External Affairs, had played a major role in it. Actually, Australia was not ready to break traditional links with Britain for an untested friendship of Indonesia. In the mean time Sukarno declared the policy of 'Crush Malaysia' and describes the federation a puppet of the British imperialism. After the failure of Manila agreement to solve the conflict events led to the second stage of Confrontation policy. The Australian government had an unavoidable choice of supporting Malaysia and the U.K.

The third stage in Indonesia's Confrontation policy from July-December 1964 was of the military conflict when Indonesian forces made two attempted landing on the Malay Peninsula. The fourth stage started with Indonesia's withdrawal from the U.N in January 1965. Suddenly with the political changes in Indonesia caused by the coup of 1 October 1965, Confrontation was pursued with less enthusiasm. During the whole period of Confrontation, Australia tried to maintain friendly relations with Indonesia but opposed the destruction of Malaysia as well as, expansion of the Indonesian influence in the area. Australia had vital interest in the region aftermath of Confrontation. Australian impression was that the damage and chaos of Confrontation might emerge in a Communist intrusion.

Australian thought the same way as the British. They rejected the Indonesian agreement asserting that Malaysia provided a framework which would allow a peaceful decolonization. Australia did not agree with the thought that Malaysia was a threat to the Southeast Asian peace. Instead Australia considered the British presence

essential for the stability of the region. The British forces were committed to defend Malaya under the Anglo-Malayan Defence Agreement (AMDA) in 1957. AMDA was extended to ANZAM in 1958. It was an agreement between three Anglo Saxon countries the U.K, Australia, Newzeland and the former British possessions of Malaya and Borneo.

Australia was in a dilemma during the period of Confrontation. Australia supported the British presence in Southeast Asia in defence of Malaya and continued to sustain aid and educational opportunities to the Indonesia too.

Australia and Malaysian Federation

Australia and Malaya both were British settlements. The strategic importance of Malaya increased to Australia with the massive British naval installment in Singapore. Major General Gordon Bennett, commander of the Australian force in Malaya before the war said, "Australian regard Singapore as an outpost of Australia. We felt that helping to defend this country, we are defending Australia..... To the people of Malaya, I say that your war will be our war. Should any enemy come this way, Australia will be there (The Straits Times, 20 February 1941). Australia appointed its first diplomatic representative in Singapore. This shows that even before the war, Malaya was an important area for Australia.

Communist guerillas began their war against British colonial authorities in 1948 (Richard Clutterbuck, 1967). It continued till 1960. Emergency was proclaimed in Malaya. With the increase in the communist insurgency, Malaya suffered heavy losses. Malaya was considered to be the first line of defence to Australia. The British were blamed and criticized for the situation there by the Australians (CPD, 2 September 1948).

In 1949, liberal country party coalition, led by Robert Menzies came to power. The government set the principle of sending military aid to Malaya. The Prime Minister on 21 April 1950, disclosed that the British government had sought the Australian aid to cope with the terrorists in Malaya (CPD, 1950). Talks between the U.K government and Malaya's alliance government in London in early 1956, established August 1957

as a target date for full independence of Malaya (Peter Edwards and Gregory Pemberton, 1992). On 31 August 1957 Malaya became independence.

The Malaysian federation faces serious economic strain, racial problems and communal rioting between Malays and Chinese in Singapore in late 1964. It resulted in destroying the whole concept of Malaysia. Prime Minister of Malaysia and Singapore concluded the separation agreement on 7 August 1965. According to this agreement Singapore became an independent state. It surprised the Australian government (The Age, 10 August 1965).

Australia supported the concept of wide Malaysia federation on 25 September 1963, Prime Minister Menzies promised military assistance to Malaysia. Menzies admitted that the Malaysian government never consulted Australia about dissolution. They considered it a drastic step. Although Australia was unhappy with this approach of Malaysia, yet Defence Minister Paul Husluck gave reasons for supporting Malaysia. Firstly he said, its creation by a democratic and constitutional process; secondly, its membership of the commonwealth and lastly, the worth of Malaysian stability and prosperity to Australia. It was clear after some time from the public statements that Singapore was forced to accept separation from the federation of Malaysia (Gordon Greenwood, 1968).

Australia and Indo-China

The three countries of Indo-China- Vietnam, Cambodia and Laos- were least understood by Australia till the end of Second World War. With all the other Southeast Asian nations, Australia either had defence links or economic and political links. Partly, the reason was that Indo-China was colonized by the French. It created a cultural and institutional gap and also political distance. Before the Vietnam War Australia did not have an Indo-China policy and did not see any interest in the area. Indo-China became a direct strategic concern only about the time when Australia was dispatched to Vietnam in 1965.

By 1960s Australia realized that Vietnam was the place where the west, specially the US should take a stand against Chinese communism. Vietnam was the first of a series

of dominoes to fall and ultimate was Australia. Thus, Vietnam conflict became a concern of the Australian foreign policy by mid 1960s. Before the Second World War, Australia hardly had any interest in Indo-China or Vietnam. Vietnam faced the communist led anti colonial movement Vietminh from 1945 which attained mass support as part of the anti-French nationalist struggle. This movement appeared as a threat to Australian security from the communist China.

Australia gave political support to the French in Indo-China since 1950. Australia also gave civil and military aid (Alan Renouf, 1979). While External Affairs Minister Casey was concerned at the prospect of a communist victory in Vietnam, he was aware of the strong political position of the Vietminh. He opposed the US proposal for military intervention in Vietnam (Cabinet Decision, 4 June 1954). It was partly because Britain opposed this plan, but also because he felt that this proposal will lead to conflict with China.

Vietnam was temporarily divided in the Geneva agreements. French forces withdrew and armed conflict subsided for some time as Democratic Republic of Vietnam (DRV) and the Diem regime Republic of Vietnam (RVN), in the south worked together to consolidate their control (Alan Watt, 1968).

After 1960, Australia's attitude towards Vietnam conflict produced policies of full support for US intervention of the Australian forces. It was believed that North Vietnam was an agent of China. The conflict in South Vietnam in 1960s was a continuation and extension of Vietminh's colonial struggle. The Australians knew that military solution was not possible for South Vietnam and threat from communism can only be overcome by social, economic and educational programs in conjunction with the establishment of a sound government administration (Australian Military Forces, Pocketbook, 1967).

Australia was in close official contact with the US on Vietnam policy from 1961. Australia announced its commitment on combat forces to Vietnam in 1965 to support the US position there. The evolution of Australian policy was discussed in an official report at the direction of the Prime Minister Whitlam. This was presented to the parliament in 1975.

The White paper focused on the origins of Australia's military involvement and concluded that, "The provision of military aid by Australia was decided upon for political reasons and was in support of the fundamental aim of Australian policy towards South Vietnam, which was to ensure the long term defence interests of Australia. These were seen in terms of the ANZUS and SEATO treaties and the theory of forward defence against the victory of communism in Southeast Asia, an area seen as vital to Australia's future. This was a policy developed in Australia independently of any outside pressure. The cornerstone of this policy was seen as a compelling necessity to commit her to a tactical guarantee of active support to Australia through the ANZUS and SEATO treaties (White Paper, 1975).

In the period from 1961 to 1965, Australia was heavily preoccupied with the West Irian issue and Indonesia's Confrontation policy towards Malaysia. This led to Australian military involvement in Northern Borneo to defend Malaysia. By late 1964, Australia, while continuing to be concerned to all these affairs, was moving towards a further commitment of forces to Vietnam (White Paper, 1975)

Between August 1965 and October 1967 Australia only proceeded to expand the size of its forces in Vietnam. The increase in force was on request from the US. It was an extension of 1965 decision to send combat forces to Vietnam (White Paper, 1975).

The newly elected Prime Minister of Australia Harold Holt in 1966 increased the Australian forces in Vietnam. Australia's forces in Vietnam increased to a level of 6300 (Current Notes, 1966). The fourth and final increase in Australian forces was announced in October 1967. This was because of Australia's concern to the situation in Malaysia and Singapore and its implications for Australian security (White Paper, 1975). By the time, the Vietnam War was also opposed in the US, which made the US administration to demonstrate more that their policies had political and moral support of its allies. The advisors of American President Clark Clifford and General Maxwell Taylor started with a mission in July 1967 to Asia, Australia and New Zealand (White Paper, 1975). Australia response was of particular importance to them. Neither country will be willing to increase its forces in Vietnam. Australia's Prime Minister Harold Holt also presented a long list of reasons why Australia was already close to its maximum efforts (Clark Clifford, 1969). Soon after these talks Australia again sent

its troops to Vietnam in September 1967. Holt reaffirmed Australia's commitment to the allied war in Vietnam. In early 1968 the US sought Australia's views on the current state of conflict in Vietnam about extending the bombing of North Vietnam and about possible extension of the war into Cambodia and Laos. The Australian government reply expressed caution. Australia's advice in brief was that the US should keep on doing what it had been doing.

From 1969, United States under the Nixon administration decided to withdrawal of their forces from South Vietnam. President Nixon supported the withdrawal with the statement that South Vietnamese have become strong enough to defend their own freedom (Barclay, 1973). The Australian policy was also changed quickly to shift the Americans. But the Australian Prime Minister Gorton indicated that the withdrawal would be total (The Australian Finance Review, 1969). But the withdrawal of forces was partial and last major combat unit of the task force to leave South Vietnam reached Australian army in December 1971.

Sometime it is said that Australia's involvement in the Vietnam War was a mindless follow-up of the US (Gareth Evans, 1990). But Australia's involvement in the war was to stop the advances of expansionist Chinese communism before it reached Australia. Australia wanted to fight the battle several dominoes away from the Australian mainland.

The labor government came to power in December 1972 and Gough Whitlam became the new Prime Minister. He ordered an end of participation in Vietnam War and called the troops back. Paris Peace Agreement of January 1973 was to provide a political solution to a problem without war (CPD, 1975). The US troops withdrew but hostilities between North and South Vietnam remained. The Australian government adopted a calm approach with the fall of anti communist government in Cambodia and South Vietnam in 1975. The Australian government was alarmed in Vietnam. The PRG was recognized as the government of South Vietnam after it controlled Saigon (SMH, 7 May 1975). The new government committed Australia for reconstruction in Indo-China (The Age, 9 May 1975). North Vietnam and South Vietnam got unified in July 1976.

Cambodia Problem

Cambodia problem began with the removal of Prince Sihanouk from power in 1970. He was the head of state, government. Sihanouk viewed that Cambodia's survival depends upon good relations with the neighbour Vietnam (M.Osborne, 1973). On 30 March 1970, Prince Sihanouk was overthrown and Lon Nol was installed in power (Antoinette E. Mrrilless, 1988). The North Vietnam attacked the new government led by General Lon Nol. As the civil war worsened in Cambodia, the LCP government of Australia announced its support to Vietnam. The US President Nixon's plea was that bombing of Cambodia was to drive out the North Vietnamese from their Cambodian bases.

Australian Prime Minister Whitlam recognized Lon Nol government but he did not accept the allegations of the US role in the ouster of Sihanouk. They withdrew international aid from Cambodia. However, the Cambodian communist movement known as Khmer Rouge (KR) was growing rapidly. It was assisted by North Vietnam and a coalition of various political forces in Cambodia was operating under the leadership of Sihanouk. The Australian Prime Minister met Sihanouk in November 1973 against the wishes of his advisors. But Australia's stance on the recognition of Lon Nol remained the same.

On 17 April 1975, Lon Nol regime fell to the guerilla based Royal Government of National Union of Cambodia (GRUNK). Foreign Minister Willese announced that Australia would recognize the new government.

Indo-China took a back seat in Australia's relation with the ASEAN countries during Fraser government. It is accepted that KR killed one third of the Cambodian population in the three and a half years between April 1975 and December 1978 (Gary Klintworth and Ross Babbage, 1989). The anti-Vietnamese attitude of the KR led to the Vietnamese intervention in the Cambodian affairs with the support of Soviet Union (AFAR, 1981). This intervention was to save the Cambodian people from genocidal regime of Pol Pot. Republic of Kampuchea proclaimed on 11 January 1979 under Heng Samrin. Australia considered Vietnam's move against Kampuchea as a "public gesture" against Peking, abetted by the USSR (J.Lawe-Davies, 1981). With

this the Fraser government cancelled Australia's aid to Vietnam and their bilateral relations were put on ice.

Australia joined the ASEAN by co-sponsoring the ASEAN resolution in the United Nations General Assembly to teach a lesson to Vietnam (Gareth Evans, 1990). Till 1983, Australia followed same attitude. On 18 February 1979, Heng Samrin, President, People's Republic of Kampuchea and Pham Van Dong, Premier of the Socialist Republic of Vietnam signed a Treaty of Peace, Friendship and Cooperation in Phnom Penh (AFAR, 1979). Australia did not recognize the Democratic Kampuchea. The Australian government withdrew its recognition from KR regime on 14 February 1981 following Britain (AFAR, 1984). Although the ASEAN nations were unhappy but it could not damage Australia's relations with ASEAN.

The Hawke government came to the power in March 1983. This was another round of Labor government after their role in the Vietnam War. New government revised its policies towards Indo-China Labor's decision to restore aid to Vietnam was against the ASEAN and US wishes. Other Australian initiative was the establishment of NGO office in Phnom Penh and a radio-telephone link with Ho-Chi-Minh city (Carlyle Thayer, 1992). The ASEAN countries thought that Australia was being used by Vietnam.

Australia also welcomed formation of a coalition of Sihanouk and Son Sann (AFAR, 1982). Peaceful solution of the Cambodian problem was the Indo-China policy of the Hawke government. As first manifestation of the new approach, Australia decided in 1983 to withdrawal from co-sponsorship in support of the Annual ASEAN Cambodia resolution in the United Nations General Assembly (SMH, 4 October 1983).

ASEAN's resolution was the call for a withdrawal of foreign troops from Cambodia and self determination of Cambodia's people. Still Australia voted for the resolution. Response in the ASEAN countries especially Thailand, Singapore and Malaysia were alarming. The Thai foreign Minister Siddhi Savetsila got irritated and said, "It looks as though Australia is looking for new friends instead of trying to cultivate its old friends in the ASEAN." (Rodney Tasker, 1983). Bill Hayden started visiting the

countries of Southeast Asia to have talks over the issue. It was decided that military solution is neither possible nor desirable.

The demand of ASEAN was that the Vietnamese forces be withdrawn to create necessary condition for a free act of self determination by the people of Kampuchea and decide their government. Vietnam faced internal economic problems and Gorbachev in his speech in July 1986 mentioned curtailment is costly foreign involvements as a part of new Soviet policy. Vietnam announced that it was prepared to withdraw all its troops by the end of 1989 from Kampuchea.

The Paris Peace Conference on Kampuchea was convened in Paris in July-August 1989. This brought together all the six ASEAN countries, representatives of the UN Secretary General, all Cambodian factions, the permanent five members of the UN security council, Vietnam, Laos, Australia, Canada and India. This conference suspended without achieving any concrete solution to the problem (Asia Year Book, 1990). There was no internationally recognized procedure to monitor Vietnam's promise of complete withdrawal by September 1989. Australia, therefore, suggested an enhanced role for the UN in the transitional process. Gareth Evans was sure that UN involvement will give a neutral political environment in Kampuchea (CPD, 1990).

The peace proposal of Australia was adopted by the United Nations Security Council's members. Paris Peace Agreement was reconvened and UN Transitional Authority in Cambodia (UNTAC) was inaugurated in February 1992. Australia as a principle proponent of the UN also supported. By the end of 1992, the UN stopped attempting the implementation of Paris Agreement fully. They only concentrated on the formation of new Cambodian government through peaceful and fair elections (Year Book of United Nations, 1992).

Australia and Formation of ASEAN

Australia's desire was to have a regional arrangement in its geographical location, which got momentum from 1943 onward in the period of Herbert Evatt. In January

1944, Australia concluded the ANZAC pact with Newzeland and showed an interest to establish the arrangement similar to South Pacific Commission for Southeast Asia and Southwest Pacific also (Herbert Evatt in CPD 26 January 1947).

After the conference in New Delhi on Indonesia in January 1949, the Philippines president Elpidio Quirino suggested for an anti- communist Pacific Union. It was the result of Indian Prime Minister Nehru's speech in the conference that "New impulses should begin to think of some more permanent arrangement than this conference for effective mutual consultations.... (Jawaharlal Nehru, 1971)

It was not well received in Australia. Percy Spender Successor of Evatt as Minister for External Affairs delivering his speeches and said that "All government interested in peace in Southeast Asia should consider creation of regional defence pact of which Australia, the UK and other commonwealth countries should be the nucleus (CPD, 14 March 1950). Ultimately on September 1951, ANZUS treaty was signed in San Fransisco between Australia, Newzeland, and the US. It came into force in April 1952.

Percy Spender at the commonwealth foreign Ministers conference in Colombo emphasized to build up an economic bulwark against political and economic under development ("Colombo plan Bureau", 1961). The conference was held from 9-14 January 1950. Spender was able to bring it to the knowledge of commonwealth statesmen that the situation in Southeast Asia was too delicate and some remedies were needed. Thus, Colombo plan was launched on 1 July 1951 which was the initiative of Menzies government. This government was seeking support and security through a non political and non military approach and that was symbolized through Colombo plan.

As the war in Indo-China developed, the question of an overall multilateral security arrangement in the South West Pacific, Southeast Asia and South Asia became important. Ramon Magsaysay, the Philippines president stated on 18 April 1954 to support any NATO type alliance provided the Philippines be given the guarantee of the US help in case of attack (Official Gazette, Republic of the Philippines, 1954)

The Geneva settlement concluded in July 1954 led to an effort to establish a security arrangement directed at stopping further communist gains in Southeast Asia. On September 6, 1954, the Philippines, Thailand, Pakistan, Australia, Newzeland, France, Great Britain and the US met at Manila. Two days later on 8 September 1954, South East Asia Collective Defence Treaty was signed. The views in shaping it were of Britain and the U.S. The treaty was defined as “the general area of South East Asia, including also the entire territories of the Asian parties, and the general areas of South West Pacific excluding Hongkong and Taiwan.” (The South East Asia Collective Defence Treaty, 1954).

The SEATO was Australia’s first defence treaty with Asian countries. The creator of the SEATO had china in their minds. They had fought China in Korea and also confronted in South Vietnam. The communists were keen to acquire the rich strategic sources and excess food supplies of South East Asia. China was accused by supporting the communists against the rulers in South East Asia. Anthony Eden, Secretary of states for Foreign Affairs was of the view that SEATO will not be effective unless it enjoyed the support of the South East Asian powers. (CPD, 1954)

In 1961, an Association of South East Asia (ASA) was formed. The member countries were Malaya, the Philippines and Thailand. Indonesia was not included. In 1964, another organization called “MAPHILINDO” was formed which included Indonesia. One of the prime acts of the new government in Indonesia was to open the way for negotiations with Malaysia, about ending confrontation. These negotiations ended up into the signing of Bangkok Agreement. Thus in Bangkok in August 1967, the idea of regional cooperation became a reality with the formation of Association of South East Asian Nations (ASEAN). On 8 August 1967, five leaders - the Foreign Ministers of Indonesia, Malaysia, the Philippines, Singapore and Thailand - sat down together in Bangkok, Thailand and signed a document. By virtue of that document, the Association of Southeast Asian Nations (ASEAN) was born. The five Foreign Ministers who signed it - Adam Malik of Indonesia, Narciso R. Ramos of the Philippines, Tun Abdul Razak of Malaysia, S. Rajaratnam of Singapore, and Thanat Khoman of Thailand - would subsequently be hailed as the Founding Fathers of probably the most successful inter-governmental organization in the developing world

today. The document they signed known as the ASEAN Declaration. ASEAN declaration was to unite in the infield of economy, trade and culture (“The ASEAN Declaration”, 8 August 1967).

It was put forwarded by Indonesia for economic and cultural collaboration with Malaysia, the Philippines, Thailand and Singapore. (Australian Foreign Affairs Record, 1974). The aims and purposes were about cooperation in the economic, social, cultural, technical, educational and other fields, and in the promotion of regional peace and stability through abiding respect for justice and the rule of law and adherence to the principles of the United Nations Charter. It stipulated that the Association would be open for participation by all States in the Southeast Asian region subscribing to its aims, principles and purposes. It proclaimed ASEAN as representing "the collective will of the nations of Southeast Asia to bind themselves together in friendship and cooperation and, through joint efforts and sacrifices, secure for their peoples and for posterity the blessings of peace, freedom and prosperity."

Formation of ASEAN was applauded by Australia. Australian Minister for Foreign Affairs and Trade, Senator Gareth Evans in the opening of 6+6 session of the Post Ministerial Conference (PMC) in Jakarta on 27 July 1990 stated, “ASEAN has provided a vital confidence building mechanism between its member states. It has presented to the world a group of states which are economically vibrant, confident..... The vision of those, who founded ASEAN in 1967, has been realized. (Australian Foreign Affairs and Trade, July 1990)



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Australia Engagement with ASEAN

The Association of South-east Asian nations (ASEAN) was established on 8 August 1967 at the meeting in Bangkok among the foreign ministers of Indonesia, the Philippines, Singapore, Thailand and the deputy Prime minister of Malaysia. The

ostensible purpose of establishing ASEAN was to promote economic, social, and cultural co-operation but regional security was the prime preoccupation of its founders. It had also aim to enhance regional integration and co-operation.

In April 1974, Australia was the first country outside Southeast Asia, which became ASEAN's very first observer. At the end of Vietnam War, it would have been easy for Australia to retreat into a policy of isolating itself further from Asia. The old perception of Australia as an essentially European country (rather than a Pacific one), could have reasserted itself in the face of defeat in Vietnam. As America withdrew to rebuild its ego after being humiliated in Vietnam, and as Britain moved more towards the European Economic Community, Australia began to realise the importance of developing regional links.

When Australia became an observer of ASEAN, it acted as a serious and cooperative associate. Cooperation focused initially on multilateral economic assistance to ASEAN, which became the Australia-ASEAN Economic Cooperation Program (AAECP).AAECP is the comprehensive umbrella and most concrete expression of Australia's relation with ASEAN. It encompasses a wide range of trade and commercial relations, development and investment promotion program, joint research and energy cooperation program, transfer of technology, people to people contacts. Australia was continuing substantial protection for its manufacturing industries to which ASEAN was opposed because ASEAN was not getting access to Australian market for its growing manufactured goods.

In the late 1970s, Australia cooperated with ASEAN to alleviate the serious problems posed by the large-scale migration of refugees from the countries of Indochina. Since 1979, Australia has participated in the consultations held after the annual meetings of ASEAN post ministerial conference (PMC) of the foreign ministers, when ASEAN formally consults with its dialogue partners. This has given Australia's foreign ministers regular platform for direct communication with all of their ASEAN counterparts and also to discuss with them a wide range of regional and global issues at the multilateral forum and also bilateral relations sideline of these meetings.

From the late 1980s, Australia also worked very closely with key ASEAN members—particularly Indonesia—in an attempt to resolve the long-running Cambodia conflict. These efforts made a significant contribution to the Paris Agreements on Cambodia signed in October 1991 which led to the May 1993 elections and the formation of a new government in Cambodia. It was also keen to see ASEAN's enhanced role in dialogue on regional security. It has accordingly been an active participant in the ASEAN Regional Forum since its inauguration in 1994. Australia was a founding member of the ARF and has been an energetic participant in the Forum's discussions and activities. Australia has been supportive of efforts for the ARF to develop preventive diplomacy tools, including an expanded role for the ARF Chair.

Following the 11 September 2001 terrorist attacks in the United States, Australia has been at the forefront of efforts to ensure the ARF makes a practical contribution to regional anti-terrorism efforts. Australia has also encouraged ARF to address proliferation threats and to deliver clear messages to the DPRK regarding its nuclear and missile programs. A recent additional focus of ARF activity has been regional capacities to respond to disasters. Australia is a member of the ARF “Shepherds’ Group” created to take forward work on disaster relief capabilities. The 14th ASEAN Regional Forum Ministerial Meeting, held in Manila on 2 August 2007, endorsed a proposal by Australia and Indonesia to co host a Disaster Relief desktop exercise (simulation) in Indonesia in 2008.

From 1994, the relationship has encountered many challenges and limitations. Many reverse circumstances arose amid the good running relationship. In 1997, the Asian Financial crisis damaged the image of ASEAN as successful regional institution. Australia made many contributions to the affected countries especially Thailand and Indonesia but the potential for progress in relations was impeded by the crisis. The financial crisis encouraged moves which had been underway since the early 1990s to develop more clearly ‘East Asia’ focused avenues of cooperation. Prime Minister Mahathir Mohamed of Malaysia was a leading proponent of these moves but he did not favour Australia's direct participation in the newly emerging East Asia oriented dialogues. ASEAN from 1996 began to hold meetings with the European Union (in the ‘Asia-Europe Meetings’—ASEM) and a further reflection of the East Asian

focused cooperation approach was the advent from 1997 of the 'ASEAN plus Three' process. Australia was not a part of these important new dialogues.

Australia in the 1990s also experienced some strain in key bilateral relations with ASEAN members. Economic and security relations remained close with Malaysia. Australia's involvement in East Timor was one major turning point in Indonesia - Australia relations. Australia has considerable security, economic and humanitarian interests in East Timor. The proximity makes it a strategic issue of significant concerns. Any chaotic condition or ethnic strife, and social dislocation elsewhere in the vicinity could raise a host of difficulties for Australia and Indonesia. Indonesia remains central to the institutional pillars of Australia's engagement with Asia being premised on the ASEAN, APEC, and, ARF. The success or failure of the Asia policy was linked to the state of Australia's relation with Indonesia. In 1999, East Timor was separated from Indonesia and became independent state. Australia gave full support to independence of East Timor. East Timor's bloody transition to independence has affected Australia's relation with Indonesia as well as ASEAN also, because ASEAN has been openly supported to the organization's most powerful member. Until the United Nations sponsored ballot in August 1999, ASEAN adhered to its longstanding position that East Timor was a purely an Indonesian domestic matter.

Setbacks in Australia-ASEAN Relations (after 2000)

Australia from the early 1990s had expressed strong interest in developing a link between the Australia-New Zealand 'Closer Economic Relations' (CER) agreement and the AFTA. However, in October 2000, ASEAN economic ministers at a meeting in Chiang Mai decided against pursuing any direct linkage with outside powers. Instead ASEAN ministers approved development of a useful but more limited 'closer economic partnership' to pursue trade facilitation and capacity building. Australia had a further setback in 2002 when it sought to gain participation in ASEAN's annual leadership meetings, held that year in Phnom Penh. Australia's bid was not accepted. At the 2003 ASEAN summit meetings in Bali, it was reported that Australia did not renew its efforts to gain representation and that the issue of Australian representation had been dropped from the agenda for discussion and had been shelved indefinitely.

In 2004, the climate for progress in Australia-ASEAN relations has improved significantly. In April 2004—the 30th anniversary of the first multilateral Australia-ASEAN agreement—ASEAN's economics ministers, meeting in Singapore, made two important announcements. They would propose that the Prime Ministers of Australia and New Zealand should be invited to attend a special 'commemorative summit' during ASEAN's meeting in Vientiane in November 2004. Second, they declared that it would be 'beneficial to both regions to upgrade economic relations to the next level' by asking for a review of the proposal for a linkage between AFTA and CER. The invitation to the summit was duly made by ASEAN foreign ministers at the end of June 2004.

Positive Factors for Australia-ASEAN Relations

Australia's regional relations have clearly been affected by the post-September 11 international climate and concerns about terrorism. From late 2001 attention has been focused on the threats posed to the ASEAN region by terrorist movements of which Jemaah Islamiyah has been the most prominent. Attention was heightened after the bombings in Bali in October 2002, at the Marriott Hotel in Jakarta in August 2003 and outside the Australian Embassy in Jakarta in September 2004.

Australia has taken a series of actions to expand cooperation on counter-terrorism, signing bilateral agreements with a number of ASEAN members and a multilateral declaration with the ASEAN itself. This has extended the sense of mutual interest between Australia and many ASEAN members. ASEAN's Secretary General Ong Keng Yeng emphasised in April 2004 that: 'Australia is a peaceful and stable country. It has a great influence in counter-terrorism initiatives and, in this area at least, we are working together and through that we can socialise more and be more comfortable together.'

In a parallel development, key bilateral relationships have recently improved. With Malaysia, there has been a notable increase in warmth in relations with Australia since the retirement of Prime Minister Mahathir. Relations with Indonesia have also improved substantially since the chill in the period of 1999—this improvement is expected to be continued under the presidency of Susilo Bambang Yudhoyono—and

was symbolised by the attendance of Prime Minister Howard at President Yudhoyono's inauguration in Jakarta on 20 October 2004.

The ongoing impact of the rise of China has been a further important factor. ASEAN members have been keenly aware that China's continued remarkable growth is posing challenges for the ASEAN members' capacity to maintain economic dynamism and to continue to gain access to foreign investment. The need to achieve more concerted market integration among the ten ASEAN members to help them attract investment has been regarded as a major motivation for the ASEAN in promoting AFTA and the ASEAN Economic Community. In this context, an association with the economy of Australia would help boost ASEAN's access to markets and relevant technical skills to enhance economic growth and competitiveness.

The rise in popularity of regional 'free trade agreements' is also a significant factor. With the World Trade Organization talks moving slowly and APEC's plans for trade liberalisation in the Asia-Pacific having lost momentum since the late 1990s, there has been a trend towards bilateral FTAs (such as Singapore-US, Australia-Singapore and Australia-Thailand) and proposals for wider regional arrangements, most notably between the ASEAN and China. These developments have stimulated ASEAN to review the desirability of closer economic links. In Oct 2003, The Australian and Thai Prime ministers announced the conclusion of negotiations on a comprehensive free trade agreement. The Thailand-Australia Free Trade Agreement was signed in 2004 and established a new trade platform for Australia and the second largest economy in Southeast Asia when it entered into force in Jan. 2005. The Singapore-Australia Free Trade Agreement (SAFTA) came into force in July 2003.

On 27 July 2007, Prime Minister John Howard and Indonesian President Yudhoyono announced an agreement to commence a feasibility study to examine the merits of a bilateral Free Trade Agreement. The feasibility study is expected to be completed by mid-2008. On 7 April 2005, Prime Minister John Howard and his Malaysian counterpart, Prime Minister Abdullah Ahmad Badawi, agreed to launch negotiations on a bilateral Free Trade Agreement (FTA)

In Aug 2005, Australian foreign minister Alexander Downer said that the diplomatic relation with Southeast Asia is at an historic high. They said," the invitation to attend the East Asia Summit in December 2005 means Australia will be present at the birth of a dynamic East Asia community." They added," the Government as a whole is particularly delighted that Australia has been invited by ASEAN to participate in the East Asia summit," However, Australia's place at the summit was only secured after it agreed to reverse its policy and sign ASEAN's Treaty of Amity and Cooperation. Australia had been reluctant to sign the treaty out of concerns regarding how it would effect Australia's obligation under other treaty arrangements including ANZUS.

Downer attended the annual ASEAN PMC and ARF meetings, an EAS Foreign Minister's lunch and the South-West Pacific Dialogue in Manila from 31 July to 2 August 2007. Mr. Downer noted the success of regional cooperation in a range of areas, including counter-terrorism. He highlighted Australia's development assistance to the region and announced funding for regional initiatives aimed at combating avian influenza and child sex tourism. Mr. Downer and his ASEAN counterparts signed a Joint Declaration on the ASEAN-Australia Comprehensive Partnership. The Declaration reflects the breadth and maturity of the ASEAN-Australia relationship and provides a framework for future engagement, covering political and security, economic, socio-cultural and development cooperation.

As its first Dialogue Partner, Australia has a longstanding and deep relationship with ASEAN, covering cooperation in a range of areas from security, cultural, economic, education and development. Along with Australia's participation in annual ASEAN meetings with Dialogue Partners, the ASEAN-Australia Forum is held every 18 months to two years, most recently in May, 2008 in Manila.

At the ASEAN Post Ministerial Conference, held in Manila on 1 August 2007, Australia and ASEAN signed a Joint Declaration on the ASEAN-Australia Comprehensive Partnership. The Plan of Action to implement the Comprehensive Partnership was adopted in November 2007 and provides a framework for future engagement, covering political and security, economic, socio-cultural and development cooperation.

Australia and ASEAN first formalised trade relations in a Memorandum of Understanding on ASEAN-Australia Trade Cooperation in 1976. In 2006-07, ASEAN received around 12 per cent of Australia's total exports, and was the source of 19 per cent of Australia's imports. To further strengthen trading relations, Australia, together with New Zealand, is currently negotiating a comprehensive, WTO-consistent Free Trade Agreement with ASEAN. When concluded, possibly by mid-2008, this agreement will further consolidate Australia's economic integration with the region and complement her existing bilateral agreements with Singapore and Thailand.

Education services are Australia's largest services export to ASEAN. Australia is a leading provider of on-shore and off-shore education services to the region, with over 70,000 students from ASEAN countries studying at Australian educational institutions in 2007. Academic and institutional links between Australia and ASEAN continue to strengthen with many Australian universities setting up offshore campuses.

People-to-people links are also strong, with high-levels of tourism and travel between Australia and ASEAN countries and dynamic cultural relations: tours by performing arts groups and cultural exhibitions are a regular feature of our cultural exchanges with ASEAN countries.

Australia has worked in partnership with ASEAN for over 33 years to build economic cooperation and prosperity in the region. Australia has committed more than \$50 million to the ASEAN-Australia Development Cooperation Program since 2002. In addition, Australia provides substantial development assistance to individual ASEAN countries on a bilateral basis.

On 13 June, 2008 ASEAN and Australia committed to advance cooperation in economic integration with the launch of the second phase of ASEAN-Australia Development Cooperation Programme (AADCP-II) under the program, Australia will provide A\$57 million to ASEAN over the next seven years to support greater economic integration in the region. Australian Prime Minister Mr. Kevin Rudd said during the launch of the program at the ASEAN Secretariat in Jakarta that "the new program underscored Australia's commitment to engaging with ASEAN. Australia is

committed to supporting ASEAN's efforts to establish an economic community by 2015 and economic integration is an important step in that process, Australia is in a unique position to provide this support. We have had the longest partnership with ASEAN, dating back to the 1970s, and we will be the first partner to work within ASEAN Secretariat systems to implement this type of program.”(Joint Press Statement, 13 June 2008).

Mr. Rudd is the first Head of Government of a Dialogue Partner country of ASEAN to visit the ASEAN Secretariat. Secretary-General of ASEAN, Dr. Surin Pitsuwan said, “The ASEAN Secretariat is honoured by the visit of Prime Minister Rudd and welcomes the assistance from Australia in enhancing our economic integration, which will serve as the catalyst for community building efforts in ASEAN as well as ASEAN's role in fostering a wider community in East Asia” (Joint Press Statement, 13 June 2008).

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Chapter II

Political Engagement of ASEAN and Australia

Geographical location of Australia and Southeast Asia requires the construction of cooperative environment. Australia has considered South East Asia important because of a number of reasons. Most pressing factor has been the strategic importance of area to Australia. (O. Harries, 1977). It was an important member of SEATO and took part in the Vietnam War along with the US. After the end of cold war, political and economic issues got precedence over the other factors. Australia had hoped for a stable and prosperous neighbourhood and looked for profitable trade relations.

Any comparison of Australia's international relations in 1960s and the 1970s have and afterwards, underline the fact that the ASEAN countries occupied a prominent place in Australia's world view. Australia recognized that its future lied in the development of the South East Asian region. Support for the ASEAN in political matters became a central feature in Australian foreign policy.

The ASEAN's formation in 1967 was welcomed and encouraged by Australia. It was advocated by the then Australian minister for External Affairs, Paul Hasluck. In August 1967, his statement on international affairs suggested that the ASEAN should be welcomed and given every encouragement. (Commonwealth Parliamentary Debates (CPD), 17 August 1967). Since 1967, Australia and the ASEAN consult and cooperate closely and routinely on a wide range of multilateral issues.

In 1967-68, suggestions were made in Australia that it should seek the membership of the ASEAN or that the ASEAN and Asia Pacific Council should be merged into a greater regional bloc. It was in Australia's interest in proclaiming its identity as part of the region, or staking claim to a voice in its council. This idea, however, was not supported by Indonesia (Foreign Ministry of Thailand, 1972). For this reason Prime Minister John Gorton's idea of an Australia-Indonesian non-aggression pact (June 1968) got prominent.

During 1967, Australia wanted the British forces to remain in the region for stability and security of the Southeast Asian region. Relation of the Australian and British troops was also supported by the government of Malaysia and Singapore (CPD, 1966). Australia's perception was that the threats to the stability of Southeast Asia could affect Australia's security directly. As a result, Australia's regional defence agreement included two ASEAN nations, Singapore and Malaysia. The members of this Five Power Defence Arrangement (FPDA) are Australia, Malaysia, Singapore, Newzeland and the U.K. It came into existence in 1971. The British announcement on 18 July 1967 of the total withdrawl of its forces from Malaysia and Singapore by mid-1970 would have created a void. Lord Carrington, the British Defence secretary in Canberra said, "We believe that we must stay in South East Asia not in any dominant way but as an equal partner with other countries who are concerned in the defence of this area. (Current notes on International Affairs, 1970)

When the ASEAN Foreign Ministers met in Kualalumpur on 27 November 1971, the concept of the Zone of Peace, Freedom and Neutrality (ZOPFAN) was agreed upon. It was proposed by Malaysia. (Kuala lumpur Declaration, 1971).This was to remove the necessity of a pact like FPDA for security. The Australian government did not regard this proposal as immediate practicable. (South East Asia: The Neutralization Proposals, 1972).

Until 1972, ASEAN did not appear as an important region in the Australian foreign policy. With the elections of Labor government in December 1972 the ASEAN stood at a visible platform. Australia moved to establish formal links with the ASEAN in 1973. Preliminary meetings were held between the representatives of the two. Australia was the first non-member country to establish relationship with the ASEAN in 1974. The Australian political leaders have frequently concentrated on the significance of the ASEAN to Australia. As the Prime Minister of Australia said on a visit of the Philippines, "Australia is very conscious of the importance of ASEAN as a force for moderation of the region..... Let me emphasize that Australia's interest and involvement in Southeast 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 only for the Association of Southeast Asian Nations but also for Australia's Southeast Asian neighbours". (Senate Standing Committee, 1980)

Regular ministerial exchanges and series of officials talks on bilateral issues began with individual countries and also with the ASEAN as a whole were established. Increasing personal contacts were established as a result of the regular visits by the Australian Prime Minister to the ASEAN countries. Sensitive issues could be resolved in a friendly atmosphere. Indonesian President Suharto's announcement during his visit to Australia in 1972 of an institution of annual consultations between Jakarta and Canberra was an important start (J.D.B. Miller, 1972).

1970s onward Australia broadened the range of its international contacts. The concern about the well being of their neighbouring countries became a centre feature of the Australian foreign policy. ASEAN-Australia Economic Cooperation (AAECP) was established in 1974. It was the first step to form a direct link between Australia and ASEAN. The annual ASEAN-Australia Forum is a meeting of their senior officials for consultations. The ASEAN-Australia Consultative Meeting (AACM) was established in 1978. Between the forum meetings it brings the Australian officials from 12 departments into regular consultation with the heads of ASEAN diplomatic missions in Canberra (AFAR, 1981).

In mid-1970s, major issues of concerns before Australia and the ASEAN were the problem of East Timor and fall of non-communist regimes in Indo-China. By mid-1970s, member nations of ASEAN faced disturbances on various fronts like Vietnam War, Cambodia problem, etc. It culminated in the holding of first conference of the heads of ASEAN countries in Bali in February 1976. This Summit declared a Treaty of Amity and Cooperation (TAC) and a Declaration of Accord.

The preparatory meeting of the ASEAN Foreign Ministers at Pattaya decided not to invite Australia in the Bali Summit as observer along with Japan (SMH, 12 February 1976). Refusal to invite Australia was because of some reasons. The Indonesian Foreign

Minister Adam Malik was deadly against it (SMH, 7 February 1976). In an interview with Indonesian magazine, he said, "Fraser has only tried to show that his administration is better received in the ASEAN than his predecessor, Whitlam" (The Tempo, 7 February 1976). The Indonesian attitude was conditioned by the Australian reaction to the conflict in East Timor.

The ASEAN members emphasized on decision taken by general consensus rather than by majority votes. The question of whether Australia should be invited to Bali Summit or not was such an issue. Indonesia was accepted by the other ASEAN members as single most influential member of the association. Without Indonesian support Australia could not have moved forward in its relation with the association. Perhaps the reason of the ASEAN disinterestedness was political and strategic. A formal meeting with the Australian representative would have been an indirect support to anti-soviet and anti-Vietnam attitude of Australia (SMH, 27 February 1976).

Australia's bilateral relation with the ASEAN's Countries

Australia has always given priority to its relationship with the ASEAN. As a dialogue partner, Australia participated in important ASEAN meetings, notably the ASEAN Regional Forum and the ASEAN Post Ministerial Conference. Australia's close and long-standing engagement with ASEAN and East Asian countries generally was bolstered further when Prime Minister Howard attended the inaugural East Asia Summit (EAS) in Kuala Lumpur on 14 December 2005. The EAS brought together leaders from the ten ASEAN countries as well as Australia, China, Japan, India, New Zealand and the Republic of South Korea to discuss issues of strategic and economic importance to the region. On 10 December 2005 Australian Foreign Minister Downer signed the instrument of accession to the Treaty of Amity and Cooperation in Kuala Lumpur following a meeting of EAS Foreign Ministers, paving the way for Australia's inclusion in the EAS.

In 2004 at an ASEAN-Australia New Zealand Summit celebrating 30 years since Australia's inclusion as an ASEAN dialogue partner, leaders announced the start of

negotiations for an ASEAN-Australia New Zealand FTA. These negotiations are ongoing. Agreement was also reached in 2004 on an ASEAN-Australia Joint Declaration for Cooperation to combat international terrorism, which underpins regional cooperation on counter-terrorism and other regional security issues.

Australia continued to influence evolving East Asian regional architecture by encouraging and contributing to a concrete program of activity for the East Asian Summit (EAS). At the EAS leader's summit in the Philippines in January 2007, Prime Minister Howard and representatives for the fifteen others EAS member countries agreed on a frame work program, including Australia's priority area of regional financial integration and cooperation. Australia continued to lead negotiations with New Zealand, towards an FTA with the ASEAN.

Australia has substantial relationships with every individual members of ASEAN. Here is the analysis of recent development in bilateral relationship in brief because it is not possible to analyze relationship in such a limited space. Studies about each bilateral relation need very special care. It is an attempt to just introduce the recent development.

Australia-Indonesia Relation

Australia and Indonesia are close neighbours enjoying a wide-ranging relationship encompassing political, security, commercial, cultural and people-to-people links. Over 15,000 Indonesian students were enrolled to study in Australia in 2006. An estimated 400 Australian firms are operating in Indonesia in wide range of sectors, including the mining, construction, finance and banking, food and beverages, and transport sectors. The trade between Australia and Indonesia was valued at \$10.4 billion in 2007, making Indonesia, Australia's 13th largest trading partner.

Australia and Indonesia have important programs of cooperation on a wide range of international issues including counter-terrorism, illegal fishing, human trafficking, avian influenza, climate change and interfaith dialogue.

A major arts and culture program in Indonesia was announced by Australian Foreign Minister Stephen Smith in March 2008. IN2OZ will highlight the creativity at the heart of Australia's world-class science and technology industries and education sector and demonstrate Australia's diversity, dynamism and tolerance. The program supported the participation of Australian musicians at the Jakarta International JavaJazz Festival held in March 2008 and will enable Australian writers to participate in the annual Ubud Writers and Readers Festival on 7 October 2007. Australia-Indonesia Trade Ministers meeting held in Jakarta on 25 June 2007, focused on progress made under the Australia-Indonesia Trade and Investment Framework (TIF) signed in 2005. Leading Australian and Indonesian business representatives took part in the second policy dialogue, discussing practical issues relating to the bilateral investment climate. An Experts' Group established under the TIF provided recommendations, to ministers, on the ways to broaden the commercial relationship.

A Joint Declaration on Comprehensive Partnership between Australia and the Republic of Indonesia was signed during President Yudhoyono's visit to Australia (3-6 April 2005). The 8th Australia-Indonesia Ministerial Forum was held in Bali on 29 June 2006 and was attended by five Australian and eleven Indonesian ministers. The Forum, established in 1992, provides an important platform for the expansion of bilateral ties between the two countries. Representatives of the Australian and Indonesian business communities also held a dialogue with ministers at the forum.

Australia and Indonesia have a strong commitment for mutually-beneficial engagement and cooperation to combat terrorism. Australian and Indonesian authorities have cooperated closely to investigate several terrorist incidents, including the 12 October 2002 Bali bombing, the 9 September 2004 bombing outside the Australian embassy in Jakarta and the second Bali bombing on 1 October 2005. Indonesian authorities have successfully brought to justice almost 200 terrorists and their accomplices.

Building on the links established through these joint investigations, cooperation now also includes wide-ranging capacity-building assistance to Indonesian agencies, including in the areas of law enforcement, counter-terrorist financing, border control, transport

security and intelligence. An example of capacity building assistance is the jointly established Jakarta Centre for Law Enforcement Cooperation (JCLEC), to which Australia will contribute \$36.8 million over five years (2004-2009). Australia and Indonesia have also taken the lead in promoting regional counter-terrorism cooperation, including by jointly hosting the Sub-Regional Ministerial Conference on Counter-Terrorism in Jakarta in March 2007. That meeting provided impetus for closer regional counter-terrorism cooperation and led to agreement on priorities for future CT (Counter Terrorism) action in Southeast Asia.

In February 2002, Australia signed a non-legally binding bilateral counter-terrorism memorandum of understanding (CT MOU) with Indonesia. The CT MOU has been renewed annually since 2002. Underlining the long-term nature of Australia's bilateral counter-terrorism cooperation with Indonesia, on 7 February 2008 both countries extended the CT MOU for a further three years. This extension reflects the strengthening and deepening of security cooperation between Indonesia and Australia envisaged under the Lombok Treaty.

The agreement between Australia and the Republic of Indonesia on the framework for security cooperation (Lombok Treaty) was signed by Foreign Ministers in Lombok on 13 November 2006. On 7 February 2008, Australian Foreign Minister Stephen Smith and Indonesian Foreign Minister Dr Hassan Wirajuda exchanged notes, bringing the treaty into force.

The agreement is forward-looking and aims to deepen and expand bilateral cooperation and exchanges on matters affecting security of both countries in the modern context. It provides a strong legal framework for encouraging intensive dialogue, exchanges and implementation of cooperative activities to combat terrorism and transnational crime, in the areas of defence, law enforcement, intelligence, maritime and aviation security, and in relation to the proliferation of weapons of mass destruction, and disaster management and response.

Australia-Singapore Relation

Singapore is Australia's largest trade and investment partner in ASEAN and fifth largest trading partner overall. The Singapore-Australia Free Trade Agreement (SAFTA), which came into force on 28 July 2003, has contributed towards a stronger bilateral economic partnership. SAFTA was the first FTA Australia had concluded in the twenty years since the Australia New Zealand Closer Economic Relations Trade Agreement (CER) came into effect on 1 January 1983.

Singapore has one of Australia's closest and most comprehensive bilateral relationships in ASEAN member countries. This is based on long-standing political, defence, education, trade, tourism and Commonwealth links, and a similar strategic outlook. A Joint Declaration by Australia's and Singapore's Prime Ministers in January 1996, entitled 'A New Partnership', established a biennial Singapore-Australia Joint Ministerial Committee (SAJMC). The Committee is led by foreign ministers and attended by ministers responsible for other areas of bilateral cooperation (usually trade and defence). The inaugural SAJMC was held in Canberra in October 1996. Subsequent SAJMC meetings were held in Singapore (1999 and 2003) and Australia (2001).

Both countries have developed a powerful bilateral defence relationship covering a comprehensive range of activities, including high level policy dialogue, significant combined exercises, personnel exchanges and training. A major characteristic of the relationship is the access to the Australian training areas provided to the Singapore armed Forces. Singapore, which has one of the most advanced armed forces in the region, is Australia's Defence Forces most valuable combined exercise partner in Southeast Asia. Singapore is also one of the members of the Five Power Defence Arrangements (FPDA) with Australia. Although it originally focussed on the defence of Malaysia and Singapore against conventional threats, it now also encompasses asymmetrical threats such as terrorism.

Singapore is a strong ally in global efforts to combat terrorism. In recent years, bilateral collaboration on counter-terrorism has strengthened, including in the areas of law enforcement, intelligence sharing and through the FPDA. In 2005 the Australian Federal Police and Singapore Police Force signed a Memorandum of Understanding (MOU) that

provided the framework for ongoing police collaboration to combat transnational crime. This is the first Police to Police MOU that Singapore has signed with another country. Australia and Singapore are engaged in significant cooperation and dialogue on major regional and global economic, political and security issues, including through APEC, the ASEAN Regional Forum (ARF), the AFTA-CER Consultations, and the Indian Ocean Rim Association for Regional Cooperation (IOR-ARC).

High level exchanges continue to reinforce the strength of the bilateral relationship and in August 2005 the 5th Singapore-Australia Joint Ministerial Meeting was held in Perth. Singaporean Prime Minister Lee Hsien Loong visited Australia in June 2006.

Australia-Thailand Relation

Australia's bilateral relationship with Thailand is strong and close, with cooperation in a broad range of areas of mutual interest including trade and investment, law enforcement, counter-terrorism, education, defence, migration and tourism. Official diplomatic relations were established between both countries in 1952. The bilateral relationship is facilitated by mutual membership of bodies such as APEC, the ASEAN PMC, the EAS and the Cairns Group.

Australia's strong bilateral relations with Thailand are reflected in ever increasing people-to people links. Australia continues to be a leading destination for Thai students and Thailand attracts large number of Australians for tourism and business. Prior to Thailand's decision in 2003 to decline development assistance, Australia was a major aid partner. Many Thais studied in Australia under the Colombo Plan and other programs.

The Thailand-Australia Free Trade Agreement (TAFTA) entered into force on 1 January 2005. An agreement on Bilateral Cooperation entered into force on 27 July 2005. It complements TAFTA by providing a framework for future bilateral cooperation in non-trade areas, including security and law enforcement, environment and heritage, science and technology, telecommunications, civil aviation, public administration, energy, immigration, education, culture and social development.

Regional stability is a key area of mutual interest. Thailand was one of the first countries with which Australia concluded a bilateral MOU on Counter-Terrorism in October 2002. This was followed by MOUs on police cooperation (June 2003), mutual assistance in customs matters (December 2003), and money-laundering (June 2004), and a Mutual Legal Assistance Treaty (July 2006).

In November 2003, the Royal Thai Government publicly expressed its wish to move away from being an aid recipient. As a result, Australia's development cooperation with Thailand has been reduced significantly since 2004-05. Total Australian assistance to Thailand in 2006-2007 was \$6.3 million. Assistance is focused on developing public sector linkages and addressing regional issues such as terrorism, narcotics and people trafficking. Thai authorities have expressed interest in cooperating with Australia to provide aid to third world countries, particularly in the Pacific region.

Australia-Malaysia Relation

Australia's formal relations with Malaysia started in 1955 when Australia's High Commission was established in Kuala Lumpur. Australia was one of fifteen countries to establish formal diplomatic relations with the Federation of Malaya in 1957 soon after its independence. The current relationship draws on many long-standing associations including: parliamentary, legal and administrative systems with many similar features and joint membership of the Commonwealth; people-to-people links including students, business councils and immigration; regular and close consultations in a variety of policy fields such as a Ministerial-level Joint Trade Committee; bilateral defence and security cooperation, through the Malaysia-Australia Joint Defence Program and the Five Power Defence Arrangements.

A number of activities marked the 50th anniversary of Malaysia's independence on 31 August 2007. The Governor-General, His Excellency Major General Michael Jeffery, represented Australia at Malaysia's 50th anniversary of independence (Merdeka)

celebrations in Kuala Lumpur on 31 August 2007. With support from the Australia Malaysia Institute (AMI), the Department of Foreign Affairs (DFAT) released a bilingual photographic publication entitled *Australia-Malaysia: Celebrating 50 Years*, which chronicles some of the important events and achievements shared by Australia and Malaysia over more than five decades. DFAT also supported the MyOZ program of cultural events to commemorate 50 years of bilateral relations.

The Australian Parliament's Joint Standing Committee on Foreign Affairs, Defence and Trade tabled a report on Australia's Relationship with Malaysia in March 2007. The report noted the changing nature of Australia's relationship with Malaysia – from one of support in the early years of Malaysia's formation to the present wide-ranging and extensive collaboration across all fields.

The official visit to Australia in April 2005 by Prime Minister Abdullah – the first by a Malaysian Prime Minister in 21 years – provided an opportunity to build on long-standing cooperation in a range of areas. A key outcome of the visit was the decision to proceed to bilateral free trade agreement negotiations. The then Prime Minister, John Howard, visited Malaysia in late 2006. In May 2007, Prime Minister Abdullah attended the launch of an exhibition of traditional Malay women's garments (kebaya) collected by his late wife, Datin Paduka Seri Endon Mahmood, held at the Immigration Museum in Melbourne. Prime Minister Abdullah also attended the APEC Leaders' Meeting in Sydney on 8-9 September 2007.

Australia's defence relationship with Malaysia dates back to well before Malaysia's independence in 1957, and reflects a common commitment to the security and stability of the region. The relationship is based on practical cooperation including the Malaysia-Australia Joint Defence Program, an ongoing Australian presence at the Royal Malaysian Air Force (RMAF) Base at Butterworth, and common membership of the Five Power Defence Arrangements.

In February 2005, DFAT published a book entitled 'Australia and the Formation of Malaysia 1961-1966', which documents Australia's support for the establishment of

Malaysia and defence of its territorial integrity. Bilateral defence cooperation occurs through the Malaysia-Australia Joint Defence Program, which formally commenced in 1992 under this title (although Australian defence cooperation assistance to Malaysia dates back to 1964). The program includes the training of Malaysian military personnel in Australia, the attachment of Armed Forces personnel from each country to the other, and annual combined field exercises. Australia is Malaysia's major source of external military training.

Formally established in 1971, the Five Power Defence Arrangements (FPDA) commits Australia, New Zealand and the United Kingdom to consult on a response to any armed attack or threat against Malaysia or Singapore. The FPDA provides a valuable framework for conducting combined training exercises. More recently, the FPDA has expanded its focus to address non-conventional security threats facing the region, including terrorism and maritime security.

Australia and Malaysia cooperate closely on a range of security issues, with good links between police and immigration agencies. In August 2002, Australia and Malaysia signed an MoU on cooperation to combat international terrorism. Bilateral agreements on mutual assistance in criminal matters, and extradition, entered into force on 28 December 2006.

Malaysia is Australia's third-largest trading partner in ASEAN and eleventh-largest partner overall. In addition to the launch of bilateral FTA negotiations, the Australian Government announced the establishment of an Australia-Malaysia Institute to enhance people-to-people ties.

Australia-Philippines Relation

Australia is promoting closer bilateral engagement with the Philippines across a range of shared political, security and economic interests. As a country with a long exposure to Western culture and a comparatively well-educated English-speaking population, the Philippines have much in common with Australia. Australia and the Philippines are geographically proximate and share common perspectives on many regional, economic and security issues. As a result, Australia and the Philippines have a long history of bilateral cooperation. Diplomatic relations were established when Australia opened its

first Consulate-General in Manila on 22 May 1946. An Australian Ambassador to the Philippines was appointed in 1957. The Philippines opened an Embassy in Canberra in 1962. The relationship consists of development assistance, defence and law enforcement cooperation, and Australia have increasing people to people links through trade, investment, cultural exchange, tourism and migration. Significant numbers of Filipinos immigrated to Australia between the 1960s and the 1990s and Filipinos remain one of the fastest growing immigrant communities in Australia. At the 2001 Census, members of the Filipino community in Australia numbered 123,000.

Behind the United States, Australia is the second largest provider of defence training to the Philippines. The defence relationship has recently grown, with a focus on counter terrorism, maritime security and assistance to the Philippines Defence Reform Program. During President Arroyo's visit to Australia from 30-31 May 2007, a bilateral Status of Visiting Forces Agreement was signed by Australia and the Philippines.

Australia and the Philippines signed a bilateral MOU on Cooperation to Combat International Terrorism in March 2003, and another MOU on combating transnational crime (between the Australian Federal Police and the Philippines National Police) in July 2003. In July 2003, Australia announced a three-year \$5 million package of counter-terrorism assistance to the Philippines Government. In October 2004, Australia announced a doubling of this assistance to \$10 million over five years. This assistance package provides practical assistance in policing, immigration, port security and cooperation to address regional counter-terrorism issues. The Philippines is also benefiting from elements of the \$92.6 million Regional Counter-Terrorism Package announced in the 2006-07 Budget. Australia and the Philippines held counter terrorism consultations in the Philippines in July 2006.

In October 1997, Manila hosted the inaugural Philippine-Australia Dialogue (PAD). The PAD brought together politicians, business people, academics and journalists from both Australia and the Philippines to discuss the major issues in the bilateral relationship. The second PAD was held in Brisbane in November 1998 and the third in Cebu in November 1999. In light of the increasing importance both countries attach to the bilateral relationship, the PAD was upgraded to a ministerial-level meeting, and the inaugural Philippines-Australia Ministerial Meeting (PAMM) was held in Sydney in August 2005. Ministers agreed to a comprehensive action agenda at the meeting. Good progress has been made on implementing the agenda.

Australia and the Philippines share a common interest in cooperating in regional affairs through fora such as APEC and the ASEAN Regional Forum. Both Australia and the Philippines are active members of the Cairns Group, a coalition of 17 agricultural exporting countries. Both countries participated in the inaugural East Asia Summit held in Malaysia in December 2005. The second East Asia Summit was held in Cebu in the Philippines in January 2007.

Australia-Vietnam Relation

2008 mark the 35th anniversary of diplomatic relations between Australia and Vietnam, established in February 1973. The opening of the Australian Consulate-General in Ho Chi Minh City in November 1994 further strengthened Australia's diplomatic representation in Vietnam.

Australia has recognised the political, strategic and economic importance of its bilateral relationship with Vietnam. During the 1980s, when Vietnam was internationally isolated, Australia provided aid to Vietnam through multilateral organisations such as the United Nations Development Programme. Australia was also one of the first countries to restore its bilateral aid program following the withdrawal of the Vietnamese presence from Cambodia and the signing of the Paris Peace Accords in October 1991.

Formal defence relations between Australia and Vietnam were established in February 1999, with the opening of a Defence Attaché Office at the Australian Embassy in Hanoi. Vietnam's first Defence Attaché to Australia took up his appointment in Canberra in September 2000.

The bilateral defence relationship includes: regular Australian Defence Force ship visits to Vietnamese ports; training of Vietnamese military officers in Australia under the bilateral Defence Cooperation Program; and visits between Australian and Vietnamese Chiefs of Defence Force. The Australian Federal Police maintains Law Enforcement Liaison Offices in Vietnam in Hanoi and Ho Chi Minh City. Australia and Vietnam have also held senior officials-level bilateral dialogues on regional security and other issues since 1998.

Australia's close cooperation with Vietnam as a host of APEC in 2006 made a positive contribution in the bilateral relationship. Australia supported the visits made by the Prime Minister of Vietnam for APEC and by Mr. Downer for the APEC meetings in November 2006. High level visits to Australia during this period included that by the Vice President of Vietnam, Madame Hoa. Australia supported for the fifth bilateral human rights dialogue with Vietnam, leading a delegation to the talk in Hanoi. It also supported the process to locate and later repatriate the remains of two Australian servicemen killed in Vietnam War. Through sustained trade advocacy Australia concluded bilateral negotiations with Vietnam in May 2006 as part of Vietnam's process of accession to the WTO. The negotiation resulted in Vietnam markedly improving its offers on market access for Australian goods and services.

Australia-Cambodia Relation

Australia entered into diplomatic relations with Cambodia over 55 years ago. Over the years the relationship has grown and broadened into new areas of mutual interest. Australia's strong support for the Cambodian Peace Process in the late 1980s and early 1990s, including Australia's lead role in the United Nations Transitional Authority in Cambodia (1992-93) still resonates positively with Cambodians. Both countries are

working closely to combat human trafficking, child sex tourism, narcotics trafficking and terrorism.

Australia maintains a strong commitment to Cambodia's development. This is reflected in her substantial Official Development Assistance (ODA) to Cambodia for which \$54 million has been allocated for 2007-08 (making Australia the fourth largest bilateral donor). Australia also has a defence cooperation program with Cambodia.

Australia's relationship with Cambodia was enhanced by the visit of Prime Minister Hun Sen to Australia in October 2006. This visit saw the signature of Prisoners Transfer Agreement and a bilateral MoU on investment cooperation. Australia strongly supported international efforts to establish a tribunal in Cambodia to try those suspected of atrocities during the Pol Pot era. Australia assisted Cambodia's development of its counter-terrorism capacity. Support for the democratic process in Cambodia continued through Australia's participation in an international observer position for the elections in May 2007. The then Parliamentary secretary for Foreign Affairs, Mr. Billson visited Cambodia in October 2005 when he announced additional Australian funds for mine clearance projects in Cambodia over the next five years under a UNDP multi donor project.

Australia-Myanmar Relation

Australia has diplomatic relations with Myanmar and the two countries maintain small embassies in each other's capital cities. However, for many years the development of Australia's relations with Myanmar has been overshadowed and constrained by the actions of Myanmar's authoritarian military regime. Australia has a longstanding ban on defence exports to Myanmar and restrictions on visits to Australia by senior regime figures.

Australians viewed with grave concern the Myanmar regime's violent crackdown on democracy protestors in late September 2007 and subsequent repressive actions, including large scale detentions and other acts of intimidation. In response to this crisis,

Australia implemented bilateral financial sanctions targeted against members of the Myanmar regime and their associates and supporters on 24 October 2007. Australia has also urged the Myanmar regime to respect the legitimate right of Myanmar citizens to peaceful protest and repeatedly called for the regime to embrace genuine political reform and national reconciliation.

Australia has supported a robust wider international response to this latest wave of repression in Myanmar. Australian Prime Minister, Mr. Kevin Rudd, and Foreign Minister, Mr. Stephen Smith, raised Myanmar issue with UN Secretary-General Ban Ki-moon in Bali in December 2007, and Mr. Smith discussed Myanmar in meetings in New York, Washington and Tokyo in January 2008. Mr. Smith also raised Myanmar issue with the Chinese Foreign Minister in Canberra on 5 February and with the Indonesian Foreign Minister during talks in Perth on 7 February 2008.

Australia's diplomatic missions have also made representations in a range of relevant capitals to encourage these countries to bring pressure to bear on the Myanmar regime to heed the voice of its people for change. In addition, Australia has endorsed firm UN action on Myanmar, including the good offices role being undertaken by UN Special Envoy Ibrahim Gambari, and further consideration of Myanmar in the UN Security Council. Australia is a participant in the UN Secretary-General's Group of Friends on Myanmar which has met twice in New York since December 2007.

Australia's relation with Myanmar continued to be limited by the lack of democratic reform and human rights observance in that country. Australia made regular representatives to regime leaders calling for democratic reform, genuine national reconciliation and respect for human rights. Australia strongly protested against the death in detention of political prisoner Thet Win Aung and the extension of the detention of Aung San Suu Kyi. Australian delegations used their participation in UN bodies and other international forums to urge reform in Myanmar. Consistent with Australia's regional security interests, Australia worked closely with other agencies in support of focused humanitarian assistance to the people of Myanmar and to ensure interaction with

the regime remained limited to its key national priorities such as transnational crime and public health including HIV/ AIDS and Avian Influenza.

Australia-Laos Relation

In 2002, Australia and Laos celebrated the 50th anniversary of the establishment of diplomatic relations. Australia has a positive reputation in Laos as a result of long, unbroken relations, high-profile development assistance, and business ties, including high quality inward investment. The Lao community in Australia numbers around 15,000, many of whom came as refugees after the Lao regime changed in 1975.

Australia and Laos have had a number of high level visits in both directions over recent years, including in the context of APEC which Australia hosted in 2007 and other regional meetings such as the ASEAN Australia and New Zealand Commemorative Summit which Laos hosted in 2004.

Australia's relation with Laos developed in the areas of human rights, combating transnational crime and pandemic preparedness and by leading the Australian delegation to the inaugural bilateral human right dialogue. Australia cooperated closely with business interests in investment in the mining sector.

Australia-Brunei Relation

Brunei is an important partner for Australia in the Commonwealth, APEC and multilateral organizations, including the UN and the World Trade Organization. Australia and Brunei signed a Memorandum of Understanding (MOU) on Cooperation to Combat International Terrorism on 15 February 2005 during the visit to Australia by His Majesty the Sultan of Brunei. The MOU provides for cooperation on security, finance, law enforcement, intelligence, customs, immigration and transport. It also continued to lobby the Brunei government in support of a number of Australian companies considering investment there.

ASEAN-Australia Dialogue Partnership

Australia's cooperation with ASEAN has expanded significantly from cooperation in trade to cooperation in areas such as technology transfer and technical assistance since the establishment of the ASEAN-Australia Dialogue in 1974. Phase II of the ASEAN-Australia Economic Cooperation Programme (AAECP Phase II), which covers period of 1989-1994, concentrates on projects in the field of science and technology, food and agriculture, and trade and investment promotion. Following the decision of the Third Meeting of the AAECP Joint Planning Committee, held in Singapore, 10-11 April 1991, a joint review team comprising three ASEAN members and three Australians conducted the mid-term review of AAECP Phase II.

ASEAN-Australia relationship has matured over the years given the rapid economic growth of most ASEAN member countries. The private sectors of both sides also showed positive response to the call to play a greater role in enhancing the dialogue relationship.

On the cooperation on education, the Australian Fact-finding Mission completed consultations with each of ASEAN country during 9-28 July 1991 on the feasibility of the three proposed projects, namely regional languages training, targeted institutional links and recognition of skills and qualifications.

The Australian Department of Employment, Education and Training also proposed to hold a regional mapping exercise for English language training to meet workforce needs in mid-1992 in Australia with a view to strengthening the foundations of ASEAN-Australia cooperation. ASEAN attaches great importance to the promotion of greater trade and investment links with Australia. In the context of developing a mutually beneficial relationship, ASEAN and Australia continued to make efforts to expand trade and investment ties. ASEAN and Australia continued to work towards the elimination of barriers to trade in order to forge a closer partnership.

ASEAN-Australia Joint Research Project works for the development of a long term economic relationship between ASEAN and Australia. The Industry and Technology working group identifies opportunities for industry collaboration, initially concentrating on transportation, communication/ information technology and microelectronics and

biotechnology. There is also a Human Resource Development Cooperation Program that aims at using existing facilities and institutions, promote development in the economic and sociological field and, promote awareness of belongingness to the Asia-Pacific region.

For ASEAN countries also, Australia is equally important as a source of foreign investment, potential as a market, strategic solution, substantial base facilities, political stability and site for international conferences. Australia has been spoken of by one of the Southeast Asian leader as ‘a base of our hope and salvation during war.’ The prosperity of Australia and ASEAN is inextricably linked. There are cooperation arrangements between custom administration, health cooperation and collaboration for trade, industry, investment promotion and protection, copyrights and maritime boundary issues. The linkage between trade and development, trade and aid, foreign policy and trade policy, foreign policy and development assistance policy are mutually reinforcing. Not to be seen in isolation, they have helped to develop a cohesive and coherent Asia framework of Australian foreign policy to work for comprehensive engagement.

Australia and ASEAN signed the Joint Declaration on the ASEAN-Australia Comprehensive Partnership on 1 August 2007. The Comprehensive Partnership builds on the momentum of existing relations and provides a framework for future engagement with ASEAN. The Declaration reflects the breadth and maturity of the ASEAN-Australia relationship. It builds on the momentum of this relationship and provides a framework for Australia’s future engagement with ASEAN, covering political and security, economic, socio-cultural and development cooperation.

On 1 August 2007, the Minister for Foreign Affairs of Australia, Alexander Downer, attended the annual ASEAN Post Ministerial Conferences, the East Asia Summit (EAS) Foreign Ministers’ Meeting and the South-West Pacific Dialogue in Manila, the Philippines. The tone of the meetings was constructive and positive and reflected the strong state of ASEAN-Australia relations.

Mr. Downer noted the success of regional cooperation in a range of areas, including counter-terrorism, and drew attention to the extent of Australia's development assistance to the region, reflecting Australia's role as a constructive regional partner. Mr. Downer also announced two new initiatives. In partnership with CARE Australia, Australia is providing \$6.7 million for community-awareness and surveillance activities to combat avian influenza in Myanmar, Laos, Cambodia and Vietnam. Australia is also committing \$500,000 to work with the ASEAN Regional Taskforce on Child Sex Tourism to develop a transition plan for a sustainable response to child sex tourism in Southeast Asia. EAS Foreign Ministers welcomed the pace at which the forum had developed since its inaugural meeting in 2005, including a program of practical initiatives to address key strategic challenges in the region. There was good support for work on regional financial cooperation and integration, originally proposed by Australia.

EAST ASIA SUMMIT AND AUSTRALIA

In April 2005, the foreign ministers of the ten ASEAN member states decided to stretch the definition of East Asia beyond its geographical limits by agreeing that several countries outside the East Asian region could participate in the inaugural East Asia Summit (EAS), including Australia, New Zealand and India. Not all were keen as Indonesia, Singapore and Vietnam to strike a wider balance by bringing in several non-East Asian states. However, none of the ASEAN foreign ministers sought to veto the move. By doing so, they signaled that the EAS could develop into a more inclusive organisation than the ASEAN plus three group linking Southeast Asian countries and the three economic giants of Northeast Asia- China, Japan and South Korea- in a proto-East Asian community (Severino, 2005).

The ASEAN foreign ministers, at their April meeting in Cebu in central Philippines, set three criteria for the non-East Asian trio to attend the EAS. They must have: substantive relations with ASEAN; dialogue partner status with the group; and sign (or be prepared to sign it) ASEAN's Treaty of Amity and cooperation (TAC) in Southeast Asia, a non-aggression pact that requires signatories to settle disputes peacefully and refrain from interfering in each others internal affairs.

India had met the three conditions and thus qualified for inclusion in the EAS. New Zealand, like Australia, had substantive ties with ASEAN and had become a dialogue partner in 1975, the year after Australia was accepted into this close relationship with the group and started attending its annual ministerial meetings. In May 2005, New Zealand's government announced that it had decided in principle to accede to the treaty and would submit its text to parliament for approval. Meanwhile, the Australian government of Prime Minister John Howard said that it would review its reservations about the treaty to see whether it could sign. Mr. Howard appeared to rule out Australian accession to the TAC. Implying that the 1976 treaty was outmoded, he said, "Given that it was delivered to the region by a mindset that we have all moved on from, I didn't think it was appropriate that Australia should sign it." Yet Australia's alliance with the US through the 1951 ANZUS treaty was signed 25 years before the TAC was formed, and the primary founding platform of the TAC is not non-alignment, as Mr. Howard evidently believed, but the UN charter which permits self defence and does not constrain alliances. (Ministry of Foreign Affairs, Thailand, 1983).

Foreign Minister of Australia Alexander Downer told journalists in Adelaide on 27 June 2005 that if the government could satisfy itself about the various concerns it had on the TAC, then it would be prepared to sign the treaty particularly as signing it will ensure that Australia can participate in the East Asian Summit process. He added, "We see the East Asian Summit as the birth of a growing East Asian community, so it makes good sense for the region for Australia to be involved and if the price is signing the Treaty of Amity and Cooperation, we will do that if we can sign it without in any way interfering with treaties and other arrangements we have with countries outside of the ASEAN region." (Alexander Downer, 2005)

ASEAN's decision to take a more open approach on membership of the EAS was a rejection of the exclusive attitude of the long-serving former Malaysian Prime Minister Mahathir Bin Mohamad. In the 1990's, he championed an East Asian economic grouping as a counterweight to western dominance in regional and global affairs. This bloc was

opposed by the United States, Japan, Australia and some ASEAN members. They were supporters of the more open and inclusive APEC. APEC has now 21 member economies in and around the Pacific Ocean. The supporters of APEC worried that the Malaysian proposal, by excluding the US, would weaken trans-Pacific ties and western Pacific trade access to the world's largest market. As a result, Dr. Mahathir was obliged to recast his proposal in milder form, first as an East Asian consultative group devoted to free trade and later as a caucus within APEC.

Dr. Mahathir also feuded with successive Australian leaders over various perceived slights and issues. Meanwhile, Australia's relation with Indonesia-by far the biggest member of ASEAN-deteriorated sharply after the Howard government backed East Timor's decision in 1999 in a referendum supervised by the United Nations to break away from Indonesia which had invaded and occupied the former Portuguese colony in 1975.

ASEAN had long operated on the basis of consensus, meaning that a strong objection from one of its members was enough to block a group decision. Acting on Dr. Mahathir's instructions, Malaysian officials in 1995 and again in 2000 used the consensus rule to block ASEAN from opening negotiations with Australia on a free trade agreement. In effect, this prevented Australia from further involvement in any high level ASEAN-led regionalism until Dr. Mahathir retired as prime minister in October 2003.

The breach was a lost opportunity for Australia in Southeast Asia. But it was also a loss for Southeast Asia (Alexander Downer, 2005). Moreover, the cold shoulder from Southeast Asia spurred the Howard government to look elsewhere for growth in trade and to leapfrog ASEAN and focus more intensively on cultivating Northeast Asia, including China, where Australia's Asian trade is biggest and where the potential for growth is greater.

The political sensitivities involved in East Asia cooperation soon became evident, particularly because of the competing interests of China and Japan. Mohan Malik (Asia-Pacific Center for Security Studies) has written that, "The EAS began with a backdrop of intense diplomatic maneuverings and shadow boxing, and ended with the power game

being played out in the open. China and Japan were locked in a bitter struggle for supremacy, with Beijing attempting to gain the leadership position in the planned EAC [i.e. East Asian Community], and Tokyo trying to rein in its rival with the help of other “China wary” nations in the Asia-Pacific.”

China was initially enthusiastic about the Summit proposal and argued that it should most appropriately be based on the membership countries of ASEAN Plus Three (APT). However it was evident that some other states were reserved about the prospect of a Summit based solely on the APT membership, since this could be seen to be open to a high level of influence from China. Japan, with the backing of a number of the members of ASEAN, supported the concept that other relevant countries, in particular India and Australia, should be invited to join the new forum. China continued to argue against this proposal into the early months of 2005, but many ASEAN members supported the Japanese position. It was ultimately resolved that India, Australia and New Zealand would be invited as inaugural members of the Summit.

In the context of the EAS, Australia, New Zealand and India are seen by ASEAN as counterweight to China and Japan and fellow-pacifiers of Northeast Asian disputes which could disrupt stability and economic growth. An EAS that included the 13 East Asian nations plus India, New Zealand and Australia represents half the world’s population, have a combined GDP greater than the EU, and a trading volume larger than NAFTA (Michael Richardson, 2005). ASEAN is at the centre of the group, linked to India to the west, Australasia to the south, and China, Japan and South Korea to the northeast.

Extending the scope of East Asian integration is designed to prevent domination of the region by any one big power, whether China, the US, India or Japan- a hegemony that would inevitably undercut the established place of ASEAN as a pivot of regional diplomacy. Instead, ASEAN’s strategy is to make Southeast Asia the fulcrum for the new architecture of peace and cooperation in Asia it wants to fashion, even though it knows that achieving this goal will not be easy.

Another largely unspoken reason for the inclusion of Australia, New Zealand and India in the EAS is that all three, but especially Australia, have close ties to the US. Their participation will reassure US that the summit will not become the nucleus of a bloc that seeks to exclude American influence from the Indo-Pacific region while elevating China—the kind of Asia for the Asian club that Dr. Mahathir tried unsuccessfully to promote.

However, Australia in 2005, decided to sign ASEAN's Treaty of Amity and Cooperation, a step which ASEAN requested all countries interested in participation in the East Asia Summit to take. In a speech on 1 December 2005, Australia's Minister for Foreign Affairs Alexander Downer suggested that the character and direction of the East Asia Summit may take some time to become apparent but welcomed the fact that Australia would be an inaugural participant. Mr. Downer stated that:

“This is just the first meeting and nothing is set in stone. And if there is to be an emergence of an East Asian community, it will not, in my view, be built around one institution or meeting. An East Asian community will emerge for practical reasons, not for ideological reasons. APEC, the ASEAN Regional Forum, ASEAN plus three, and the East Asia Summit will all contribute to an open but increasingly integrated region...” (Alexander Downer, 2005).

Prime Minister John Howard, in comments in Kuala Lumpur on 14 December 2005, just before the Summit, stated that the Australian government at this time continued to see APEC as the single most important avenue for regional dialogue. He commented that APEC is the “premier body” which has the “great advantage...that it does bring the United States to this region...” (John Howard, 2005). Speaking just after the Summit had taken place, Mr. Howard expressed his satisfaction with its first meeting. While the leaders had talked necessarily in general terms about various issues, Mr. Howard said of the Summit that, “I regard it as a great success...I would say that the meeting in some respects exceeded my expectations.”

In looking towards the second meeting of the EAS, Foreign Minister Downer (after the EAS Foreign Ministers' meeting in Kuala Lumpur in July 2006) commented positively

about Australia's relations with ASEAN, which he said have gone through a 'golden period' since Australia acceded to the Treaty of Amity and Cooperation. On the issue of possible expansion of membership of the EAS, Mr. Downer said that it would be desirable to consolidate the grouping 'for the time being'. Australia, he said, saw several issues as important for the second EAS, including energy and energy security, regional financial institutional development, and education. Mr. Downer also indicated that the government expects the character of the EAS will need to evolve over a considerable period of time: he said that, "We will be able to answer questions about it in ten years time, not ten days time."

The Second East Asia Summit was held on 15 January 2007 in Cebu City, the Republic of the Philippines. The Cebu Declaration on East Asian Energy Security was signed by 16 nations at the East Asia Summit in Cebu on January 15, 2007. These countries have agreed to promote energy security and find energy alternatives to conventional fuels. The Declaration lists a series of goals aimed at providing "reliable, adequate and affordable" energy supplies. It was signed by the 10 ASEAN members as well as China, Japan, New Zealand, India, South Korea and Australia. This was followed by the Singapore Declaration on Climate Change, Energy and the Environment at the Third EAS. The Third East Asia Summit (EAS) was held on 21 November 2007 in Singapore. Papua New Guinea has been proposed as a future member by Australia in EAS.

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Chapter III

Economic Cooperation between ASEAN and Australia

Australia's relationship with the ASEAN is one of the most significant aspects of her foreign policy. Economic cooperation has been given a priority. Economic cooperation not only paved the way for cooperation in other areas but is a condition for achievement of objective in other areas too.

South East Asia has been of enormous value to the colonial powers when it was under their control before their independence. During that period Indo-China to French and Malaya to the British were of great economic values. South East Asia became more open, transparent and predictable as a result of trade and economic growth in the contemporary period. ASEAN region is supposed to be rich in raw materials and that attracted Australia. In 1947, the Australian Minister for Foreign Affairs H.V.Evatt spoke of a "spectacular growth in the exchange of Australian processed products for the raw materials of intensely rich area of South East Asia. (Warner Levi, 1950) Though Singapore and Malaysia were the centers of concentrated trade efforts on the part of Australia since long but Australia barely looked to South East Asia as a field for investment.

The Australian economy was facing balance of payments problem and the problem of high cost of domestic production. Growing domestic demand was not letting the exports to increase and that forced the Australian business to look to the development of neighbouring markets. Tax incentives to the exporters by the Australian government gave as impetus to the discovery of South East Asian market. "Australia's closeness to South East Asia and its relative isolation from other parts of the world add to the importance of its interest in the ASEAN countries."(Department of Administrative Service, 1981).

The ASEAN countries were aware of the diversities among them. They moulded their association so that it could contain different elements to operate effectively as an international grouping. Although ASEAN's countries trade with Australia was not much as that with Japan, the U.S. and the E.U, yet Australia was interested in regional development and was willing to develop close relation with the ASEAN

The ASEAN countries knew that their economic success lies in their manufacturing capacity and development of markets. Large Share of exports from Indonesia, Thailand and the Philippines is of primary products. Malaysian economy is comparatively open economy. It provides lower tariffs, more orderly business environment and better location than others.

ASEAN formation in 1967 was welcomed by Australia because of its potential to contribute to regional stability. Initially most of the gains of ASEAN were political, but in the early 1970's some events emphasized on the importance of economic cooperation in ASEAN.

One area where the relationship could develop was economic cooperation. It was the shift in focus as Professor Macmohan Ball stated in an article in the Melbourne Age in December 1979. According to him, "Our future depends heavily on being able to develop closer economic and political cooperation with the countries of South East Asia..... It is clear that the longer we delay in doing this, the further our economy will fall behind. Before long as some gloomy people predict, we might become the poor whites of Asia."(Colin Brown, 1980)

Gradually Australia ASEAN economic relations increased. Foreign Minister Gareth Evans statement at the opening of the Institute for Contemporary Asian Studies at Monash University on 19 July 1990 is evidence to it. He argued that Australia's future lies in Asia Pacific region. As the region which is economically dynamic and competitive, it is imperative that Australia's benefit from these attributes. The then Prime minister also said same sentiments in his speech at the University of New South Wales. He said, "Australia needed to meet the challenging standards of the fast growing economies..... of Southeast Asia."(The Australian, 21 October 1990).

Australia and ASEAN enjoy economic opportunities of proximity. As these two are situated near by, low transport cost and easy contacts make economic interaction more feasible. Despite geographical proximity, commercial contacts between these two in the first half of the twentieth century were limited.

Australia with the ten ASEAN countries shares a desire to promote economic growth and welfare through mutually beneficial trade. These two areas have an advantage of having important role in each others trade. Australia is major trade partner of the ASEAN. ASEAN countries focus on labour intensive manufactures. Australia is efficient agriculture producer and its mining and energy exports are complementary to industrialization of ASEAN.

Trade Policy of Australia towards ASEAN

The major issue that affected the trade policy of Australian government has been first, globalization underpinned by the communications revolution that will continue to transform the way in which people work and live (Rosaleen Smyth, 1995), Secondly, the dynamics of East Asian Economy.

Globalisation not only increase 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 participants in the World Trade Organisation (WTO), enjoys good access in the capitals of the major powers in Asia, North America and Europe, and has been a key participant in the development of regional institution such as APEC and ARF also an active member of the UN, OECD and the Commonwealth. All this shows that Australia has a strong record of achievement in multilateral diplomacy. Australia's economic power is quite substantial along with its strategic and cultural strengths through which it pursues its foreign and trade policy. Australia like other countries has used the tenets of globalization and liberalization to the fullest extent. In the famous Bogor Declaration, the APEC countries, planned for a Free Trade Area by removing all trade barriers within 2010 by all the industrialized countries and by 2020 by all the developing countries of the APEC members. (Department of Foreign Affairs and Trade, Australia, 1995) With these two organizations WTO and APEC on trade and investments, the world trading system has entered a new phase. The government will see to it that WTO will live up to the expectations. Regionally, Australia plans to pursue trade policy objectives through APEC, by furthering trade liberalization and reduce business impediments in areas such as customs procedures and standards. (Micheal Costello, 1995) This will carried out through Asia-Pacific institution-building and removing business impediments and improving market access. There will be discussion on linkage between AFTA

(ASEAN Free Trade Area) and CER (Closer Economic Relations, Australia maintains with New Zealand) and ARF (ASEAN Regional Forum). (Micheal Costello, 1995). ARF is a high profile and newer institution than APEC and its central theme of including security, have won a high degree of acceptance (Micheal Costello, 1995). 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 emphasized to win a future for Australia in the world, and set certain goals like (1) to increase Australia's economic prosperity, (2) to ensure a favorable security environment, (3) to advance Australia's standing as a good international citizen, (4) to promote rule based cooperation on the global scale and (5) to help Australians overseas. (Micheal Costello, 1995). Apart from this 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, 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 maximize priority issues through industry, trade and investment agenda. 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. The Australian Ambassador will give highest priority to working with Austrade to push Australian exports and investment through out the world.

Australian relation with ASEAN 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 visualize what kind of foreign policy Australia would have picked up if some leader who keeps parroting US demand at the 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 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 Asians is to be that of 'comprehensive engagement'. The world 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. (Gareth Evans and Bruce Grant, 1991). 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 their dialogue partners. Secondly, the annual meetings of the senior official level ASEAN-Australia Forum, and thirdly the ASEAN- Australia Consultative meetings (AACM), comprising Australian officials and the Canberra based ASEAN heads of mission.

ASEAN Australia Economic Cooperation Programme (AAECP)

Australia-ASEAN relations grew after 1974 when Australia became formal dialogue partner of the ASEAN. The first agreement to pursue the ASEAN economic cooperation was signed at the First ASEAN Summit in Bali in February 1976. The trade relationship between ASEAN and Australia has also expanded steadily since the Memorandum of Understanding on ASEAN-Australia Trade Cooperation was signed in 1976. During the first ASEAN-Australia Forum in Canberra in 1974, Australia announced the establishment of the ASEAN-Australia Economic Cooperation Programme (AAECP) Phase I, covering the period 1974-1989, to assist joint ASEAN-Australian projects.

When Australia became a dialogue partner of ASEAN, it acted as a serious and cooperative associate. Cooperation focused initially on multilateral economic assistance to ASEAN, which became the Australia-ASEAN Economic Cooperation Program (AAECP). AAECP is the comprehensive umbrella and most concrete expression of Australia's relation with ASEAN. It encompasses a wide range of trade and commercial relations, development and investment promotion program, joint research and energy cooperation program, transfer of technology, people to people

contacts. The ASEAN-Australia Economic Cooperation Programme (AAECP), the cornerstone of ASEAN-Australia dialogue relations was the first collaborative development programme between ASEAN and Australia. The programme remains the main mechanism for channeling Australian assistance for ASEAN projects. Since its establishment in 1974, the AAECP has evolved to keep pace with the significant economic progress of the region, while at the same time maintaining its aim of facilitating broad-based economic cooperation between ASEAN and Australia. . The high level of success in the early years of the programme, mainly in research and development of the food and agricultural sectors and the rapid economic growth experienced by most ASEAN countries, led to an agreement that future collaborations should be based more on mutually beneficial programmes, and that all future projects be assessed and appropriately adjusted to reflect this changing relationship. However, in 1992 responding to the structural transformation of the rapidly growing ASEAN economies, there was a notable change in emphasis which led to a shift in focus of the AAECP to science and technology.

Progress of AADVP began in 1999. The Programme replaces the earlier ASEAN Australia Economic Co-operation Programme (AAECP), which began in 1974. The Programme Stream, with an allocation of around \$A20 million, cooperate a series of joint ASEAN-Australia projects contributing to the broader objectives of "strengthening ASEAN economic integration" and "enhancing ASEAN competitiveness".

Beneath the theme of "strengthen ASEAN economic integration", the Programme Stream provided assistance to ASEAN in areas such as customs capacity building, legal infrastructure for e-commerce, and mutual recognition of skills. It provided assistance to ASEAN in private sector competitiveness and small and medium enterprise development; quality assurance systems for fruit, vegetables, fish and fishery products; and food safety measures.

ASEAN-Australia Development Cooperation Programme (AADCP)

On August 1, 2002. The Memorandum of Understanding for the AADCP signed during the ASEAN Post Ministerial Conference 10+1 Session with Australia. The ASEAN-Australia Development Co-operation Programme (AADCP) is a practical

demonstration of ASEAN and Australia working jointly to assist economic growth and poverty reduction in Southeast Asia. The ASEAN-Australia Development Cooperation Program (AADCP) extends the long- running collaboration between Australia and the Association of South East Asian Nations (ASEAN) in previous phases of the ASEAN-Australia Economic Cooperation Programme (AAECP). Since 1974 AAECP has played a core role in ASEAN-Australian relations, evolving over time in response to economic changes in South East Asia, developments in technology and the growing maturity of the political relationship. Program content and management style have been guided by and helped to reinforce ASEAN's regional networking aims and participative committee structure. The third phase of AAECP, which comprised a Projects Stream and a Linkages Stream, concluded in 2001.

The \$45 million programme, implemented jointly by ASEAN and Australia, funded according to a cost-sharing arrangement. It helps to strengthen regional economic and social co-operation and regional institutions, and assist the newer ASEAN member's integration by supporting their participation in the ASEAN co-operation programme.

Building Bridges

The bridge is part of Australia's aid programme to both countries, a programme which aims to promote sustainable economic and social advancement, in response to Australia's humanitarian concerns and in line with foreign policy and commercial interests. To alleviate poverty and to increase the quality of life is a fundamental and intrinsic goal

Mekong River Friendship Bridge

In January 1989 the then Prime Minister of Australia Bob Hawke offered to provide a bridge across the Mekong River as a gift equally to Laos and Thailand. Australia was one of the few western countries to maintain an embassy in Vientiane throughout the uncertainties of seventies and eighties, and was thus welcomed as a third party to keep the project focussed. With Australia's contribution of A\$42 million (about US\$30 million), the bridge enhanced Laos strategic location and with the expected increase

in trade and investment, the country has able to generate capital to invest in education, health care and employment.

The project was scheduled to begin in April 1990 and initial estimates were that completion would be achieved in June 1994 (although construction was completed ahead of schedule — February 1994). A joint venture of two respected Australian firms, Maunsell Pty Ltd and Sinclair Knight Pty Ltd, was selected as the engineering consultants. After feasibility Study Update was carried out in 1990, actual construction got underway in October 1991.

At a most unique opening ceremony on 8th April 1994 presided over by the President of Laos and the King of Thailand, the Prime Minister of Australia formally presented the bridge to the peoples and the government of Laos and Thailand. The Prime Ministers of those two countries were also present. It was a proud occasion for all those who had worked on so successful a project, not only in the physical construction of the works, but also in the less tangible areas of building up friendships and strengthening ties between the three nations.

From start to finish, a strong spirit of cooperation has prevailed, bringing individuals closer and spurring the three countries on to a higher plane of understanding. The bridge has become one of the most powerful and true symbols of peace and stability.

My Thuan Bridge

The successful completion of the My Thuan Bridge is a major symbol of the cooperation between the Governments of Vietnam and Australia in furthering Vietnam's development. The bridge, the first across the Mekong River in Vietnam, has been a dream of the people of southern Vietnam for many years. With over 16 million people living south of the river it has always been a major barrier to progress.

Following a request of the Government of Vietnam Australia agreed in May 1993 to consider a proposal to construct a bridge over the Mekong River at My Thuan. The detailed design that began in 1996 was followed by construction commencing in 1997. The bridge was completed by 31 March 2000 under budget and in a record time of 33 months, 3 months sooner than planned. The bridge is a world class structure that

overcame significant technical problems such as the need for piling up to 100 meters Deep. The Bridge was formally opened on 21 May 2000.

ASEAN Economic Community

In spite of solid growth recorded since the Asian financial crisis in the late nineties, ASEAN's growth rate has not matched those of its giant regional neighbours China and India over this period. Nor have ASEAN's merchandise exports grown as rapidly as China's or India's. Foreign direct investment (FDI) flows into ASEAN as a whole collapsed at the start of the 1997 Asian financial crisis. While they picked up in 2003 and 2004, outpacing the growth in global investment, inflows into China in those years were more than twice those received by ASEAN. Investment inflows have also been gathering pace in India.

By contrast, ASEAN is still an association of ten diverse economies separated by different tariff regimes, customs procedures, product standards and other non-tariff measures. The market is also fragmented by different regulations in the services sector and for investment; other behind-the-border barriers such as the anti-competitive practices of domestic firms; different legal systems and industrial structures; and inadequate connections between national infrastructures.

To renew its attractiveness to investors and to lock in better prospects for economic growth, ASEAN has embarked on a giant step towards closer integration. Based on foundations laid in 1997 in 'ASEAN Vision 2020', on 7 October 2003, at the ninth ASEAN Summit in Bali, leaders agreed to transform ASEAN's ten member countries into an ASEAN Community. This included an ASEAN Economic Community – 'a single market and production base with free flow of goods, services and skilled labour and freer flow of capital by 2020' – with full integration in eleven key sectors by 2010.

A number of other important factors beyond the pressure of competition from the emerging Chinese and Indian economies are also driving the pursuit of an ASEAN Economic Community. It is a response to competitive pressures from other countries more generally in an era of accelerating globalisation. More broadly, the Economic Community is just one aspect of an ambitious agenda to maximize ASEAN's

cohesion through the overall ASEAN Community and consequently to maximize its influence in the Asia-Pacific region and its contribution to regional stability.

The combination of these factors makes a strong case for accelerating the speed of integration of ASEAN economies. The critical factor in ASEAN's success in bringing its plans for an Economic Community to fruition will be the extent to which the common perception of external threat – and economic and political opportunity – is able to override the deep-seated concerns of individual members about relinquishing sovereignty. It will be essential to overcoming these concerns that progress in building the Economic Community is accompanied by demonstrated benefits for all members. The building blocks for ASEAN's Economic Community are its ten member states. They have in many respects encouraging fundamentals. The four largest ASEAN economies have achieved sustained periods of rapid growth. The majority are also more integrated in world trade and investment than most other developing countries and are also becoming increasingly integrated with the world's most dynamic region – Asia. This offers scope for ASEAN to be an export platform to non-ASEAN markets. ASEAN's expansion beyond its original members brought in countries with different levels of development and factor endowments. A single production base would facilitate maximisation of the resulting increased complementarities in production. Finally, ASEAN's large and growing market offers scope for economies of scale.

The ASEAN Economic Community aims to create a seamless production base and an integrated market of over half a billion consumers with a gross domestic product of more than US\$800 billion. This is expected to increase production efficiency, attract more investment and generate more exports. This in turn is expected to help all ASEAN countries, including the least developed, accelerate their rates of economic growth and development and establish ASEAN as a growth area in Asia.

In November 2004, ASEAN leaders directed their ministers and officials to begin implementing the Vientiane Action Programme, a five-year plan to move the ten member countries towards a cohesive ASEAN Community. The Programme brings together previous plans, intensifying some of their goals.

Prior to the Vientiane Action Programme, ASEAN had sought greater economic integration under a range of initiatives including the ASEAN Free Trade Area (1992) and its main instrument, the Common Effective Preferential Tariff Scheme, the ASEAN Framework Agreement on Services (1995), the Framework Agreement on the ASEAN Investment Area (1998), the Hanoi Action Plan (1998) and the Initiative for ASEAN Integration Work Plan (2002).

These earlier initiatives made some progress towards greater integration. Singapore, Malaysia, Thailand, Indonesia, the Philippines and Brunei Darussalam have reduced most tariffs on intra-ASEAN trade. Cambodia, Laos, Burma (Myanmar) and Vietnam have also made progress on reducing tariffs on intra-ASEAN trade. ASEAN has also embarked on a program for reducing the delays and costs of customs clearance. It has harmonised a small proportion of the huge number of differing technical standards. It has agreed to mutual recognition of standards and certification processes in a handful of sectors. It has removed restrictions to intra-ASEAN FDI in manufactures in Singapore, Malaysia, Thailand, Indonesia, the Philippines, Brunei Darussalam and Burma.

If the ASEAN Economic Community has fully realized that it could provide significant economic benefits for Australia and a cohesive Economic Community would be a potent force for regional stability and economic vitality in the Asia-Pacific region. The expected boost to ASEAN's growth could lead to greater demand for imports of goods and services and for foreign investment. It would also offer Australian firms a large region in which they could move products and inputs with greater ease, leading to opportunities for specialisation and economies of scale and scope. ASEAN production may also become more efficient, leading to more competitive products and greater choice for Australian consumers. Apart from being a significant market in its own right, an integrated ASEAN would be a more important factor in the Asian strategies of Australian firms. It would be an alternative to China as a regional production base for transnational corporations which may prefer to diversify their risk by investing in an alternative regional site rather than 'put all their eggs in one basket and invest solely in China' (Hew 2005). Under such circumstances, Australia's already substantial trade links with ASEAN and the less significant investment relationship could both be expected to grow. Australian firms

would, of course, be competing with firms from other countries (both ASEAN and non- ASEAN) to take advantage of these changes. Australian firms also currently face a range of different tariff and non-tariff barriers to goods, investment, services and labour movements in the individual ASEAN markets. However, Australia, ASEAN and New Zealand launched negotiations in 2005 to develop a free trade agreement, aiming to complete this by 2007. A free trade agreement would benefit productivity, trade, investment, income and welfare for all countries involved. It would complement Australia's bilateral free trade agreements with Singapore and Thailand, as well as the free trade agreement being negotiated between Australia and Malaysia. The benefits of the free trade agreement to Australia and ASEAN would be enhanced if ASEAN makes good progress in building its Economic Community. The synergy between the Australia-ASEAN-New Zealand Free Trade Agreement and progress towards an ASEAN Economic Community would be an important contributor to economic prosperity across the region.

The Asian Crisis and Recovery from Its Impact

In 1997-98, a number of ASEAN and other Asian countries had been hit by a series of external shocks. The first was the Asian financial crisis, which had its most severe impacts on the Republic of Korea, Indonesia, Thailand, and Malaysia, but affected all ASEAN countries to some extent. Growth rates fell in 1998 from the very high rates in the years prior to the crisis, with Singapore, Malaysia, Thailand, Indonesia and the Philippines actually experiencing negative growth.

The total and swift collapse of the Asian stock exchange and money markets and aggravating economic crisis led to destabilizing economies, but not to a great extent. The reasons for the 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 increase in the GDP and to a lesser extent higher labour productivity. Only a small percentage has been shifted to the industrial sector, while technological innovations as good as absent. The growth was due to rising prices of real estate and speculation on the stock exchange. Finally it was the flight of capital.

The motives of the flight, especially in South East Asia were due to both political and economic reasons. (Jan Bereman, 1998)

The financial sectors in many of these countries were inefficient, poorly capitalised, and weak in managing risk. Many financial institutions were highly leveraged after lending to risky projects. Undiscriminating international capital flows exacerbated their vulnerability. Net private capital inflows into these economies had totalled US\$63 billion in 1996, but these turned to net outflows of US\$91 billion in 1997–99; a credit contraction equalling 16 per cent of their combined pre-crisis GDP. In six months from mid-1997, the currencies of Indonesia, Malaysia, the Philippines, Thailand and the Republic of Korea almost halved in value against the US dollar. The crisis threatened the financial systems in Indonesia, Thailand and the Republic of Korea.

The pace of regional recovery from the Asian crisis was then slowed by further short-term exogenous shocks including the bursting of the technology bubble (2001) and economic slowdown in advanced economies (2001–03). However, the ASEAN economies have generally come through this volatile period reasonably well, (although ASEAN's overall growth rates have not matched those of China). By 2004, the average annual growth rate of the ASEAN-5 (Singapore, Malaysia, Thailand, Indonesia and the Philippines) as a whole had risen to 6 per cent. Indonesia recovered more slowly than its neighbours but finally reached its pre-crisis GDP level in 2003.

This performance, which has exceeded most expectations, has been underpinned by domestic reforms and export-led recovery, thanks in large part to the growth of the Chinese market and the global economic recovery, including continuing expansion of the high technology sector, supplemented by increasing domestic demand. However, if the recovery is to be sustained, ASEAN countries will need to press ahead with their domestic reforms.

The Economist recently noted that 'for a region (Southeast Asia) that suffered a deep recession after the Asian financial crisis of 1997, and several years of see-sawing fortunes after that, the last few years have proved surprisingly stable and prosperous.' Nevertheless, it also underlined that the region still seems to be struggling in regard to

attracting foreign investment in comparison with China. (EAU 2004, Economist 2006).

Australia's Trade and Investment with ASEAN

Before Financial Crisis

ASEAN's trade and investment links with Australia remain an important part of the dialogue relationship although trade between Australia and ASEAN more than tripled from A\$ 2.4 billion to A\$ 7.9 billion from 1980 to 1990, Australia's trade with ASEAN has not grown as rapidly as compared with its other trading partners. Australia's investment of A\$ 1.5 billion in ASEAN in 1989 is small compared to ASEAN's investments of A\$ 7.3 billion in Australia. Consequently, initiatives were taken to enhance cooperation such as, in 1991, they agreed to expand the theme of cooperation so that it would be based on mutual interest and benefit, encompassing new areas such as education, environment, telecommunications and science and technology. During the 17th Forum, it was noted that there has been a substantial increase in the volume of two way trade and investment, although ASEAN remains concerned with the trade imbalance. In 1994, total ASEAN exports to Australia was approximately A\$5.4 billion while total ASEAN imports from Australia was A\$9.5 billion, resulting in a trade surplus of A\$4.1 billion in favour of Australia. . In 1994, Australia's investment in ASEAN was valued at A\$6.6 billion whilst ASEANs investment to Australia has registered a strong 17% growth rate. On the other hand, imports from ASEAN in 1996 recorded a 13% increase, representing approximately 10% of Australia's total merchandise imports. This strong growth in trade has also been accompanied by an increase in investment. As a further step in strengthening the trade relations, the ASEAN Economic Ministers in Thailand in September 1994, examined possible linkages between the ASEAN Free Trade Area (AFTA) and the Australia New Zealand Closer Economic Relations (CER) with a view to further increasing the size of the market as well as enhancing the complementarities between ASEAN and Australian economies. Following this, the ASEAN Economic Ministers met their Australian and New Zealand counterparts in Bandar Seri Begawan in September 1995 for the inaugural AEM-CER Consultative Meeting. The meeting focused on practical steps towards the removal of impediments to trade and investment rather than the reduction of tariff barriers or formal integration. The

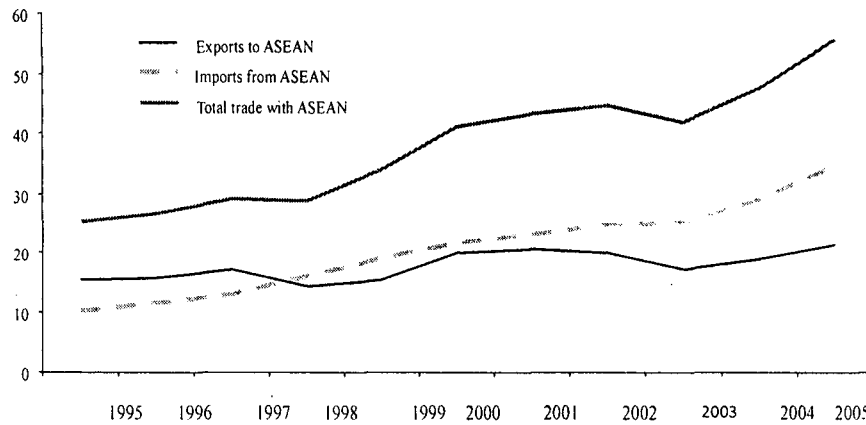
Ministers identified seven areas of cooperation between the two regions namely, the exchange of information, human resources development, customs matters, standards and conformance, trade and investment, facilitation and promotion, competition policy and industrial cooperation.

After Financial Crisis

ASEAN is already a major trading partner for Australia. Two-way trade in goods and services between Australia and ASEAN was around 15 per cent of Australia's global two-way trade, amounting to A\$55 billion in 2005. That makes ASEAN, as a group, a larger trading partner for Australia than any single country including Japan (14 per cent), the United States (11 per cent) or China (11 per cent). Australia's trade with ASEAN is dominated by just four countries. Singapore is Australia's largest trading partner in ASEAN followed by Malaysia, Thailand and Indonesia. In 2005, they accounted for 86 per cent of Australia's trade with ASEAN. Trade with Vietnam has been increasing rapidly and is now 8 per cent of Australia's trade with ASEAN. Australia's trade with the least developed ASEAN countries – Cambodia, Laos and Burma – was negligible.

Australia–ASEAN trade is growing faster than Australia's total trade. Trade in goods (70 per cent of total two-way trade) grew at a robust 8.7 per cent per year in the past decade and is now around A\$44 billion. It has grown faster than the growth of Australia's trade with any of its other leading commercial partners, except China and India. Trade in services with ASEAN has also grown faster than Australia's global two-way trade in services in the past decade, taking a rising share of Australia's services trade. The robustness of two-way trade has been driven largely by imports from ASEAN rather than exports to ASEAN. Australia was a net exporter to ASEAN in 1997, but by 2005 imports from ASEAN exceeded exports by over 50 per cent.

Australia's two-way trade in goods and services with ASEAN, AS billion, 1995-2005

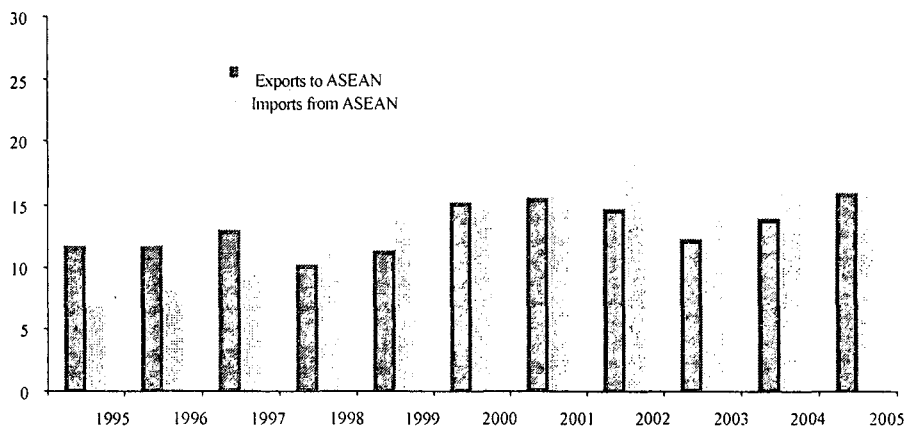


Source: Department of Foreign Affairs and Trade, STARS database and Australian Bureau of Statistics

Goods

ASEAN is a major market for Australian merchandise exports, purchasing about 11 per cent or almost A\$16 billion of Australia's total merchandise exports in 2005. This places it above Republic of Korea (8 per cent), the United States (7 per cent), and New Zealand (6 per cent). Singapore, Indonesia, Thailand and Malaysia take the vast majority of these exports (90 per cent).

Australia-ASEAN trade in goods 1995-2005 AS billion



Source: DFAT, STARS database and Australian Bureau of Statistics.

Over the past decade, Australian exports to ASEAN grew on average by 3 per cent per year. The 1997 Asian financial crisis pulled down growth rates briefly but had only a marginally dampening effect on long-term rates of growth in Australia's ASEAN-bound exports. These fell by 22 per cent in 1998 in the immediate aftermath of the crisis but recovered quickly to reach record levels by 2000. Australia's export growth rates to ASEAN are influenced by other longer term trends, including the growth of Australia's exports to China and other regions.

Australia's overall share of ASEAN imports has remained reasonably steady in recent years, averaging between two and three per cent over the period 1994–2004. Australia is not a prominent supplier of most of ASEAN's leading imports, electronics and electrical machinery. However, in most of the principal products that Australia exports to ASEAN, Australia provides a significant share of ASEAN's total imports of those products.

Australia's exports to ASEAN are dominated by rural and resource-based products rather than manufactures. Agriculture is the leading export sector, making up the largest share of both non-confidential items and 'confidential items'. Dairy products were Australia's leading non-confidential agricultural export item over the decade, while wheat was the leading confidential export item. Bulk commodities dominate but value-added food products are a growing share of agricultural exports. Minerals (in particular, non-monetary gold), non-ferrous metals and petroleum products (crude and refined) are major exports to ASEAN.

The composition of Australia's exports to ASEAN is broadly in line with that of Australia's overall exports, but there are some notable differences. Metals are a more significant component of Australia's exports to ASEAN than they are of its global exports, while minerals are far less prominent. ASEAN imports more finished metals because of its relatively low capacity for processing raw minerals. Over the past decade, agriculture and petroleum have risen in share, while minerals and machinery have declined. The rise of petroleum, particularly crude petroleum, reflects a trend in Australia's overall exports.

Australia's top 20 exports to ASEAN, only four items are manufactured goods: medicaments; pigments, paints and varnish; other manufactures of base metal; and

specialised machinery. Medicaments have experienced rapid growth over the decade. ASEAN supplied about 18 per cent of Australia's imports of goods, worth around A\$28 billion in 2005. It is a larger supplier for Australia than the United States (14 per cent), China (14 per cent), and Japan (11 per cent). Most imports from ASEAN come from Singapore, Malaysia, Thailand, Indonesia and Vietnam (95 per cent of imports from ASEAN) – these are also the top five ASEAN destinations for Australian exports. Imports have been growing robustly at 14 per cent per year over the past decade and have been taking a rising share of the Australian import market. Rapidly growing imports include petroleum, non-monetary gold and electrical machinery.

Australia's top twenty exports to ASEAN in 2005, value and growth, A\$ and per cent 1995–2005

	Value in 2005	Growth per annum
	A\$ million	1995–2005
		Per cent
Total merchandise exports	15867.8	2.9
333 Crude petroleum	2408.8	23.5
971 Non-monetary gold	1459.5	-5.3
684 Aluminium	1177.9	7.3
682 Copper	920.4	13.0
022 Milk and cream	723.9	2.7
334 Refined petroleum	559.8	3.7
542 Medicaments (incl. veterinary)	498.7	16.5
263 Cotton	390.5	29.2
001 Live animals	264.0	0.8
321 Coal	214.2	9.9
686 Zinc	181.6	-2.8
012 Meat (excl. bovine) f.c.f.	175.5	15.9
048 Cereal preparations	148.2	6.3
282 Ferrous waste & scrap	127.0	18.4
057 Fruit and nuts, fresh or dried	113.3	-1.2
533 Pigments, paints, varnishes	112.0	0.8
699 Other manufactures of base metal	111.8	3.1
728 Specialised machinery	103.6	-5.6
041 Wheat	102.7	166.6
011 Bovine meat f.c.f.	99.4	-0.8

Note: The growth rate for '041 Wheat' is from 1996-2005. The categories '988 Confidential items' and '931 Special transactions & commodities not classified' are not shown in this table but are significant in terms of size.

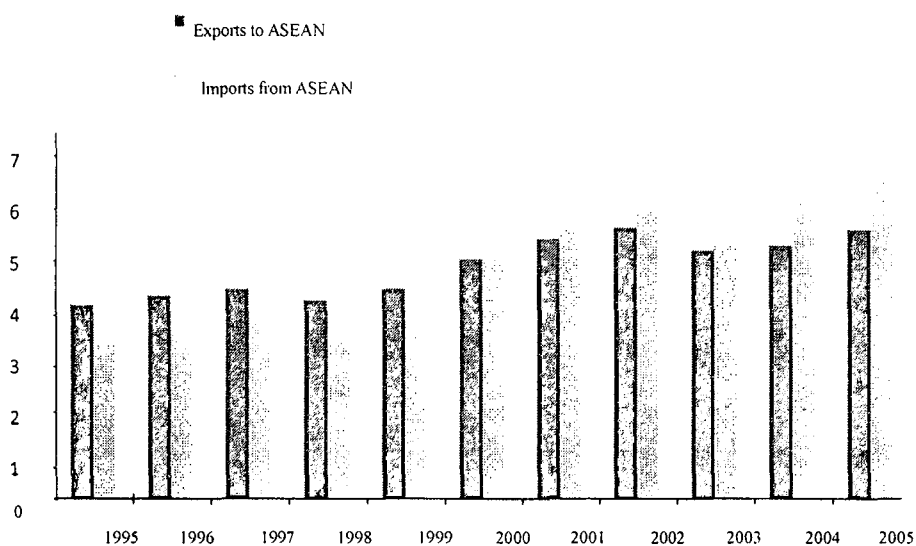
Source: DFAT Stars database.

Services

ASEAN is a major market for Australia's services exports, taking around A\$5 billion in 2005 or about 14 per cent of Australia's total services exports. By comparison, the United States took 12 per cent, the United Kingdom 11 per cent, Japan 9 per cent, New Zealand 7 per cent and China 7 per cent. Singapore dominates, taking almost half of Australia's services exports to ASEAN, followed by Malaysia, Indonesia and Thailand.

Services exports to ASEAN have grown at an average of almost 4 per cent per year for the past decade. This is marginally faster than growth in goods exports to ASEAN, thus increasing the share of services in Australia's exports to ASEAN. It is slower than growth in total services exports from Australia, so that the ASEAN market has a declining share of these services exports. Travel currently dominates Australia's services exports to ASEAN, but these exports are now becoming more varied in response to changing supply capabilities, diversifying demand in ASEAN and an easing of trade restrictions in some services. Education-related travel, financial, business and construction services have been particularly fast-growing exports in the past six years. Australia's rapid education export growth to ASEAN mirrors trends in Australian exports to the broader Asian region. After the United States, Australia is among the leading overseas higher education destinations for Asian students (Economic Analytical Unit 2005).

Australia–ASEAN trade in services, 1995–2005, A\$ billion



Source: DFAT and ABS, Cat. 5368.0.

ASEAN provides about 16 per cent of Australia's total services imports or A\$6 billion in 2005, and is a larger source of services imports than any single country other than the United States. Imports from ASEAN have grown faster than overall imports of services, leading to a rising share of the import market. Singapore was the largest ASEAN source of services. Services imports from ASEAN were dominated by transport services – mirroring the increase in goods trade – and travel imports, particularly tourism.

Foreign Direct Investment

Australia's total stock of FDI in ASEAN in 2004, at around A\$3 billion, was only 1.2 per cent of Australia's outward FDI stocks. This compares with stocks of A\$140 billion in the United States, A\$47 billion in the United Kingdom and A\$24 billion in New Zealand, the top three destinations for Australian FDI. Direct investment in ASEAN has represented a declining share of Australia's overseas investment stock in recent years. Australia's FDI stock in ASEAN declined a little following the 1997–98 Asian financial crisis, but recovered by 2001 and has since then fluctuated around an average of about A\$3 billion while Australia's overall FDI abroad has been growing.

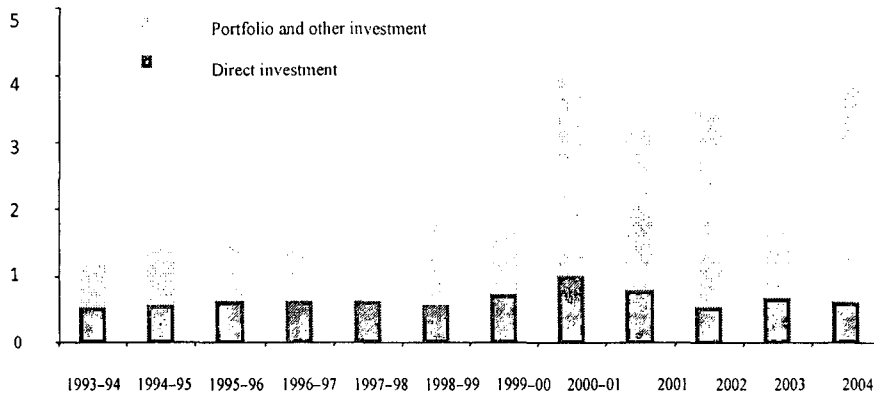
The top ASEAN destination for Australian FDI was Singapore, which took around 32 per cent (stock), followed by Vietnam, Indonesia and Malaysia. There were around 1000 Australian companies in Singapore in 2004, many with a regional focus. A third of them commenced operations following the entry into force of the Singapore–Australia Free Trade Agreement in July 2003. The main areas are information technology, financial services, and investment holdings for regional operations. Some notable Australian investments in recent times are QANTAS' joint venture project to establish Singapore-based budget airline Jetstar Asia, which commenced operations in December 2004; Toll Holdings' recent acquisition of SembCorp Logistics; and the establishment in Singapore by the University of New South Wales of the first wholly owned research and teaching institution by an Australian university, which will open for enrolments in 2007.

Most Australian investment in Vietnam is located in the 'Southern Economic Zone' (Ho Chi Minh City and the major neighbouring provinces), which generally attracts most

FDI and most domestic investment due to higher growth rates, better industrial zones and infrastructure, and higher disposable incomes. Australian investment interest in Vietnam was strong until just prior to the Asian financial crisis, and then fell away. Australian investor interest is now picking up again strongly due to Vietnam's better economic performance, more business-friendly environment and looming WTO accession. Currently, Australia's most prominent investments in Vietnam are in manufacturing (BlueScope Steel, Visy Packaging, Nuplex Australia, and Vietnam Industrial Investments), food and beverages (Fosters, CBH), financial services (ANZ, QBE, Commonwealth Bank/CMG), professional services (Deacons, Philips Fox) and education (RMIT). RMIT has established a fully foreign-owned university with campuses in Ho Chi Minh City and Hanoi, the first such operation in Vietnam (Economic Analytical Unit 2005).

Investment in Malaysia and Indonesia has not recovered fully from the drop at the time of the 1997–98 Asian financial crisis. Australian investors in Malaysia include a number of prominent companies in industrial and infrastructure development such as Leighton, BlueScope Steel, Amcor, Ansell International, Boral, and CSR. Also three Australian universities have invested in Malaysia: Monash University, Curtin University of Technology and Swinburne University of Technology. In Indonesia there are about 400 Australian companies, investing mainly in mining, beverages and financial service

Australian investment in ASEAN, stocks, AS billion, 1993-4 to 2004

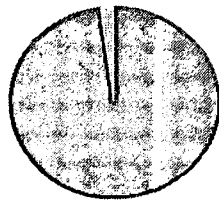


Notes: Vietnam is included from 1995-06. Burma and Laos are included from 1997-98. Cambodia is included from 1998-99. ABS estimates changed from financial year to calendar year in 2001 and are not strictly comparable as there are some changes in estimation methods.

Source: ABS Cat. 5342.0

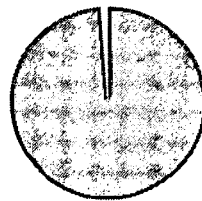
ASEAN provided about 2 per cent of total FDI stock in Australia, or just under A\$7 billion, in 2004. This compares with stocks of A\$153 billion from the United States, A\$43 billion from the United Kingdom, and A\$17 billion from Japan, the top three investors in Australia in 2004.

Total direct investment in Australia, 2004, per cent



Rest of the world 98%
ASEAN 2%

Australia's total direct investment abroad, 2004, per cent



Rest of the world 99%
ASEAN 1%

Australian Bureau of Statistics data for 2004 show that FDI from ASEAN was provided by two countries: Singapore (61 per cent of total ASEAN stock) and Malaysia (39 per cent of total ASEAN stock). However, in 2005 the Philippine conglomerate San Miguel spent A\$2.3 billion purchasing Australian food and beverage companies with a view to exporting to Asia (Evans 2005).

ASEAN's stock of FDI into Australia rose rapidly from the early 1990s, from about A\$1.3 billion in 1993–94 to a peak of A\$16 billion in 2001 (over 7 per cent of total FDI in Australia), reflecting the high savings rate in Singapore and growing prosperity of Malaysia, and the strength of the Australian economy. ASEAN FDI stocks declined in 2002 mainly due to a significant reduction in Singapore's stocks. According to the Australian Bureau of Statistics, this reduction was due to confidential transactions by the companies involved. Whether this is a long term trend is not yet clear given the lumpiness of FDI, but ASEAN has been undergoing a process of 'natural integration' through electronic production networks involving greater intra-regional FDI and trade which could divert investment to other destinations. As total FDI in Australia has been growing, ASEAN's share of FDI in Australia has been declining in recent years.

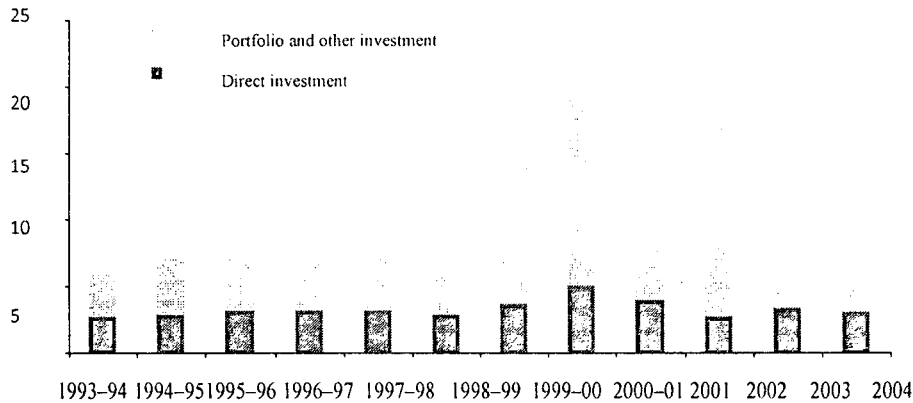
Singaporean investors have traditionally favoured real estate investments, but the share of non-real estate investment has been rising. Singaporean investors have invested in Australian telecommunications, electricity, waste management, aviation, and healthcare assets. The Singaporean owned Australand Holdings is a significant investor in Australian real estate development. The largest Singapore foreign investor is Singtel which made a large investment in Optus in 2001.

Malaysia has investments in Australia across a range of sectors including energy, agribusiness, manufacturing, commercial real estate (including hotels), restaurants, travel agents and the gaming industry (EAU 2004). Petroliam Nasional Berhad (Petronas), Malaysia's wholly government-owned national petroleum corporation, for example, has interests in East Australia Pipeline Ltd, which owns and operates the Moomba-Sydney gas pipeline, the Australian portion of the proposed Papua New Guinea-Queensland Gas Pipeline project, and the Australian Pipeline Trust, which has a 25 per cent share of the natural gas

pipeline market in Australia (EAU 2004).

Australian direct investment in ASEAN has been low and stable

Australian investment in ASEAN, stocks, A\$ billion, 1993-4 to 2004



In the ten years to 2006, Australia's two-way merchandise trade with ASEAN grew by an annual average of 9.5 per cent. This is greater than the average rate of growth per year in Australia's total two-way merchandise trade over the period (7.3 per cent) and greater than the growth in Australia's trade with most of its leading trading partners, including the United States (2.7 per cent) and Japan (5.9 per cent). ASEAN was eclipsed only by China and India, whose trade with Australia grew by 19.7 per cent and 17.6 per cent respectively per annum over the decade. (Department of foreign affairs and trade, Australia, 2006)

In 2006, Australia's merchandise trade with the ASEAN totaled A\$53.9 billion, with exports to the ASEAN valued at A\$18.8 billion and imports at A\$35.2 billion. Australia's major exports to ASEAN were crude petroleum, non-monetary gold, and aluminium, copper and dairy products. Principal imports were crude and refined petroleum, computers, motor vehicles for transporting goods, and non-monetary gold. Over the same period, Australia's exports of services to ASEAN were A\$6.1 billion while services imports were A\$7.6 billion. Australia's total investment in ASEAN (portfolio and direct) as at the end of 2005 was \$17.6 billion, and ASEAN's investment in Australia was \$37.3 billion. (Department of foreign affairs and trade, Australia, 2006)

The investment partnership between Australia and the ASEAN remains relatively weak. Only two ASEAN countries have significant foreign direct investment (FDI) stocks in Australia: Malaysia with stocks of A\$4 billion in 2006 and Singapore (A\$5.1 billion). Australia's total

FDI stock in ASEAN in 2006 was A\$9.9 billion (3.4 per cent of Australia's total FDI overseas), around 44 per cent of which was invested in Singapore. This compares with stocks of A\$41.1 billion in New Zealand and A\$116.3 billion in the United States. (Department of foreign affairs and trade, Australia, 2006)

Free Trade Area

On 30 November 2004, Prime Minister John Howard, together with his ASEAN and New Zealand counterparts, announced that negotiations would commence on a free trade agreement between Australia, ASEAN and New Zealand in early 2005. Meeting in Laos, the 12 leaders agreed the agreement would be comprehensive, covering trade in goods and services and investment, and that it should build on individual members' commitments in the WTO. The leaders also agreed to complete the negotiations within two years and to implement the Agreement fully within 10 years.

A free trade agreement with ASEAN would complement Australia's bilateral free trade agreements with Singapore and Thailand, as well as the agreement currently under negotiation with Malaysia. It would also contribute to the strength of Australia's engagement with Southeast Asia. Comprehensive economic engagement through a free trade agreement would benefit the entire region by expanding markets for goods and services and improving our competitive position in the global market.

One study of a free trade area between Australia, New Zealand and ASEAN-5 (Indonesia, Malaysia, Philippines, Singapore and Thailand) estimated that there would be sizeable gains for these countries in terms of productivity, investment, income and welfare (Centre for International Economics 2000). Total GDP could increase by US\$48.1 billion (net present value of additional GDP over the period 2000–20, discounted back to the base year 2000). For ASEAN-5 the gains were US\$25.6 billion. For Australia, GDP gains were calculated at US\$19.1 billion. All countries would experience appreciable gains in GDP by 2010. (Department of Foreign Affairs and Trade, 2005)

Projected gains resulted from higher productivity and efficiency of resource use in each economy increasing return on capital and investment. The study found that as a result, Australia, New Zealand and the ASEAN-5 would all experience significant

capital inflow. For ASEAN-5, the extra capital inflow would amount to US\$30.9 billion over the decade to 2010 (in discounted terms). For Australia and New Zealand the extra capital inflow would be US\$7.7 billion. (Centre for International Economics, 2000)

Closer economic cooperation with ASEAN would have other benefits. As economies integrate, greater contact, trust, networking and confidence in business relationships follow. Also, the free trade agreement would bring about a climate of liberalisation throughout a significant region and for a number of countries, complementing other initiatives to liberalise world trade such as those within the WTO and APEC.

While ASEAN attempts to integrate its internal market, members maintain separate trade policies towards other countries. As noted earlier, the formation of a customs union, where members would have the same tariff and commercial policy towards non-members, is not on the agenda of the Vientiane Action Programme. Even if ASEAN's conception of an Economic Community is realised, Australian goods will continue to face different duties for the same good in each ASEAN country. There will also continue to be differences in the application of certain non-tariff measures such as import licensing. But ASEAN's integration could mean that Australian exporters would find it easier to service the different country markets, for example due to harmonisation or greater commonalities in the regimes affecting standards and technical regulations. This could open greater opportunities for specialisation and economies of scale.

Australia, like most other non-ASEAN countries, currently enjoys 'most favoured nation' treatment in most ASEAN markets in relation to application of tariffs and non-tariff measures. The exceptions are Singapore and Thailand with which it has free trade agreements giving it better access than most favoured nation treatment. In addition, Australia is negotiating free trade agreements with Malaysia and (in company with New Zealand) with ASEAN as a whole, which are aimed at achieving free trade among the member countries.

Australian goods currently face a range of tariff and non-tariff measures in all sectors in most ASEAN countries. Australia faces a more closed environment for trade and investment in service sectors with its major ASEAN partners although there are significant differences between them. However, Australia has negotiated free trade agreements with Singapore and Thailand that have increased its access to those markets.

Singapore has virtually no tariffs and Brunei Darussalam has low tariffs. Malaysia, Indonesia, the Philippines and Thailand have reduced their tariffs over time. They have low 'most favoured nation' tariffs by developing country standards, but on average they still have significant tariffs and there are some tariff peaks and tariff escalation that affect Australian goods.

There also remains a notable gap between bound and applied tariff rates which has injected some uncertainty for exporters and investors as it provides scope to raise applied tariffs, although this has not happened too often or too extensively. In 2004, the Philippines raised tariff rates in several sectors although they remained below bound rates (United States Trade Representative 2006). Indonesia also raised some tariffs while lowering others during its tariff harmonisation process in 2005.

Australian goods also face non-tariff measures in all ASEAN countries, and there are extensive restrictions in the service sectors in these countries. They include stringent foreign equity limits, employment restrictions, requirements for joint ventures, regulations banning foreigners from practicing professions, non-recognition of Australian qualifications and bans on land ownership by foreigners.

The Singapore-Australia Free Trade Agreement

The Singapore–Australia Free Trade Agreement entered into force on 28 July 2003.⁷ It was Australia's first bilateral free trade agreement since the 1983 Closer Economic Relations Trade Agreement with New Zealand. It is a comprehensive agreement that secures for Australia outcomes that go deeper and further than the WTO in relation to trade in services, intellectual property, investment, and competition policy.

Singapore is Australia's largest trading partner in ASEAN, accounting for around one third of Australia's trade in goods and almost half of Australia's trade in services with ASEAN members. Two-way trade with Australia was A\$17.8 billion in 2005. Singapore is also Australia's largest investment partner in ASEAN, accounting for 32 per cent of Australia's outward investment in ASEAN and 61 per cent of ASEAN's investment in Australia in 2004.

The Singapore–Australia Free Trade Agreement eliminates remaining Singaporean tariffs and provides cheaper inputs for Australian businesses on a range of products. It guarantees liberal conditions of access for many service suppliers. Australian legal, financial and educational

service exporters, for example, are benefiting from bilateral outcomes on services that are more advanced than those in the WTO.

Under the Singapore–Australia Free Trade Agreement, Australian investors and investments are treated on the same terms as Singaporean businesses (national treatment), except in regard to some services. The Agreement contains strong investor protection provisions in relation to expropriation and the right to receive fair market value for property in the event of an expropriation. Australian investors have the right to challenge any measures by Singapore which violate investment rules under the Agreement. The Agreement provides a more certain environment for Australian investors, and puts them on a level playing field with local competitors. It also offers greater transparency in relation to investment restrictions in Singapore’s government-linked companies. Singapore also benefits in regard to market access for goods, services and investment.

The Singapore–Australia Free Trade Agreement also provides a more open and predictable business environment across a range of areas, including telecommunications regulation, competition policy, government procurement, technical standards, intellectual property, e-commerce, customs procedures and business travel.

The Singapore–Australia Free Trade Agreement is a living agreement that continues to develop and evolve. The first review of the Agreement was held in July 2004 and led to a balanced package of further gains for both Australia and Singapore, including the recognition of further Australian law degrees in Singapore. The second review is scheduled for July 2006.

The first review noted that the more open and predictable business environment in Singapore has encouraged a number of new Australian exporters to enter the Singaporean market and some established exporters to expand their operations in Singapore. For example, through its acquisition of the former Singapore Public Works Department, Downer-EDI, Australia’s second largest listed engineering services firm, has become increasingly active in Singapore and has been successful in developing new business in Asia from its Singapore base. The Singapore Government announced in 2004 that it had chosen the University of New South Wales (UNSW) to establish its first comprehensive foreign university, citing its leading international reputation and long history of engagement with Asia. UNSW Asia opened its doors in Singapore in March 2007.

The Australia- Malaysia Free Trade Agreement

Negotiation of an Australia-Malaysia Free Trade Agreement On 7 April 2005, Australia and Malaysia agreed to launch negotiations on a bilateral free trade agreement.⁸ Malaysia ranks as Australia's second largest trading partner in ASEAN and ninth largest trading partner overall. Two-way trade was almost A\$10.5 billion in 2005. Malaysia is Australia's fourth largest FDI destination in ASEAN and provides 39 per cent of ASEAN's FDI in Australia.

An Australian Scoping Study, conducted in consultation with a wide range of industry, State and Territory governments and non-government groups, concluded that a free trade agreement would deliver significant benefits to both countries (Department of Foreign Affairs and Trade 2005). It suggested that an agreement would increase Australia's gross domestic product by A\$1.9 billion in net present value terms over the period to 2027. Malaysia's GDP would increase by A\$6.5 billion over the same period. The study highlights possible sectoral gains for Australia in agriculture, automobiles, metals, manufactures and in services such as education, telecommunications, financial, legal, accounting, architecture and engineering. An agreement would provide a basis for stronger cooperation on issues such as standards and e-commerce.

The Thailand–Australia Free Trade Agreement (TAFTA)

The Thailand–Australia Free Trade Agreement (TAFTA) entered into force on 1 January 2005.⁹ It was the second free trade agreement between Australia and an ASEAN economy. Australia's two-way trade in goods and services with Thailand was A\$10.4 billion in 2005. Merchandise trade has been growing at 13 per cent per year over the past decade on average and increased 31 per cent in the past year. Upon entry into force of the TAFTA, Thailand eliminated its tariffs on some 2,934 tariff items, around 53 per cent of all items, accounting for 78 per cent of current Thai imports from Australia. Of these, only 206 items were previously duty free. A further 41 per cent of Thai tariffs will be phased to zero by 2010. These items cover 17 per cent of current exports. All remaining tariffs, including tariff rate quotas, will phase to zero in 2015 or 2020, with the exception of skim milk powder and liquid milk and cream, for which the tariff rate quotas will be eliminated in 2025. TAFTA also improves access for a range of services and incorporates provisions on investment protection. It granted extended periods of stay to Australian business people. It also foreshadows further negotiations on services and investment within three years to enhance its commitments. The first review of TAFTA including its built-in provisions was held in

December 2005 and agreement was reached to progress negotiations on services, investment, government procurement, and competition policy and business mobility. Under TAFTA, Thailand has opened a number of sectors for Australian investment including mining, distribution, construction, management consulting services, restaurants and hotels, tertiary education, and maritime cargo services. The agreement also incorporates provisions on investment protection for Australian investors. TAFTA provides Thailand with improved access to the Australian market, including in sensitive automotive and TCF sectors. One study has estimated that in the first 20 years of its operation, TAFTA could increase Australia's GDP by US\$2.4 billion and Thailand's GDP by US\$6.8 billion in net present value terms (CIE 2004).

Chapter IV

Strategic Relation of ASEAN and Australia

Australia, a white continent located at the foot of Asia, saw itself as a part of a remote and vulnerable white enclave in a region. Alienated from the source of its authority, power and protection, it relied mostly on western powerful friends. In 1950s and 1960s, the threat of Asian communism occupied the mind of Australia. The core element of Australia's strategic principle comprise its unique geography, vulnerability of its northern approaches and key importance of the sea, air gap; and the warning time that could be brought to bear in more credible low level conflicts. The conceptual basis of Australian strategic thinking has undergone considerable transformation since the 1970s. Now they are concerned more with its defence, regional contingencies in South Pacific and regional defence cooperation with countries in Southeast Asia and South Pacific.

A series of security alliances emerged in an apparent bid to make Southeast Asia a security shield. ANZUS, SEATO etc were concluded to contain the march of communism. The possibility of Beijing-Jakarta axis, the communist and nationalist inspired movements in Vietnam, also added its worries. Indonesian activities also stirred a sense of insecurity in the 1960s. Its claims to West New Guinea (West Irian or Irian Jaya) that was only a line's thickness from the Australian administered territory of Papua New Guinea fuelled further fears. Soon thereafter they clashed physically in Borneo over President Sukarno's venture of confrontation with Malaysia. Relations with Indonesia were normalized only after the fall of Sukarno.

Two basic tents of Australian Foreign and Defence policy are; focus on Asia-Pacific region and the continuation of the alliance relationship have remained tools of 'Pragmatic' foreign policy and the fundamentals to the security of Australia. These alliances act as shields against threats, link Australia with Asia and the West, providing bridges to them and have continued to shape Australia's future regional security posture.

Australia, New Zealand and US (ANZUS)

The ANZUS Treaty was concluded in 1951. It is viewed as the cornerstone of Australia's security strategy of having close defense cooperation with accelerated joint military exercises and defense technology collaboration. Australia's active and important role in

advancing western interests both in Asia and worldwide scale was appreciated by the US. Singapore Foreign Minister opined that any weakening of the ANZUS was a matter of concern because the security of the region is interwoven and what is happening in the South Pacific and in Southeast Asia cannot be separated. US representative Averell Harriman said of the ANZUS, 'Any thing that happens in the Pacific area is of vital concern to all three and that a threat to of the patterns in the area, metropolitan and island territories alike is equally a threat to the others(Australian Foreign Affairs Record, 1982). The ANZUS treaty declared in direct and simple term that in matter of defence, Australia, New Zealand and the US stands as one.

South East Asia Treaty Organization (SEATO)

Australia joined SEATO in 1954. It is also known as Manila Pact. It was considered a South East Asian Collective Defence Treaty as a first line of defence against communism. The development in Malaya and Indo-China made Australia seek refuge under this pact. It was an "absolutely essential link in the chain of Australian Defence" to protect the neighbourhood, assist Asian neighbours and repel the advances of communism (Percy Spender, 1972). In September of 1954, the United States, France, Great Britain, New Zealand, Australia, the Philippines, Thailand and Pakistan formed the Southeast Asia Treaty Organization, or SEATO. The purpose of the organization was to prevent communism from gaining ground in the region.

Although called the "Southeast Asia Treaty Organization," only two Southeast Asian countries became members. The Philippines joined in it because of its close ties with the United States and in part out of concern over the nascent communist insurgency threatening its own government. Thailand, similarly, joined after learning of a newly established "Thai Autonomous Region" in Yunnan Province in South China, expressing concern about the potential for Chinese communist subversion on its own soil. The rest of the region was far less concerned about the threat of communism to internal stability. Myanmar and Indonesia both preferred to maintain their neutrality rather than join the organization. Malaya (including Singapore) found it politically difficult to give formal support to the organization, through its ties with Great Britain it learned of key

developments. Finally, the terms of the Geneva Agreements of 1954 signed after the fall of French Indochina prevented Vietnam, Cambodia and Laos from joining any international military alliance, though these countries were ultimately included in the area protected under SEATO and granted “observers” status.

Most of the SEATO member states were countries located elsewhere but with an interest in the region or the organization. Australia and New Zealand were interested in Asian affairs because of their geographic position in the Pacific. Great Britain and France had long maintained colonies in the region and were interested in developments in the greater Indochina region. For Pakistan, the appeal of the pact was the potential for receiving support in its struggles against India, in spite of the fact that neither country was located in the area under the organization’s jurisdiction. Finally, U.S. officials believed Southeast Asia to be a crucial frontier in the fight against communist expansion, so it viewed SEATO as essential to its global Cold War policy of containment.

By the early 1970s, members began to withdraw from the organization. Neither Pakistan nor France supported the U.S. intervention in Vietnam, and both nations were pulling away from the organization in the early 1970s. Pakistan formally left SEATO in 1973, because the organization had failed to provide it with assistance in its ongoing conflict against India. When the Vietnam War ended in 1975, the most prominent reason for SEATO’s existence disappeared. As a result, SEATO formally disbanded in 1977.

Five Power Defence Arrangements (FPDA)

FPDA emerged as defence arrangement in the wake of Konfrontasi with Indonesia and British decision to withdraw its forces from East of Suez. It was to provide reassurances to Malaysia and Singapore against external threats and armed attacks. It involved Great Britain, Australia, New Zealand, Malaysia and Singapore. FPDA inaugural communiqué obliged the members to immediately consult together. It sought to fill the ‘Void’ left by the British Forces. Senior Minister of Singapore Lee Kuan Yew viewed FPDA as a “powerful cornerstone” of Australia, New Zealand and American security arrangements. Some scholars thought FPDA as “an insurance against possible reversion of Indonesia to its old ways exemplified by its confrontation campaign against Malaysia in 1960s.

FPDA was merely an arrangement, not a treaty, which provided for joint consultation among the parties concerned to decide on the course to be taken. FPDA exercises were of particular value to Australia. The core of FPDA was being interpreted as political and psychological deterrence. Foreign Minister Gareth Evans in his Australia's Regional Security statement of 1989 talked of subsuming such arrangements in a wider new regional security community arrangement or understanding (Gareth Evans, 1989).

In the post cold war world, as has been outlined by Senator Robert Ray, the FPDA "are a formal expression of Australia's commitment to the region. FPDA gives us formal access to the important regional defence communities, facilitates our ability to conduct important defence activities there, these being best represented by exercises under the auspices of IADS (Integrated Air Defence System). After all the FPDA provides for the ability of participants to enhance their independent defence capabilities. Australia continues to support the FPDA and considers it keenly relevant to the strategic needs of its principal partners (Robert Ray, 1992).

Strategic Relations after Post Cold War

The end of cold war introduced unprecedented changes in the regional and international horizon. Economic strength came to be recognized as the index of national power and prestige. The centrality of economic factor made economic competitiveness, trading and interdependence of relationships- the major features of international relations in the post cold war era.

The collapse of Soviet Union injected a major geo-strategic change in the world. The post cold war confronted with two types of conflicts. Preserving the geo-strategic status quo and internecine ethnic or racial wars in the wake of collapsing states (Former Yugoslavia, satellite states of the former Soviet Union). The latter type of conflicts, which arise from ethnic, cultural and racial differences are straining the long held fabric of many societies. It is this fight the most of the nations shall have to gear their machinery to contain.

The post cold war period mirrors Australia in growing interdependence with Asia, the emergence of self reliance defence, engagement with the region in the form of developing strategic partnership, active role in emerging security dialogues, including the promotion of sound and publically visible strategic assessment and commitment to the UN peace

keeping operations at a higher level than in past decades. The dominant theme was the defence of Australia in the Australian Strategic Planning Document for the 1990s. It emphasized that Australia “should aim to keep the US strategically involved in Southeast Asia and South Pacific. This would in turn, reinforce Australia’s strategic position. The close contact with the US should be pursued through high level policy exchanges and closer working relationship at the operating level (Australian Strategic Planning Document, 1990).

The 1993 Strategic Review stressed that Australia’s security is being linked to be increasingly with Southeast Asia (Strategic Review, 1993). The report termed the security of Southeast Asia as of fundamental concern to that of Australia as is reflected in the statement of Defence Minister Beazley’s statement on February 23, 1988 when he said, “The fall of Singapore in February 1942 was the darkest moment Australia has known in 200 years, and underlines unambiguously that Australia’s security is tied to the security of Southeast Asia (Australian Foreign Affairs Record, 1988).

In 1997, the Howard government undertook a national review of national strategic policy. It says, “Australia’s most important strategic and economic interests lie in the region (White Paper, 1997). A public opinion study contains a list of countries according to their priorities from the view of perceptions of the importance of defence and security relations: US, New Zealand, Indonesia, Japan, China, Papua New Guinea, Malaysia, Singapore, India and Vietnam. In terms of security threats to Australia, the rank of the above countries stands in the following order: Indonesia, China, Japan, Malaysia, Vietnam, US, Singapore, Papua New Guinea, India and New Zealand (Ian McAllister and John Ravenhill, 1998). This survey concludes, “A modest resurgence in public fears that significant security threats to Australia is evident, with Indonesia resurging as the most likely security threat.”

The immediate neighbor Indonesia looms large in the region. It is first among equals of the ten ASEAN countries. Its rich minerals resources and geographic position make it a leader in the region. This position gives Indonesia potential rights over sea-lanes that are essential to the survival of Singapore and Malaysia and to the foreign trade of Australia. The supply of oil from Middle East to Japan, Korea and Taiwan also passes via Indonesian sea lanes. This makes Indonesia a confluence of several factors. What

happens to Indonesia affect not only the rest of Southeast Asia, but also the rest of the wider Asia-Pacific region.

Australia regards Indonesia as the linchpin in the structure of Southeast Asian security. Close and cordial ties with Indonesia are therefore a strategic imperative for Canberra. By Prime Minister Keating, "No country is more important to Australia than Indonesia and was for a strategic partnership with Indonesia." (Paul Keating, 1994). It is vital factor in Australia's security considerations. Recent trends and developments have shown that an unstable Indonesia would affect Australia's political, economic and social conditions adversely. Australia wants a united, democratic and economically successful Indonesia that is able to meet and overcome the challenge of sectarian violence and embark on a strong path of growth and development. Australia's commitment in defence relationship with Indonesia demonstrated in a wide range of activities including reciprocal senior official visits, Staff College visits and officer student exchanges.

Vietnam is another country in the region, which is of great importance to Australia. While committing troops to ally with US, Prime Minister Robert Menzies on April 29, 1965, justified the commitment by saying, "The takeover of South Vietnam would be a direct military threat to Australia and to all the countries of Southeast Asia." He continued, "It must be seen as part of a threat by the communist China between the Indian and Pacific Oceans." Explaining why Australia was in Vietnam, Prime Minister Holt said, "We have an obligations causing from our treaty relationships, from our role as an ally in supporting the US in international diplomacy and politics." Australia committed troops to halt communist aggression at the Thai-Laos border, at the urging of the US. Australia found it suddenly pushed into war on two fronts- Borneo and dispatch of troops to South Vietnam. Both these events were of crucial importance to the security of Australia itself and 'to the integrity and stability of the whole Southwest Pacific.' Fall of Indo-China to communists was interpreted as threats to Thailand, Malaysia and Singapore on the onward much to dominate the northern approaches of Australia and cut Australia's lifeline with Europe.

Malaysia was also considered vital to the defence of Australia. The dispatch of Australian troops to Malaya was interpreted, "a revolutionary switch in Australian policy." Australia feared that the spread of the menace of communism in the region would gradually affect

the security of the whole Southeast Asia and ultimately its southern shores. While being sensitive to their concerns, Australia desired as wide protection as possible against aggression in Southeast Asia. It related Australia's interests and objectives to the building of security in the Pacific.

The strategic importance of the major Southeast Asian nations was amply reflected in Prime Minister Casey's statement to the Australian Parliament in 1954, when he said, "If the whole of Indo-China fell to the communists, Thailand would be gradually exposed. If the Thailand were to fall, the road would be open to Malaya and Singapore. From the Malaya peninsula, the communists could dominate the northern approaches to Australia and even cut our lifelines with Europe. As emergence of power alignments are caused not only by the force of international power relations, they are often engendered as the consequences of internal factors such as communists subversives, intra ethnic conflicts, religious tensions, economic disparities, leadership successions and technological changes. Australia thought that if communists achieved their aim, that would gradually affect the security of the whole of Southeast Asia and ultimately Australia itself.

Maritime Perspective of Security

Australia has the second longest margin in the world. Its resources are located in the offshore. As a trading nation, it is heavily dependent on seaborne trade. That makes its defence strongly a sea-oriented. It cannot just ignore its attention on high sea. A former chief of naval staff of the Royal Australian Navy (RAN) has remarked, "Any country wishing to conduct activities against Australia's interests must exploit the maritime environment between its bases and Australian targets. Any confrontation or conflict with Australia would be, initially, at least maritime in Character." (James Willis, 1982). Maritime piracy has emerged a serious challenge to the security of the world shipping. Free flow of commerce through sea lanes is necessary to keep the economies going. Piracy has therefore to be seen as a strategic threat and dealt accordingly.

Australia's overseas trade passes through the Indonesian straits of Lombok, Ombai and Wetar and therefore the Indonesian straits remains a fundamental Australian security interests. Northeastern Indian Ocean approaches to Australia look to have significant importance in the security of Australia. Australia is a member of the Indian Ocean Rim

Association for Regional Cooperation (IOC-ARC) formed in 1997 to promote regional economic cooperation and human resource development. It brings together people from bureaucracy, business and academic sectors. Australia has adopted a proactive policy in this regard and wants to build a habit of dialogue as a routine to deal with an array of issues. It also wants to establish research links relating to transnational crime, maritime security issues and project relating to environmental security, which could lead to the building of comprehensive dialogue.

Conference on Security and Cooperation in Asia and the Pacific (CSCAP)

With a view to have an institutional framework for multilateral security dialogue in Asia, projected to be a counterpart of the CSCE in Europe. Gareth Evans floated the idea for a Council for Security Cooperation in Asia-Pacific (CSCAP) at the ASEAN Post Ministerial Conference (PMC), when ASEAN dialogue partners, including the United States met (Gareth Evans, 1995). CSCAP emerged as a central part of the regional multilateral process in security matters bringing together academics, journalists and occasionally politicians along with government officials. This route has been most inclusive, creating a network around Asia and the Pacific. It was labeled as multi-tiered or multiplex security framework to regional cooperation. Evans talked of equaling in Asia just as in Europe, 'a framework for addressing and resolving security problems..... and asked why should not be developed a similar institutional framework-a CSCAP- for addressing the security issues which exist in Asia (International Herald Tribune, 27 July 1990).

Evens proposal, 'a Pacific adoption of the conference on security and cooperation in Europe,' appeared to have been the culmination of Australia's past efforts in this direction. Australia had been urging measures to address tensions in Northeast Asia. Bill Hayden had pleaded for a superpower dialogue on security perceptions and concerns. He had also argued for a dialogue among regional and other interested countries about specific problem in the security environment of the region (Bill Hayden, 1988). Making diplomatic inroads proposal to transform the association into the Asian version of CSCE (Time, 17 May 1993). US preferred bilateral arrangements and agreements, and showed concerns for a Helsinki type process for Asian regional security dialogue. ASEAN

countries talked of the necessity to have a common ground for the perceptions to be harmonized. Indonesia advocated caution and Japan called it premature. However the proposal became a basis for the discussions of the regional security issues at the July 1994 meeting of ASEAN-PMC, which was a forum to engage member countries in the new areas of cooperation in security matters. This security component of the PMC dialogue came to know as the ASEAN Regional Forum (ARF) with the then six countries and their seven major trading partners and the five guest and observers at the ASEAN meeting (Michael Vatikietis, 1991). This security architecture in the form of ARF was to act as a constraining factor in any likely intra-Southeast Asia disputes.

ASEAN Regional Forum (ARF)

ARF is first such diplomatic arrangement to deal with security matters in the region. Australia has been a solid contribution in the evolution of this forum. It's foreign and trade policy spoke of the key components of Australia's regional security strategy as a 'strong national defence capability, the security alliance with the United States, developing bilateral defence and security relationship with the countries throughout the Asia-Pacific and strengthening multilateral security link in the region, especially the ASEAN Regional Forum (White Paper, 1997). ARF is the single most important vehicle to have emerged for wide consultation and dialogue among nations in Asia-Pacific region including US, China, Japan and Russia. It is a multi-faceted approach based on 'complementing Australia's national defence capability, bilateral security arrangements and regional defence cooperation with an active Australian role in fostering regional integration and shaping institutions which are emerging in the Asia-Pacific (White Paper, 1997).

ARF initiates security dialogue to develop shared perceptions of strategic landscape, strengthen links with existing friends and reaching out to adversaries and build cooperative capacity to tackle jointly regional issues. Though issues of non-nuclear proliferation, preventive diplomacy, trust and security building proposals in sensitive areas, transparency on military capabilities and conflict resolution constituted agenda in the Forum, the concept extended its area to include political stability, economic well being and social harmony and environment.

The regional dialogue process was supported by some institutionalized infrastructure both at the official and political levels. The first PMC-SOM (Senior Official Meeting) in 1993 held extensive discussions of multilateral approaches to regional peace and security, including such issues as preventive diplomacy and conflict management, non-proliferation (both at nuclear and non-nuclear); UN peacekeeping activities; the UN Conventional Arms Transfer Register; the extension of the Non-Proliferation Treaty (NPT); exchange of information among defence planners; prior notification of military exercises; concept of the Zone of Peace, Freedom and Neutrality (ZOPFAN) and the South East Asian Nuclear Weapon Free Zone (SEANWFZ) (Desmond Ball and Pauline Kerr, 1996).

ARF focused on the following stages:

Stage1: Promotion of Confidence Building Measures

Stage2: Development of Preventive Diplomacy

Stage 3: Development of Conflicts Resolution Mechanisms

Through ARF, Australia sought to create a mechanism to foster regional peace and stability, interlock the US in regional security, engage China in constructive ways, and provide platform for Japan to play a more active role. The concept of information sharing and trust building increased dialogue, strategic policy, oceanographic and hydrographic research information on Shipping routes and hazard, mapping and charting etc. The arrangement for voluntary submission to ARF of short defence policy papers and endorsement of exchanges between members on annual basis was to serve the cause of tension free region. ARF also had an official level Intercessional Support Group (ISG) to study Confidence Building Measures (CBM), peacekeeping research and rescue. Australia has been supporting seminars for officials and non officials in Canberra, which addressed measures for building confidence and trust. There has also been a second track process which drew governmental and non governmental institutions. These arrangements are taken as consulting Southeast Asia's regional security architectures.

The ARF process engaged countries in security dialogue and limited exchanges of military information despite having some unresolved territorial issue like South China Sea.

Other Arrangements with the Region

Australia's interest lies in maintaining a positive security and strategic environment in the region. As has been outlined in the security statements of 1989; military capability, diplomacy, Politico-military capability, economic links, development assistance, non-military assistance and exchanges of people and ideas constituted as instrument in security plan. Good neighbourhood policy and assisting regional countries in instruments of security plan, assisting in environmental sector, international health problems like AIDS, international narcotics trade and unregulated population flows were also being mentioned as a part of security plan. Australia defence policy of self reliance, regional cooperation and strong alliances were a part of its new security environment allowing it to both provide for its own defence and contribute to the security of the region.

Keating-Suharto agreement of December 15, 1995 on, maintaining security was considered important labeled as a lynchpin for security. It was seen as a Declaration of Trust. The arrangement recognized their common interests in the peace and stability of the region, seen as rivaled in importance with those of the US or Japan, Paul Dibb suggested," Australia's key regional strategic interests in the may not always coincide with those of the US." The arrangement contained three main points: to consult on a regular basis at ministerial level about matters affecting their common security; both countries agree to consult in case of 'adverse challenges' to either party or their common security interests and if appropriate, consider measures which might be taken either individually or jointly in accordance with the process of each party; and to promote beneficial cooperative security activities (Rizal Sukma, 1997). To Prof. Michael Leifer Agreement on Maintaining Security (AMS) resembled like ANZUS. Indonesia entering into AMS was compared to the act of normalizing Indonesia's relations with China, as no one wanted to be seen as opposing the President (Devi Fortuna Anwar, 1992). This treaty armed Australia with a new and powerful credential as countries of Southeast Asia, which was long denied by Malaysia and Singapore. However, the attempts to

institutionalize the network of defence and security cooperation in the region envisaged in this treaty collapsed on the stand off between Australia and Indonesia over East Timor Issue in 1999.

Australia's security links with Southeast Asia and Pacific also prelude formal written arrangements/ agreements and ever fast track dialogue. Confidence Building Measures included the establishment of building blocks, sub regional arrangements dealing with various security issues, bilateral and limited multilateral arrangements to address a common security concerns. Timor Gap Treaty between Indonesia and Australia, agreements on joint action against piracy in the vicinity of Singapore and Malacca straits between Malaysia, Indonesia and Singapore were purpose oriented interactions and regional confidence and security building. Regular surveillances of flights from Butterworth in Malaysia over South China Sea, the Malacca straits and the Bay of Bengal and occasionally exercises with regional forces and ship visits were some of the bilateral arrangements.

East Timor Factor in Australia's Relation with the ASEAN

Relations between the two countries reached one of their lowest points at the time of East Timor's secession from Indonesia in 1999. Following a United Nations agreement between Indonesia, Portugal and the United States, a UN-supervised popular referendum choosing between autonomy within Indonesia and full independence, was held on August 30, 1999. The people of East Timor overwhelmingly voted for independence. An Australian-led and Indonesian-sanctioned peacekeeping force, INTERFET, was sent into the territory to restore order following a violent 'scorched-earth' policy carried out by pro-integration militia and supported by elements of the Indonesian military. International moral opinion forced Indonesia to withdraw tacit support, the militias dispersed. INTERFET was replaced by a UN force of International Police, the mission became known as UNTAET, and the UNTAET Crime Scene Detachment was formed to investigate alleged atrocities.

East Timor lies on Australia's northern doorstep. It is tiny territory. In the fall of 1999, it suddenly became significant- the consequences of which were felt for beyond the fringes

of Southeast Asia. Ever since its independence from Portugal and subsequent incorporation into Indonesia as a province in 1975, it has remained on the spotlight of geopolitical events in Southeast Asia. There are proven deposits of oil and natural gas in the between East Timor and Australia, an area called Timor Gap. A treaty was signed between Australia and Indonesia in 1989 governing commercial exploitation of this zone. Australia has considerable security, economic and humanitarian interests in East Timor. Any chaotic condition then an ethnic strife and social dislocation elsewhere in the vicinity could raise a host of difficulties for Australia, and Indonesia remains central to the institutional pillar of Australia's engagement with Asia being premised on ASEAN, APEC and ARF. The success of dealing of enmeshing Asia policy was linked to the Australia's relationship with Indonesia.

Australia worked hard to make Indonesia as one of its closest allies in Asia, despite the East Timor remaining a thorn in bilateral relationship. It concluded a security arrangement in 1995 where the non-aligned Indonesia for the first time acknowledged a shared security interest with another states. This was Australia's most important security association. It affirmed that the two countries mutual strategic interests outweighed the cultural and political issues that divided them, not by East Timor (Robyn Lim, 1999). The coming out of a pebble from Indonesian shoe following the independence vote in August 1999 affected Australia-Indonesia bilateral relations, economy, strategic arrangements and Australian regional diplomacy. This event has threatened Australia efforts over the past decade to integrate itself with its Asian neighbours (The Wall Street Journal, 21 September 1999).

ASEAN did not show up an Asian face in the wake of East Timor crisis; instead choose to be 'reduced to playing a secondary supportive role.' ARF's three pronged strategy of confidence building, preventive diplomacy and conflict prevention was no where in sight during the crisis. East Timor provided the moments for the west to quietly searching for a higher security profile in the region. It was natural for them to show more aggressive security overturns. For Australia, aggressive leadership of the force was to review hope in Canberra for a regional security presence (John Vinocur, 2000). Washington had kept a low profile contributing a force only in 'a limited and essential way.' For it allowing the Australians to bear the burnt of mission was politically expedient, as the sudden presence

of US troops on China's southern flank could raise hackles in Beijing. Particularly as the Taiwan issue continues to burn (Far Eastern Economic Review, 1999).

The emergence of East Timor as an independent nation on 20 May 2002 has been a critical regional security matter for Australia, the region and the world. Australia has always followed with keen interests the developments in East Timor. No foreign policy issues, as Foreign Minister Alexander Downer has remarked, 'has captured the public interest in Australia more than East Timor and its transition towards independence over the past two and half years. Australia has never played such a key role in the resolution of a significant longstanding international issue (Alexander Downer, 2001). Because of its strategic, the deposit of natural resources and also history of colonial domination, trauma and tragedy of its people, East Timor has never gone out of focus in regional power politics and security. Its problem and challenges are numerous but not insurmountable. Now it is free nation, the attention, action and commitment from the international community, 'must be sustained with adequate resources and a renewed sense of urgency' (New York Times, 25 April 2000).

Australia's involvement in East Timor came in combination with the UN and its member states. It got involved only after the road map for peace operation was approved by the UN Security Council. Australia organized the International Force for East Timor (INTERFET). Their leader was effectively helpful in conducting humanitarian relief operations. Australia's role in the post referendum phase, however, came to be strongly resented by Indonesia and bilateral relations went to hit the rock bottom in three decades.

Southeast Asia's security has a bearing on Australia's security outlook. The East Timor issue is bound to continue figuring as a critical element in shaping Australia's regional response to political, economic and strategic issues considering the strategic importance of Indonesia and Australia's weight in the region, both should work together for recover from East Timor shock. Australia should make it clear that it has no territorial ambitions or ulterior strategic motives in East Timor, which was on full display when Australia led the INTERFET. Since a new nation has born in vicinity of Australia, it should work towards healing the wounds

Cooperative Security

In the late 1980s, even before the end of the Cold War, Australia, under the Hawke-Keating Labor government, began a shift away from its traditional reliance on the protection of a "great and powerful friend" to explore multilateral approaches to security that sought security "with" Asia rather than security "from" Asia. In this period Australia stood at the forefront of the debates over the development of multilateral cooperative security structures for the Asia-Pacific region. Australia supported the establishment of multilateral cooperative security mechanisms, principally the ASEAN Regional Forum (ARF) and Council for Security and Cooperation in the Asia-Pacific (CSCAP). While there was general support in Australian government circles for this multilateral cooperative security approach, especially the ARF, some doubts remained as to the effectiveness of such an approach to deliver regional peace and stability over the short to medium term. As a result, Australia retained its bilateral defence arrangements as a means of decreasing the likelihood of a military threat to Australia emerging from Asia. In the 1994 Defence White Paper it is clearly stated that the ANZUS alliance remained a key element of Australia's defence policy.

Howard Doctrine and Its Discontents

Following its election in 1996, the new Howard Coalition government, distrustful of this approach, began to shift away from multilateralism and sought to deepen its ties with the United States. Australian critics of the government saw this as a return to a policy of "Forward Defence" where Australia sought to protect itself from hostile regional forces by closely aligning itself with the United States and actively engaging these threats before they could threaten Australian national interests.

With this shift, some in the region became concerned as to Australia's threat perceptions and its emphasis on the Australia-US relationship. China in particular was concerned that Australia's alliance with the United States was part of a broader American new "containment" strategy. Chinese commentators noted the increased level of military cooperation between the United States and Australia under the Coalition government. Shi Yongming (1997), an Associate Research Fellow at the Chinese Institute for International Studies, argued that the 1996 "Sydney Declaration" of renewed Australian-US military cooperation and the resulting exercise "Tandem Thrust 97" implied that Australia provided the United States with a replacement training area for Asia-Pacific military

exercises that it lost following the American withdrawal from the Philippines in 1992. China was also concerned that Australia had been the most vocal of the Asia-Pacific states in supporting American "gunboat diplomacy" in the region such as the dispatch of two US aircraft carrier battle groups to Taiwan during the 1996 Taiwan Straits crisis. Australia was also, according to Shi, one of the only states in the world to have supported the American cruise missile strikes into southern Iraq in September 1996. Moreover, many Chinese newspapers reported that Australia had failed to gain acceptance in Asia and, more specifically in 1996 a seat at the United Nations Security Council, because of the Coalition government's renewal of Australia's alliance with the United States. The China Daily reported, "Such parrot-like behaviour can only lead to unpopularity in the international community", (cited in Agence France-Presse 1996; see also Greenlees, 1997).

Others in Asia were similarly concerned about the Howard government's reinvigorating of the ANZUS alliance. Australian academic Des Ball (1997) argued at the time that "there was inadequate consultation with Australia's neighbours in Southeast Asia, several of whom expressed bemusement at Australia's efforts and especially at some of the particular moves, such as exercise Tandem Thrust". He also argued that the Howard government politicized the relationship and that "the policy was poorly cast in terms of regional understanding". This reliance on US security guarantees implied that Australia's threat-perceptions focused more on traditional threats emanating from a hostile region.

The ability of Australia to engage effectively with both the United States and all of Asia was questioned well before the re-emphasis the Howard government put onto its relations with the United States. Joon Num Mak (1994), a Malaysian defence commentator, in 1994 questioned whether Australia could effectively engage with all of the states in the region, or even nearer sub-region, without neglecting its traditional alliance partners. Alternatively, if Australia became selective in the extent of its cooperative relationships with regional powers, how would those states with minimal cooperation react to this, in effect, weakening of their relations with Australia? This is not a universally accepted view in the region and indeed many, both in Australia and in Southeast Asia, doubt the zero-sum nature implied in the "US v. Asia" debate. The point here is that given the finite resources available to any state in its foreign and defence relations, there has to be

"winners" and "losers" in regard to the level of engagement it has with other states. Therefore, the resources that Australia "spends" in its relations with the United States are not available to be "spent" in Asia. Des Ball (1997) makes a similar point in testimony to the Australian Joint Standing Committee on Foreign Affairs, Defence and Trade

The Australia-US security relationship is very complex and in the context of enhanced multilateralism in South-East Asia it involves sensitive judgments, hard choices and careful balances. At the most general level, there is a need for a careful balance between the US alliance and other bilateral and multilateral security arrangements in Australia's national security policy. The most powerful image that illustrates the danger, in the mind of the Southeast Asia states of the closeness of Australia's relationship with the United States, however, was the claim of Australia as the American "Deputy Sheriff" reported in an interview in the *Bulletin* magazine in 1999. The report quotes Howard as saying "he saw Australia as a sort of 'deputy' to the American global sheriff" (Cook 1999; also cited in Murphy 2002). While the government was quick to clarify the report, accusing the journalist of putting the words into Mr. Howard's mouth, the title has stuck and as such constantly reinforces the closeness of the relationship between the two states — at least in the minds of those elements within Southeast Asian societies that are already predisposed to think poorly of the United States and Australia.

Australia's close cultural ties with the United States have influenced how the rest of the world, especially the Southeast Asian states, views Australia. There are two areas where the close relationship with the United States hurts Australia, first, the impact of US culture on Southeast Asian societies and second, concern over the resurgence of US military adventurism. The United States is often seen as the primary agent of the challenges that many in Southeast Asia perceive they face, be it an attack on traditional languages and culture from US mass media, challenges to traditional values from Western liberalism, or challenges to their sovereignty from globalization (Dibb, 1993). In many ways there is very little that Australia can do to disassociate itself from these types of attacks. While there are differences between Labor and Coalition governments over the emphasis placed on the relationship with the United States, there is general bipartisan support for close cultural alignment with the United States. This has made it difficult for Australia to distinguish itself from the United State's lead on global issues such as

proliferation of weapons of mass destruction, freedom of navigation, and regional intervention (Singh, 2002).

This is not to imply that Australia's close relationship with the United States is unwarranted or even that it is completely negative in terms of Australia's relations with Southeast Asian states. Indeed most of the states in Southeast Asia support an ongoing US military and strategic role in the region and agree that Australia plays a valuable role in supporting and securing this commitment (Huisken, 2001). Many states in Southeast Asia value the US presence as a stabilizing element in the region and see Australia as an important link with the United States.

The ultimate judge of the value of any US role in the Asia-Pacific is the degree to which the Americans achieve the delicate balance between pursuing a policy of enhancing the stability of the region, while at the same time, not constraining the individual actors in regard to their own national objectives. During the Cold War the US presence in the region provided a bulwark against communist threats, either domestic or international. Today, however, following the election of George W. Bush and the rise of the neo-conservatives in Washington policy-making circles, there is an increasing perception of the United States as a potential threat to the status quo in the region (Xiang, 2001). Owen Harries cautions that as the global hegemony the United States will "create a world in its own image with institutions and rules determined by Washington" and that these may not coincide with the national interests of either Australia or the Southeast Asian states (Owen Harries, 2004). Moreover, he argues that any moral suasion that Australia feels that it can exercise on the United States because of the credits it has accumulated through its participation in recent US-led wars is illusory. Harries argues that in regard to great powers, "expectations of gratitude rest on shaky foundations ... great powers are 'cold monsters' and gratitude is not one of their stronger motivators" (Owen Harries, 2004).

Kumar Ramakrishna argues that the decision of the United States to respond to the 11 September 2001 attacks through what he describes as a "praetorian unilateralism" which emphasizes the role of force in achieving US policy objectives only exacerbates anti-American sentiments among some Muslims in Southeast Asia. "While military victories may be achieved over the short term the failure to address the sources of Muslim anti-Americanism in the Middle East, Southeast Asia, and elsewhere will only ensure that Al-

Qaeda and its ideological bedfellows will remain an existential threat" (Ramakrishna, 2002). The danger for Australia is that it is closely associated with this US praetorian unilateralism through its participation in US-led coalitions and its prominent role in the Proliferation Security Initiative. In addition, its own leadership of interventions such as in East Timor in 1999 and the Solomon Islands in 2003, as well as the lack of clarification over its pre-emptive strike doctrine only increases the likelihood of an attack on Australia.

Emerging Irritants

The Howard government further exacerbated the concern over the "Deputy Sheriff" statement and pre-emptive strike doctrine when it refused to sign the ASEAN Treaty of Amity and Cooperation (TAC) at the 2004 ASEAN Summit in Laos and when in December 2004 it announced the establishment of a 1,000 nautical mile Maritime Information Zone. Many in Southeast Asia saw both acts as further evidence of Australia's aggressive policy with regard to the region in particular. While the Summit was not all bad in that the two sides were able to agree to pursue a free-trade agreement between Australia and ASEAN, the failure of the Howard government to sign the TAC was seen as being linked with the policy of pre-emptive strikes (Allard, 2004). Malaysia's Prime Minister Abdullah Badawi stated his disappointment with the Australian refusal to sign the TAC (Bernama Daily Malaysian News, 2004)

So far there has been no negative impact but if it is prolonged and if Australia takes actions that cause adverse results, the relations would be affected because they consider themselves free to act since they have not signed the TAC.

Indonesia's Foreign Ministry spokesman Marty Natalegawa (Burrell 2004) stated that "the best way for Australia to dispel fears of its intentions about pre-emptive strikes was to sign the TAC".

Australia had subsequently signed the TAC but only when the ASEAN leaders made it clear to the Howard government that Australia's participation in the inaugural East Asia Summit (EAS) in Malaysia in December 2005 was conditional on signing the TAC. Australia announced its change in position on the signing the TAC in July 2005 and formally signed the treaty on the eve of the EAS in December 2005. As a precondition to signing, Australia emphasized four understandings, or conditions, between Australia and

the ASEAN states in regard to Australia's involvement in the TAC. These understandings were that the TAC would not affect: first, Australia's existing security relationships (that is, with the United States); second, Australia's rights and responsibilities under the UN charter; third, its relationships with others outside of Southeast Asia; and finally that Australia retained a veto over ASEAN involvement in any dispute involving Australia (Kelly, 2005; IISS 2005).

Australia caused further tension in its relations with its regional neighbours again in December 2004 when it announced a 1,000 nautical mile Maritime Information Zone. In this, Australia announced that upon entering the "zone" all ships intending to travel to Australia would need to provide information about its identity, crew, cargo, location, destination, and ports of call (Shanahan, 2004). While, in effect, being very similar to the previous requirement of ships to provide its details when it was 48 hours away from entry into an Australian port, the regional response to this announcement was negative. The Malaysian Prime Minister stated "it is a move that is bound to cause unease as no country likes to be treated in such a manner" (cited in Chok, 2004). Indonesia also rejected the plan. The Indonesian Foreign Ministry spokesman Marty Natalegawa stated "if Indonesia is asked for our view, it is a clear resounding and unequivocal. It clearly contravenes international law; it contravenes Indonesia's territorial sovereignty". (Cited in Moore, 2004)

Both of these issues are of relatively minor importance in regard to the overall positive nature of the relations between Australia and the ASEAN members. The TAC issue did not preclude the agreement on a free-trade deal at the 2004 ASEAN Summit or indeed Malaysia's invitation for Australia and New Zealand to attend the ASEAN Summit in 2005. Likewise, the Maritime Information Zone is no more than a codifying of existing arrangements. That the Australian government allowed these to be blown out of all proportion and because significant damage to Australia's reputation in the region, however, is demonstrative of the manner in which it seeks to manage its relations with Southeast Asia. For example, Australia took considerably more flak from Southeast Asian policy and public opinion-makers in the lead-up to the ASEAN Summit than did New Zealand, which also refused to sign the TAC. Likewise, the reporting of the

December 2004 announcement of the Maritime Information Zone by many influential regional news media as an Australian proclamation of a "security zone" only exacerbated relations between Australia and its neighbours. The impression that Australia was making some sort of territorial claim had to be clarified by Michael Wood (2004), the Acting Australian High Commissioner to Singapore, in a letter to the editor of the Singapore newspaper Business Times. Indeed, the announcement was as much of a surprise to officials of the Australian Department of Foreign Affairs and Trade as it was to the region. The Howard government acknowledged the mismanagement of the Maritime Information Zone by first seeking to change quietly the name of the policy from a "zone" to a "system". Secondly, by formally announcing in July 2005 the restructuring of the Australian Maritime Information System to apply to ships only within 500 nautical miles of an Australian destination port.

Changes to Australia's Strategic Doctrine

The significance of negative implications for Australia's relations with the region is that in addition to all of this Australia has announced changes to the strategic concept of the ADF away from the defence of Australia doctrine to one that allows the ADF to operate far from Australia's shores. The 2000 Defence White Paper first signalled these changes when it articulated a change to a more proactive military strategy that would allow Australia the ability to control its maritime approaches, attack "hostile forces as far from our shores as possible", deploy preponderant force into Australia's immediate neighbourhood, and make a substantial contribution to any coalition in Southeast Asia. The 2003 and 2005 Strategic Reviews announced further restructuring of the ADF. The goal is to create an ADF that is adaptable and versatile in meeting and sustaining the demands of diverse operations and coalitions be they in the immediate neighbourhood or further afield.

These changes signalled to Southeast Asian states an increasing propensity for Australia to project armed forces into the region. Although this would be welcomed by some regional players, Australia's lack of a comprehensive regional engagement programme, coupled with Southeast Asia's negative perception of many of the broad security

initiatives of the United States leaves room for Australia's proactive strategy to also be seen as a problematic (Bolton 2003; Woodman 2001).

Significance of Australian Policy vis-à-vis Southeast Asia's Strategic Cultures

Although Southeast Asia is a diverse region in terms of politics, religion, and colonial experience and while there is no common strategic culture among the states of the region, there are a number of common security concerns derived from their strategic geography, historical experience, and the challenges of economic development. The first of these is the absolute priority accorded to the maintenance of national sovereignty and territorial integrity. Southeast Asia's history of resisting and accommodating cultural and military challenges from India and China, the Western colonial powers, and the various Cold War protagonists has led to a heightened sensitivity to external interference. The threat of major power intervention, complicated and often-disputed borders, long-standing insurrections, and limited conventional military capabilities, have all conspired to encourage most of the armed forces of Southeast Asia to assume defensive postures. Singapore stands out as the one exception, with its trade-reliant economy giving it a vested interest in accommodating major external powers, and its lack of strategic depth forcing it to adopt an aggressive defence strategy backed by a well-equipped and trained military force.

The second common aspect of security among many of the Southeast Asian states is that they view security in comprehensive terms. As developing states without strong political and economic institutions, the Southeast Asian states must cater for not only military threats but also political, economic, and socio-cultural threats. Politically this has resulted in regime survival as being equated with national security in authoritarian states such as Vietnam, Laos, Cambodia, and Myanmar. Moreover, these states tend to see issues such as globalization, refugee flows, and cultural change as threats to their national sovereignty/regime survival more than do states in the West (Collins 2000, 2003; Neher 2002; Bolton 2003).

Moreover, these non-military threats have also tended to come from within the state as regimes face challenges from religious or ethnic separatists, communist rebels, or Islamic extremists. These insurrections have their roots in economic inequality and the

suppression of minority interests by nation-building elites and they continue to threaten, in varying strength, the unity of many of the Southeast Asian states, especially Indonesia, the Philippines, Thailand, Vietnam, Cambodia, Laos, and Burma. These internal threats further enhance the structure of Southeast Asia's armed forces and amplify sensitivities to external interference in internal conflicts (Collins 2000, 2003; Neher 2002; Bolton 2003).

Finally, although Southeast Asia has sought to build a range of cooperative security mechanisms to guard against external threats, it continues to adopt a realist approach of investing in defence self-reliance within a balance of power framework. While the Southeast Asian states participate in a range of international organizations and cooperative security mechanisms (which liberal institutionalists argue states enter into in order to strengthen the norms that these institutions represent), the Southeast Asian support for multilateral institutions can be seen as an effective way for them to collectively amplify their limited political power (Bolton 2003; Emmers 2003). Because of these security concerns, the Southeast Asian states tend to approach their relations with Australia, a Western state on the edge of Southeast Asia, with caution and some skepticism.

Australia-Malaysia Relations

A long-term critic of not only Australia, but also the United Kingdom and the United States, Malaysia under its former Prime Minister Mohamad Mahathir at varying times played the anti-Australian card in regard to Malaysia's foreign policy. In the 1980s and early 1990s, that is, during the Hawke-Keating Labor governments, relations between Malaysia-Australia suffered over a number of crises. These included the 1986 capital punishment of convicted drug smugglers and Australian citizens Kevin Barlow and Brian Chambers, the Australian Broadcasting Corporation's TV drama *Embassy*, the Australian-produced movie *Turtle Beach* and the 1993 "recalcitrant" jibe by Paul Keating. With the election of the Howard government in 1996, Australian-Malaysian relations continued to roller-coaster with Mahathir leading the anti-Australia protests over the "Howard Doctrine", the manner in which Australia led the 1999 East Timor INTERFET force and the "Deputy Sheriff" controversy (Broinowski, 2003). It is important to note, however, that despite these crises, defence and security relations between the two have always

remained on a positive basis. The Malaysia-Australia Joint Defence Program (MAJDP) manages defence relations between the two and provides a structured framework for a broad range of bilateral defence interaction. Australia also maintains a presence at the Royal Malaysian Air Force (RMAF) Base Butterworth and is Malaysia's major source of military training. Both are active members of the Five Power Defence Arrangements (FPDA) and in August 2002, Australia and Malaysia signed an agreement to cooperate in combating international terrorism (Australia Department of Foreign Affairs and Trade, 2004).

With the retirement of Mahathir and the election of Abdullah Badawi as Malaysia's Prime Minister, Malaysian-Australian relations have been re-invigorated. While neither country puts it in such simplistic terms, the turning point of Australian-Malaysian relations are commonly accepted as occurring with the withdrawal of Mahathir from the international scene. The high water mark in these relations occurred in June 2004 when Australia joined with its FPDA partners to announce that they would cooperate in anti-piracy and anti-maritime terrorism training through the FPDA and in November with Malaysia inviting Australia and New Zealand to attend the 2005 ASEAN Summit. However, as discussed above, the negative aspects of the relationship that harken back to the bad old days have tempered the positive initiatives. Moreover, basing the strength of the bilateral relationship on the personal ties of the national leaders, rather than long-standing policy commitments, is dangerous.

Australia-Indonesia Relations

Relations with Indonesia which arguably reached a high point in 1995 with the signing of the Agreement on Maintaining Security was reduced to an all-time low in 1999 over the Australian-led UN INTERFET mission to oversee East Timor's independence and then the people-smuggling/boat-people crisis during the 2001 Australian Federal Election. While debate continues over the manner in which both the Indonesian and the Howard governments handled the crises, relations between the two countries deteriorated to such a point that in 2001 the Indonesian President Megawati Soekarnoputri would not take Howard's call to discuss the people-smuggling issue (Broinowski, 2003). Australian-Indonesian relations have slowly improved from these low points, although the 2006

Papuan refugee crisis demonstrates how quickly relations between the two can sour. Relations between Australia and Indonesia started to improve following the 12 October 2002 Bali bombing when Australia and Indonesia police and intelligence forces cooperated effectively in the investigation and prosecution of those responsible. Similar cooperation is occurring in regard to the investigation over the 9 September 2004 bombing of the Australian embassy in Jakarta and the 1 October 2005 Bali Jimbaran and Kuta bombings. Australia also signed a Memorandum of Understanding on counter-terrorism with Indonesia in February 2002. In addition, relations between the two countries improved dramatically because of Australia's quick and generous direct assistance in response to the Boxing Day tsunami that devastated the Indonesian province of Aceh (Burrell, 2005). Australia was also quick to offer aid and assistance to Indonesia following the 2006 earthquake in central Java. While this cooperation and assistance can serve as a basis for positive relations between the two states, it is worrying that improvements to the Australian-Indonesian relationship have come only after terrorist attacks that killed hundreds of innocent civilians and a natural disaster that killed hundreds of thousands of Indonesians alone.

Positive Trends in Australia and Southeast Asia

This is not to suggest that relations between Australia and its regional neighbours are all bad. Australia has sought to engage with the regional powers on a more independent basis on a number of diplomatic and economic issues. Moreover, many small and medium-sized Southeast Asian states look to Australia for support in many regional and global security and other diplomatic issues. Australia in the past had also taken a leadership role in other international fora. In 1989 Australia was instrumental in the formation of the Asia-Pacific Economic Cooperation (APEC) group and has worked closely with other APEC members to strengthen the rules and norms of that group. While the continued role of APEC is in doubt following the Asian financial crisis, Australia's support in the principles behind APEC are positive for the region. Australia has also played a key role in spearheading the UN involvement in Cambodia where Australia took a leading position in the development of the UN plan to restore order to Cambodia,

disarm the various factions, and undertake administrative control of the country for one year and to prepare for and monitor elections.

The Howard government's preferred engagement strategy with the Asia-Pacific in general and Southeast Asia in particular is through direct bilateral relationships that focus on trade and good governance issues. Indeed, the government responds to its critics that claim it cannot engage with the region by pointing to the bilateral free-trade agreements it has signed with Thailand and Singapore and that it is in the process of completing scoping studies on free-trade agreements with China and Malaysia (Atkins, 2004; Sutherland, 2005). It is also pushing similar agreements with ASEAN as a whole and with Japan. Proponents of the Howard government also argue that it demonstrates its ability to work with regional governments in the security area. Australia since 1996 has instigated a series of bilateral security dialogues with China, Indonesia, Japan, South Korea, Vietnam, Philippines, Thailand, Russia, and India (Australia Department of Foreign Affairs and Trade, 2005). Finally, as mentioned above, it was able to develop close cooperation with Indonesian police and intelligence agencies in the aftermath of the Bali bombing and this has been extended to general cooperation between the two governments on a number of issues, including people smuggling.

The maintenance of all these initiatives is important but Australia needs to take care at the political/governmental level to manage effectively both the individual relationships but also Australia's relations with Southeast Asia as a whole. Australia also needs to pay careful attention to the perception that its policies generate in the region and actively work to prevent any misperceptions arising and to prevent the exploitation, by anti-Australian elements that may exist within the region, of any of these misperceptions.

ASEAN Defence Ministers Meeting (ADMM)

Australia wants to join the annual ASEAN Defence Ministers Meeting (ADMM) in a move that would help cement Canberra's security ties with Southeast Asia. Australian defence Minister Joel Fitzgibbon said that he was keen to explore the idea of Australian membership of the two-year-old forum with his 10 ASEAN counterparts. The aim would be to have Australia and New Zealand join the ADMM in an "ASEAN-Plus" meeting, which would link ASEAN with the South Pacific's principal defence players (Patrick Walter, 2008)

Mr Fitzgibbon said he hoped to pursue the issue with key ASEAN counterparts. "I am very conscious this would only work if there were consensus amongst the existing members," he said, "The issue of expanding the ADMM into an ASEAN-Plus forum was raised publicly in Singapore but the ASEAN ministers declined to comment publicly on whether they would support such a move." (Patrick Walter, 2008)

The ADMM was first convened in 2006 as a regional security forum bringing together the 10 ASEAN countries. The inaugural ADMM agreed that the forum should be "open, flexible and outward looking" in terms of engaging ASEAN's friends and dialogue partners. The idea of creating an ADMM-Plus with Australia and New Zealand would only proceed with the consent of all 10 members, including Burma.

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Chapter V

Conclusion

The economic and geopolitical landscape of Asia has changed dramatically in recent years, providing Australia with an unprecedented opportunity to become an integral and significant player in a wider Indo-Pacific region as it charts its future and seeks to manage tensions while shaping a new opportunity for cooperation.

Australia, which was once drawn to Southeast Asia, because of what came to be the 'communist threat', and American involvement in Vietnam, has developed interests of its own over the years since then. The study establishes that there is a positive correlation between the building of linkage and engagement with the region. Cooperation in one sector has led to cooperation in another, paving the way to intrude into other sectors, thereby further widening, enlarging and deepening the bonds of relations. This trend even seems to have created temptation to look to the region jointly and beyond. However, the study also reveals that Australia-ASEAN link policy does not remain a smooth sailing, despite long years of engagement.

Australia inherited from Britain the institution of democratic government and rule of law. The reliance on great and powerful friends occupied the mindsets of Australian policy makers for long. A web of institutional links was created before 1972 such as ANZUS, the Colombo plan, SEATO, the Asia-Pacific Council, FPDA etc. These mechanisms, which were at the forefront of the Australia-ASEAN relations, bringing Australia into contact with Southeast Asian countries were strengthened by additional links in subsequent years.

The shift in Australian foreign policy to multilateralism and regionalism was more evident in its economic contents. Constructive and cooperative engagement in political, economic and security issues come through APEC and ARF. They demonstrated as effective means of cooperative, constructive and continuing engagement, widening and deepening Australia's relation with Southeast Asia, and establishing a new framework for its foreign relations.

Regional engagement became the highest foreign policy priority of successive governments in Canberra. The tide of regional commitment and encounters gathered distinct visibility. This detour transformed the tyranny of distance into the advantages of proximity with the region. Comprehensive engagement has seen the unlocking of opportunities across the region. The cultivation of political, strategic and economic linkages with the region has paved the way to increased cooperation and understanding. A cooperative framework emerged following the end of the cold war. Deepening dialogues and interactions replaced outdated perceptions and approaches. Partnership among nations widened relationships, brought government, business and people together.

Australia acted as the most influential constructive cooperation with resourceful ideas. Its ideas created two regional institutions namely APEC and ARF providing platforms to put forth ideas enhance political role and institutionalized links with Southeast Asia.

Economic interactions demonstrate that Australia has been active at all three levels-global, regional and bilateral. This shows Australia destiny being irretrievably linked to each other. The opening of national economy, doing away with protectionist trade, rigid labour market laws, cutting tariffs and deregulations of state owned industries unlocked gates for cooperation with the outside world. Issues of interdependence get linked to political and security considerations .study showed that solid foundation of engagement was laid through Australia determination and deep commitment to open competition and multilateral trade. Cooperative activities in cultural, educational and scientific fields were helpful in fostering a sense of community.

Australia played an active, often catalytic and influential role on a number of political, economic and security issues which include regional security, Cambodian settlements, and convention to ban the production, transfer, development and use of chemical weapons, reform and improve effectiveness of multilateral trading system. Australia favoured ASEAN to advance the process of regional cooperation.

The giant nations of Northeast Asia and South Asia are likely to remain major magnets for Australian traders, investors, business executives and tourists. This mutual attraction will be reinforced as more preferential trading arrangements and

closer economic partnership are put in place. It shows that while good relations between Australia and ASEAN may be an important and desirable end in themselves, they are not an essential precondition for productive Australian ties with other parts of Asia. ASEAN remains Australia's gateway to Asia and its relations are getting diversified. Australia's burgeoning trade and investment links with China, as well as the more recent expansion of its relations with India, have underscored this fact.

Australian views of ASEAN in recent years have been coloured by troubles in the region and its evident difficulties in coping with them. Before the Asian financial crisis, Southeast Asia appeared to have entered an era of unlimited growth and was immensely attractive to its southern neighbor. But the tumult of 1997-98 stripped away much of the region's economic luster. ASEAN lacked cohesion and struggled to cope effectively with regional problems. Australia in the 1990s had implemented many of the reforms on ASEAN economies by the Asian financial crisis. It proposed as ASEAN struggled to recover. Since then, religious extremism, terrorism, separatist violence, SARS and Bird flu have made Southeast Asia a dangerous area of the world.

This view of Southeast Asia has bred a degree of triumphalism, arrogance and assertiveness in Australia, affecting both government policy and public opinion towards the region. The Howard government's close ties to the Bush administration have helped to foster the perception, especially in Muslim majority Indonesia and Malaysia, that Australia is a surrogate for the US in the region and less attuned to regional sensitiveness and interests.

More worrying, however, is a recent resurgence of red-neck public attitudes towards Indonesia. This was reflected in the anti-Indonesian outbursts following the 20-year sentence given to trainee beautician Schapelle Corby by a court in Bali in May after she was caught entering resort island from Australia in 2004 with nine pound of marijuana in her surfboard bag. She insisted that the drug were planted and many Australians believe her. The Australian media gave the case saturation coverage for weeks before, during and after the trial, fuelling hostility to Indonesia and undercurrents of xenophobia, racism and anti-Muslims sentiment that have long fed public fears in Australia about its giant neighbor to the north.

Yet a stable and increasingly prosperous and ASEAN, with Indonesia- the world's fourth most populous nation- as its lynchpin, is very much in the strategic and economic interests of Australia. A vibrant, economic-ally integrated ASEAN would be a globally attractive marketplace and centre for investment, especially when linked to other parts of Asia by agreements designed to expand trade and investment. ASEAN is negotiating such deals with China to take effect by 2010, India by 2011 and Japan by 2012, although talks with Tokyo are proceeding more slowly than ASEAN hoped.

Individual ASEAN member countries initially led by Singapore but now followed by Thailand, Malaysia and others-have finalized or is negotiating an array of bilateral deals to liberalize trade with other countries in Asia and beyond including the US. ASEAN, having formed its own free trade zone, is working towards a more broadly integrated ASEAN Economic Community by 2020. Much of the ASEAN is now growing impressively again and Australia's exports to the region have risen sharply in the past few years. For its part, Australia is valuable to ASEAN as a market and source of imports of good and services, technology, knowledge, expertise, capital and other resources.

Yet despite the ugly side of the Corby affair, it is clear that Australia and Indonesia have been drawn together, more than ever in the past, by shared tragedy. They joined forces to track down terrorists responsible for the Bali bombings in October 2002 and the bombing outside the Australian embassy in Jakarta in September 2004 that killed many dozens of Australians and Indonesians. Australia's huge consolidated aid in response to the tsunami that struck northern Sumatra on the day after Christmas in 2004 further strengthening ties with Indonesia.

Underlying this convergence were some deeper trends. Despite past differences and periodic setbacks, the relation between Australia and ASEAN has become more increasingly solid and multi-faceted, as successive Australian and ASEAN member countries governments have taken steps since the early 1970s to facilitate mutual ties and interaction in a wide range of areas. To appreciate the transforming nature of these changes brought about by a vast expansion of contacts between Australia and Southeast Asia, they need to be seen in a long term perspective over the span of more than a generation.

What is striking is that in recent years much of the real substance in the relationship between Australian and ASEAN has developed without the direct assistance or guidance of governments as private business, education and travel have mushroomed. From being largely government fostered in the 1970s, the links between Australia and ASEAN have become broadly based and oriented towards closer contacts between people from the two areas.

Trade, investment, tourism, education and other statistics provide strong evidence that the combination of government's enabling support and private sector initiative has become a mutually-reinforcing process. It has intensified ties between Australia and ASEAN across a broad front. On the whole, the non-government part of this dynamics provides ballast to relations, enabling them to stay on a more even keel in any political storms or disagreements that may be amplified through the media.

In 2003, for example, over 625,500 Southeast Asians visited Australia, nearly three times the number just over a decade earlier. The growth is aided by more liberal air services agreements, affordable air fares and organized mass tourism. In the same year, almost 722,000 Australian residents visited Southeast Asia, close to double the number in the early 1990s. Despite public calls made by Corby supporters for a tourist boycott to protest over her sentencing, Australians continued to visit Bali in large numbers. Four of the top ten destinations for Australian travelers are in Southeast Asia. Moreover, some 45,000 Australians live in the region and many Australians have family members there (Institute of Southeast Asian Studies, 2004).

People to people connections, especially through education, have major multiplier effects. They generate personal contacts, friendship, alumnae, associations and professional networks. These, in turn, create familiarity, goodwill and better understanding. They also led to more business, investment and trade. This is 'soft power' of the new relationship between Australia and ASEAN.

There have been other important trends over the past 30 years that have engaged the two regions. By applying non-discriminatory immigration policies that include large numbers of the people from Asia and the Pacific, Australia has become a multicultural society comparable to ASEAN's multi-ethnic and multi-religious societies, including those in Malaysia, Singapore and, on a much larger scale, Indonesia.

There are more political affinities too. Governance in Australia, New Zealand, Malaysia and Singapore is based on parliamentary democracy inherited from British colonial rule. The Philippines has a US-style system of representative government. Meanwhile, Thailand and Indonesia have moved from authoritarian government backed by the military to multi-party democracy, the regular elections of law makers and, in the case of Indonesia, the president as head of state, government and the armed forces.

Of course, many political, cultural and other differences remain between Australia and ASEAN. This is not symbiosis. Democracy in Asia, including Southeast Asia, is often messy and ASEAN is a diverse group of nations. There is authoritarian rule in Brunei, Myanmar, Cambodia, Laos and Vietnam. Still, the principle of civilian control and rule of law- long taken for granted in Australia, New Zealand and some of ASEAN countries are becoming the norm, not the exception, for the most people in the region, even if application of justice and the operation of the courts remains deeply flawed in some countries. Australia and most ASEAN countries are significantly more alike than they were 32 years ago. There has been gradual convergence of economic and political systems, as well as educational and living standards, in and between Australia and ASEAN countries. As a result, there is firmer common platform of values on which to construct closer ties.

By early 2004 it became clear that ASEAN wanted to open a new chapter in its relations with the Australia. ASEAN trade and economic ministers in April 2004 recommended that the group should go ahead with negotiations to liberalise trade with both Australia and New Zealand (ANZ). This was followed by an invitation to the leaders of both countries to meet their ASEAN counterparts, for the first time since 1977, at the ASEAN summit in Vientiane in December 2004. There the decision was formally taken to launch negotiations early in 2005 to establish a free trade zone between ANZ and Southeast Asia, through an ASEAN, Australia and New Zealand Free Trade Area Agreement (AANZFTA). The aim is to double ASEAN- ANZ trade and investment by 2010.

While the improvement in Australia's bilateral relations with important ASEAN members like Indonesia and Malaysia helped pave the way for better ties with the region, there was a bigger backdrop to the ASEAN decision to open the door for

Canberra, Wellington and New Delhi, the non-East Asian trio, to take party in the EAS. In the context of the EAS, Australia, New Zealand and India are seen by ASEAN as a counterweights to China and Japan and fellow-pacifiers of Northeast Asian disputes which could disrupt stability and economic growth. Australia and New Zealand have generally strengthened ties between themselves and their South Pacific neighbours in recent years, creating the sinews and climate for more cooperative relations- although Canberra's dealing with its former colony, Papua New Guinea, remain fraught. Turning the EAS into more inclusive group is an adroit move by ASEAN to reassert influence and prevent bigger players from outflanking the ASEAN group in future. An EAS that included the 13 East Asian nations plus India, Australia and New Zealand would represent half the world's population, have combined GDP greater than the EU, and a trading volume larger than NAFTA. ASEAN would be at the centre of the group, linked to India to the west, Australasia to the south, and China, Japan and South Korea to the northeast.

In terms of the unexploited natural resources, the World Bank projects Australia as the richest country in the world. It is in the benefit of everyone to have good relations with a country of vast resources and capabilities in a number of areas as Australia. Despite having the debates of immigration and identity crisis, Australia remains distinctive, robust, outspoken and egalitarian. The space, open social and political systems make Australia a highly attractive place in the world. In the process of adjusting itself to the changing frontiers of political, economic, strategic dynamics and environment and demands of technology, Australia has travelled a circuitous road and covered a long distance of its engagement journey of the region and beyond. These imprints have established Australia a significant trader, a strategic factor and a political player in the Asia-Pacific region, producing a political framework for Asia-Pacific cooperation. Unlike in the age of empire and the balance of power, the age of international cooperation demands that responses to any crisis be latter devised through multilateral, multinational and collective security arrangements. Cooperation and engagements seem to be natural corollary of this phase. Whatever be the vicissitudes of political, economic and strategic development, Australia needs to remain active, engaged and responsible partner with the countries in the region. Australia has brilliantly used its ideas, intellects and persuasion capacity in summit forums to advance its values and interests. To continue the process of Australia's

future engagement with Asia and the extent of its integration with Asian world, the estrangement and containment, partnership not intervention remains central and strategic. They are tools of persuasion and help to expand economic, political and security links and the foreign policy posture forms the core ingredients of linkages in the pursuit of this course.

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