

## **The Roles of Australia and New Zealand in East Asian Regional Cooperation<sup>1</sup>**

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I bring Greetings to you from the Fiji Islands.

I wish to thank the Shanghai Institute of International Studies for inviting my nascent centre, the Centre for International and Regional Affairs (CIRA) at the University of Fiji to this Conference. For those of you who are not familiar with CIRA, I would like to take this opportunity to introduce my centre to you. CIRA was launched in 2005 within the University of Fiji. Its aim is to generate new ideas and dialogue on regional and international developments of relevance to and which impact on the Pacific Island Countries (PICs). Its mandate is totally non-partisan. It promotes objective, challenging, rigorous and more importantly indigenous thinking and responses. More specifically it aims to:

- generate new ideas and promote dialogue on regional and international developments of relevance to Fiji and the Pacific Island Countries (PICs) and their impact on Fiji and the PICs.
- conduct research, lectures, seminars, workshops, teaching, training and publications.

CIRA only convenes when it has raised the required funding to enable it to host a training program, seminar, program or event. It relies on donor funding.

Since this Conference's focus includes looking at South Pacific Countries and the concept of regional cooperation, I would like to draw your attention to the capacity issues faced by the small island states when they seek to productively join the bandwagon of regionalism or regional

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<sup>1</sup> This Paper was delivered by Mr Robin Nair at the Shanghai Institute of International Affairs on 9 September 2009 at a Conference entitled 'East Asia and South Pacific Regional Cooperation'

cooperation or indeed the new international trading order, be it through multilateral, regional or bilateral means. One of the topics that I chose for CIRA's first seminar was 'Regionalism: An Opportunity or an Imposition?' I think that sums up the dilemma faced by these states. Prof Jane Kelsey, a commentator on Pacific Island regionalism has posed another question for the inhabitants of these islands to ponder: is this Indigenous Regionalism or Neocolonialism (Kelsey, 2006). Therein lies the work of my Centre.

Universities in the PICs might teach the new international trading order, the benefits of trade and the virtues of multilateral or regional cooperation, but they provide very little opportunity for small island states to think through the policy implications or even policy making required to cope with globalisation, the global trading order, the global economic order or regional cooperation. In the Pacific, there is neither any tradition of, nor the luxury of, think tanks which are necessary to assist policy makers in assessing or considering alternative policies. A lot of money is thrown around without much coordination by international institutions, organisations or donor countries which conduct workshops to teach middle level officials about the global trading system and trade liberalization. However, if I were to seek resources for a Centre like CIRA to generate debate, discussion, new ideas, dialogue or alternate policies on regional and international developments of relevance to the Pacific Islands, I would be unlikely to be successful in my quest.

I have deliberately chosen to use terms like 'imposition' or neocolonialism' to elicit discussion on regional cooperation. What does regionalism mean to a small country, for example, like Tuvalu? How does a regional free trade agreement impact on its well-being. I hope this statement might provoke some discussion and thought.

During my discussion of the topic of Australia and New Zealand in East Asia, I will start with the regional approach in the Pacific and how it might be relevant to East Asia's approach to regional cooperation with the Pacific Island Countries. We must bear in mind that regional cooperation does not necessarily mean the same thing in East Asia as it does in the Pacific Island Countries.

In relation to regional cooperation in the South Pacific, Australia and New Zealand have been accused of arrogating to itself the right to set the Pacific agenda (See Fry, 2004). For example, the late Professor Ron Crocombe, who some might call a legend on matters of the Pacific, has on several occasions remarked that the Pacific Plan bear the footprints of Australia and New Zealand. A New Zealand Maori academic, Aroha

Mead has described the Pacific Plan as:

a policy to make the Pacific safe for Australia and New Zealand [and the US] by formalising ‘rules’ of regional integration. There is no commitment to treasure the diversity of the Pacific or to honour Pacific cultures and traditions. Rather there is a blatant push to force globalisation on the Pacific and to do so under the name of good governance and democracy (2005).

Australia and New Zealand’s association with the Pacific Islands region has been also described by some in the following terms: ‘heavy handed’, ‘big brothers’ or even ‘bullies’ (see *Fiji Islands Business*, August 2009: 12).

Whatever the comments, no one would argue that regional integration is altogether altruistic. Regional integration is a pragmatic approach to dealing with globalisation and each country must necessarily act in its own national interest. But is it being imposed on the PICs?

Pacific Island Countries are small and remote. Putting them together only in terms of economies of scale, would not produce advantages of regional cooperation or regional integration. In fact it could produce diseconomies of scale. Sometimes the Caribbean experience has been cited, I believe disingenuously, to show the way ahead on integration for the Pacific Island Countries without regard to the major differences which might exist, for example, the enormous markets at their doorsteps and the proximity of the islands of the Caribbean to each other.

It would be interesting to watch the impact on member states, if any, of the Pacific Island Countries Trade Agreement (aimed at free trade within the Forum Island Countries of the Pacific), which does not include Australia or New Zealand, or the Melanesian Spearhead Group Trade Agreement. African, Caribbean and Pacific (ACP) Secretary General, Sir John Kaputin questions whether the Pacific Islands are ready for free trade. He says that the push by Australia and New Zealand for a PACER Plus Agreement, for example, poses a threat to small and economically weaker members of the Pacific Islands Forum (“Pacer Plus ...”, 2009). Contrast this with the Australian approach to the Pacific which is multi-dimensional, including the implementation of Australia’s strong bipartisan policy that prosperity can be secured by countries, including small island states, by ‘engaging effectively with trade’ (Crean, 2009).

However, one advantage which the Pacific Island Countries have is that they are relatively (and I stress relatively) close to two developed countries, Australia and New Zealand. There are strong historical ties be-

tween the islands and Australia and New Zealand, including trade ties. The economies in the South Pacific Island Countries are intrinsically linked with the economies of Australia and New Zealand.

Prof Biman Prasad, Professor of Economics and Dean of the Faculty of Business and Economics at the University of the South Pacific has stressed in his commentaries the importance of Australia and New Zealand economies to the economies of the Pacific Islands. As recently as 20 August 2009, he said during a radio interview as follows:

I think people in the Pacific must understand, I mean there's talk about relationship with China, with India and others, but I think our relationship in the Pacific with Australia and New Zealand is very, very important and obviously, one of the reasons why we may not have had the full drastic impact of the global [financial] crisis is because the Australian and New Zealand economies, particularly the Australian economy has not been that bad, and therefore I think the flow-on effect will be better (Radio Australia, Pacific Beat).

And Australia and New Zealand have traditionally seen themselves as being part of the Pacific Islands region. Their integration into regional arrangements in the Pacific Islands Region adds a significant economic and political dimension to the regional arrangements or cooperation.

Both Australia and New Zealand are developed countries amongst some very small states with populations of some of the PICs as low as a few thousand. As a consequence of their developed status and the size of their economies and trading links, Australia and New Zealand are bound to be more influential than their counterparts in the PICs, in terms of what they perceive to be of benefit to themselves and the Pacific Islands Forum Region. This is inevitable and a given fact. But I believe that there are also elements of altruism from Australia and New Zealand when it comes to any regional arrangements with PICs.

It is important to note that it was not Australia and New Zealand, as one might expect, which championed regionalism in the PICs region. Some arguments used against Australia and New Zealand - that it seeks to protect their own interests at the expense of the Pacific Island Countries through building regional structures to be dominated by them - could be termed as overstatements. The concept of regional integration in the South Pacific was indeed indigenous and born within the Pacific Island Countries. Some sceptics might argue that this might be so but it has now been hijacked by ANZ, particularly in view of the more recent weak leadership in the PICs or that the advent of free trade gives ANZ the opportu-

nity to dominate the PICs market with ANZ goods and services or perhaps both.

Fiji's first Prime Minister Ratu Sir Kamisese Mara's single most important contribution and enduring legacy to the Pacific region was his understanding of the need for regional cooperation among Pacific island governments. Well before 'globalization' became a household word, Mara saw that Pacific states faced similar challenges, and that their collective strength greatly exceeded their individual capacities.

This was particularly true in dealing successfully with the former colonial powers. Mara believed the benefits derived from negotiating with governments such as Britain, the United States, Japan, Australia and New Zealand on issues such as agricultural exports, marine resources and environmental issues could be greatly enhanced if Pacific island nations stood together and tried to speak with one voice on the world stage. It all sounds even familiar today!

This view was shaped by experiences early in Mara's career. In the first two decades after World War II, the only Pacific regional organization was the South Pacific Commission. This organisation was established for the convenience of, and dominated by, the former colonial powers. At its meetings, the Commission banned any and all public discussion of political issues, including decolonisation by Island leaders.

In 1971, Mara, together with the leaders of Western Samoa, Tonga and the Cook Islands and Nauru established the South Pacific Forum as an alternative to the South Pacific Commission. With a growing number of islands becoming sovereign states, the forum and its professional secretariat were seen as a vehicle for cooperation on issues affecting the region. Although hesitant at first, the island leaders recognized the need to include the South Pacific's two main trading partners, Australia and New Zealand, if only to take their message outside the region.

Topics addressed at the annual South Pacific Forum meetings in the 1970s included a range of issues, for example, enhanced regional trade and economic cooperation, French nuclear testing in the Pacific, and the International Law of the Sea culminating in the formation of another regional organisation, the Forum Fisheries Agency.

One proposal that gained unanimous support in the early 1970s was Mara's call to expand the University of the South Pacific, already a centre of excellence for undergraduate and postgraduate teaching and research on the Pacific cultures and environment. Owned collectively by the Forum member governments, the University today supports more than 20,000 students and is an international leader in distance education. An-

other outstanding example of Mara's vision of regional cooperation in action is the Pacific Forum Shipping Line (Finin and Halapua, 2004).

Today, the focus of the Pacific Islands Forum or the PIF, as it is known now, is a regional organisation with a development focus built into a large regional cooperative agenda, under the leadership of Australia and New Zealand. I would argue that Mara's view of including Australia and New Zealand proved to be prophetic. The Australian Foreign Minister, the Hon Stephen Smith has described this relationship as a 'partnership'. He recently said that the Australian Government is determined to engage with its Pacific neighbours in a conversation as equals, to work collaboratively to realize shared economic and social aspirations. Australia has embarked vigorously on what it calls the 'Pacific Partnership for Development'. Mr Smith said that 'mutual respect, mutual responsibility and mutual commitment to building a better future for the Pacific are what underpin our Pacific Partnerships for Development' (Smith, 2008).

The Pacific Plan developed by the Pacific Islands Forum in 2005 proposes a new and innovative approach to the unique challenges that Pacific Island Countries face through a framework of greater regional cooperation and integration.

Central to the Pacific Plan are a number of 'initiatives' that have been identified as a way to progress development across the region. While these initiatives overlap to varying degrees, they have been developed around four 'pillars'. Each pillar - economic growth, sustainable development, good governance, and security - represents in many respects the key areas and challenges that the Pacific as a region must work to address. It is considered that the Pacific Plan will result in raise living standards, increase access to opportunity and stimulate pro-poor growth for the peoples of the Pacific ([www.forsec.org.fj](http://www.forsec.org.fj)).

A good example of the innovative developmental approach to regional cooperation in the Pacific is the development of new regional trade and economic integration agreement known as PACER Plus which is about to get underway. This involves all the Pacific Island Countries and Australia and New Zealand. Australia and New Zealand have taken leadership of this initiative. The objective of this exercise stems, I believe, from the consensus among the members of the Pacific Islands Forum that prosperity can be secured by countries engaging effectively with trade.

The Pacer Plus, on the initiative of Australia and New Zealand, uses a twin pillars approach to trade reform - reform at the border and

structural reform behind the border. It is not simply opening up markets if countries are not competitive enough or productive enough to take advantage of the consequent liberalization.

Evidence shows that opening the markets is not enough. The reason is that in the case of developing countries, the strategy of opening markets is complicated by the fact that they do not always have the capacity to undertake the necessary structural reforms. Capacity building is essential not only on structural reforms but also for negotiations and implementation. This is recognized in PACER Plus. It is argued that putting the substance into the 'Plus' through aid for trade is what responds to the needs identified by Pacific Island nations.

Another issue affecting capacity is the negotiating capacity constraints faced by Forum Island Countries. To overcome this, Australia has committed to providing Pacific Island Countries with appropriate negotiating and technical capacity building and support. This will enable Forum Island Countries to fully participate in the negotiations and, ultimately it is said, to reap the benefits of the new opportunities this agreement has the potential to deliver (Crean, 2009).

To critics who talk about neo-colonialism by Australia and New Zealand to this approach to regional integration, the Australian Trade Minister, the Hon Simon Crean said in his 2009 statement that Australia is not primarily pursuing the PACER Plus agreement from the perspective of commercial benefit. Australia's primary objective with PACER Plus is a more sustainable and prosperous Pacific.

I hope the approach adopted by Australia and New Zealand towards the neighbouring Pacific Island Countries creates a benchmark for the relationship between East Asia and the Pacific Island Countries, a development focused trade and economic regional relationship and also to other aspects of cooperation. In dealing with this region, account has to be taken of the feelings and vulnerability of some of the world's smallest states when they enter into cooperative arrangements with some of the largest and most powerful countries.

Japan has certainly taken largely a development approach to its relations with the Pacific Islands although the actions of Japan, the Republic of Korea and Chinese Taipei have been fraught when it comes to negotiating bilateral fisheries access arrangements or multilateral fisheries arrangements with Pacific Island States (see Tarte, 2009).

China's relationship with the island countries of the Pacific is growing rapidly. The Special Envoy of China to the China-Pacific Islands Post Forum Dialogue held after the last Heads of Government Meeting of

the Pacific Islands Forum in early August this year in Cairns, Australia, Mr Wang Yongqiu said that China is dedicated to building a future-oriented relationship with the Pacific Island Countries (Peoples Daily Online of 8 August 2009)

While the Pacific Island Countries welcome China's strong interest and continue to benefit from it, there have been some reservations being expressed about China's strategy of its aid Program in the Pacific Islands; that it should be focussed more towards long term development goals.<sup>2</sup>

Compared to the Pacific Islands Forum experience, Australia and New Zealand's regional integration into East Asia has perhaps a more traditional reciprocal benefits approach albeit multi-faceted to include security. Australia's relationship building is also strategic, one of the reasons Australia has proposed their major, new and ambitious initiative of the Asia-Pacific Community, the purpose is to encourage the development of 'a genuine and comprehensive sense of community, whose habitual operating principle is co-operation,' as the Foreign Minister Kevin Rudd informed the Asia Society Australasia in June 2009.

Australia's relationship with East Asia also includes development assistance although it is not tied to any regional cooperation arrangements, unlike the Pacific Plan. In 2008-09, Australia's development assistance for the East Asia region will be nearly \$1 billion, making Australia one of the region's major development partners.

There is national consensus in Australia on the importance of Australia's engagement with Asia and there is a strong recognition that no side of Australian politics 'owns' the Asia vision.

Australia's interest in the region has not been fired up only because of the new emerging era of the shift in global economic and strategic influence to Asia, although it is true that more recently trade and investment ties with Asia have underpinned Australia's prosperity and hence its push for greater focus on economic integration. Australia's integration with East Asia attempts to be multi-faceted which includes security, economic, political and social issues.

The tide of Australian engagement in East Asia has been gathering

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<sup>2</sup> See, for example, Policy Brief of the Lowy Institute of International Affairs, July 2009, entitled: "China: Stumbling through the Pacific". See also CRS Report for Congress: July 6, 2007: "The Southwest Pacific: US Interests and China's Growing Influence". And see discussion: *Pacific Islands Report*, Pacific Islands Development Program/East-West Center, *China Brings Austerity To Laid-Back Rarotonga: Islanders, academics question Chinese motives in Pacific* by Rachel Reeves, June 9, 2008.



momentum for more than half a century. Australian governments, both Coalition and Labor, have been energetically pursuing Australia's interests in the region throughout the entire period of Australia's diplomatic representation abroad.

The Asia Pacific region has been identified as crucial to Australian foreign policy since the Menzies Government opened Australia's first independent diplomatic missions in 1940/41. Two of the first four were in Asia - in Japan and China.

Even in the early days, Australia was at the forefront of efforts to ensure regional stability and economic development. As Australia's Foreign Minister Alexander Downer noted in 1996, Australia's then Foreign Minister, Percy Spender was instrumental in developing the Colombo Plan in 1950 which was the region's first serious program of economic and technical cooperation. In 1957, Australia negotiated the Australia-Japan Trade Agreement. In 1966 Australia initiated Trade Talks with the Republic of Korea - Australia's first such regular forum at that level with any country .

In 1973, Australian Prime Minister, Gough Whitlam recognized China, with a one China policy, a watershed in Australia's diplomatic history at a time when it was not necessarily fashionable to be so focused on China. That one China policy endures on a bipartisan basis to this day.

In 1980 Australia together with Japan was instrumental in setting up the Pacific Economic Cooperation Council (PECC), sometimes referred to as the precursor of APEC. In 1989, Australian Prime Minister, Bob Hawke set APEC in motion and Prime Minister Keating first proposed an annual APEC Leaders' Summit four years later. In 1994 Australia was a founding member of the ASEAN Regional Forum, (ARF), the principal forum for security dialogue in Asia and has been an energetic participant in the Forum's discussions and activities.

The Hawke/Keating Government also deployed Australia's diplomacy to promote regional peace and security in South East Asia. The major diplomatic effort was led by Foreign Minister, Gareth Evans and which ultimately led to the very significant signing of a peace agreement in Cambodia, and the engagement of a UN peacekeeping force.

Australia is a founding member of the East Asia Summit (EAS). The 16 EAS members represent almost half the world's population and account for 30 per cent of global GDP. Almost 60 per cent of Australia's goods and services trade is with EAS members. The EAS has a broad mandate for cooperation in such areas as finance, climate change, education, environment, energy security and regional security. Given the

EAS is the most recent addition to regional architecture, Australia is strongly committed to working with EAS partners to develop a substantive and comprehensive agenda. A key focus for Australia in the EAS has been greater regional financial cooperation and integration.

For many years, Australia has considered its non-membership of 'The Asia-Europe Meeting' process, or ASEM, as an historical anomaly. In May, of this year ASEM's foreign ministers welcomed Australia's application to join ASEM. Australia will participate in ASEM for the first occasion at the ASEM 8 Leaders' Summit in Brussels next year. This has been seen by Australia as its further integration into East Asia and more importantly a vindication of its longstanding claim to be an integral part of the region.

Australia has of course seen its dialogue partner relationship with the ASEAN as most important. This probably reached its zenith in the ASEAN-Australia-New Zealand Free Trade Agreement. This is a high quality free trade agreement, the largest free trade agreement Australia has negotiated to date and the most comprehensive ever negotiated by ASEAN (Smith, 2008).

In the past, there may have been suspicion on both sides about Australia's engagement with Asia and some reluctance about Australia's interest in integrating with the architectures of East Asia on trade, economy and security. It is true that Australia was a very different country regarding its identity in the era of the 1940s and 1950s or even the 60s. Australia today is a strong, vibrant, significant and a diverse nation. It is now very confident about its place in East Asia.

Although it has a population of only 21 million, Australia is one of the top 15 economies in the world. In terms of prosperity, based on income per capita, Australia is in the top 15. Australia's pool of funds under management is the world's fourth largest. In defense and peacekeeping expenditure, Australia is in the top dozen. Japan and China are two of the world's three largest economies. Together with South Korea they represent Australia's top three merchandise export markets.

Australia can and does contribute to the security and prosperity of Asia just as the region contributes to the security and prosperity of Australia. It is widely recognized that there is a profound benefit which flows from Australia's genuine affinity with the countries of the region and the realisation of our mutual interests.

Hon Alexander Downer summed up the relationship with Asia very early during his tenure as Australia's Foreign Minister. He said: 'Australia's future lies in Asia'.

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