

# AUSTRALIAN INSTITUTE OF INTERNATIONAL AFFAIRS

## EMERGING SCHOLARS 2007

Edited by Melissa H. Conley Tyler,  
Geoff Miller AO &  
Chad J. Mitcham

# AIIF

**EMERGING SCHOLARS  
2007**



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Chad J. Mitcham

Australian Institute of International Affairs

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Australian Institute of International Affairs  
32 Thesiger Court, Deakin ACT 2600, Australia  
Phone: 02 6282 2133  
Facsimile: 02 6285 2334  
Website: [www.aiaa.asn.au](http://www.aiaa.asn.au)  
Email: [ceo@aiaa.asn.au](mailto:ceo@aiaa.asn.au)

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## FOREWORD

The Australian Institute of International Affairs was established with a simple aim: to promote public understanding of and interest in international issues. Not surprisingly, this is a province for the young as much as the old: it is the younger members of our society who must live with the impact of the foreign policy decisions made by leaders today.

The Australian Institute of International Affairs has launched a variety of initiatives to involve young people including ACCESS Youth Networks, careers fairs, schools events and the Young Diplomat Program. This has helped the AIIA reach its present strength of more than 1600 members across seven State and Territory Branches. We are always looking for new ways to engage young people with an interest in international affairs.

As part of this aim, the Australian Institute of International Affairs National Office launched an internship program in 2006. In 2007, the AIIA has hosted 17 interns from Australia and overseas. For each intern we design a customised program that can include a mix of training and practical experience in international relations research, publications, events and management. Some interns also write papers to earn academic credit.

Given the high quality of papers prepared, the Australian Institute of International Affairs wanted to promote this work to a broader audience. It was thus decided to produce an annual *Emerging Scholars* Series in order to publicise their work. The opinions contained in this volume are those of the authors alone.

This inaugural volume includes reports on a variety of areas in international affairs including the role of Australian peacekeeping in East Timor, Australian-Indonesian public diplomacy, Australia and the South Pacific, the role of global institutes of international affairs, a comparison of globalisation in Australia and Vietnam, an APEC free trade area and the China-India relationship and its implications for Australia.

We believe the *Emerging Scholars* Series provides a new and unique opportunity for young researchers to influence debate in the community on a number of important issues. For the authors it is a valuable opportunity to publish, often for the first time, and reach an audience with their ideas. We congratulate the authors on their work and hope that this further stimulates their interest in careers in international affairs.

I would like to thank the co-editors of this volume, National Vice-President Geoff Miller AO and Honorary Secretary to the Research Committee Dr Chad Mitcham for the work they have put into ensuring the quality of this publication. I would also like to recognize the efforts of intern Giulia Fabris who brought the work to fruition and Professor Robert Campbell and Ms. Mee-Yeong Bushby of the Australian National Internship Program for placing so many excellent interns with the Institute. We wish the authors well in their future endeavours and commend their research to you.

Melissa H. Conley Tyler  
National Executive Director  
Australian Institute of International Affairs



## ACRONYMS AND ABBREVIATIONS

ABC	Australian Broadcasting Corporation
ACP	Africa, Caribbean, and Pacific trade grouping of 14 member countries
ADF/Defence	Australian Defence Force
AFP	Australian Federal Police
AFTA	ASEAN Free Trade Area
AIIA/ The Institute	Australian Institute of International Affairs
ANU	Australian National University
APEC	Asia Pacific Economic Cooperation
APRU	Association of Pacific Rim Universities
ASEAN	Association of South East Asian Nations
ASOPA	Australian School of Pacific Administration
AusAID	Australian Agency for International Development
CCP	Chinese Communist Party
CEDA	Committee for Economic Development of Australia
CFR	Council on Foreign Relations
CGE	Computable General Equilibrium
CICIR	Chinese Institutes of Contemporary International Affairs
CIIA	Canadian Institute of International Affairs
CIMIC	Civil Military Cooperation
CMOC	Civil-Military Operations Centre
CROP	Council of Regional Organisations
DFAT	(Australian) Department of Foreign Affairs and Trade
DIMA	(Australian) Department of Immigration & Multicultural Affairs
ECOTECH	Economic and Technical Cooperation
EU	European Union
EVSL	Early Voluntary Sectoral Liberalisation
FDI	Foreign Direct Investment
FSPI	Federation of Indonesian Peasant Unions
FTA	Free Trade Agreement
FTAAP	Free Trade Area of the Asia-Pacific
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
HDI	Human Development Index
IDF	International Development Force
IIEA	Irish Institute of European Affairs
IMF	International Monetary Fund
INTERFET	International Force for East Timor
JAM	Joint Assessment Mission
KFOR	Kosovo Force (NATO)
MHE	Military Handling Equipment
ML	Multilateral Liberalisation
MLO	Military Liaison Officers
MP	Member of Parliament



NATO	North Atlantic Treaty Organisation
NDL	Non-Discriminatory Liberalisation
NGOs	Non-Government Organisations
NME	Non-Market Economy
NZAID	New Zealand Agency for International Development
NZIIA	New Zealand Institute of International Affairs
OCHA	Office for the Coordination of Humanitarian Assistance
OECD	Organisation for Economic Co-operation and Development
PICs	Pacific Island Countries
PM&C	Department of Prime Minister and Cabinet
PNG	Papua New Guinea
PRC	People's Republic of China
PRTs	Provincial Reconstruction Teams
PTAs	Preferential Trade Agreements
RAMSI	Regional Assistance Mission to the Solomon Islands
RIIA	Royal Institute of International Affairs
RMB	Renminbi (also known as CNY)
ROK	Republic of Korea
SCO	Shanghai Cooperation Organisation
SOE	State Owned Enterprises
SPC	Secretariat of the Pacific Community
TNC	Trans National Corporations
Treasury	Department of the Commonwealth Treasury
UK	United Kingdom
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNAMET	UN Mission in East Timor
UNDP	UN Development Programme
UNTAET	UN Transitional Administration of East Timor
US	United States of America
VND	Vietnamese Dong
WTO	World Trade Organisation

# AUSTRALIAN PEACEKEEPING AND INFRASTRUCTURE RECONSTRUCTION IN EAST TIMOR

**Chiara Porro**

This paper addresses the changing nature of Australian peacekeeping, especially in peace-building activities. Military forces may have little option but to engage in peacebuilding, as it takes time to raise and deploy both civilian personnel and assets. Infrastructure reconstruction, a fundamental peacebuilding task, is an important process where military engineering skills can contribute to the sustainability of peace. Analysis of the Australian-led International Force for East Timor (INTERFET) suggests, however, that if peacekeepers are to be effective peacebuilders, the military's engineering capability must be significantly resourced. There must be effective coordination with civilian personnel through adequate Civil-Military Cooperation (CIMIC) capabilities, and the tasks carried out must seek to build relationships and local capacity. The integration of missions is fundamental. If not, reconstruction programmes will emerge as chaotic and badly managed, while the sustainability of the peace will be jeopardized.

## **Introduction**

The nature of peacekeeping is changing and so must Australia's involvement in such operations. The focus can now involve both enforcing and keeping the peace and participating in the building of peace. An increasing number of operations are multifunctional. Mandates range from "...immediate stabilisation and protection of civilians to supporting humanitarian assistance, organising elections, assisting the development of new political structures, engaging in security sector reform, disarming, demobilising and reintegrating former combatants and laying the foundations of a lasting peace".<sup>1</sup> The complex nature of modern interventions require joint action and holistic, long-term strategies for sustainable peace.

Despite being only a middle power, Australia has been a leader in these complex post-conflict operations throughout its region. Since 1947, when Australians monitored a ceasefire between Indonesian forces and the former Dutch colonial rulers, the country has had numerous experiences in peacekeeping and, as such, must have something to offer in terms of 'lessons learned'. In particular, in September 1999, Australia led a peacekeeping operation which dwarfed all of its previous efforts, as East Timor achieved independence from Indonesia. This paper will examine this operation, the International Force for East Timor (INTERFET), and the degree to which peacekeepers were involved in the post-conflict process of infrastructure reconstruction. The infrastructure of East Timor was severely destroyed in the systematic campaign of violence which followed the UN-administered referendum on the future status of East Timor. As such, its reconstruction was an important priority.

First, through this analysis of INTERFET in East Timor, the classic peacekeeper's dilemma<sup>2</sup> of being required to both establish and maintain order while simultaneously

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<sup>1</sup> E.B. Eide et al, 'Report on Integrated Missions: Practical Perspectives and Recommendations', Independent Study for the UN Expanded ECHA Group, May 2005. Online Available HTTP: <http://ochaonline.un.org/GetBin.asp?DocID=3352> (accessed 17 September 2007).

<sup>2</sup> A. Suhrke, 'Peacekeepers as Nation-Builders: Dilemmas of the UN in East Timor',

laying the foundations for nation building is addressed. Section two explores how peacekeepers can be effectively involved in peacebuilding, while section three identifies a fundamental peacebuilding activity, the post-conflict reconstruction of infrastructure, for which military peacekeepers are particularly resourced. A case study of INTERFET and its role in East Timor is contained in section four, referring to the process of infrastructure reconstruction that occurred there. Finally, some conclusions and 'lessons learned' for future operations are outlined in section five.

## **Making, Keeping and Building Peace**

It is useful to define, as John Lederach does<sup>3</sup>, three terms which refer to the nature of 'peace' missions led by external third-parties: peacekeeping, peacemaking and peacebuilding. Peacekeeping refers essentially to the process of establishing security; as such, it is essentially a military task, although increasingly one for the police as well. Peacekeepers usually assist in the restoration of basic law and order and perhaps in the disarmament and demobilization of ex-combatants. Peacemaking is essentially a diplomatic activity carried out by political leaders; who attempt to foster relationships between top, middle-range, and grassroots leaders. Finally, peacebuilding is most closely related to development; it focuses on making the peace sustainable and deals particularly with the underlying structural causes of conflict. This is a long-term and ongoing task which must involve local civilians. External support is however necessary and this is usually provided by civilian personnel.

Nevertheless, while it is easy to define them, it is more difficult to distinguish between these activities in practice. In the past peacekeepers were invited by the parties to an already resolved conflict to help 'keep the peace', but this is rarely the case today. They tend to operate in situations where there is less clarity about peace, and in some circumstances where the conflict is still ongoing. In these situations, the distinction between the three activities begins to blur. The peace must be established before it can be maintained, and will not be kept unless it is created with a view to sustainability. For, despite the signing of a peace accord, "...post-conflict societies are hardly at peace...they remain highly fragmented, polarized, and prone to violence".<sup>4</sup> And, as exponents of the 'conflict trap' phenomenon indicate, the typical country reaching the end of a civil war faces a 44 per cent risk of returning to hostilities within five years.<sup>5</sup> Interventions nowadays are responses to complex emergencies and consequently require a mix of political, military and humanitarian assets and capabilities.

With the blurring of the traditional distinctions, a diverse range of personnel have become involved in the security, humanitarian and reconstruction tasks that are necessary in post-conflict environments. The 1990s saw the rise of armed humanitarian interventions (northern Iraq, Somalia, Cambodia, Rwanda, Bosnia and Kosovo) which linked military and humanitarian motivations and organisations. Military participation may be crucial to the effective delivery of emergency shelter, critical medical care and the provision of food, particularly if the security situation is dire. Intervening military forces are obliged to provide for basic human needs under the Geneva Conventions.

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*International Peacekeeping*, vol. 8, no. 4, pp. 1-20.

<sup>3</sup> J.P. Lederach, 'Justpeace – The Challenge of the 21st Century', in European Centre for Conflict Prevention (ed.), *People Building Peace: 35 Inspiring Stories from Around the World*, Utrecht: European Centre for Conflict Prevention, 1999.

<sup>4</sup> K. Kumar, *Post-Conflict Elections, Democratization and International Assistance*, Boulder, Co: Lynne Rienner, 1998, p. 7.

<sup>5</sup> P. Collier, *Breaking the Conflict Trap*, Washington, DC: The World Bank, 2003.

Much research has been done on the role of the military in humanitarian relations<sup>6</sup> and its pros and cons.

The same overlap exists in the peacebuilding realm because of the need for 'reconstruction' to commence as soon as possible to prevent the re-emergence of violence which may spoil the peace process; to ensure that the long-term perspectives of transition and development are embedded from the outset in the strategy of any third-party intervener. Military forces may also find themselves without a war to fight and thus with plenty of time and resources on their hands. Most importantly, however, it is a result of the fact that "conflicts – and by extension the activities that mitigate their consequences – do not proceed in sequential order, from one phase to another".<sup>7</sup> The need for peacebuilding is present at all times.

Peacebuilding encompasses a wide range of 'reconstruction' tasks. There has been general agreement that these can be divided into four distinct yet interrelated categories:<sup>8</sup>

- 1) *Security* which addresses all aspects of public safety, particularly in creating a safe and secure environment as well as in developing legitimate and effective security institutions.
- 2) *Justice and reconciliation* that provides the means to deal with past abuses through formal and informal mechanisms; an impartial and accountable legal system for the future; an effective law enforcement apparatus; an open judicial system; fair laws; as well as a humane corrections system.
- 3) *Social and economic well-being* which meets fundamental social and economic needs, especially in providing emergency relief; restoring essential services; laying the foundation for a viable economy; and initiating an inclusive as well as a sustainable development program.
- 4) *Governance and participation* which creates legitimate, effective political and administrative institutions and participatory processes, particularly in establishing a representative constitutional structure; strengthening public-sector management and administration; as well as in ensuring the active and open participation of civil society.

The post-conflict situation in Kosovo provides examples of military involvement in some of these activities, where the lack of a war-fighting situation, local capacity and an international administration resulted in NATO's KFOR (Kosovo Force) assisting in capacity building; and establishing governance apparatus, medical facilities and multi-ethnic schools.<sup>9</sup>

Some critics are opposed to any increased military role in peacebuilding, arguing that the military is already "very costly, of arguable effectiveness in development and ethically questionable" and that the 'militarization' of peacebuilding should be avoided if at all possible.<sup>10</sup> Others supporting the 'substitution theory' posit that militaries are

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<sup>6</sup> L. Gordenker and T.G. Weiss (eds), *Soldiers, Peacekeepers and Disasters*, London: Macmillan, 1991; M. Pugh, 'Military Intervention and Humanitarian Action: Trends and Issues', *Disasters*, vol. 22, no. 4, p. 339.

<sup>7</sup> C.P. Ankersen, 'Praxis Versus Policy: Peacebuilding and the Military' in T. Keating and W. A. Knight (eds), *Building Sustainable Peace*, 2004, p. 76.

<sup>8</sup> J.J. Hamre and G.R. Sullivan, 'Toward Postconflict Reconstruction', *The Washington Quarterly*, vol. 25, no. 4, 2002, p. 91.

<sup>9</sup> Ankersen, op. cit., p. 74.

<sup>10</sup> G. Harris, 'The Military as a Resource for Peace-Building: Time for Reconsideration?', *Conflict, Security and Development*, vol. 6, no. 2, p. 245.

looking for roles to fill as a way of making themselves indispensable.<sup>11</sup> Vertical versus horizontal organisational differences in military and civilian culture and values - concerning time, efficiency, impartiality and neutrality, as well as the use of force - have also been identified as barriers to effective civil military interaction. Finally, others have indicated that it may be preferable for civilian forces to engage in this process for reasons of neutrality, given that military forces will most likely have played a role in resolving the conflict.

In spite of this resistance, evidence suggests that civilian and military personnel will increasingly interact and work together in future given the growing complexity of post-conflict situations. Recent events in Afghanistan and Iraq have highlighted that the stability phase of war is often more challenging than that of combat. Both actors may be necessary if the security situation deteriorates. There have also been examples, such as Kosovo, demonstrating that the military does have a significant role to play in building peace. As some have indicated, military personnel are generally resourceful and the equipment they use is inherently adaptable. As such, military forces are extremely flexible allowing for "...a capacity built for one purpose to be redeployed quickly for other purposes".<sup>12</sup> Finally, it has become increasingly obvious, recognised also within military culture through the need to win 'hearts and minds', that if security is what militaries want, then building peace is one of the best ways to achieve it.

There needs to be more consideration of how the relationship between peacekeepers and peacebuilders should be managed. As Ankersen describes<sup>13</sup>, Kosovo was an 'on-the-spot' affair. If the military is to contribute successfully to peacebuilding, more attention needs to be focused on developing an integrated approach. To this end, strategic scholars have recently developed a concept, still in its evolutionary phase, of 'stabilization and reconstruction'. This focuses on the intersection of military-led stability operations, including counter-insurgency operations, peacekeeping and security assistance with civilian-led reconstruction activities listed above. This concept forms the rationale behind the establishment of Provincial Reconstruction Teams (PRTs) in Afghanistan which are composed of a robust military contingent alongside interagency representatives. Michael McNerney, Director of International Policy and Capabilities in the Office of the United States Deputy Assistant Secretary of Defence for Stability Operations, has identified three critical stabilisation and reconstruction tasks: coordination, relationship-building and capacity-building.<sup>14</sup>

Effective coordination is clearly indispensable, not just in the way in which funds are used, but also at a higher level "...in determining which player has, in a given situation, the comparative advantage to take on a particular job".<sup>15</sup> A coordinated approach requires formalized cooperation prior to deployments and the tying together of all the resources and expertise available. It is necessary to ensure unity of effort, to reduce redundancy and to synchronize assets for maximum impact. Building strong

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<sup>11</sup> Ankersen, op. cit., p. 75.

<sup>12</sup> Ibid., p. 82.

<sup>13</sup> Ankersen, op. cit.

<sup>14</sup> M. McNerney, 'Stabilization and Reconstruction in Afghanistan: Are PRTs a Model or a Muddle?', *Parameters - US Army War College Quarterly*, vol. XXXV, no. 4, winter 2005-06, p. 35. Online Available HTTP: <http://www.carlisle.army.mil/usawc/Parameters/05winter/mcnerney.pdf> (accessed 17 September 2007).

<sup>15</sup> L. Brahim, 'UN Peace Operations in the 21st Century: A Few Personal Thoughts' in H. Ojanen (ed.), *Peacekeeping - Peacebuilding: Preparing for the Future*, Finland: Finnish Institute of International Affairs, 2006, p. 8.

relationships with local leaders and communities is also critical for success; this is necessary for legitimacy, to build stakes in the peace process, to conduct needs assessments and identify priorities, and to isolate spoilers. This involves understanding local leadership structures and identifying fundamental partnerships. Last but not least is the need to build the capacity of the nation and its society. If beneficiaries do not participate in physical reconstruction, this will most likely inhibit engagement with the wider objectives of rebuilding social capital after conflict. In addition, community enablement is of paramount importance in sustaining projects. This task should be reflected in strategies, programs and resource allocations.

These issues will be addressed here in the context of a particular post-conflict process; that of the reconstruction of physical infrastructure. This particular process has been chosen because it is the foundation on which all other post-conflict activities are built. In addition, the process of infrastructure reconstruction, given its importance for security, humanitarian and developmental reasons, is an important sphere where both peacekeepers and peacebuilders have role to play. For the design and implementation of an effective strategy it is therefore of utmost importance that those involved in physical reconstruction, be they peacekeepers or peacebuilders, be sufficiently integrated and work together.

## **Building Infrastructures For Peace**

While most analyses of post-conflict reconstruction have tended to focus on the four pillars mentioned above, infrastructure, despite being fundamental, has received less attention. The latter should be an important priority in post-conflict environments for three main reasons. First, infrastructure is fundamental in achieving other objectives included in the four pillars mentioned above. Infrastructure for transport, water, electricity and communications is crucial for the achievement of these objectives and thus this process is a prerequisite for stabilization. For example, effective communications infrastructure is necessary to disseminate the terms of cease-fire agreements to warring factions and the local community; to facilitate the establishment of conventional banking practice; to ensure the effectiveness of police forces; and for the empowerment of the citizen. The earlier that infrastructure can return to normalcy, the better the chances of long-term peace and that that the country will develop. Infrastructure is essential for a country's economy to develop and become sustainable because it facilitates economic activity and creates jobs. It is generally the largest financial investment that a country makes.

Secondly, infrastructure reconstruction, due to its physical presence, sustains and reinforces the peace process. By receiving access to water, electricity and transport, as well as through the associated creation of jobs, the population will directly experience the 'benefits' of peace and thus be less willing to let conflict regenerate.

Finally, the rebuilding of infrastructure is a sector of post-conflict reconstruction where the focus must be short-term with regard to basic necessities, but long-term with respect to development objectives. Thus, it is an important area where the gap between security, humanitarian and development approaches in post-conflict settings can and must be bridged. The challenge is to balance the urgency to reconstruct with the opportunity to develop. Clearly a tension exists between the desire to achieve rapid normalisation of daily life, requiring external planning and resources, and the desire to build sustainable systems through community enablement, which will take much longer. It seems important that both perspectives are addressed, but this requires coordination and integration between those involved.

Although infrastructure reconstruction seems a relatively technical task, decisions surrounding the construction of roads and railways, electricity production and distribution, as well as water installations are capable of refuelling the intrinsically political rivalries that led to the conflict. It is imperative therefore that civilian and military planners consider fully the realities of a conflict-torn society and conceive strategies which assess in advance the impact that the roll-out of infrastructure will have on the peace process. There must be an assurance that its provision is "...an investment in the process for building peace".<sup>16</sup> A technically sub-optimal solution may have to be chosen for the distribution of infrastructure so that some groups do not get an unfair advantage over others. If not, the consequences, especially in a divided society, may be deadly for the peace process.

The importance of infrastructure for security, humanitarian and developmental reasons indicates the range of actors who are likely to be involved in the reconstruction process. Although civilians tend to lead reconstruction efforts, military forces, generally the first actors to intervene, may commence reconstruction even prior to the end of the conflict. They often conduct such activities to facilitate their operations. In cases where the military's own resources are lacking, owing to the need for quick deployment, they may adapt existing structures for their own use. Although legal, this should not disadvantage the local population.<sup>17</sup> The difficulties, however, of measuring this impact are obvious. The military may also reconstruct infrastructure to fulfil the basic human needs of the population, which is an obligation for an intervening force under the Geneva Conventions. As soon as security is provided, civilian agencies will intervene and take over the core business of reconstruction. Typically, they will proceed to conduct needs assessments, design projects, identify funding and facilitate implementation.

An apparent gap, however, between the limits of military infrastructure reconstruction and the beginning of post-conflict infrastructure reconstruction by civilian agencies has been identified, particularly in *Engineering Peace - The Military Role in Post-Conflict Reconstruction*. Written by Colonel H. Garland Williams, who commanded a US Army engineering battalion in Kosovo and helped to direct NATO reconstruction efforts in Bosnia, the book examines ways to maximise the reconstruction potential of the military. Williams argues that "...in order to take full advantage of the relative calm that exists immediately after the cessation of hostilities, (there is a need to integrate) the military community, which has the capability to mobilize and quickly establish reconstruction centres of excellence".<sup>18</sup>

In order to bridge this gap, closer coordination and military involvement in the reconstruction process is required. An engineering capability is vital in peace operations to facilitate movement and respond to immediate needs, while its deployment in restoring infrastructure and communications is bound to have a powerful humanitarian, social and political impact. Thus, it "...should be adequately resourced and its management conducted in cooperation with civilian elements of the mission".<sup>19</sup>

Three main phases in infrastructure reconstruction are:

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<sup>16</sup> R. Brown, 'Reconstructing Infrastructure' in G. Junne and W. Verkoren (eds), *Postconflict Development: Meeting New Challenges*, Boulder, CO: Lynne Rienner Publishers, 2005, p. 102.

<sup>17</sup> Based on author's interview of Bob Breen, Canberra, 6 March 2007.

<sup>18</sup> G.H. Williams, *Engineering Peace - The Military Role in Post-Conflict Reconstruction*, Washington, DC: United States Institute of Peace Press, 2005, p. 226.

<sup>19</sup> J. Cotton, *East Timor, Australia and Regional Order*, London: RoutledgeCurzon, 2004, p. 133.

- 1) the emergency and planning phase, where needs are assessed, immediate concerns are addressed, priorities identified, projects designed and funding secured;
- 2) the implementation phase, where infrastructure is rolled out and service delivery is restored; and
- 3) the transition to local capacity phase, where maintenance, future investment, and the delivery of services is carried out by the local population.<sup>20</sup>

However, it must be emphasised that these phases see do not occur in a linear fashion, nor does one commence when the previous is concluded. Planning, for example, should begin as soon as possible, preferably even prior to the intervention, as Colonel Williams indicates; yet this is rarely feasible, owing to the urgency of most such situations. This is why planning and emergency provision will most likely occur simultaneously. Given that military peacekeepers are usually the first to arrive but also the first to leave, it seems that their involvement in the process of infrastructure reconstruction would be mostly during phase one. However, their skills and resources have the capacity to contribute significantly to both phases two and three, particularly if they occur simultaneously. Thus, while the military's role in the process will most likely decrease over time as civilian and local involvement increases, it still has the potential to contribute positively at each phase.

## **INTERFET in East Timor**

Against this background the post-conflict situation in East Timor will now be examined. Australian peacekeepers played a vital role in this case where infrastructure was severely damaged or destroyed as a result of direct violence. The East Timorese conflict erupted in 1999 following a UN-monitored referendum for autonomy or independence. Following the referendum, those opposed to independence conducted a severe and brutal campaign of terror, destruction and displacement. Infrastructure, villages and community facilities were looted and burned to the ground, and the violence was only put to an end with the intervention of a "coalition of the willing", aka INTERFET, which was sanctioned by the UN and led by Australia. The analysis below provides a brief background to the conflict, the intervention and the post-conflict infrastructure situation; as well as an assessment of INTERFET's involvement in infrastructure reconstruction. It should be emphasised that the Force was not planned with stabilisation and reconstruction tasks in mind. Therefore the assessment will identify areas where it contributed to this process and others where perhaps more could have been done. This analysis in no way detracts from the widely-shared view that the Australian military strategy pursued by INTERFET was successful in helping to restore security in East Timor. Rather, it attempts to identify, for future purposes, where and how Australian peacekeepers may contribute to a specific post-conflict reconstruction process.

### **Background to the Conflict and Intervention**

East Timor, a region of the island of Timor in South-East Asia, with a population of less than a million people, has been devastated by conflict for about 25 years. In 1975, Indonesia invaded and annexed the territory as its 27th province, after a short-lived

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<sup>20</sup> These points are adapted from Colonel Williams' framework for post-conflict reconstruction (Williams, 2005).



period of independence, thus bringing to an end about three centuries of Portuguese rule. Decades of repression followed until the resignation of President Suharto in 1998. The new Indonesian government, in an attempt to purge itself of its history, proposed a referendum for the East Timorese people to ascertain whether special autonomy within Indonesia or complete independence was preferred. This was administered on 30 August 1999 by the United Nations Mission in East Timor (UNAMET), the first of a series of UN missions in the territory. However, violence erupted on 4 September when the results of the referendum, in which 99 per cent of the electorate participated, showed that 78 per cent of the voters preferred independence. Anti-independence militia helped by the Indonesian military resumed their campaign of terror, leaving more than 1,000 people dead, 70 per cent of the infrastructure destroyed, and refugees numbering a quarter of the total population.

The UN applied pressure to the Indonesian government to restore security, but it soon became clear that a rapid international response was necessary. The UN's Department of Peacekeeping had begun contingency planning for a peacekeeping force prior to the outbreak of violence; however "...such a force could not be assembled and deployed in the short time required".<sup>21</sup> Finally, in the early hours of 15 September, intense diplomatic activity led to the passing of UN Security Council Resolution 1264, which authorized the deployment of INTERFET.

Australia's maintenance of "...ready deployable forces for a range of short-notice contingencies throughout the region made it a logical choice to lead the stabilization force".<sup>22</sup> Thus, the Australian Defence Force, with its Rapid Reaction capabilities, commenced its deployment on 20 September 1999, five days after passage of the UN resolution. Major General Peter Cosgrove was chosen to lead the intervention. The other participating countries were Brazil, Canada, Denmark, Egypt, Fiji, France, Germany, Ireland, Italy, Jordan, Kenya, Malaysia, Mozambique, New Zealand, Norway, Philippines, Republic of Korea, Singapore, Sweden, Thailand, the UK and the US. Australia, however, contributed more than 50 per cent of the force and other personnel, while paying more than \$370 million in costs. US support was limited to only specialist and logistic support capabilities, rather than ground troops. For the first time, "...Australia fulfilled the role of 'lead nation' in a multilateral coalition, operating under UN auspices but largely free of international direction".<sup>23</sup>

INTERFET's mandate, one of the most strongly worded ever given by the Security Council under Chapter VII of the UN Charter, was threefold:

- 1) to restore peace and security in East Timor – using all necessary and legitimate force, including deadly force;
- 2) to protect and support UNAMET in carrying out its tasks<sup>24</sup>; and
- 3) within force capabilities, to facilitate humanitarian assistance operations.

The coalition also assumed de facto responsibility for governance and the rule of law until a UN administrative presence could be effectively established.<sup>25</sup>

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<sup>21</sup> M.G. Smith and M. Dee, 'East Timor' in W.J. Durch (ed.), *Twenty-First-Century Peace Operations*, Washington, DC: United States Institute of Peace Press, 2006, p. 409.

<sup>22</sup> Smith and Dee, op. cit., p. 414.

<sup>23</sup> Cotton, op. cit., p. 125.

<sup>24</sup> The protection provided for UNAMET was extended to UNTAET when it took over on 25 October 1999, until the handover to UNTAET peacekeepers on 23 February 2000. See Smith and Dee, op. cit., p. 460.

<sup>25</sup> Smith and Dee, op. cit.

By the time INTERFET arrived, the security situation in East Timor was relatively benign and coalition forces did not come under direct attack. Resistance was encountered from a large number of militia gangs, but this soon evaporated as they discovered that they<sup>26</sup> were dealing with a disciplined and well-equipped international force. INTERFET remained in East Timor until February 2000 when all contingents were relieved of their duties by UN peacekeepers under a new UN mission: the United Nations Transitional Administration of East Timor (UNTAET).

### **Post-Conflict Infrastructure**

Finn Reske-Nielsen, the post-conflict United Nations Development Programme (UNDP) representative in East Timor, recalls that his first impressions of Dili in September and October 1999 reminded him of pictures of the closing days of the Second World War in Europe, particularly the devastation of Germany as a result of the Allied bombings. Media commentary declared that East Timor was “the most totally destroyed nation on earth”, surpassing even the destruction of Kosovo. Others have described the situation as “...an environment where all basic services were absent and most infrastructure destroyed”.<sup>27</sup>

The majority of the damage occurred in the western part of East Timor where most of the population is located. Twelve of the thirty-one main towns and villages were damaged by more than 90 per cent, while Dili was completely destroyed.<sup>28</sup> The extent of the damage to the four main infrastructure sectors is summarized in Figure 1 below.

### **Rebuilding East Timor: The Role of INTERFET**

Figure I clearly demonstrates the harsh reality of the destruction of infrastructure in East Timor. In order to respond to immediate needs and to return a normal daily life, crucial infrastructure needed to be restored throughout the country as soon as possible. INTERFET’s most urgent priority, however, was restoring security throughout East Timor. Fortunately, this was achieved relatively rapidly and the situation was under control by early November 1999. As a result, although combat patrolling continued through the whole of INTERFET’s time in East Timor, constabulary tasks became more common and the Force became engaged in reconstruction; governance and administration; policing and law and order; and investigations into possible crimes against humanity.<sup>29</sup> In fact, “...from the first day of deployment, INTERFET forces were confronted with civil tasks”.<sup>30</sup> Humanitarian assistance was conducted almost from the beginning given that only this Force had the capacity and the resources. Airdrops were conducted initially with subsequent assistance provided to the Office for the Coordination of Humanitarian Assistance (OCHA) and other aid agencies, whose presence was subsequently made possible by the INTERFET intervention. The military provided a ‘safe environment’, protecting warehouses and key facilities, escorting convoys, and providing service packages including water; electric power; shelter; health care; sanitation; and road repair.<sup>31</sup>

#### **Figure 1: Post-Conflict Infrastructure in East Timor.**

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<sup>26</sup> Based on Bob Breen’s interview of Finn Reske-Nielsen, Dili, 16 May 2002.

<sup>27</sup> Cotton, *op. cit.*, p. 131.

<sup>28</sup> B. Breen, *East Timor: Mission Accomplished*, New South Wales: Allen & Unwin, 2000.

<sup>29</sup> Smith and Dee, *op. cit.*, p. 419.

<sup>30</sup> Cotton, *op. cit.*, p. 131.

<sup>31</sup> Elmquist, *op. cit.*

Sector	Post-Conflict Conditions
<b>Water supply, sanitation and waste management</b>	<ul style="list-style-type: none"> <li>- Severe damage from looting, arson, and destruction of equipment, treatment plants, storage tanks, offices, and stores.</li> <li>- Water sources impaired and contaminated.</li> <li>- Destruction of homes, including meters, latrines and septic tanks.</li> <li>- Institutional infrastructure severely damaged, although a core of Timorese technical staff remained.</li> <li>- The community itself could begin restoration and operation of the water systems.</li> </ul>
<b>Transport</b>	<ul style="list-style-type: none"> <li>- Humanitarian and security traffic increased volume and loads on existing, but poorly maintained roads, accelerating deterioration and risk of imminent network failure.</li> <li>- Little damage to port structures, but port handling equipment destroyed, so cargo handling capacity severely limited – ships queued for 9-12 days, threatening failure of port activity and consequent disruption of the relief effort.</li> <li>- No rail services, government-owned public transportation, or internal air services.</li> <li>- Main airport in Dili limited to small aircraft given the relatively short runway and parking available for maximum of three C130 type aircraft at a time. Only two light forklifts available to handle material.</li> </ul>
<b>Energy</b>	<ul style="list-style-type: none"> <li>- Generating stations' equipment and structures damaged by arson and gunfire.</li> <li>- Control panels, fuel systems, and wiring were destroyed and movable equipment looted.</li> <li>- Transformers were drained and riddled with gunfire. Transmission and distribution cables had been removed or damaged in the torching of adjacent homes and buildings.</li> <li>- Office equipment and records were destroyed or looted.</li> <li>- Indonesian staff employed in the sector, who had filled middle and senior management posts and the most skilled jobs, returned to their homeland.</li> <li>- Power supply unreliable in the towns and non-existent in much of the countryside.</li> </ul>
<b>Communications</b>	<ul style="list-style-type: none"> <li>- Poor telecommunications coverage outside Dili and non-existent for most of the rural population.</li> </ul>

Sources: Asian Development Bank, 'Fifth Progress Report on Timor-Leste', Timor-Leste and Development Partners Meeting, 9-10 December 2002, Dili, East Timor; Smith and Dee, op. cit.; M. Elmquist, 'CIMIC in East Timor'. UN Office for the Coordination of Humanitarian Assistance, Geneva. Online Available HTTP: [http://www.reliefweb.int/ocha\\_ol/programs/response/mcdunet/0esttimo.html](http://www.reliefweb.int/ocha_ol/programs/response/mcdunet/0esttimo.html) (accessed 17 September 2007).

Most importantly, INTERFET restored essential services such as power and water in Dili and enabled food delivery. Given the circumstances, INTERFET provided crucial Material Handling Equipment (MHE) for humanitarian aid at the Dili airport and directed air traffic there as well. It also protected the airport in Baucau, which could accommodate larger aircraft as it had not been damaged, and provided a radio operator for the control tower to ensure the flow of air traffic. The 'stadium' in Dili was

converted by INTERFET into a shelter to attend to displaced persons and their health requirements. The facility also served as a meeting place for separated families.<sup>32</sup>

Civil-military coordination in emergency infrastructure reconstruction was relatively efficient. Good relationships were established between Major General Cosgrove and Ross Mountain, the Humanitarian Coordinator from OCHA, who met regularly to discuss progress and what needed to be done. The INTERFET Civil Military Cooperation (CIMIC) Officer, Major Stoddard, established a Civil-Military Operations Centre (CMOC) in a building outside, but close to INTERFET headquarters, as an information centre open to UN agencies and NGOs, and the point of contact for any urgent request for assistance.

Thus, significant INTERFET participation occurred in the emergency phase of infrastructure reconstruction in East Timor. There was also some involvement in the planning phase. First, it established contact with UNAMET officials, led by Ian Martin, who had returned from Darwin towards the end of September. UNAMET Military Liaison Officers (MLOs) were provided to accompany INTERFET forces to the districts and "...the pattern became for MLOs to deploy as soon as INTERFET established a presence in a given region....[T]he MLOs played a particularly valuable role in assisting INTERFET's introduction to local actors, especially Falintil, and in facilitating the first humanitarian assistance".<sup>33</sup> Through this collaboration, it also helped with the first infrastructure damage assessment<sup>34</sup> by flying MLOs over each of the main towns and villages. This information was then passed to both UNAMET and OCHA personnel, forming the basis of the Joint Assessment Mission (JAM) conducted by the World Bank at the end of October.

After Dili was secured, INTERFET moved west to secure the border with Indonesia. Owing to the remoteness of East Timor and its lack of infrastructure, most civilian personnel were based in the capital. Those conducting the JAM for example, were housed in tents, for three weeks, in the abandoned parliament building in Dili.<sup>35</sup> There was a general lack of personnel on the ground and thus INTERFET intervened to initiate paperwork, subsequently sent to Dili, for water, power and sanitation projects. This informal doctrine sought to facilitate the speedy recovery of East Timor, particularly given that threat levels had declined considerably and the security situation was under control.<sup>36</sup>

Given the paucity of international civilians on the ground and the lack of authority, as a result of Indonesian withdrawal, INTERFET units became *de facto* administrators in some areas by monitoring community concerns and reporting back to those in Dili.<sup>37</sup> Without civilian authority, it was imperative that it establish trusting and cooperative with the population. Many problems were overcome through good will. In addition, INTERFET played a vital role in managing expectations. It also needed to convince the East Timorese that it had both the ability and authority to protect them from future threats. Because there was virtually no communications infrastructure, INTERFET utilised leaflets and posters, and, within a month of arriving in the territory, published the first issue of *New East Timor* - a broadsheet newspaper published in three

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<sup>32</sup> Based on author's interview of Bob Breen, Canberra, 6 March 2007.

<sup>33</sup> I. Martin, 'United Nations Mission in East Timor – End of Mission Report', December 1999, paragraph 37.

<sup>34</sup> Breen, op. cit. (2000).

<sup>35</sup> Rohland, K. and S. Cliffe, 'The East Timor Reconstruction Program: Successes, Problems and Tradeoffs.' World Bank Conflict Prevention and Reconstruction Working Papers, no. 2, November 2002.

<sup>36</sup> Based on author's interview of Bob Breen, Canberra, 6 March 2007.

<sup>37</sup> Ibid.

languages and distributed in every locality.<sup>38</sup> This in turn helped to both establish communication channels and develop relationships.

INTERFET thus contributed significantly in a number of ways to the initial phases of infrastructure reconstruction in East Timor. However, a World Bank report of 2002, on reconstruction in various sectors of East Timor that had been identified as priorities by the JAM in 1999, indicated a lack of progress in a number of areas. Figure 2 below, which summarizes the findings, highlights shortcomings in rapid physical reconstruction of the road, water and power sectors; as well as in the expedient restoration of service delivery in the water and power sectors.

**Figure 2 - Comparisons of Sectoral Progress in Infrastructure Reconstruction**

Sector	Clear policies, plans, systems, institutions	Strong technical, management capacity	Rapid physical reconstruction	Rapid restoration of service delivery	Sectoral planning
Education	≈	≈	✓	✓	X
Health	✓	✓	X	✓	✓
Justice	≈	X	≈	≈	X
Defense	≈	≈	✓	N <sub>A</sub>	✓
Agriculture	≈	✓	≈	✓	✓
Roads	≈	X	≈	✓	X
Water	✓	✓	≈	≈	✓
Power	X	X	≈	≈	X
Public Admin.	≈	X	≈	N <sub>A</sub>	X
Comm. Dev.	X	✓	✓	✓	X
Private Sector	X	X	✓	N <sub>A</sub>	X
Finance	✓	X	N <sub>A</sub>	✓	X

✓ = strong progress made; ≈ = partial progress made; X = weak progress made; N<sub>A</sub> = Not applicable.

Source: Rohland and Cliffe, op. cit.

There are a number of reasons for the lack of progress in reconstruction of key infrastructure sectors by 2002. The most important were the length of time required to design projects; obtain funding; tender contracts; build technical management capacity; and establish an institutional environment from scratch. However, closer examination reveals that, while INTERFET contributed significantly to the emergency and planning phases of reconstruction, a significant gap emerged between the work it did and that subsequently undertaken by UNTAET. This almost certainly adversely affected reconstruction. Although the UN is also to blame, a number of factors related to INTERFET contributed to the emergence of this gap.

An important factor was INTERFET's conception of itself as an '...emergency force that is about to leave'. Major General Cosgrove was not keen to overstretch INTERFET resources nor to create dependencies that could not be sustained after it departed.<sup>39</sup> He was reluctant to see his forces become involved in the post-conflict reconstruction of East Timor, hoping instead that UNTAET would oversee this task. This was understandable given that Australia was footing the majority of the costs and taking all the responsibility, and that INTERFET's mandate was only temporary.

<sup>38</sup> Cotton, op. cit., p. 131.

<sup>39</sup> Smith and Dee, op. cit., p. 417.

However, the transition to UNTAET, which took about 18 months<sup>40</sup>, was poorly managed and much progress was lost.<sup>41</sup> This was mainly a result of poor planning as well as the late arrival and inefficient use of personnel and other resources.<sup>42</sup> Although some reconstruction work had already been completed, there was an urgent need for more to be done and thus, after a short period of jubilation, the East Timorese became increasingly disillusioned with international efforts. INTERFET could have assisted with the transition to UNTAET through greater involvement in reconstruction, specifically by working much more closely with UNAMET officials present during the intervention. While there was some collaboration, as mentioned above, this was severely limited by the lack of resources available to UN personnel. With some assistance from INTERFET, local capacity and relationship building could have commenced at an earlier stage. Also, the fact that at the transition to UNTAET about 70 per cent of INTERFET personnel merely replaced their helmets with blue berets suggests that any progress made, including the lessons learned, in reconstruction would have had a positive impact on the work carried out by UNTAET.

Another factor, however, suggests that, even if INTERFET had been willing to participate more in reconstruction, this may have been impossible as its logistic capability was already stretched to breaking point, particularly with regard to CIMIC. Even in the humanitarian field, although joint planning eventually proved successful, there was a serious lack of CIMIC pre-mission planning, resulting in a number of inefficiencies. For example, NGOs were reluctant to use the CMOC as a meeting point given its proximity to INTERFET headquarters.<sup>43</sup> CIMIC relationships tended to be on an *ad hoc* basis and INTERFET had a lack of experience with it. Few contributing units had CIMIC doctrine or appropriate capabilities embedded in their force structures. For example, while the Filipino, Korean and Thai battalions had arrived with civil-military affairs staff eager to respond to community needs in their areas of operation, they had no spare capacity in transport, medical and engineering to make a significant contribution to the delivery of humanitarian aid and emergency reconstruction of infrastructure.<sup>44</sup> A general lack of resources available for civilian tasks also led to the conclusion that "...the Australian Defence Force lacked specialist civil-military capability, and that in any future coalition operations such capability was a major requirement".<sup>45</sup>

Thus, while INTERFET made some significant contributions to infrastructure reconstruction in post-conflict East Timor, the focus was more on addressing immediate needs through quick emergency infrastructure projects which aimed to get the rudiments in place awaiting more substantial work. More effort should have been directed towards establishing foundations for the longer-term. The fact that INTERFET personnel participated in preliminary assessments for infrastructure reconstruction and in building relationships with East Timorese communities suggests that there was room for greater involvement in longer-term projects. INTERFET's CIMIC capabilities were limited, however, and if the military is to effectively engage in post-conflict infrastructure reconstruction, these must be significantly resourced and substantial relationships developed.

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<sup>40</sup> Australian National Audit Office, 'Management of Australian Defence Force Deployments to East Timor', audit report no. 38, 2001-02. Online Available HTTP: <http://www.anao.gov.au/director/publications/auditreports/2001-2002.cfm?pageNumber=3> (accessed 17 September 2007).

<sup>41</sup> Smith and Dee, op. cit.

<sup>42</sup> Based on author's interview of Bob Breen, Canberra, 6 March 2007.

<sup>43</sup> Elmquist, op. cit.

<sup>44</sup> Based on author's interview of Bob Breen, Canberra, 6 March 2007.

<sup>45</sup> Cotton, op. cit., p. 132.

## Conclusion

As a peacekeeping operation, INTERFET was an outstanding success. Security was “...rapidly established, there were only a handful of casualties and most of these the result of accidents rather than exchanges of fire, and the East Timorese population did not sustain any collateral damage”.<sup>46</sup> INTERFET however has also been described as “...an example of modern peacekeeping, whereby...measures...[were] taken to establish the conditions for a durable peace”.<sup>47</sup> This can be supported by the fact that INTERFET made significant contributions to the post-conflict process of infrastructure reconstruction, particularly in the emergency and planning phase, through the restoration of essential services; participation in preliminary assessments of the status of the infrastructure; and in building relationships with East Timorese communities. This indicates that peacekeepers can effectively contribute to peacebuilding activities, particularly those which are necessary in the immediate post-conflict phase such as the reconstruction of infrastructure.

However, while the military possesses the capabilities to contribute significantly to peacebuilding, this paper by no means advocates that military action replace long-term development or specialized civilian peacebuilding. Although the military may contribute significantly to the initial phases of reconstruction, the short-term ‘quick-fix’ mentality of the armed forces may actually cause more damage given the need to build local capacity for sustainability. The need for a combined effort indicates therefore that the military is “essential, but not sufficient”.<sup>48</sup> To be successful peacebuilders, peacekeepers must be effectively integrated.

Infrastructure reconstruction offers an important sector where the engineering skills of the military can contribute to peacebuilding, particularly given the urgent need for reconstruction in post-conflict settings and the early presence of the military. However, INTERFET’s experience in East Timor indicates that the military’s engineering capability must be significantly resourced, there must be effective coordination with civilian personnel through adequate CIMIC capabilities, and the tasks carried out must seek to build relationships and local capacity. The integration of missions is fundamental. If not, reconstruction programmes will emerge as chaotic and badly managed. This is perhaps currently the case in Iraq where a key factor causing difficulties in the reconstruction programme has been the poor communication between the Pentagon and the State Department.<sup>49</sup>

Undoubtedly, an important lesson which can be learned from East Timor is that military forces may have little option but to engage in post-conflict reconstruction, as it takes time to raise and deploy civilian personnel and assets. To this end, military engineers and civil affairs teams and their necessary resources are likely to be required in greater numbers, both early on during an intervention and for longer time periods during transition. Integration is essential; without this the sustainability of the peace process will be jeopardized.

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<sup>46</sup> Ibid., p. 144.

<sup>47</sup> Smith and Dee, op. cit., p. 390.

<sup>48</sup> Ankerson, op. cit., p. 87.

<sup>49</sup> BBC News, ‘Reconstruction in Iraq Criticised.’ BBC News Online. Online Available [HTTP: http://news.bbc.co.uk/2/hi/middle\\_east/6482887.stm](http://news.bbc.co.uk/2/hi/middle_east/6482887.stm) (accessed 23 March 2007).

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# INDONESIAN-AUSTRALIAN PUBLIC DIPLOMACY: ATTEMPTING TO MASTER THE IMPOSSIBLE?

Brooke Dewar<sup>1</sup>

This paper explores the evolving nature of diplomacy and its application to Australia-Indonesia relations. In a globalising world, traditional diplomacy between governments does not entirely satisfy requirements as power is dispersed between nation-states and non-governmental actors, and where public opinion has become influential. A new model, public diplomacy, is arguably more appropriate in these changing conditions. The theory of public diplomacy posits four criteria for effectiveness, each a response to a particular barrier. However, Indonesian-Australian reciprocal public diplomacy suggests that even abiding by these criteria is insufficient to ensure its success, or convey a message effectively to a chosen section of the foreign public. Examples include the Schapelle Corby trial and the Australian Government decision to allow refugees from West Papua to remain in Australia. In such cases, the specific and immediate actions and effects of traditional diplomacy continue to maintain primacy. Thus, public diplomacy in this instance should be not viewed as a technique of immediate diplomacy, communication or influence but rather as a constant effort to communicate through difficult barriers, as part of the fabric of world politics.

## Part I: Introduction

It's a hot, dusty morning in the Indonesian port of Merauke and a group of poor, ragtag Papuan activists board a rickety 25 metre dugout canoe, bound for Australia.<sup>2</sup> A ragged rebel West Papua Morning Star flag is strung crudely from the poles of the outrigger and a rough hand-painted sign indicates their unsophisticated attempt at obtaining political asylum: "Save West Papua people soul [*sic*] from genocide intimidation [*sic*] and terrorist government [*sic*] of Indonesia."<sup>3</sup>

After a five-day journey the boat is washed up at Janey Creek, north of the Aboriginal community of Mapoon on Cape York. The Indonesians struggle ashore and are found by the Australian Coastwatch.<sup>4</sup>

It's Wednesday 18 January 2006, and forty-three Papuans, agitators alleging political persecution, are taken by Australian authorities to the Immigration Reception and Processing Centre on Christmas Island for the processing of their claims to refugee status. Despite the Government's position, some Australians have always been inclined to support separatist movements in Indonesia, and it comes as no surprise to the Indonesian public when in April of that year the Howard government grants the

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<sup>2</sup> *Around 40 W Papuan asylum seekers missing*. ABC News Online, 18 January 2006. Online Available HTTP: <http://www.abc.net.au/news/newsitems/200601/s1549747.htm> (accessed 1 May 2007).

<sup>3</sup> West Papua New Guinea National Congress, *West Papuan Refugees*. Online Available HTTP: <http://www.wpngnc.org/refugees.htm> (accessed 1 May 2007).

<sup>4</sup> *Ibid.*

Indonesians refugee status, allowing their false claims of murderous persecution to stand;<sup>5</sup> yet another example of Australia interfering in Indonesian affairs.

Even before the ruling, when Jakarta had asked Canberra to explain the basis on which the decision would be made, the latter pointed to evidence provided by separatist agitators themselves. Indonesia then tried to impose some logic on the Australian response. How could this possibly be seen as objective testimony when these people would clearly seek visas at any cost, to increase support for what they call their struggle for independence? Never mind their real purpose, economic refuge from severe underdevelopment in primitive West Papua.<sup>6</sup> Such underdevelopment continues despite the Indonesian Government conferring Special Autonomy upon the province, with the power to manage its own affairs even while receiving development assistance from the centre, as well as being directly allocated up to 80 per cent of the profits from the region's mineral and agricultural resources.<sup>7</sup>

President Susilo Bambang Yudhoyono himself called Prime Minister John Howard, expressing his concern for protecting these Indonesian citizens and giving a personal guarantee of their safety if returned to their country. But the Australian leader rejected the offer. Yudhoyono also asked Howard to allow the separatists to meet with Indonesian officials, in order for them to hear the Papuans' stories firsthand.<sup>8</sup>

After the decision, the Indonesian government took dramatic but reasoned action; first issuing a note of protest,<sup>9</sup> then withdrawing the Indonesian Ambassador for the first time in the history of the bilateral relationship in order to convey to the Australians the deep insult that their actions had caused. The separation between Indonesians and Papuans that is perceived by Australians is deeply offensive to Indonesians who see Papua as an integral part of their nation. Indonesia derives its strength from the unity of its many extremely divergent parts. Any attack on Indonesian territorial integrity is therefore a challenge to Indonesian sovereignty.<sup>10</sup>

It was over two weeks after the decision when Canberra sent a representative to Jakarta to explain the decision. In a telling demonstration of the Australian lack of sensitivity, that representative was neither the Immigration Minister nor the Minister for Foreign Affairs, but merely the Secretary of the Department for Foreign Affairs.<sup>11</sup>

Different groups throughout Indonesia expressed their outrage. The Parliamentary Foreign Affairs Commission, together with BIN, the Indonesian

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<sup>5</sup> 'Australia sends envoy to repair Indonesia ties'. *Indhnesia.com News*. (18 April 2006). Online Available HTTP:

[http://news.indahnesia.com/item/200604181/australia\\_sends\\_envoy\\_to\\_repair\\_indonesia\\_ties.php](http://news.indahnesia.com/item/200604181/australia_sends_envoy_to_repair_indonesia_ties.php)

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[http://news.indahnesia.com/item/200604051/yudhoyono:\\_review\\_cooperation\\_with\\_canberra.php](http://news.indahnesia.com/item/200604051/yudhoyono:_review_cooperation_with_canberra.php)

(accessed 12 May 2007); I. Susanti., 'Jakarta warns asylum case endangers ties with Canberra', *The Jakarta Post*, 21 January 2006, 2.

<sup>6</sup> West Papua was known as Irian Jaya until the Indonesian government allowed the name to be changed to the locally-preferred "Papua" in the hope of peacefully appeasing the violent separatist movement through reasoned concessions.

<sup>7</sup> 'Papuan showdown'. *Indhnesia.com Papua Showdown*. (undated) Online Available HTTP: [http://news.indahnesia.com/event/39/papua\\_showdown.php](http://news.indahnesia.com/event/39/papua_showdown.php) (accessed 12 May 2007).

<sup>8</sup> *Ibid.*

<sup>9</sup> "'Unneighbourly' behavior: The granting of visas to 42 Papuans has caused severe strains to Australia-Indonesia relations". *TEMPO Magazine*, vol. 29, no. 6, 21 March 2006, 27.

<sup>10</sup> This perspective on the Indonesian concept of nationality was taken from my conversations with the Indonesian Ambassador to Australia and the First Secretary of the Indonesian Embassy.

<sup>11</sup> *Indhnesia.com News*, op. cit. (18 April 2004); *Australia, Indonesia row continues*. The World Today, ABC Radio. Aired 21 April 2006. Online Available HTTP:

<http://www.abc.net.au/worldtoday/content/2006/s1621022.htm> (accessed 13 May 2007).

intelligence agency, drew up an “enemies list” of separatist sympathizers in Australia, including prominent politicians, union members and academics, while a parliamentary group visited Australia to protest.<sup>12</sup> They were confronted with the same superior and judgmental attitude that was inherent in the original explanation; that Australia was merely following its laws and awarding refugee status to those who reported persecution by their governments.

Meanwhile, protesters assembled outside the Australian Embassy in Jakarta and business leaders announced a boycott of Australian imports. Of course, the latter never wanted to become involved in politics, but when Indonesian nationalism was dragged into the bilateral relationship by dishonourable Australian actions they had no choice but to defend it.<sup>13</sup>

Even the Ministry of National Education took action, blacklisting two Victorian universities whose separatist sympathies were particularly blatant and going so far as to consider suspending the accreditation to Indonesians students of courses studied at these institutions.<sup>14</sup>

Although the new ambassador was sent to Canberra in June 2006, followed shortly afterwards by a presidential visit, a significant portion of the Indonesian population had reacted strongly and as White says “...few in Jakarta are in any doubt. They worry that Australia would...become an active, and potentially very effective, advocate on the world stage for Papuan independence.”<sup>15</sup> The issue clearly still has the capacity to cause strain on the relationship.

\* \* \*

It's 2:30 in the afternoon and four excited young Australians are disembarking their plane into the heavy, oppressive heat of Bali. They talk and joke on their way to pick up their bags. When the young woman struggles as she hauls her luggage from the carousel, her younger brother laughs and picks up her boogie-board bag that has been placed beside the conveyor belt. As they walk towards the Customs area those in the queue ahead are asked to open their bags, so the siblings place the boogie board bag on the counter. The Customs officer asks the boy carrying the bag, “Is this yours?” and he gushes, “Yeah, I'm having a holiday – haven't been here in four years!” The young woman corrects his enthusiastic response, saying “No, it's mine,” and opening the bag, noticing as she does that the two zips meet at the middle rather than at one side, as she would usually close it. But then as she opens it she recognises the smell of marijuana; she pulls back at the sight of a large, half-opened plastic bag the size of a pillowcase full of high-grade marijuana placed conspicuously on top of her board and flippers.<sup>16</sup>

She stands there in shock while all around her the airport erupts into a frenzy of activity. The Customs officers pounce and lead her brother into an interview room where they make him remove the bag of drugs. Customs officers then proceed to handle the bag with bare hands, but when the young woman's sister arrives and demands that it be

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<sup>12</sup> “Papuan prepared to 'risk lives' for asylum” *Indhonesia.com News*. (6 April 2006) Online Available HTTP: [http://news.indonesia.com/item/200604063/papuans\\_prepared\\_to\\_risk\\_lives\\_for\\_asylum.php](http://news.indonesia.com/item/200604063/papuans_prepared_to_risk_lives_for_asylum.php) (accessed 12 May 2007).

<sup>13</sup> *Indhonesia.com News*, op. cit. (18 April 2004).

<sup>14</sup> *Indhonesia.com News*, op. cit. (undated)

<sup>15</sup> H. White, , ‘The looming conflict over West Papua’, *The Age*, 8 February 2006, 17.

<sup>16</sup> ‘Weighing the evidence’, *Sydney Morning Herald*, 5 March 2005. Online Available HTTP: <http://www.smh.com.au/articles/2005/03/04/1109700677359.html> (accessed 17 September 2007).

tested for fingerprints they laugh at her.<sup>17</sup> They also refuse to weigh her luggage to try to establish when the drugs were placed in the bag, and are unable to produce the CCTV tapes for that area of the airport.

It's Friday 8 October 2004, and Schapelle Corby – the pretty, young Australian woman and owner of the boogie-board bag, is taken into custody by Indonesian police. Schapelle Corby's plight was seized upon by the media and by broad segments of Australian society. As the case continued, Australian audiences were repeatedly exposed to evocative images of this pretty Queenslander; breaking down in tears in a basic courthouse presided over by judges who did not understand her language; sitting inside a filthy cement cell surrounded by inmates, her bravely composed face and beautiful eyes focused on something beyond the bars visible only to her; being roughly escorted by scores of Indonesian police and prison guards, her frightened face turned towards the cameras and framed by the uncaring, impenetrable expressions of her guards.

Meanwhile, the terrorist widely acknowledged in Australia as responsible for the 'Bali Bombings' is let off by the incomprehensible Indonesian court system and fears of terrorism collide with deep-seated suspicions of the Indonesian police and justice system.<sup>18</sup> Further issues arise as the public asks if Qantas had refused to give evidence. A convicted Australian criminal comes forward alleging to have heard fellow prisoners claim that the drugs belonged to them. A scandal involving baggage handlers and a drug smuggling ring erupts, and the possibility of the Australian government intervening on Schapelle's behalf is debated endlessly.<sup>19</sup>

When she is convicted and sentenced to 20 years in jail, pages and pages of newspaper and magazine articles become devoted to her cause, while the airwaves ring with adamant cries that Schapelle is innocent. This outrage is fuelled by radio "shock jocks" maintaining that:

The judges she addressed yesterday don't speak English and won't get a translation of her comments until today. What's that say about justice, Balinese style. I thought she did brilliantly Schapelle Corby in very difficult circumstances...

And in the fair dinkum stakes this ought to mean game, set and match.<sup>20</sup>

Internet bloggers furiously debated whether to veto Bali as a holiday destination and demanded the return of aid money donated to Indonesians affected by the tsunami:

This is totally unfair and they should be ashamed of their selves [sic] for this and we are very angry! Schapelle Corby is innocent! Once again, this is an OUTRAGE! She didn't do anything! All evidence points to her innocence!

Bali is crucifying itself, what good Australian is going to travel there anymore..?

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<sup>17</sup> *The Accused*. Broadcast 14 November 2004. 60 Minutes. Online Available HTTP: [sixtyminutes.ninemsn.com.au/sixtyminutes/stories/2004\\_11\\_14/story\\_1280.asp](http://sixtyminutes.ninemsn.com.au/sixtyminutes/stories/2004_11_14/story_1280.asp) (accessed 16 April 2007).

<sup>18</sup> *Corby's moment of truth nears*. The 7:30 Report, ABC TV. Broadcast 26 May 2005. Online Available HTTP: <http://www.abc.net.au/7.30/content/2005/s1378089.htm> (accessed 1 May 2007).

<sup>19</sup> *Sydney Morning Herald*, op. cit. (5 March 2005) . ; N. McMahon. 'Drug baron would kill us, Corby witness says'. *The Age*, 30 March 2005. Online Available HTTP: <http://www.theage.com.au/news/National/Drug-baron-would-kill-us-Corby-witness-says/2005/03/29/1111862390431.htm> (accessed 1 May 2007).

<sup>20</sup> A. Jones, 2GB, 29 April 2005. Quoted in *Media trial or kangaroo court?* Mediawatch, ABC Television. Online Available HTTP: <http://www.abc.net.au/mediawatch/transcripts/s1380393.htm> (accessed 1 May 2007).

...everyone must also remember that the law in Bali is that when you do something wrong, you are automatically found guilty until proven innocent, here in Australia anyone is innocent until proven guilty.

As a retailer who contributes to the Indonesian economy by buying and selling their products I certainly will be boycotting them...as a retaliatory stand against a grave injustice.

...we've donated \$1 Billion [in tsunami aid] to Indonesia...GIVE US BACK OUR GIRL!!!

Remember this girl is one of us.<sup>21</sup>

Australia was by no means united on the issue; by June 2005, polls indicated that while 51 per cent of Australians believed that Schapelle was innocent, 21 per cent were certain of her guilt and a further 28 per cent were uncertain.<sup>22</sup> Many commentators vehemently defended the Indonesian legal system and argued Schapelle's probable guilt.<sup>23</sup> Yet even now the prevalent image in Australia is that of an innocent young woman unfairly imprisoned, and her book "My Story" has sold over 100,000 copies.<sup>24</sup>

## Part II: The theory of public diplomacy

These two examples above demonstrate the capacity of foreign policy issues to provoke extreme reactions and why public diplomacy is so important.

### Public diplomacy: Can it be defined?

Public diplomacy is widely acknowledged to be important, but is difficult to define. A commonly accepted principle behind the theory of public diplomacy, identified by Wolf and Rosen, involves interacting with foreign publics with a view to advancing the national interest.<sup>25</sup> Yet, other theorists focus on different things.

Some of them, for example, see the public as a means of influence. Specifically, Von Ham suggests that public diplomacy is aimed at influencing governments through influencing their citizens.<sup>26</sup> In contrast, many see influencing the public as an end in itself: Tuch writes that public diplomacy is a government's communication with foreign

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<sup>21</sup> 'Corby Trial, Have your Say', The National Nine News. (undated) Online Available HTTP: <http://news.ninemsn.com.au/article.aspx?sectionid=1853&subsectionid=0&sectionid=1853&subsectionid=0&id=63349> (accessed 12 May 2007).

<sup>22</sup> Roy Morgan International, *Majority of Australians Believe Schapelle Corby is Not Guilty, Although a Large Number are Undecided*. finding no. 3866, 4 June 2005. Online Available HTTP: <http://www.roymorgan.com/news/polls/2005/3866/> (accessed 1 May 2007).

<sup>23</sup> See for example: T. Lindsey and S. Butt, 'Justice system not getting a fair hearing in high-profile drugs cases'. *Sydney Morning Herald*, 3 May 2005. Online Available HTTP: <http://www.smh.com.au/news/Opinion/Justice-system-not-getting-a-fair-hearing-in-highprofile-drugscases/2005/05/02/1114886314945.html> (accessed 12 May 2007).

<sup>24</sup> P. Lalor, 'Police to grab Corby book cash'. *The Australian*, 28 March 2007. Online Available HTTP: <http://www.theaustralian.news.com.au/story/0,20867,21460009-5001986,00.html> (accessed 10 May 2007).

<sup>25</sup> C. Wolf Jr. and B. Rosen, 'Public Diplomacy: How to think about and improve it', RAND Corporation occasional paper, Santa Monica, Arlington and Pittsburgh: RAND Corporation, 2004, p. 4.

<sup>26</sup> P. Von Ham, 'Power, Public Diplomacy and the Pax Americana' in J. Melissen (ed.) *The New Public Diplomacy: Soft Power in International Relations*, New York: Palgrave Macmillan, 2005, pp. 47, 57.

publics, "...in an attempt to bring about understanding for its nation's ideas and ideals, its institutions and culture as well as its national goals and current policies."<sup>27</sup>

Public diplomacy is also a matter of addressing the right audience. In this vein, Riordan discusses network diplomacy, which works through "...actively seeking to influence a network of contacts..."<sup>28</sup> and linking such bodies as think-tanks, political parties, lobby groups and non-government organisations (NGOs) across borders to "...create public policy space".<sup>29</sup>

Finally, many theorists view public diplomacy as a means to convey messages. For McEvoy-Levy and Manheim it is a form of strategic political communication which effectively shapes and targets messages through an understanding of the media, psychology, public opinion and culture.<sup>30</sup> Riordan, Tuch and Melissen also describe public diplomacy as a dialogue style of communication, whereby governments interact with audiences rather than merely peddling information. Such dialogue must be genuine and governments must accept that the target culture is different, with its own values as relevant and valid as those which public diplomacy is trying to convey. The aim is to change perceptions through this dialogue.<sup>31</sup>

Actually, public diplomacy is all of these things. I define it as communicating effectively with chosen sections of foreign publics to advance the national interest, both through the direct power of foreign opinion to impact upon other nations' affairs, and via their indirect power by way of the influence of its public's opinion upon a target nation's government.

### **Why public diplomacy? Traditional diplomacy and globalisation collide**

The difficulty in defining public diplomacy is understandable given the reasons for its ascendancy. Traditionally, diplomacy is communication between governments and has little to do with public opinion. In fact, the public is rarely aware of such exchanges. However, with the collision of this type of diplomacy with globalisation comes the need for a complex new paradigm of diplomacy.

Thanks to the technological revolution that produced globalisation, the general public is now privy to huge amounts of information through the media and other resources. Moreover, people now develop personal contacts through Internet-based expert forums and social networks. As Riordan maintains, people are "...united by themes rather than nationality".<sup>32</sup> In addition, transportation technology allows genuine personal experience of foreign countries through travel and tourism. It has also resulted

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<sup>27</sup> H.N. Tuch, *Communicating with the World: U.S. Public Diplomacy Overseas*, Washington D.C.: Institute for the Study of Diplomacy, 1990, p. 3.

<sup>28</sup> S. Riordan, quoted in S. McEvoy-Levy, *American Exceptionalism and U.S. Foreign Policy: Public Diplomacy at the End of the Cold War*, New York: Palgrave, 2001, pp. 2-3.

<sup>29</sup> S. Riordan, *The New Diplomacy*, Cambridge: Polity Press, 2003, p. 122; T. Risse-Kappen, 'Public Opinion, Domestic Structure, and Foreign Policy in Liberal Democracies', *World Politics*, vol. 43, no. 4, July 1991, pp. 479, 485. An example of this is the European Union, which uses networks to obtain access to expertise, opinion and influence as well as developing a symbiotic relationship to diffuse ideas throughout its constituency. (For more on this see: A. Michalski, 'The European Union as a Soft Power: the Force of Persuasion' in Melissen, op. cit., pp. 131, 214.)

<sup>30</sup> McEvoy-Levy, op. cit., p. 3; J.B. Manheim, *Strategic Public Diplomacy and American Foreign Policy: The Evolution of Influence*, Oxford: Oxford University Press, 1994, p. 7.

<sup>31</sup> Melissen, 'The New Public Diplomacy: Between Theory and Practice' in Melissen, op. cit., pp. 3, 13; Tuch, op. cit., p. 6; Riordan, 'Dialogue-based Public Diplomacy: A New Foreign Policy Paradigm?' in Melissen, op. cit., pp. 180-83.

<sup>32</sup> Riordan, op. cit. (2003), p. 6; B. Hocking. 'Rethinking the "New" Public Diplomacy' in Melissen, op. cit. (2005), pp. 28, 30; M. Tehranian, *Global Communication and World Politics: Domination, Development and Discourse*, Boulder: Lynne Rienner Publishers, 1999, p. 65.

in increased migration, leading to multicultural societies with extensive ties to other nations, in-depth knowledge of their affairs, and thus a subsequently different sense of national unity.<sup>33</sup> Embassies are therefore no longer the sole representatives of foreign countries, while people are able to develop opinions of other nations and their relations far more independently than ever before. And these opinions matter.

Globalisation has lowered the borders to international trade and investment, resulting in increased economic interdependence. For example, in 2003-04 Australia's exports of goods and services were valued at A\$143 billion, accounting for 18 per cent of the country's GDP. Moreover, tourism is Australia's largest export services industry, and the second-largest export sector overall. During that same period, international visitors consumed A\$17.1 billion worth of goods and services, or 11.9 per cent of total export earnings.<sup>34</sup> In turn, foreign publics influence directly the economies of other nations when they import items from abroad.

This development coincides with the growing power that citizens have over their own governments, directly through the adoption of democracy by more and more countries, and indirectly as respect for democratic principles increases internationally. Even where the political system is undemocratic, governments attempt to justify their actions using democratic values. Tuch suggests that this is the case even in totalitarian states, which not only try to influence foreign opinion but also suppress it within their own domain.<sup>35</sup> Now more so than ever, it is in government's interest to make policies that are largely consistent with public opinion.

The power of public opinion is reflected in the so-called "CNN effect", whereby policy decisions are based on public opinion as represented by the media. As Riordan writes, it is generally accepted that policy decisions may be made

...to appease CNN rather than on the basis of considered analysis; foreign policy gets drawn into superficial and ill-informed public and press debate, leaving Ministers more concerned about tabloid headlines and Larry King's take on the story than the national interests.<sup>36</sup>

Indeed, evidence suggests that decisions are made on this basis. For example, former American Secretary of State Larry Eagleburger has said that the US would never have entered Somalia in December 1992 if the media had not influenced public opinion through its reporting on the humanitarian crisis there. Nor would America have withdrawn so suddenly if the media had not shown shocking images of dead US soldiers being dragged through the streets by cheering mobs of Somalis.<sup>37</sup> However, Riordan doubts the depth of the "CNN effect". He suggests that "...[w]here policy makers are able to formulate and articulate a clear and reasonably coherent policy, the electronic

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<sup>33</sup> Melissen in Melissen, op. cit., p. 13.

<sup>34</sup> 'Trade and Investment'. Department of Foreign Affairs and Trade. (May 2005) Online Available HTTP: [http://www.dfat.gov.au/aib/trade\\_investment.html](http://www.dfat.gov.au/aib/trade_investment.html) (accessed 10 May 2007).

<sup>35</sup> Tuch, op. cit., p.5. For example, Colonel Gaddafi, the autocratic leader of Libya, has stated that "There is no state with a democracy except Libya on the whole planet," and denounced Western democracy as "fake" and "farcical". (See: 'Gaddafi gives lesson on democracy'. *BBC News UK*, 24 March 2006. Online Available HTTP: <http://news.bbc.co.uk/1/hi/world/africa/4839670.stm> (accessed 10 May 2007).

<sup>36</sup> Riordan, op. cit. (2003), p. 61.

<sup>37</sup> 'CNN Effect': *How 24-Hour News Coverage Affects Government Decisions and Public Opinion*. The Brookings Institute. Aired at 23 January 2002. Online Available HTTP: <http://www.brookings.edu/comm/transcripts/20020123.htm> (accessed 10 May 2007).; Center for Military History. *The United States Army in Somalia 1992-1994*. Online Available HTTP: <http://www.army.mil/cmhb/brochures/Somalia/Somalia.htm> (accessed 17 September 2007).



media are likely to follow their lead.” This explains why CNN supports US policy on the war in Afghanistan.<sup>38</sup>

Yet, even when media coverage does not change government policy it still informs the public. Despite the advantages of globalisation, most of the general public are unlikely to have personal experience of every foreign policy issue. Consequently, public opinion relies heavily on a media which generally cultivates basic and homogenous perceptions of foreign policies.<sup>39</sup> The media also shapes national images that influence both the general public and bureaucratic decision-makers. Therefore it has the capacity to set the agenda of foreign policy, as well as to “...legitimate, accelerate, impede and prioritise” issues.<sup>40</sup>

The power of the media demonstrates another effect of globalisation: the diffusion of power to new bodies on the stage of international relations. In addition to the media, multinational corporations, NGOs and various levels of government are now actors on the global stage. Multinational corporations have great significance in our economically interdependent world. Governments have little control over them as they bypass embassies and independently develop relationships with foreign trading partners finding it much simpler to do business abroad.<sup>41</sup> NGOs are also significant as there are now over 20,000 such organisations throughout the world with the capacity to influence government. Supranational government organisations such as the United Nations (UN) and European Union (EU) also play a role, as do sub-national governments. Many states and provinces in Australia, Canada and the US, for example, have distinct relationships with other governments without channelling communications through their respective national governments.<sup>42</sup>

Adding to this complexity are the extensive divisions amongst what is generally referred to as “the public”. Risse-Kappen divides foreign publics into three distinct groups: the mass public, the issues public and the attentive public.<sup>43</sup> This can be expanded by identifying another category, the active public. Each of these groups has a different level of interest in foreign affairs and therefore different degrees of power internationally.

The mass public is only sporadically interested in foreign policy, only learning about it from the media, and thus is unlikely to hold strong opinions on any issues. Therefore this group will probably lack both influence in the democratic process and international interaction with actors in various spheres. They are, however, able to wield power through direct economic decisions, as consumers and as potential tourists.

Although publics generally know little about foreign policy they follow specific controversial issues in the media and hold strong opinions about such matters. Thus, they are more likely to wield influence through the democratic process, possibly directly, for example, through economic influence and by voting for a particular government on the basis of its foreign relations.

Attentive publics are even more likely to influence foreign policy through the democratic process, as they are constantly aware of and interested in it, and can therefore exert influence over government through both the direct and broader effects of democracy on a more consistent basis.

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<sup>38</sup> Riordan, op. cit. (2003), p. 61.

<sup>39</sup> Manheim, op. cit., pp. 127-28.

<sup>40</sup> Tehranian, op. cit., p. 64.

<sup>41</sup> J.S. Nye Junior, ‘Soft Power’, *Foreign Policy*, vol. 80, Fall 1990, 153, 161; Riordan, op. cit. (2003), 8.

<sup>42</sup> *Ibid.*, pp. 74-77, 86-87.

<sup>43</sup> Risse-Kappen, op. cit., p. 482.

Finally, active publics are not only consistently interested, but also likely to act on their interest, through participation in NGOs and other actors on the international stage; the development of personal contacts; and have a greater likelihood of making political decisions on the basis of international relations. It is this top 2-3 per cent of the population that Riordan calls “the policy elite”<sup>44</sup> who are likely to be involved in network models of public diplomacy.

This description of the new world, its different actors, and the ways in which they wield power on the international stage demonstrates the intricacies of international relations in a globalised world. As Melissen describes it, globalisation has led to a “...fuzzy world of post-modern trans-national relations.”<sup>45</sup> This fuzziness in international relations leads to difficulties in defining and perceiving public diplomacy. Clearly, public opinion currently influences international relations, both directly and indirectly, but it is uncertain through which actors and mechanisms this power works and thus how public opinion can be utilised to produce specific outcomes.

Public diplomacy practitioners are also confronted with this confusion. McEvoy and Tehranian argue that despite these changes in the international relations framework, traditional diplomacy still operates in the same hierarchical manner, and while the importance of public diplomacy is widely acknowledged, it is merely practiced alongside traditional diplomacy and in a similar top-down, government-focused style.<sup>46</sup> The tools of diplomacy were created for a world vastly different from that of today and thus must be adapted to fit the tasks of the modern world.

Traditionally, nations are supported in their international communications by their foreign embassies and high commissions complete with staff and other infrastructure. Embassies hold functions and communicate directly with citizens of the nation where they are established, acting as the representative of their own country. Nations may also send representative delegations abroad, possibly including members of government; civil society groups; unions; and educational institutions. Second-track dialogues may also be linked with or subject to government control.

Yet, the collision of traditional diplomacy with globalisation has required new tools, each of which is suited to communication with different sections of a foreign public. The media and related tools such as press releases, publications, websites and television commercials are critical for their capacity to reach the masses of society.<sup>47</sup> Public diplomacy may also utilise cultural tools such as cultural centres; language instruction; as well as educational and cultural exchanges.<sup>48</sup> It is also possible to use popular culture to influence some audiences,<sup>49</sup> while others will be influenced by seminars and conferences.<sup>50</sup>

Moreover person-to-person contact is still vital and while embassies may no longer be the sole representative of a nation they are still a significant point of contact. Also crucial is academic knowledge; behavioural theories; culture; motives; reactions; and predictive group behaviour. The measurement of public opinion is key in shaping

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<sup>44</sup> Riordan, *op. cit.* (2003), p. 123.

<sup>45</sup> Melissen in Melissen, *op. cit.*, p. 5.

<sup>46</sup> McEvoy-Levy, *op. cit.*, p. 2; Tehranian, *op. cit.*, pp. 63-66.

<sup>47</sup> Tuch, *op. cit.*, pp. 58-83; I. d'Hooghe, ‘Public Diplomacy in the People's Republic of China’ in Melissen, *op. cit.*, pp. 88, 94.

<sup>48</sup> Tuch, *op. cit.*, pp. 58-83.

<sup>49</sup> d'Hooghe, *op. cit.*, p. 96; Riordan in Melissen, *op. cit.*, p. 184.

<sup>50</sup> Riordan in Melissen, *op. cit.*, p. 183.

public diplomacy, sharpening the tools required to communicate more efficiently with foreign publics.<sup>51</sup>

### **Making public diplomacy more effective**

Public diplomacy can only be effective when its inherent problems are addressed. The efficacy of public diplomacy can in turn be judged by way of criteria extrapolated from these problems.

*Criterion 1: Public diplomacy must challenge culturally acquired preconceptions of national groups.*

First, cultural barriers and cultural knowledge hinder public diplomacy. Our perception of the world is shaped by culture, and as Wedge writes, a distinctive national viewpoint helps constitute our personal reality.<sup>52</sup> Our personalities tend to be consistent with culturally transmitted idea patterns and mental customs, developed through social “norms” and values. Standards of behaviour and morality are required by society, which provides pre-tested ways to think and behave.<sup>53</sup> This pre-knowledge is very powerful, because humans tend to reshape new information in the context of experience, knowledge, belief or prejudice already acquired so as to maintain order and avoid cognitive dissonance. It is therefore very difficult to change people’s perceptions of a particular issue or group.<sup>54</sup>

*Criterion 2: Public diplomacy must be sensitive to cultural difference.*

Moreover, cultural differences require culturally appropriate methods or phrasing of communication. Perception is also shaped by language; connotations and semantics; the connection between content and perception; the conceptualisation of action through grammatical structure; as well as the linguistic capacity to describe and therefore think about philosophical concepts.<sup>55</sup> This effect is exacerbated by globalisation because although the world seems more closely connected, it can also be difficult to remember that such cultural problems still exist. We misunderstand one another but, as Frankel writes, our closeness fosters the impression of understanding.<sup>56</sup>

*Criterion 3: Public diplomacy can be judged on the basis of its truth and credibility.*

In addition, public diplomacy carried out by governments must operate as part of a country’s foreign policy and cannot succeed if it appears to be inconsistent with other activities of the state.<sup>57</sup> Public diplomacy is not merely about audiences and techniques; it is also largely substantive. Its most powerful and convincing tool is truth, openness and credibility,<sup>58</sup> especially in the face of the cacophony of messages that emerge from

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<sup>51</sup> R.F. Delaney, ‘Introduction’ to A.S. Hoffman (ed.), *International Communication and the New Diplomacy*, Bloomington: Indiana University Press, 1968, p. 4.

<sup>52</sup> B. Wedge, ‘Communication Analysis and Comprehensive Diplomacy’ in Hoffman, op. cit., p. 29; C. Frankel, ‘Educational and Cultural Relations’ in Hoffman, op. cit., p. 19.

<sup>53</sup> G.H. Fisher, *Public Diplomacy and the Behavioural Sciences*, Bloomington: Indiana University Press, 1972, pp. 32-34.

<sup>54</sup> Fisher, op. cit., pp. 27-30. Such issues could include women’s rights, open and competitive markets as well as equal and secret voting. (Wolf and Rosen, op. cit., p. 7. See also Manheim, op. cit., p. 147 for a discussion of the difficulty of overcoming negative perceptions of national groups.)

<sup>55</sup> Fisher, op. cit., pp. 96-112.

<sup>56</sup> Frankel, op. cit., p. 16.

<sup>57</sup> Melissen in Melissen, op. cit., p. 7.

<sup>58</sup> Committee on Foreign Relations, U.S. Senate, *America’s Global Dialogue: Sharing American Values and the Way Ahead for Public Diplomacy*, Washington: U.S. Government Printing Office, 2002, p. 1.

the vast range of information sources now available. Public diplomacy is thus often contrasted with propaganda, the difference being that the former involves “...known facts, not half-truths”.<sup>59</sup> Alternatively, the term propaganda can be used to label a “realist” – or cynical – view of public diplomacy held by those who don’t believe its messages.<sup>60</sup> Given the importance of public diplomacy, Riordan therefore suggests that governments must consider how to “sell” foreign policy to foreign publics even during the formulation process.<sup>61</sup>

*Criterion 4: Public diplomacy must work over the long-term to create a climate sympathetic to its foreign policy.*

The solution to these problems, as suggested by many theorists, is creating an “intellectual and social climate” that enables foreign citizens to support or understand specific policies.<sup>62</sup> As Tuch writes, nations want each other’s publics to “...understand each others’ truths and realities”.<sup>63</sup> This requires what Schneider calls cultural diplomacy, which can “...sustain appreciation for the values and ideas that are characteristic of...[a nation].”<sup>64</sup> Public diplomacy can be used in this way to reduce misconceptions by establishing long-term links as well as building trust and credibility, particularly through educational and cultural exchanges and other person-to-person contact.<sup>65</sup>

These four criteria can now be used to assess the efficacy of public diplomacy in practice, in both Indonesia and Australia.

### **Part III: Public diplomacy in practice**

This section will compare the theory of public diplomacy with public diplomacy in practice. The aim is to evaluate its effectiveness by referring to the criteria identified in the previous section and identifying points where practice deviates from theory.

#### **Methodology**

In order to make this comparison I interviewed the Indonesian Ambassador to Australia, HE Teuku Mohammad Hamzah Thayeb and the First Secretary of the Indonesian Embassy, Mr Dino Kusnadi; and corresponded with the Australian Ambassador to Indonesia, Mr Bill Farmer AO, via email about their experiences of public diplomacy.

My questions addressed basic elements of the theory of public diplomacy as well as the broader issues involved. I also wanted to know specifically how the ambassadors responded to the two case studies described in the first part of this paper. The responses to these questions were categorised by theme then compared with one another and summarised. This synopsis was then considered in terms of the theory of public diplomacy developed in the previous section.

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<sup>59</sup> Wolf and Rosen, op. cit., p. 3.

<sup>60</sup> Hocking, op. cit., p. 36.

<sup>61</sup> Riordan in Melissen, op. cit., p. 187.

<sup>62</sup> Riordan, op. cit. (2003), p. 122; Tuch, op. cit., p. 8.

<sup>63</sup> Tuch, op. cit., p. 6.

<sup>64</sup> C.P. Schneider, ‘Culture Communicates: US Diplomacy That Really Works’ in Melissen, op. cit., pp. 147, 163.

<sup>65</sup> Frankel, op. cit., p. 10; Melissen in Melissen, op. cit., p. 21.

## **The audience of public diplomacy**

An examination of the audience at which public diplomacy in both Indonesia and Australia is directed demonstrates a deep division between public diplomacy in these countries. When asked directly, the Indonesian Ambassador stated that Indonesian public diplomacy in Australia must not limit itself to any one audience, but must address them all. However, his initial explanation of the importance of public diplomacy described only a network model of diplomacy. This was based on communication with civil society, NGOs, and parliamentarians because of the role of each of these groups in influencing government policy. His allusion to democracy was made only in this context, rather than involving the broader public.

The Ambassador later stated that Australian-Indonesian relations could only be strong and stable if anchored on a solid foundation of people-to-people links. In his response to my question about the audience for public diplomacy he emphasised the importance of communicating with students from primary to tertiary level to help them develop an understanding of Indonesia. As he said, the relationship between governments changes with each new politician and each new personality, but the permanent and inescapable geographical relationship between Indonesia and Australia necessitates the establishment of strong links and a strong relationship that goes beyond those of governments.

Yet, despite these long-range and insightful statements, judgements about the health of the relationship are still clearly based on the success of relations between the two governments. For example, the ambassador listed the Presidential visit, the close rapport between President Yudhoyono and Prime Minister Howard, the Lombok Treaty as well as the Comprehensive Partnership as the basis upon which the relationship can move forward.

The perspective of Australian Ambassador Farmer demonstrates a similarly dual-focused strategy, although to a lesser degree. Most of the methods used by his embassy focus on the general public, such as the use of media and person-to-person links, and he writes that public diplomacy is projecting an image of Australia to the Indonesian public. Nevertheless, embassy officials also concentrate on higher-level audiences, including the promotion of senior visits. However, the ambassador emphasises the public promotion of such visits as a tool of public diplomacy, rather than the visit itself.

## **The tools of public diplomacy**

The media is the primary tool of public diplomacy utilised by the Indonesian Embassy, as well as being an audience of public diplomacy in its own right. The First Secretary spends much of his day liaising with the media, and when asked how they respond to particular issues in the Australian-Indonesian relationship, the Ambassador and First Secretary both said that they convey their position either through fielding calls from media representatives, or by circulating press releases.

Similarly, the Australian Embassy uses the media in highlighting recent events it has organised, such as the anniversary of a student exchange program; a local soccer match; and a fast-opening program at an orphanage during Ramadan. Interestingly, the Australian Embassy also listed as one of its techniques arranging a tour of Australia by Indonesian journalists, suggesting a more active use of the Indonesian media. Australian Ambassador Farmer also emphasises the power of the media, implying that it played a major role in Australian-Indonesian tension over the Schapelle Corby trial. This understanding of media power explains the Australian attempt to woo, more actively, the Indonesian media.

The most important tools are clearly those relating to person-to-person links. Ambassador Farmer writes that this is one of the aims of Australian public diplomacy. Indeed, the AustraliaIndonesia Institute was founded partly to facilitate these links<sup>66</sup> and each of the events listed above provide opportunities for everyday Indonesians to mix with embassy staff. These links are also crucial to Indonesian public diplomacy and the Indonesian Ambassador suggests that these are the solid foundations upon which the relationship must be based. This includes educational exchanges, which in addition to establishing person-to-person links also allow students to obtain a greater understanding of Indonesia through cultural immersion. Indeed, even meetings with the Ambassador, such as my interview with him, constitute an important tool of public diplomacy. My impression of Indonesia is now deeply connected with his personable manner.

Finally, the Indonesian Embassy also uses academic information as a public diplomacy tool. The First Secretary explained to me the importance of the 2006 Lowy Institute Poll in shaping Indonesia's entire public diplomacy strategy as it demonstrated both the weakness in its own public diplomacy and how to approach the Australian public.

### **How effective is public diplomacy in practice?**

#### *Criterion 1: Challenging culturally acquired preconceptions*

The Indonesian Ambassador clearly demonstrates an awareness of culturally acquired preconceptions as he identified the inaccurate but widely accepted Australian views about Indonesia as the biggest obstacle to his embassy's public diplomacy work. The Indonesian First Secretary was more direct when he discussed the impact of embedded negative perceptions with me at great length, saying that the only way that such images would change is through personal experience that genuinely influences perceptions. As he said, it is like selling Cherry Coke – the marketing strategy has to have an enormous impact upon its consumers to overcome preconceived ideas about what Coke should taste like.

As both the Ambassador and First Secretary explained, Australia sees Indonesia through the framework of East Timor, but the fundamental changes that the country has gone through since that time are not recognised by most Australians. This skews Australian perceptions of issues in Indonesia. For example, West Papua is seen as another East Timor, which gives the struggle for independence in that province more legitimacy. Correcting this inaccurate perception appears to be the first priority and indeed the essence of the embassy's public diplomacy strategy.

In order to overcome this perception, the embassy portrays Indonesia as a moderate, progressive secular democracy, and a responsible actor on the international stage. Consequently, the embassy's cultural centre, where Australian schoolchildren are taken on tours, presents a "normal bedroom" complete with a boy-band poster, television, stereo, homework and school uniform, albeit with a headscarf. The image of the President and his wife is similarly "normal" and very personable. For example, the Presidential spokesperson has described President Yudhoyono's scramble across the country to reach the provinces affected by the tsunami, and his wife's reaction to the disaster: "The First Lady started crying when she saw the images. The President went to see her and hugged her for a long time."<sup>67</sup>

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<sup>66</sup> 'Australia Indonesia Institute: About Us'. Australia Indonesia Institute, DFAT. (undated) Online Available HTTP: <http://www.dfat.gov.au/aai/introduction.html> (accessed 11 May 2007).

<sup>67</sup> S. Elegant. 'Rising from the Rubble: Devastated by war and natural disaster, can Indonesia's Aceh province find peace?'. *Time Asia*, 17 January 2005. Online Available HTTP: <http://www.time.com/time/asia/covers/501050124/story.html> (accessed 10 May 2007).

In addition, in conveying the perception of Indonesia as moderate and democratic, the Indonesian Embassy openly accepts mistakes made previously in Aceh and in Papua, both plagued by separatist claims, while distancing itself from the situation in East Timor by identifying it with the previous regime rather than the “new” Indonesia. In our twenty-minute interview, the ambassador mentioned previous mistakes before stating, no less three times, that they were trying to fix them. This acknowledgement that Indonesia’s previous actions in East Timor were indeed shameful, and that it has also made mistakes in dealing with separatism, seems to openly agree with the Australian preconception, which increases sympathy for the rest of the message.

Similarly, the aim of Australian public diplomacy in Indonesia is to project a “positive and balanced” view of Australia. Ambassador Farmer indicates that he is aware of preconceptions, and the way in which Australia overcomes them, when writing of the Australian Embassy’s extensive interaction with Muslim organisations.

### *Criterion 2: Sensitivity to cultural differences*

A further barrier to penetrating these negative images embedded in cultural attitudes is that culture itself. Interestingly, Indonesian public diplomacy strategy demonstrates an attempt to conform to Australian culture, making the message more effective. Firstly, while they are aware that Australians generally see Indonesians negatively, this fact is never recognised outright by the Indonesian practitioners. Instead, the Ambassador states that incorrect impressions are based on inaccurate data that is taken as truth. This subtle approach seeks to avoid any defensive reaction on the part of the Australian audience. Secondly, the moderate, democratic impression of Indonesia that its embassy conveys identifies strongly with elements of Australian self-perception.

In Indonesia, the Australian Embassy uses respect for Indonesian culture to further its goals. After the West Papuan refugee incident, the Ambassador appeared on television to discuss the incident with leading Indonesian, particularly Islamic, figures.

### *Criterion 3: Credibility and truth*

In order for the message of public diplomacy to be effective, it must be credible. One way to achieve this is through dialogue. The Indonesian Ambassador, who says that the “real situation” must be explained on both sides, acknowledges this as very important. However, it is difficult to find concrete examples of the embassy engaging in dialogue. Although public diplomacy practitioners clearly have to listen to their audience it is difficult to judge whether this is active and obvious to the target group, suggesting that dialogue is less valuable in regards to credibility and more about learning how to make the message more effective.

Possibly a better example of the use of dialogue to obtain credibility in public diplomacy is the appearance of the Australian Ambassador with leading Islamic Indonesian figures after the West Papuan refugee incident. There is, however, insufficient data to indicate whether these appearances improved Indonesian impressions of Australia, either in the long or short-term. Nonetheless, it appears to be a more active use of dialogue and is thus more likely to be successful.

Credibility is also about conveying the impression of truthfulness and consistency between the messages of public diplomacy and a nation’s foreign policy actions. For the Indonesian Embassy conveying the truth about Indonesia is the essence of its public diplomacy, giving a “true image” of a nation and its affairs. There can be no discrepancy between the two, as from their perspective Indonesia’s public diplomacy is a case of describing the nation’s domestic and foreign policies. At the Australian

Embassy, the Ambassador writes that public diplomacy is a “major consideration” in the formation of foreign policy because, as in Indonesia, a positive image of Australia serves the national interest.

*Criterion 4: Creating a sympathetic climate over the long-term*

The issues discussed in this paper, specifically the Schapelle Corby trial and the West Papuan refugee incident, suggest that neither Australian nor Indonesian public diplomacy has yet succeeded in establishing a sympathetic climate in the other country that will endure over the long-term. Nevertheless, this is not viewed as a failure by practitioners. On the contrary, both the Indonesian and Australian Ambassadors appear to assume that public diplomacy is a long-term endeavour. Public diplomacy is simply ill-equipped for short-term solutions. When faced with major incidents, each embassy turned to media representation, a press release in Australia and television interviews in Indonesia. Beyond that, there is little that the embassies can do. Both ambassadors saw public diplomacy as a gradual process of improving the relationship. The Australian Ambassador uses phrases like “continue to deepen,” “growing public realisation,” and “continue to grow,” while the Indonesian Ambassador spoke of “continuously nurtur[ing]” the relationship and moving it forward.

Nevertheless, the Schapelle Corby trial and West Papuan refugee incident can be seen as a test of how close each embassy is to establishing a sympathetic climate, or rather how far this objective is from reality.

#### **Part IV: Lessons of theory vs. practice**

Australian and Indonesian public diplomacy broadly fulfils each criteria of effective public diplomacy outlined above. Each attempts to challenge culturally acquired preconceptions; exhibits a degree of sensitivity to cultural difference; claims to be credible by being truthful; and maintains a long-term effort to create an environment in which foreign publics are more open to their policies. Yet, within each of these criteria, public diplomacy falls short of its ultimate goal, which in its most basic form is, effective communication with foreign publics.

Although public diplomacy can always challenge pre-knowledge conferred by culture, actually overcoming such preconceptions is extraordinarily difficult. While writing this report, I have found myself questioning what I have been told by Indonesian officials. Despite being well aware of the changes that have taken place in Indonesia, the idea of the Indonesian government as a dictatorship is so deeply ingrained in my psyche that I am wary of information from that source.

Moreover, while public diplomacy can use culturally appropriate language or techniques, the extent to which culture shapes perceptions is such that mere sensitivity to these differences cannot completely master them.

Differences in culture even negate credibility and truthfulness. Truth is indeed a much-contested concept. Cultural differences between the two nations often cause the audience to perceive a discrepancy between public diplomacy and foreign policy actions, owing to a lack of understanding about the basis upon which policy is made. For example, when the Indonesian government responded to the granting of refugee visas to West Papuan asylum seekers, Australians perceived its responses an over-reaction. Yet, from the point of view of Indonesians, the issue was serious enough to require dramatic reaction. Credibility is therefore very much dependent on cultural perceptions, and whether a nation can successfully create an environment in which the audience is receptive to the “correct” interpretation of policy actions.



Finally, while public diplomacy is well-adapted to long-term goals, it is difficult to see progress being made in cases such as the relationship between Australia and Indonesia. However, it is worth remembering that both are two of the most different countries to be in an immediately neighbouring relationship and their lacks a history of mutually commercial relations between the two countries to ameliorate fears on both sides. The outcomes of public diplomacy between countries with deeper ties would likely differ.

### **The relentless pursuit of public diplomacy: attempting to master the impossible**

The examination of public diplomacy in practice demonstrates clearly that beyond the theory of public diplomacy there lies a void in which paradigms can no longer be of assistance. Beyond the criteria already listed, theory cannot explain why the practice of public diplomacy is difficult or suggest ways in which to make it easier as the circumstances just are very difficult in some cases making it indeed seem like an attempt to ‘master the impossible’.

Consequently, my overall impression of the practice of public diplomacy is its relentlessness. This quality alone sustains it beyond the point at which no amount of theory can contend with the pure difficulty involved.

The cultural issues go beyond a need to understand other cultures. As the Indonesian Ambassador recognised when I spoke with him, no matter how well one understands the perspective of another nation, cultural issues may be so deeply ingrained that merely understanding another culture will not change one’s stance. For example, although an Australian may understand the severity of the drug problem in Indonesia and the cultural differences that make the death penalty an acceptable solution, it is unlikely that this will sway his or her vehement reaction to the death penalty, given the deeply ingrained cultural values attached to this principal. Public diplomacy therefore requires an acceptance that there are sensitivities on both sides of communication, and a realisation that these sensitivities may never change, but degrees of understanding might. However, the importance of public opinion is such that a decision to merely resign from the practice of public diplomacy is untenable. Moreover, although painfully difficult attitudes can be changed, particularly through person-to-person contact, changing the relationship between Indonesia and Australia one individual at a time will be a very slow process.

The practice of public diplomacy is thus, beyond theory, necessarily constant, involving the unrelenting, if gradual and somewhat ineffective, bombardment of audiences with a particular perspective. It should be shaped and targeted appropriately, rather than by a specific and decisive plan of action. It is also inescapable as demonstrated in my interview with the Indonesian Ambassador when, rather than discussing public diplomacy, he focussed instead on practicing it on me, justifying Indonesian government policy on various issues and neglecting to explain how those positions are conveyed.

### **Public diplomacy: traditional diplomacy disguised?**

The difficulty of public diplomacy explains why, despite the globalised world, traditional diplomacy still has a very important place, and public diplomacy is practiced alongside traditional diplomacy and in a similar top-down, government-focused style.<sup>68</sup> This theory seems to hold true, as was demonstrated when the Indonesian Ambassador

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<sup>68</sup> McEvoy-Levy, op. cit., p. 2; Tehranian, op. cit., pp. 63-66.

implied that the relations between the two governments, rather than broader 'national' relations, are the hallmark of a healthy bilateral relationship.

Moreover, despite the diffusion of power, the world is still run largely by nation states and the Australian-Indonesian relationship is a good example of this. Lindsey writes that relations between the two are essentially ambivalent and that those with links to Indonesia including government, business and academics, see them as strong but that "[f]or the remainder, the majority, the relationship is seen as difficult, tense and, ultimately, disposable".<sup>69</sup> The current strength of the governmental relationship despite lingering anger over Schapelle Corby and similar incidents would support this. The Indonesian Ambassador himself noted the difference in opinion between the government and the people. When speaking of the Schapelle Corby and Bali Nine trials, the ambassador suggested that while Canberra understands Jakarta's inability to interfere with the judicial process, the difficulties lie in the lack of understanding evident in public opinion. Indeed, polls suggest that the public in both Indonesia and Australia feel equally cool towards one another. Australians feel cooler only towards nations currently perceived as a nuclear or terrorist threat – Iraq, Iran and North Korea – while Indonesians rate Australia above only Iraq, North Korea, and traditional territorial or religious threats – Papua New Guinea, East Timor and Israel.<sup>70</sup> Nonetheless, the 'official' relationship is perceived as strong.

### **What can be done?**

There are a number of lessons to be learnt from this comparison of theory and practice. Firstly, public diplomacy faces real difficulties; the criteria for its effectiveness still apply. Its message must still challenge embedded cultural preconceptions; demonstrate sensitivity to cultural difference; maintain truth and credibility; and work towards creating a sympathetic climate over the long-term. The problem lies not in the hard-to-grasp nature of these tasks but, in some cases, in their intrinsic difficulty. The tumultuous relationship between Indonesia and Australia demonstrates just how deep and entrenched these difficulties can be.

Public diplomacy therefore needs to be seen not as a technique for instant solutions but, as Melissen writes, as "...part of the fabric of world politics".<sup>71</sup> The only way that it can succeed is if it is pursued relentlessly, not so much as a distinct plan and strategy, but rather through what McEvoy-Levy calls cumulative routine rhetoric.<sup>72</sup>

Yet, this solution also requires a degree of modesty as the strength of public diplomacy lies within the recognition of its limits.<sup>73</sup> Public diplomacy is not decisive and as this report suggests it does not seek victory or superiority over opposing views. It is instead an ongoing process of "...managing and representing our interests, protecting our national security and maintaining peace."<sup>74</sup>

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<sup>69</sup> *Relaxed, complacent and risible*. Lingua Franca, Radio National, ABC Radio. Aired 24 March 2007. Online Available HTTP:

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<sup>70</sup> I. Cook, 'Australia, Indonesia and the World: Public opinion and foreign policy', The Lowy Institute Poll 2006, Sydney: The Lowy Institute for International Policy, 2006, pp. 6, 14.

<sup>71</sup> Melissen in Melissen, op. cit., p. 6.

<sup>72</sup> McEvoy-Levy, op. cit., p. 4.

<sup>73</sup> Melissen in Melissen, op. cit., p. 20.

<sup>74</sup> Tuch, op. cit., p. 116.

## Potential further research

Further research should be conducted to examine the tools of public diplomacy and try to improve on them. If these tools were adapted in a more appropriate fashion to the vagaries of the world after globalisation they could facilitate a more specific solution to the problems of public diplomacy.

In addition, public diplomacy would benefit from a better understanding of power in a globalised world. Knowing who wields it and exactly how it could enable public diplomacy to target its messages more specifically and possibly bypass some of the difficulties associated with the less focused methods discussed in this report. However it is also important to reflect that both governmental and non-governmental actors will use different methods to impact on different audiences.

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# INFLUENCING PACIFIC FOREIGN POLICY IN AUSTRALIA: GATHERING VOICES OR GATHERING DUST?

Jessica Miller <sup>1</sup>

The Australian Institute of International Affairs (AIIA) is an established and reputable institution committed to facilitating discussion of international affairs. Each year it organizes the National President's Forum to discuss relevant topics in international affairs. In 2006 pursuing discussions on the foreign policy and Pacific Island nations. This report uses the Forum as a case study, serving as a context for analysing foreign policy processes as applied to the Pacific region. Leading theorists Allan Gyngell and Professor Michael Wesley's modelling framework for influencing foreign policy is also applied along with a comparative analysis of current thinking about Pacific Island policy issues. This report illustrates how new ideas and policy recommendations can occur. It concludes that Gyngell and Wesley's model usefully illustrates foreign policy processes within an Australian and also a Pacific regional context. One reason that Australian foreign policy-making is important is that it affects the daily lives of millions of men, women and children throughout the Pacific Islands. It therefore makes sense to stir up the dust, then gather and listen to their voices.

## **Aims of the Report**

The primary focus of this report is to evaluate the effectiveness of the AIIA National President's Forum and make recommendations that may help to make it more successful in influencing foreign policy processes and directions in the Pacific. The effectiveness of the Forum is analysed using Allan Gyngell and Michael Wesley's model of processes that explain how foreign policy works and how to influence it. This paradigm has rarely been applied to a Forum in this way.<sup>2</sup> Thus, the secondary aim of this report was to test Wesley and Gyngell's model by applying it to a particular event.

The model devised by Professor Michael Wesley, Director of the Griffith Asia Institute and Research Chair of the AIIA, and Allan Gyngell, Director of the Lowy Institute for International Policy, provides an efficient way of analysing discussion transcripts and speakers' papers from the National President's Forum. It also facilitates a comparison of key themes with current policy literature, possibly enabling analysts to better assess recommendations for promoting policy shifts.

The following section presents the National President's Forum as the context for analysing foreign policy influence processes. Relevant policy literature is also highlighted as a means for comparing the Forum's themes with current discourse. Wesley and Gyngell's model is presented as a framework for analysing differences between the current discourse and key Forum themes.

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<sup>1</sup> I wish first to thank Melissa Conley Tyler and Paula Dolan for their time, wisdom and energy. I also extend thanks to everyone at the Crawford School, who inspired my interest in the Pacific region and have provided many useful resources. Finally, I thank Dr. Anne Miller for her time and advice.

<sup>2</sup> A. Gyngell and M. Wesley, *Making Australian Foreign Policy*, Press Syndicate of the University of Cambridge, 2003, p. 13.



## Background

### The National President's Forum

With the support of the Department of Foreign Affairs (DFAT), the Forum facilitated an open and frank discussion between leading Pacific and Australian thinkers on issues such as labour mobility; sustainable development; economic integration and regional governance. The effects of past Australian foreign policy on the Solomon Islands and Papua New Guinea (PNG) provided a basis for assessing future policy direction.<sup>3</sup> the Forum was organised to encourage discussion among participants and invitations were limited to speakers and attendees known for their in-depth knowledge and experience of such issues. Invited attendees represented a wide cross-section of foreign policy experts on bureaucratic, academic, interest group, business, NGO and media concerns related to the region.

The Forum was divided into four parts:

- 1) Current Directions;
- 2) Lessons Learnt: PNG;
- 3) Lessons Learned: the Solomon Islands; and
- 4) Future Directions.

Four speakers, one for each of the parts, were asked to present a paper that was then commented on by two discussants. The papers explored themes from the perspective of the government's policy overviews<sup>4</sup> as well as those of other key documents on the South Pacific.<sup>5</sup> The speakers, however, placed significant emphasis on alternate approaches and new thinking on old issues.

Once they had made their presentations and the discussants responded with their own comments, the debate was extended by inviting audience participation. the Forum thus provided opportunities for participants to reflect on specific policy directions; to assess alternative perspectives; and to develop new policy ideas.

Following discussion in the formal proceedings there was considerable networking among experts from wide-ranging fields during the Governor-General's Reception at Admiralty House. Representatives of the broader international relations community also participated. Guests included politicians; business people; former diplomats and AIIA members. The Rapporteur's Report in a shortened form was delivered to this wider audience.

The Rapporteur's Report, written by Australian National University Chancellor, Dr Allan Hawke, was read as part of an address to the Governor-General and guests. After some modifications were suggested, a final report agreed upon by all participants was released to provide an overview of the Forum's proceedings. It has since been

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<sup>3</sup> AIIA, 'National President's Forum 2006', sub-committee meeting 2, internal communication via teleconference, 14 February 2006.

<sup>4</sup> AusAID, 'Pacific 2020: Challenges and Opportunities for Growth', Canberra: AusAID, 2006; 'Australian Aid: Promoting Growth and Stability: a White Paper on the Australian Government's Overseas Aid Program', Canberra: AusAID, 2006; DFAT, 'The Australian Senate Report, A Pacific Engaged: Australia's Relations with Papua New Guinea and the Island States in the South-West Pacific', Defence and Trade References Committee Report, Canberra: Senate Printing Unit, 2003.

<sup>5</sup> The Eminent Persons' Group, 'The Eminent Persons' Group Review of the Pacific Islands Forum', statement by the Rt Hon Sir Julius Chan GCMG, KBE, Chair of the Eminent Persons' Group; and Pacific Plan Task Force and Core Group Leaders, 'The Pacific Plan for Strengthening Regional Cooperation and Integration', endorsed by leaders at the Pacific Forum Meeting of April 2004, published October 2005.

distributed to the Institute's 1,500 national members and key policy thinkers that did not attend on the day.

While Forum attendance was by invitation only, subsequent media coverage ensured broad public access to the topics that were addressed. For example, a full program *Background Briefing* on the ABC's Radio National by Chris Bullock was devoted to the Forum and included excerpts from the remarks of speakers and discussants. This was broadcast twice and recordings made available online at [www.abc.net.au/rn/backgroundbriefing](http://www.abc.net.au/rn/backgroundbriefing). Interviews of Dr Jimmie Rodgers, director general, South Pacific Community and Neil Plimmer, chairman of the Pacific Cooperation Foundation were broadcast on Geraldine Doogue's *Saturday Extra* on ABC radio. A further interview that included Plimmer was broadcast on Radio National with Graeme Dobell. Rodgers was also interviewed on ABC Radio's *Pacific Beat* and transcripts made available online. Participants have also published comments in the *Diplomat*.<sup>6</sup>

Keynote papers have been made public on the AIIA website to promote the issues, ideas, themes, participants and the Institute itself to the wider public.<sup>7</sup> Also available online are discussant and radio program transcripts; the Rapporteur's Report; as well as remarks by Dr Allan Hawke and the Governor-General. Finally, 'Packages', composed of all Forum papers, transcripts, as well as program and discussant summaries have been sent to Australian government departments: DFAT; PM&C; AusAID; Defence; Treasury; DIMA; and Agriculture and Fisheries.

### **Current policy thinking in the Pacific region:**

The National President's Forum was held in a policy environment where there has been ongoing discussion of Australia's role and responsibility in the Pacific. Topics discussed in the Forum were selected from current policy as well as key literature relevant to Australian Pacific policy planning. Five key documents served as a basis for shaping the discussion, including:

1) *The Aid White Paper: focus on economic growth*.<sup>8</sup>

The Aid White Paper written by AusAID outlines the Australian Government's strategic vision for delivering aid to Pacific countries. It suggests that there needs to be better economic management and more effective implementation of aid programs; that efforts to establish better economies are being undermined by "...continuing high levels of agricultural and other protection by both developed and underdeveloped countries".<sup>9</sup> AusAid recommends that trade barriers be reduced. Economic growth is seen to be the key to reducing poverty as countries that have become integrated into the global economy have grown more quickly than those which have not.

In addition, the Aid White Paper argues that appropriate and effective institutions are needed to oversee the protection of property rights, manage long-term growth and conflict, establish macroeconomic stability, synchronise economic incentives with social benefits, and maintain law and order. Although growth is essential for reducing poverty the White Paper recommends that other steps be taken to ensure that high economic growth correlates with improved living standards.<sup>10</sup>

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<sup>6</sup> AIIA, 'National President's Forum and Governor-General's Reception: Australia and the South Pacific: Role and Responsibilities', final report, Canberra, August 2006, p. 4.

<sup>7</sup> Online Available HTTP: <http://www.aiaa.asn.au/national/natforum2006.html>.

<sup>8</sup> AusAID, op cit., (2006).

<sup>9</sup> Ibid., p. 14.

<sup>10</sup> Ibid., pp. 15-16.

The most pressing concerns are changes in demographics. With populations consisting mostly of young people, there is an acute awareness that unemployment and increased ‘urbanisation’ needs to be addressed with urgency. Furthermore, although geographically isolated, South Pacific Islanders are also vulnerable to some of the negative affects of transnational relations. Pandemics, lack of communications, transnational crime, climate change and socio-political pressures are major concerns.

2) *Pacific 2020: an in-depth analysis of major developmental obstacles.*<sup>11</sup>

Also produced by AusAID for both Australian and Pacific Governments and policy thinkers, Pacific 2020 is a full-scale report on the status of Pacific Islands. It identifies key development concerns, including issues relating to land rights and tenure; the need to reform institutions through improved governance; and the opening of markets. The report provides a comprehensive analysis of key themes that thwart economic growth as well as a thorough analysis of demographic trends; economic distribution; and environmental concerns. It also identifies major constraints on economic prosperity. Nevertheless, despite identifying these challenges in great detail, Pacific 2020 concludes that there is significant potential for Pacific Island nations to develop depending on the choices of their decision-makers and whether sustained growth is pursued as a central political objective.<sup>12</sup>

3) *The Eminent Persons’ Review of the Pacific Islands Forum.*<sup>13</sup>

The Eminent Persons’ Review differs from the papers discussed above. Rather than set strategic objectives for the Australian Government’s Pacific policy, or explicitly identify challenges to economic development, its focus was on the role of the Pacific Islands Forum as well as the broader issues associated with regional cooperation and integration. Its objective was to review the Pacific Islands Forum’s role; functions; and Secretariat, presided over by Secretary-General Greg Urwin. The Review was designed to make recommendations to the Pacific Islands Forum on how to provide leadership on regional cooperation while reflecting the aspirations and needs of Forum member countries.

The Eminent Persons’ Review is based on the premise that challenges faced by Pacific Nations are best overcome by concerted action at national government and regional levels. It suggests a range of ways in which the vision for Pacific cooperation, “the Pacific Plan”, may be implemented by Pacific leaders and how early progress might be made. It also contends that future interrelationships between Pacific nations are the keystone on which strong foundations for development will be made.

Recommendations focus on engagement with regional civil society, particularly women and youth; improved communication between countries; financing of the Forum; redefinition of the Forum’s strategic role; time management between meetings; post-Forum dialogue; enhanced decision-making authority granted to ministers to enable leaders to focus on issues; a review of the Council of Regional Organisations’ (CROP) management and structure; as well as the allocation of Secretariat resources.

The main recommendations are to: develop a strategic vision for the Pacific Islands Forum; develop a digital strategy based on the 1999 Communications Action Plan; maintain the focus on cultural identity; address participation by non-sovereign Pacific territories; develop human rights, focussing for example on the low participation rate of women in government; highlight concerns of young people; enhance governance capabilities; increase the Forum’s utility in times of crisis; strengthen links between the Secretariat and Forum member nations; assess financial demands; look at ways in which

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<sup>11</sup> AusAID, Public Affairs Group, op. cit., (2006).

<sup>12</sup> Ibid., p. 17.

<sup>13</sup> DFAT, op. Cit., (2003).

the Leaders' meetings can be run more effectively; define the role of the Forum Chair; as well as other administrative and organisational aspects of the Pacific Leaders' Forum to make it a more active and effective body in Pacific affairs.

4) *The Pacific Plan: Future Directions.*<sup>14</sup>

Leaders of the Pacific Islands Forum endorsed the Pacific Plan in October 2005. It was produced by the Pacific Plan Task Force and Core Group Leaders and outlines a strategy for member nations of the Pacific Island Forum to strengthen regional cooperation; to address development challenges; and meet the Forum's vision for change. Within the Plan, leaders agreed to achieve their vision for a more stable and developed Pacific region through economic growth; good governance and security; the sharing of resources; strong regional cooperation; strengthened development programs, advocacy on behalf of small nations with a limited capacity to influence policy outcomes; promote and protect cultural identity; reform the Forum and regional institutional mechanisms; clarify Member understanding of regionalism; and build strong relationships between Forum member countries.<sup>15</sup>

The goals and objectives of the Pacific Plan are to "...enhance and stimulate economic growth, sustainable development, good governance and security for Pacific countries through regionalism." These are outlined in further detail in the plan and stipulate the ways in which objectives might be achieved through a regional approach. Regionalism is central to the Plan and is defined by its associated costs and benefits as well as by the types and issues such as sovereignty that are associated with it. This is a key concept that does not feature in either the Aid White Paper or Pacific 2020 report.

The Pacific Plan goes into great detail about initiatives that the Forum and its Member countries are carrying out. Strategic objectives, initiatives for the first three years of the plan (2006-08), and milestones are tabulated according to whether they have been implemented, agreed to in principal, or require further analysis. These tables illustrate effectively the Pacific Islands Forum's strategic vision and the extent to which it has been fulfilled by member nations.

5) *Australian Senate Report: A Pacific Engaged: Australia's Relations with Papua New Guinea and the Island States of the South-West Pacific.*<sup>16</sup>

The terms of reference of this Senate Committee inquiry include: the current condition of political relations between regional states and Australia and New Zealand; economic relations including trade, tourism and investment; co-operative relations among the various states in the region, including the future direction of the overall development program; and the implications of political, economic and security developments for Australia.

The inquiry, which was conducted in Fiji, PNG, Samoa, the Solomon Islands and Tonga, highlights perceptions of Pacific nations as "conjuring up images of paradise" in contrast to the reality that the Pacific is both an economically and ecologically vulnerable region. Important themes include economic relations with PNG and the Pacific; Australia's development assistance to PNG and the Pacific; sustainable development; environmental and disaster management; political and strategic issues, including political relations, security and transnational crime; Australia's knowledge of the region; New Zealand's relations with Australia and the region.

It identifies increasing social and economic inequality; corruption; high unemployment, particularly for youth; ethnic tensions; environmental degradation; as well as declining health and living standards as the most pressing issues confronting

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<sup>14</sup> Pacific Plan Task Force and Core Group Leaders, op. Cit., (2005), pp. 2-3

<sup>15</sup> Ibid., p. 3.

<sup>16</sup> DFAT, op. cit., (2003), p. 9.

Pacific Island nations. Thus, the Senate Committee recommends wider public debate on the idea of a Pacific political and economic community with one currency; one labour market; strong common budgetary and fiscal discipline; democratic and ethical governance; shared defence and security arrangements; common laws for fighting crime; common health, welfare, education and environmental goals.<sup>17</sup> This recommendation was based on the fact that economic and social problems of the region are worsening and that Australia has a responsibility to assist nations in the Asia-Pacific region; as well as the notion that if sustainable regional economic growth can be achieved, issues of governance, international crime, law and order, regional security, and the health and wellbeing of people living in the region, including Australia, will improve.

### **Summary of key literature**

Pacific policy literature reflects an overwhelming sense that sustained development is required to meet the government's aim to foster a stable Pacific region. Concerns are also raised throughout that economic development as well as more stable political and institutional infrastructure is necessary to achieve policy goals. This key literature, as outlined above, formed the basis for discussion in the Forum. The summary of these works provides an understanding of current policy debate on Australia's role and responsibilities in the Pacific, highlighting that despite common policy objectives and approaches there are also significant differences in perspectives on how these can be achieved. Significantly, the above summary identifies that the approach outlined in reports by and for the Australian Government varies from that of Pacific-authored literature like *The Pacific Plan* and the *Eminent Persons' Review*.

## **A Theoretical Approach**

### **Gyngell and Wesley's Model**

This section provides an explanation of how the dialogue that occurred at the National President' Forum can contribute to the future direction of Australia's Pacific policy. It also describes Gyngell and Wesley's model, proposed in their seminal work *Making Australian Foreign Policy*, to establish a basis for understanding and interpreting discussion at the Forum.

Within the broader field of international relations tension exists between academics and policy practitioners. According to Gyngell and Wesley, academics have theoretical approaches that do not often arouse the interest of who are dismissive of academics, preferring to believe that theory cannot apply to the real world.<sup>18</sup> Furthermore, it appears to many outside of government that the upper levels of government are impenetrable.

Gyngell and Wesley attempt to resolve this tension by providing a practical theory-based tool to help bridge understanding of foreign policy decision-making processes and relationships between individuals and institutions. It is one of the few accounts in political science literature focussing on mechanisms and processes of foreign policy-making as most others deal more specifically with content and outcomes.

While Gyngell and Wesley's approach is regarded as the conventional wisdom on foreign policy-making, up to this point the model has not been applied to provide an understanding of how those outside of government actively contribute to the foreign policy process. Their model is used here to analyse the effectiveness of the Forum in

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<sup>17</sup> *Ibid.*, p. 7.

<sup>18</sup> Gyngell and Wesley, *op. cit.*, p. 8.

terms of its ability to influence foreign policy'.<sup>19</sup> It was chosen because it is concerned with identifying and understanding the foreign policy-making processes as opposed to describing particular foreign policy outcomes. The model comprises two interconnected conceptual frameworks (see Figure 1).

Gyngell and Wesley's first framework, represented in columns 1-3 of Figure 1, describes foreign policy-making at four hierarchically related levels: strategic, contextual, organisational and operational. Each has its own characteristics and is directed towards specific types of roles. Lower echelons are also aligned to policy-making at the tier above and feed up into the level of policy directly above that.

Their second framework, represented in columns 4-6 of Figure 1 represents actors and institutions within the policy-making bureaucracy. It demonstrates how bureaucratic structures operate; brings attention to key foreign policy decision-makers; and the extent to which these different actors influence policy outcomes. The key actors and institutions in the foreign policy machinery are constituted and divided according to:

- functional roles;
- bureaucratic hierarchy; and
- authority/responsibility criteria.<sup>20</sup>

When combined, the two conceptual frameworks provide a basis for understanding how the foreign policy mechanism works. However, Gyngell and Wesley also emphasise that the foreign policy mechanism is often anarchic; irrational; complex; and fluid. Although actors and activities involved in influencing policy can be identified, it appears unwise to hinge a rigid theoretical model onto the policy formation process. Instead, understanding how such developments occur and where decisions are made is critical. Equally important is an understanding of what values motivate policy decisions.

## Method

Key policy-thinking has been outlined in the previous sections in both a summary of vital documents, and a modelling approach that can be used to explain foreign policy-making processes. This section describes how Gyngell and Wesley's model can be applied to the Forum as a case study in influencing foreign policy directions. Information and data sources used in this analysis include:








- the crucial policy documents summarised in the previous section;
- the Forum speakers' papers and discussion transcripts; and

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<sup>19</sup> Ibid.

<sup>20</sup> Ibid., p. 13.

**Figure 1: Gyngell and Wesley’s Model for Influencing Foreign Policy**

1. Level	2. Characteristics	3. Directed at	4. Function	5. Bureaucratic Hierarchy	6. Level of authority /responsibility
Strategic  	<ul style="list-style-type: none"> <li>- Based on ‘national values’ set-out by the Australian Government.</li> <li>- Provides principals.</li> <li>- Found in policy documents such as the Aid and Defence White Papers.</li> <li>- Works in conjunction with other three levels of policy process.</li> <li>- Determined by those at the top of the bureaucratic hierarchy.</li> </ul>	<ul style="list-style-type: none"> <li>- Government Ministers.</li> <li>- Diplomats.</li> <li>- Ambassadors.</li> <li>- PM&amp;C.</li> </ul>	<b>Assert Australian values</b> <ul style="list-style-type: none"> <li>• e.g., Maintain security in the region.</li> </ul>	<ul style="list-style-type: none"> <li>• Highest levels of bureaucratic hierarchy.</li> </ul>	<ul style="list-style-type: none"> <li>- Executive authority and responsibility.</li> <li>- Highest level of accountability.</li> <li>- Long-term outcomes.</li> </ul>
Contextual  	<ul style="list-style-type: none"> <li>- How one set of policy relates to another across government departments.</li> <li>- Consideration of domestic policy.</li> <li>- Specialised monitoring when an oversight occurs.</li> </ul>	<ul style="list-style-type: none"> <li>- Politicians.</li> <li>- Shadow Ministers.</li> <li>- Departmental Heads.</li> </ul>	 <ul style="list-style-type: none"> <li>• Communicate across government departments.</li> </ul>	<ul style="list-style-type: none"> <li>• High-level of bureaucratic hierarchy.</li> <li>• Involves political actors (Senators etc).</li> </ul>	<ul style="list-style-type: none"> <li>- Decentralised power.</li> <li>- Medium level accountability.</li> <li>- High authority.</li> </ul>
Organisational  	<ul style="list-style-type: none"> <li>- Decisions made hierarchically.</li> <li>- Prioritisation occurs.</li> <li>- Resource allocation.</li> <li>- Personality is a factor.</li> </ul>	<ul style="list-style-type: none"> <li>- NGOs.</li> <li>- Specific senior public servants.</li> <li>- Academics.</li> </ul>	 <ul style="list-style-type: none"> <li>• Enacts policy through direction.</li> </ul>	<ul style="list-style-type: none"> <li>• Middle of hierarchy.</li> </ul>	<ul style="list-style-type: none"> <li>- Little accountability.</li> <li>- Much authority.</li> </ul>
Operational  	<ul style="list-style-type: none"> <li>- Monitoring and implementation.</li> </ul>	<ul style="list-style-type: none"> <li>- AusAID.</li> <li>- Defence.</li> <li>- DFAT.</li> <li>- RAMSI.</li> </ul>	 <ul style="list-style-type: none"> <li>• Feedback occurs.</li> <li>• Manages resource.</li> </ul>	<ul style="list-style-type: none"> <li>• Lower level of bureaucratic hierarchy.</li> <li>• Most contact with immediate outcomes.</li> </ul>	<ul style="list-style-type: none"> <li>- No decision-making powers, therefore no accountability.</li> </ul>

- strategies the AIIA adopted for the Forum in order to influence foreign policy thinking.

In the first section, the AIIA’s strategy for influencing foreign policy is presented. Secondly, key issues and policy recommendations made throughout the Forum are identified in order to analyse and integrate the above sources. Thirdly, these are then compared with current thinking on Pacific policy issues. Finally, this data is integrated within Gyngell and Wesley’s model to determine the extent to which the paradigm encompasses and correlates the themes; policy concerns; and recommendations.

## Analysis

### Part I: The National President’s Forum

The AIIA works across government, institutions as well as the public at large to generate thinking and promote awareness of Pacific issues in a pluralistic way. First, its National President’s Forum sought to generate discussion throughout the Australian Government, and other foreign policy actors, including NGOs; business; regional leaders; and human right groups. Secondly, it brought regional government and non-government actors into the discussion. This provided a broad range of views that reflected most aspects of the key literature, while introducing new perspectives on old themes. The Forum facilitated open and frank discussion of Pacific policy issues involving alternative perspectives found in key literature.

### Part II: Themes and Recommendations Emerging from the National President’s Forum

The following tables summarise key themes and important points made by participants during the four sessions of the National President’s Forum. Owing to revised Chatham House Rule<sup>1</sup> these points are not attributed to any particular Speaker or Discussant, but instead represent the overall discussion that occurred during each session.

#### Key themes emerging from the discussions:

##### *Session 1. Setting the Scene: The Current State of the South Pacific*

Speaker: Mr Greg Urwin PSM, Secretary-General, Pacific Islands Forum Secretariat.

Discussants: Dr Jimmie Rodgers, Director-General, Pacific Islands Forum Secretariat, Mr Neil Plimmer, Chairman, Pacific Co-operation Foundation of New Zealand.

Theme	Points made during Forum discussions
Regional Cooperation	<ul style="list-style-type: none"> <li>• Uphold democratic processes through actions such as the Biketawa Declaration.</li> <li>• The Pacific Islands Forum should act as the key body through which to achieve regional integration and cooperation by way of the Pacific Plan.</li> <li>• While ‘pooled sovereignty’ can provide advantages to some, it also affords governments with an excuse not to address issues that are pertinent to their own state.</li> <li>• Regional service provisions are important to help nations accomplish goals they cannot achieve independently.</li> </ul>

<sup>1</sup> “Revised Chatham House Rules enable mention that comments were made [at an event], but not the person who made them”, extract from AIIA Sub-Committee Meeting Notes of 14 February 2006.



(continued)

Culture	<ul style="list-style-type: none"> <li>• Need for Australian policy to avoid cultural generalisations and stereotypes.</li> <li>• Deeper understanding of the process of de-colonialisation and independence.</li> <li>• Need to recognise unresolved tensions that pre-date independence.</li> <li>• Cultures need to be better understood in order to overcome challenges of forging national identities.</li> <li>• Identified that homogenous states are more successful than diverse ones and that ethnic diversity within states is a challenge that needs to be taken into account when considering state-building.</li> </ul>
Regional Challenges	<ul style="list-style-type: none"> <li>• Indifference to economic growth.</li> <li>• Rapidly increasing populations.</li> <li>• Urbanisation.</li> <li>• Decline in health and education indicators.</li> <li>• Weakness of governance.</li> <li>• Demographics: in particular the 'youth bulge' in Melanesian states.</li> </ul>
Strengths of the Pacific Communities	<ul style="list-style-type: none"> <li>• The strength of family and clan life; churches; the devotion of parents to their children's schools; sport; as well as voluntary organisation.</li> <li>• Communal culture is crucial to building strong Pacific communities.</li> </ul>
Governance	<ul style="list-style-type: none"> <li>• Traditional governance needs to be incorporated into the Westminster model in order to avoid a mismatch between traditional and contemporary models.</li> <li>• Greater understanding of the transition from small kinship-based societies to 'democratic' market-based ones is essential.</li> </ul>
Non-Pacific Regional Interests	<ul style="list-style-type: none"> <li>• Need to incorporate countries like China, Japan and Taiwan into regional dialogue to ensure common goals; good governance; and a cohesive approach to delivering aid and investment.</li> <li>• The importance of consent environment whereby smaller nations are not at a disadvantage in decision-making processes.</li> </ul>
Civil Society	<ul style="list-style-type: none"> <li>• The need for change to come from internal rather than external sources.</li> </ul>
Labour Mobility	<ul style="list-style-type: none"> <li>• Seasonal Immigrant labour in Australia would help support Melanesian economies through remittance payments.</li> </ul>

*Session 1 Policy Recommendations:*

- 1) Policy has to be based around the cultural organisation of Pacific societies in order to be effective.
- 2) Rodgers calls for an approach that "...rethinks the way we do business; thinks outside the box; and [in which the Australian and Pacific nations] avoid getting complacent."<sup>2</sup>
- 3) The Pacific Islands Forum is an effective mechanism to aggregate PICs interests; caution must be exercised in order to prevent complacency within the governments of some countries.
- 4) There is a critical need to avoid generalisations and appreciate the unique political histories and circumstances of PICs in order to reach appropriate strategies to meet the short and long-term developmental challenges.

<sup>2</sup> J. Rodgers, 'The Current State of the South Pacific', transcript of discussion recorded by the ABC, National Presidents' Forum, Sydney, 14 July 2006, p. 2. Online Available HTTP: <http://www.abc.net.au/rn/backgroundbriefing> (accessed 29 September 2007).

*Session 2. Lesson Learnt: PNG and Australia*

Speakers: Professor Ted Wolfers, University of Woollongong; and adviser to the PNG government.

Discussants: HE Charles Lepani, OBE, High Commissioner for PNG, Mr Sean Dorney, Pacific Correspondent, ABC.

<b>Theme</b>	<b>Points made during Forum discussions</b>
Regional Cooperation	<ul style="list-style-type: none"> <li>• Sub-groupings of countries with similar interests may be more advantageous as in some cases larger countries will ‘go it alone’.</li> </ul>
Cultural Contexts And Perspective	<ul style="list-style-type: none"> <li>• UN development classifications do not reflect the reality of PNG’s development progress and in many cases are misleading.</li> <li>• There are misconceptions that PNG citizens do not know how to use institutions; nevertheless there needs to be better understanding of how they are utilised in terms of local ideas of governance.</li> <li>• Solving problems requires understanding the long-term historical contexts.</li> <li>• Australia needs to gain a more accurate perspective on PNG.</li> <li>• Language remains a strong barrier to understanding PNG culture.</li> </ul>
Development and Effective aid Delivery	<ul style="list-style-type: none"> <li>• Tensions between foreign aid donor policies and the politics of recipient countries need to be recognised and resolved in order to reach long-term goals.</li> <li>• Developmental progress has been made. Life expectancy in PNG has increased. New challenges have emerged as a result.</li> <li>• Foreign aid does not help build strong institutions required for long-term change.</li> <li>• Cross-over between PNG and Australian organisations is occurring on projects and is a source of irritation for PNG aid workers.</li> <li>• AusAID projects have been poorly executed or not finished. Reports on these are more concerned with getting on-going funding and do not reflect accurately the efficacy of projects.</li> <li>• Budget support to project-tied and now SWAP does not adequately deliver aid without ‘strings attached’.</li> </ul>
Governance	<ul style="list-style-type: none"> <li>• Democratic models need to meet the requirements of the people and suit the character of society in order to be effective.</li> <li>• The lack of national identity and unity hampers effective state-building.</li> </ul>
Defence	<ul style="list-style-type: none"> <li>• Australian definitions of security do not apply to the PNG context.</li> <li>• Stability and the well-being of PNG citizens requires fundamental change and long-term strategies.</li> </ul>
The Role of the Media	<ul style="list-style-type: none"> <li>• The Australian media has lost interest in PNG, therefore Australians have no, or misguided, perceptions of the country.</li> </ul>
Labour Mobility	<ul style="list-style-type: none"> <li>• Working visas are needed to meet Australian labour shortages and more importantly to teach Papua New Guineans the skills to both fulfil re-development contracts and keep money in the country.</li> </ul>

*Session 2 Policy Recommendations:*

- 1) People-to-people contact between Australians and Papua New Guineans is required to re-gain a deeper understanding of problems and to facilitate more appropriate policy.
- 2) The Australian media must become more engaged with events in PNG in order to generate broader interest and understanding among Australian policy-makers and society at large.
- 3) Australians should learn pidgin and other languages in order to effectively communicate and understand PNG culture.

- 4) National unity and identity can be strengthened through the promotion of sports.
- 5) Visting PNG officials are meeting with civil society groups, such as Rotary in Australia, rather than government departments in order to foster good cultural understanding and people-to-people contact. This should continue.
- 6) ASOPA should be re-established to teach Australians about PNG, especially its culture and languages, before they leave Australia. Attendance should be compulsory for all, especially for those going to PNG in peace-keeping roles.
- 7) Economists and their perceptions of PNG are commanding too much attention in policy-making. This imbalance needs to be addressed and perceptions must avoid being condescending or paternalistic.
- 8) The contribution of locals in PNG has to be acknowledged.
- 9) Aid resources and funding should be directed more to groups at the village level – to churches rather than institutions for example.

*Session 3: Learning from Experience: Australia and the Solomon Islands*

Speaker: Associate Professor Clive Moore, Head of History, School of History, Philosophy, Religion and Classics, University of Queensland.

Discussants: Dr Michael Fullilove, Director of Global Issues Program, Lowy Institute for International Policy, Ms Mary-Louise O’Callahan, Gold-Walkley Award-Winning Journalist, Commentator and Solomon Islands-based Correspondent.

Theme	Points made during Forum discussions
The Role of RAMSI: Successes	<ul style="list-style-type: none"> <li>• Stabilised the economy and public-service.</li> <li>• Effectively restored law and order.</li> <li>• In comparison to other international peace-keeping missions the operation was executed well and expediently, while overall it succeeded in quelling the conflict and restoring stability.</li> <li>• In-line positions filled by RAMSI fill capacity gaps and prevent conflicts of interest that locals cannot avoid due to obligations of their kinship tradition.</li> <li>• In comparison to other interventions, RAMSI has maintained a relatively non-intrusive presence.</li> <li>• Focus is on long-term challenges.</li> <li>• Disarmament has led to people having more confidence to speak out against government decisions.</li> </ul>
The Role of RAMSI: Failures	<ul style="list-style-type: none"> <li>• Did not address the needs of Solomon Islanders.</li> <li>• Inappropriate conduct transgressed cultural codes.</li> <li>• Lack of Australian involvement with Solomon Islanders at a social level.</li> <li>• Resentment of Australian in-line officials working in senior government positions.</li> <li>• Lack of personal understanding and engagement between Australians and Solomon Islanders.</li> <li>• Perception by Solomon Islanders that RAMSI’s presence was a form of neo-colonialism.</li> <li>• High salaries and allowances and fraternisation among foreigners is a problem.</li> <li>• The failure to predict and prevent the April 2006 riots in Honiara.</li> <li>• There are high demands placed on the AFP that they struggle to meet.</li> </ul>

(continued)

Culture and Society	<ul style="list-style-type: none"><li>• Australian presence created a wealthy foreign elite that previously did not exist in the Solomon Islands.</li><li>• Lack of understanding of culture.</li><li>• Pidgin now compulsory for all AFP going to the Solomon Islands.</li><li>• The Australian Government has responded to the need for more people-to-people contact by creating Pacific Divisions in the public service. Officials are being sent to the Pacific to learn about the situation first-hand.</li></ul>
Governance	<ul style="list-style-type: none"><li>• RAMSI imposed governmental reform when they were asked to make the current system work better.</li><li>• Foreign systems of government do not consider adequately culture and tradition.</li><li>• Government should be decentralised and focussed on provincial rather than central administration.</li><li>• The authority provided to RAMSI extends to the judiciary.</li><li>• Sogavare's request for intervention was in the best interests of the people and not the government which did not benefit from the corruption inquiries.</li><li>• The judicial system is slow to prosecute cases.</li><li>• Solomon Island leaders are complacent and happy to let RAMSI take the lead as this is easier and less complicated for them.</li></ul>
Development	<ul style="list-style-type: none"><li>• Development should occur at the civil society level and churches need to be given more resources and encouraged to work more closely alongside the formal government structure.</li><li>• Resources are going into rural development owing to RAMSI's commitment to long-term goals.</li></ul>
Security	<ul style="list-style-type: none"><li>• Failed states are a security threat to Australia's interests.</li><li>• Failed states are a cause of human insecurity not because of terrorists, but because people remain or become impoverished with ongoing underdevelopment.</li></ul>

*Session 3 Policy Recommendations:*

- 1) Australians working in the Solomon Islands need to be taught *pijin* English.
- 2) RAMSI staff needs to be less transient so that there is more motivation to learn cultural codes and language as well as maintain strong friendships with Solomon Islanders. Longer postings are recommended.
- 3) RAMSI needs to maintain an enduring presence in order to support the implementation of institutional and economic reforms.
- 4) There is a need for greater synergy between the AFP, ADF, and IDF to ensure cooperation and creation of skill bases to put people on the ground that can cope with complex situations and challenges faced in the Solomon Islands.
- 5) Solomon Island Leaders need to play a greater role in decision-making and take the responsibility for improving the situation.
- 6) That the Australian Government continue to create Pacific Divisions within the Public Service and ensure that officials get first-hand experience of Pacific Islands culture.
- 7) RAMSI's role is to create a stable environment; 'deep problems' like injustice and reconciliation need to be resolved by Solomon Island governments.

*Session 4: Future Directions*

Speaker: Ms Imrana Jalal, Human Rights Advisor, Regional Rights Resources Team, Fiji.

Discussants: Mr Rex Horoi, Executive Director, Foundation of the Peoples of the South Pacific International Secretariat, Mr Nic Maclelland, Senior Policy Advisor- Pacific, OXFAM.

<b>Theme</b>	<b>Point made during Forum discussion</b>
Culture	<ul style="list-style-type: none"> <li>• Australian policy-makers and Australian society do not understand PICs and therefore have trouble engaging with the region.</li> <li>• It is unhelpful to homogenise the region.</li> <li>• A more meaningful partnership between Australia and PICs that recognises the unique cultural concerns and values of Pacific Island countries needs to be established.</li> </ul>
Security	<ul style="list-style-type: none"> <li>• The Australian Security discourse provides only a superficial analyses of PICs; thus the diverse characteristics of Pacific nations need to be acknowledged.</li> <li>• Focus should be on human security within borders rather than on external threats.</li> <li>• The link between human rights; conflict prevention; effective governance and the rule of law has to be made stronger and clearer.</li> </ul>
Development	<ul style="list-style-type: none"> <li>• Pacific 2020 is helpful, but does not reflect a good understanding of the region.</li> <li>• Development policy and aid packages need to include initiatives that encourage and empower ethnic minority groups, women, and youth to take part in decision-making processes.</li> <li>• Development and the creation of new institutions by the Australian Government needs to be of mutual benefit to Australia and the PICs.</li> <li>• Conflicting policy interests exist between Australia and the PICs.</li> <li>• NGOs should be more involved with policy discussion, especially that which relates to the delivery of aid.</li> </ul>
Governance	<ul style="list-style-type: none"> <li>• Any attempts at nation-building have to recognise that allegiances are not traditionally made to the state.</li> <li>• Democratic institutions have to be culturally specific and take account of tradition and customs.</li> <li>• Democracy cannot dissolve traditional leadership, but must make it more accountable.</li> <li>• Australia can help build better institutions, but only if it acknowledges cultural sensitivities and works more within civil society.</li> <li>• Building good leadership is required at all levels of society.</li> </ul>
Australia's Future Role	<ul style="list-style-type: none"> <li>• Help build respect for the rule of law and democracy, according to the needs of the PICs rather than our own.</li> </ul>
The Environment	<ul style="list-style-type: none"> <li>• Australia needs to be more responsible as a regional leader to help minimise the effects of climate change that are a significant threat to low-lying islands nations.</li> </ul>

(continued)

Human Rights	<ul style="list-style-type: none"> <li>• The Pacific Plan is endorsed as a developmental framework that promotes human rights especially of women; youth; non-chiefs; and commoners.</li> </ul>
The Role of Civil Society	<ul style="list-style-type: none"> <li>• NGOs and governments should engage more with civil society.</li> <li>• Civil society is the most effective means through which to deliver aid programs.</li> </ul>
The Media	<ul style="list-style-type: none"> <li>• The media should create more public interest in development progress and other facets of Pacific Islands culture.</li> <li>• Need to re-think how they represent young people and focus more on the positive contributions that youth can make.</li> </ul>
Non-Pacific Regional Interests	<ul style="list-style-type: none"> <li>• Understand the interests of donor countries like China, Japan, Korea, and Taiwan to ensure that these interests are integrated into broader long-term initiatives.</li> </ul>
Regional Cooperation	<ul style="list-style-type: none"> <li>• The Pacific Islands Forum does not always aggregate interests, instead, while focusing on regionalism it should acknowledge the different requirements of member nations.</li> </ul>
Labour Mobility	<ul style="list-style-type: none"> <li>• Given the current Industrial Relations climate in Australia, there is little hope that a discussion on this topic will take place before the next Federal election</li> <li>• The type of labour should be specified.</li> <li>• Cost/benefit analyses needs to be undertaken to ensure that the impact of labour mobility on family life as well as workers rights and conditions is understood.</li> </ul>

*Session 4 Policy Recommendations:*

- 1) Australian environmental policy should consider the effects of high-carbon emissions that contribute to climate change on low-lying Pacific Islands.
- 2) That development initiatives occur at the level of civil society and incorporate a human rights framework to empower ethnic minorities; women; young people; commoners; and non-chiefs.
- 3) Development programs need to be of mutual benefit to Australia and the PICs.
- 4) The Australian security discourse has to shift focus from threats outside of the border, such as terrorism, to ensuring human security needs with states, such as: education, nourishment, clean water, democratic and human rights.
- 5) That an organisation responsible for promoting and understanding Australia-PICs relations is established.
- 6) Policy-makers need to be more tightly linked to those working in development environments and community groups.
- 7) That development approaches incorporate NGOs, governments, media, grass-roots community groups, and civil society across nations.
- 8) Developing leadership and life skills throughout society through sport and life-skill development initiatives, particularly for women and youth.
- 9) Certain personalities at the upper levels of bureaucratic hierarchies in Canberra must re-think their approaches to the Pacific and especially acknowledge the diversity that exists among the PICs.
- 10) AusAID needs to establish stronger relationships with non-government groups and take-up NZAID's lead in signing partnerships with groups at community and provincial levels.

- 11) Request that countries like China, Japan, Korea, Taiwan and other non-Pacific regional donor countries introduce five-year aid plans to ensure that strategic objectives are communicated in an open manner.
- 12) Fiji's NLPB is a possible model to adopt in order to deal with the issue of land tenure.
- 13) Facilitate labour mobility through the provision of dual citizenship for citizens of countries in the Pacific Forum.
- 14) There are important differences between Pacific and Australian policy that need to be recognised.
- 15) Policy decisions should be directed by strategies that empower Pacific Islanders.
- 16) More resources should be directed to people-to-people relationships.
- 17) Programs that provide education and jobs need to be based in regional areas to overcome the problems of 'urban drift'.
- 18) Adverse social, cultural, and environmental affects of economic growth, especially in Melanesia, need to be acknowledged

### **Comparison of Forum themes with key literature**

When compared to key policy literature, the above summaries indicate a varied and much broader approach to themes of labour mobility; regionalism; aid deployment; governance at the level of civil society; and the need for more cultural awareness. In each session, papers presented in-depth analysis of Pacific situations. The discussants and other participants debated these issues in a manner that resulted in a diverse range of policy recommendations. Gyngell and Wesley's model is applied to the above discussion to identify how results that emerged as a consequence of the multidisciplinary approach to the Forum differ from those of key policy literature. From this analysis it is possible to assess the applicability of Gyngell and Wesley's model to a multidisciplinary approach, visualised in Figure 2. Outlined in bold type are the major differences between applying the model to Australian foreign policy-making, representing only Australian views and interests, and applying it to a regional context such as the Forum itself.

### **Part III: Gyngell and Wesley's model applied to the Forum**

When applied to the case study Gyngell and Wesley's model is significantly altered, yet still very useful. A comparison of Figures 1 and 2 indicate the following:

- 1) that when applied the model illustrates information flows both between and across levels of policy formulation. This is represented in Figure 2 by two-sided orange arrows.
- 2) Figure 2 suggests that there was greater plurality throughout the process that included political actors such as journalists; as well as human rights and civil society groups.
- 3) Figure 2 shows a much broader representation of views included in processes than in Figure 1, which is limited to those of senior public servants and certain departmental heads.
- 4) Dialogue occurred between those working in areas that remained separated. In Figure 1, for example, between aid programs directors and those responsible for their implementation.

**Figure 2: Application of Gyngell and Wesley’s Model to Forum**

Element	Characteristics	Directed at	Functional roles	Bureaucratic Hierarchy	Authority /Responsibility
	Application to Forum	Forum Participants	Throughout Forum	Methods of discussion	Application
Strategic	<ul style="list-style-type: none"> <li>- Sessions based around Australian <b>and Pacific</b> value statements.</li> <li>- Inclusion of speakers’ papers to reflect <b>diverse value statements</b>.</li> <li>- Facilitated open discussion.</li> </ul>	DFAT; PM&C; Treasury; Defence; AusAID; FSPI; SPC; <b>Pacific Islands Forum Leaders.</b>	<ul style="list-style-type: none"> <li>- <b>Identified Pacific regional values.</b></li> <li>- Refocused ‘security’ definition so it <b>applies regionally.</b></li> </ul>	<ul style="list-style-type: none"> <li>- Identified and ensured attendance of important decision- makers.</li> <li>- <b>Shifted emphasis from Australian to regional concerns.</b></li> </ul>	<ul style="list-style-type: none"> <li>- Relationship between regional agreements and implementation.</li> <li>- <b>International agreements and treaties.</b></li> </ul>
Contextual	<ul style="list-style-type: none"> <li>- Broader Pacific context.</li> <li>- Including non-government regional interests such as human rights and democratic institutions.</li> <li>- <b>Lacked</b> consideration of Australian domestic policy.</li> <li>- <b>emphasised the importance of differences of cultural contexts.</b></li> </ul>	<ul style="list-style-type: none"> <li>- <b>Pacific political actors, Academic policy think tanks; International organisations and NGOs; as well as Civil society groups .</b></li> </ul>	<ul style="list-style-type: none"> <li>- Provided a <b>range of views on issues and depth to</b> disussion.</li> </ul>	<ul style="list-style-type: none"> <li>- Reflected on implications of Australian strategic statements and values.</li> <li>- <b>No hierarchy.</b></li> <li>- <b>all participants given opportunity to contribute to discussion.</b></li> </ul>	<ul style="list-style-type: none"> <li>- Context broadened to include the recipients of Australian foreign policy and involved them in process.</li> <li>- <b>Re-evaluation of contexts in which policy operates.</b></li> </ul>
Organisational	<ul style="list-style-type: none"> <li>- Acknowledged decision-making hierarchy and important Australian government departments.</li> <li>- <b>Included business, international and non-government actors.</b></li> <li>- <b>Sessions dedicated to lessons learned from RAMSI intervention.</b></li> </ul>	<ul style="list-style-type: none"> <li>- Project coordinators.</li> <li>- Specific senior public servants.</li> <li>- Academics.</li> <li>- <b>Journalists.</b></li> </ul>	<ul style="list-style-type: none"> <li>- <b>Enacts policy through consensus.</b></li> </ul>	<ul style="list-style-type: none"> <li>- <b>Decentralised, not</b> hierarchical.</li> </ul>	<ul style="list-style-type: none"> <li>- <b>Assessment of resource allocation, discussion on role of groups at civil society level</b></li> </ul>
Operational	<ul style="list-style-type: none"> <li>- Included <b>Pacific perspectives on aid delivery and efficiency.</b></li> <li>- <b>Suggested new more efficient ways to deliver good aid programs.</b></li> </ul>	<ul style="list-style-type: none"> <li>- Participants with practical experience of policy implementation.</li> <li>- <b>Representatives of Pacific groups.</b></li> </ul>	<ul style="list-style-type: none"> <li>- Provide policy feedback through experience.</li> </ul>	<ul style="list-style-type: none"> <li>- Provided opportunity for groups working at the operational level to <b>interact with policy-makers</b> within the bureaucracy.</li> </ul>	<ul style="list-style-type: none"> <li>- Inquiry made into the effects of policy on Pacific Islanders “Lessons Learned” session.</li> </ul>



- 5) Heightened levels of cooperation between people working in disparate institutions throughout different countries. For example, civil groups or NGOs taking a more active role in directing policy in cooperation with Australian bureaucrats.
- 6) Greater transparency and higher degrees of accountability as illustrated in the far right hand column whereby policy is directed by regional cooperatives rather than by the Australian Government's executive powers

### **The application of the model to the case study:**

In the previous section I have outlined current thinking on Pacific policy, presented Gyngell and Wesley's modelling framework for understanding and influencing foreign policy-making processes; as well as applied this model to the Forum. Conclusions derived from the analysis are that:

- 1) Current thinking on Pacific policy in Australia is concerned primarily with creating a safe and secure region through strategic statements and policy initiatives outlined in key literature such as The Aid White Paper, Pacific 2020 and The Senate Inquiry.
- 2) Current thinking on Pacific policy in the broader region as outlined in *The Pacific Plan* and *Eminent Persons' Report* provides a blueprint for implementing regional governance initiatives in a way that has a slightly different focus to the government-produced papers.
- 3) Gyngell and Wesley's framework (see Figure 1) is a useful way of understanding foreign policy-making processes in an Australian context. The Forum broadened the Pacific policy discourse by bringing Pacific leaders and thinkers into the discussion. Thus, the focus of influence is also expanded to include Pacific thinking and perspectives including those of regional institutions and regional media.
- 4) When applied to the case study, Gyngell and Wesley's model helps to illuminate differences between an 'Australian approach' and a 'regional approach' to Pacific policy, identifying key policy actors, institutions and their functions. Importantly, it also illustrates that foreign policy processes can occur across governments and incorporate non-government interests. (See Figure 2)
- 5) Heightened levels of cooperation between people working in disparate institutions throughout different countries, for example civil groups or NGOs taking a more active role in directing policy in cooperation with Australian bureaucrats.
- 6) Greater transparency and higher degrees of accountability as illustrated in the far right hand column whereby policy is directed by regional cooperatives rather than by the Australian Government's executive powers.

## **Evaluation and Recommendations**

### **The model:**

Given that foreign policy is a set of activities and processes that occur at different hierarchical levels (See Figure 1), it follows logically that attempts to influence policy-making processes should also occur at many intersecting levels. Gyngell and Wesley identify these processes as characteristically irrational; anarchical; complex; and

fluid. Typically, however, Gyngell and Wesley's model is applied only in the Australian context. The Forum case study has demonstrated that the model can be applied regionally, permitting the diversity of voices in and multidisciplinary nature of foreign policy formulation to become evident.

Utilised in this manner, the model helps to illustrate the interaction between diverse actors and institutions within common strategic, contextual, operational, and organisational levels. When applied to the case study (See Figure 2) the true complexity of influences beyond the Australian context become apparent, which in turn may assist analysts and groups such as the AIIA to better facilitate policy-making processes.

Figure 2 also provides the basis for the AIIA to continue to provide opportunities for thinking about foreign policy as an activity based on the understanding of and cooperation with diverse Pacific leaders; thinkers; organisations; and government bodies. Consistent with the Institute's objectives this may lead increasingly to mutually beneficial policy outcomes and the achievement of long-term objectives.

Similarly, in an address to the APRU Fellows Conference, Professor Alan Dupont also supports a broadening of discussion to compensate for the changing nature of development challenges faced by Australia and the Pacific. He underlined the importance of non-traditional security issues such as pandemics and climate change, which incorporate many of the themes covered in the Forum including 'pooled governance'; labour mobility; and impoverishment. This logic is based on the observation that threats should no longer be thought of in terms of nation states, but rather regions with common goals represented through common strategic statements. This requires a variety of perspectives or as Dupont suggests a multidisciplinary approach. Gyngell and Wesley's model can be used to represent this direction.

### **The Forum:**

A multidisciplinary approach is consistent with the way in which the National President's Forum operated. As a result, policy recommendations went beyond the key literature produced by the Australian Government and tackled, thoroughly, complex development challenges. Cultural understanding, human rights and the involvement of civil society were key issues underlined in the session on *Future Directions*.

It is recommended that this approach be developed further to deal with other complexities such as cultural understanding. Given that this was a major theme of the Forum, people who help shape culture, other than Pacific correspondents and journalists, should also be invited to lend a hand in foreign policy-making processes.

These additional participants may include film directors, television producers, musicians, artists, sportspeople and commentators, tourism representatives, teachers, as well as Australian and Pacific celebrities and radio commentators. They could also be encouraged to learn more about Pacific issues as well as establish more personal connections and understanding between Australians and Pacific Islanders.

Another theme emphasised throughout the Forum was the importance of civil society and community groups in delivering and allocating foreign aid programs. Thus, it is recommended that these people also be invited to partake in future Forums which could be more open to the public and community groups. With greater regional understanding, groups like Rotary International could contribute to the debate on aid allocation and other programs that operate in civil society. In his remarks, HE Charles Lepani the High Commissioner, for PNG, mentioned that when in Australia he would "...prefer to cut a ribbon for a Rotary club in Orange, than sit around in the corridors at

DFAT waiting to be talked at.”<sup>1</sup> This telling anecdote is illustrative of the need for further grass-roots involvement.

Finally, it is recommended that future discussion on the Pacific and Australian roles and responsibilities take place in a wider range of Pacific countries. Much of the discussion in the Forum drew attention to the ways in which past foreign policy processes have been influenced by the wrong people, or rather dominated by certain professionals such as economists and defence strategists. The broader application of Gyngell and Wesley’s model increases the space for non-bureaucratic voices to be heard and accommodated in policy-making processes. In order to influence good foreign policy outcomes, the prime objective of the AIIA, the broader model highlights opportunities to address longer-term issues through cultural exchange.

One reason that Australian foreign policy-making is important is that it affects the daily lives of millions of men, women and children throughout the Pacific Islands. Before embarking on costly and potentially dangerous policy initiatives, such as those followed in the Solomon Islands over the past year, the least we can do is listen. It makes sense to stir up the dust, then gather and listen to their voices. It is what good neighbours do.

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# WORLD INSTITUTES OF INTERNATIONAL AFFAIRS: INFLUENCE AND INDEPENDENCE

**Christopher Simpson**<sup>1</sup>

The report focuses on world institutes of international affairs, a topic that has received insufficient attention from researchers. These institutes have been instrumental in promoting the understanding of international affairs for about a century and thus have evolved considerably with changing contemporary political environments. The most notable change in direction occurred during the Cold War when some institutes became more partisan and competitive. This development clashed with the principals of the old guard institutes, which remained more scholarly and non-partisan. Founder institutes; sister institutes; partisan institutes; niche institutes; and dependent institutes and are discussed in terms of two variables: influence and independence. Case studies which involve: the Canadian Institute of International Affairs; the Irish Institute of European Affairs; and the Chinese Institutes of International Affairs. Conclusions reached include: the importance of leadership personality and style; the ability of institutes to adapt to a particular national environmental; and their prioritisation in the constituency and activity stakes. It also appears that the two variables, influence and independence, are often in tension, leading to something of a 'trade-off'.

## **Introduction**

This report surveys various institutes which seek to promote understanding of international relations. Institute paradigms are compared by utilising the variables of independence and influence to establish patterns and determine whether tension, a correlation, or an optimal configuration exists between them.

Sources utilised include publications, electronic sources and interviews. Although available material focuses mainly on 'think tanks' or multilateral second track diplomacy it is useful in broadening one's understanding of the topic. The second part outlines the history of those institutes later used in constructing the paradigms. It also examines how they function by looking at their strengths and weaknesses, an exercise that provides a foundation for a discussion of the variables in the third section.

Part three presents the method and data used to analyse the paradigms. Detailed analysis is shaped by the variables, influence and independence. Examples are selected from the paradigms and examined further in the next section. Part four looks at the case studies in detail and in terms of the variables, while the relationship between these is highlighted. The integrity of the paradigms outlined is evaluated before the conclusions are presented. Finally, section five discusses the findings, involving the relationship

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between the variables and what these indicate about the paradigms and institutes at large.

## Historical Background

Since their formation institutes of international affairs have stood as a gateway between ideas and politics, enhancing the understanding of international affairs and thus the decision-making processes. This section introduces briefly the origins and history of these institutes, including their principal strengths and weaknesses.

It opens with a description of the evolution of the two great waves of institutes which moved with currents of their time. First, was that of the cooperative internationalist movement of the inter-war years followed by that of the polarised and combative Cold War era. These historic developments are translated loosely into five distinct paradigms before the discussion turns to the analysis of the advantages and disadvantages of the institutes.

### Inter-War Origins

The first wave of institutions grew out of the Versailles Peace Treaty negotiations of 1919 where a group of delegates envisioned a discussion forum for experts and government officials which could help guide public opinion on international affairs.<sup>2</sup> This topic was considered too important to be left solely in the hands of politicians. The foundation of this project mirrored that of the League of Nations, which sought primarily to avert war, resolve conflicts, and transcend short-term national interests.<sup>3</sup>

The architects of this latter organisation went on to establish the British Royal Institute of International Affairs (RIIA) and the American Council on Foreign Relations (CFR). These twin institutes have subsequently had a remarkable influence on both the development and study of international relations and contemporary government policy.

Their impact on policy is visible in international treaties concluded during the inter-war years as well as in decisions of conferences prior to the outbreak of war in 1938-9.<sup>4</sup> This was despite the fact that their influence was accomplished mainly by informal linkages with politicians and bureaucrats. Influence in academe was achieved through involvement in journal publications and institutional interaction with scholars, which helped bridge the gap between academic and policy studies.

Although these founding institutes were funded through the offering of memberships, the acceptance of government assistance, and generous donations from foundations<sup>5</sup>, they never espoused openly a particular position, focusing instead on debate and open discussion.

The RIIA and CFR were the models for the formation of sister institutes - in countries such as Australia, Canada, New Zealand and South Africa - which share many similarities.<sup>6</sup> These institutions are now usually considered 'old guard', "non-

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<sup>2</sup> J. Legge, *Australian Outlook*, Canberra: Allen & Unwin, 1999, pp. 24-5.

<sup>3</sup> M. Wala, *The Council on Foreign Relations and American Foreign Policy in the Early Cold War*, Oxford: Berghahn Books, 1994, pp. 1-3.

<sup>4</sup> D. Stone, 'Think Tanks: Independent Policy Research Institutes in the United States of America, The United Kingdom and Australia', PhD thesis, Australian National University, 1993, p. 23.

<sup>5</sup> I. Parmar, *Think Tanks and Power in Foreign Policy*, Chippenham: Antony Rowe, 2004, p. 146.

<sup>6</sup> Legge, *op. cit.*, pp. 31-2.

partisan and scholarly”.<sup>7</sup> This, is in contrast to the new partisans that proliferated during the Cold War.

### **Cold War Evolution**

While related to the founders, second wave institutes also reflected the political environment of their day. These new ‘think tanks’, which flourished from the 1950s onwards, were more ideologically driven, area-focused and based largely in the US.<sup>8</sup> This development can be explained by the increasing polarisation and combative nature of the international system. In western countries, parties and factions sought to establish their own intellectual clubs beyond the scrutiny of the electorate.<sup>9</sup> There was, accordingly, a growing correlation between international issues and divisive domestic politics. The Vietnam War, in particular, exacerbated differences within and between Western states.<sup>10</sup>

Funding activities also changed considerably during this period as competition for government funding increased and big business emerged as a key financial contributor. Service fees and research contracts began to supplement the traditional method of raising funds through membership fees.<sup>11</sup>

Diversification in focus also occurred, with many institutes targeting niche areas of research by establishing specialist branches, such as the East Asia Analytical Unit, which often had close ties to universities and/or government departments. A scholarly emphasis on long-term trends and emerging issues was again a priority.<sup>12</sup>

Research institutes concerned with foreign affairs were also established in Communist countries. These had official government sponsorship and were structured in formal Soviet-style bureaucracies. Requests were sent down to the institute(s) and research ascended to the government department(s)<sup>13</sup> and would not be published until it was screened to conform strictly to the party line.

The US and USSR models were adopted by ‘think tanks’ across the world, with Soviet-dependent institutes controlled externally, while American partisan institutes promoted or lobbied for a particular policy position. Companies and governments sometimes supported such institutions with a view to furthering their own objectives.

There was a burgeoning of such organisations in Africa, Asia and Eastern Europe during the 1980s and 1990s. This was partly owing to globalisation, although the collapse of the Soviet Union played a major role in Eastern Europe, as did decolonisation in Africa.<sup>14</sup>

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<sup>7</sup> Stone, op. cit. (1993), p. iv.

<sup>8</sup> D. Stone, *Capturing the Political Imagination: Think Tanks and the Policy Process*, London: Frank Cass & Co, 1996, p. 23.

<sup>9</sup> H. Maull, ‘Call Girls in the Old World: Of Multilateral Think Tanks, Dialogue Programs and Other Promiscuous Activities in and Around Europe’ in P. Evans (ed.) *Studying Asia Pacific Security*, Toronto: University of Toronto-York University Joint Centre for Asia Pacific Studies, 1993, pp. 275-97.

<sup>10</sup> Parmar, op. cit., p. 144.

<sup>11</sup> J. McGann, ‘Best Practices for Funding and Evaluating Think Tanks & Policy Research’, McGann Associates Program and Management Consultants, for the William and Flora Hewlett Foundation, 2006.

<sup>12</sup> I. Marsh, ‘The Development and Impact of Australia’s ‘Think Tanks’’, CEDA information paper no. 43, February 1995.

<sup>13</sup> B. Glaser and P. Saunders, ‘Chinese Civilian Foreign Policy Research Institutes’, *The China Quarterly*, June 2002, p. 598.

<sup>14</sup> J. McGann, ‘2007 Survey of Think Tanks a Summery Report’, Foreign Policy Research Institution, August 2007.



At this point it is useful to illuminate the unifying characteristics of the various institutes, especially those relating to mission and operations, by focusing on their strengths and weaknesses.

### **The Strengths**

The main strengths of institutes of international affairs are their ability to provide specialist advice and second track diplomacy, as well as contribute to the public understanding of international issues.

#### *Providing Advice*

Busy decision-makers can gain access to expert advice, often of a professional and specialised nature from institutes of international affairs. This may be more critical and/or innovative than that provided by government agencies.<sup>15</sup> It could be delivered in the form of research which looks at long-term trends beyond the usual scope of decision-makers and their agencies. An example which comes to mind is the New Zealand Institute of International Affairs (NZIIA)'s forward-thinking seminar, held in 1999, on 'Free Trade in the New Millennium'.<sup>16</sup>

Practical and constructive advice and opinion from academic and non-government organisations (NGOs) can also filter through the institutes to government.<sup>17</sup> However, substantive scientific-based policy on dealing with such topics as climate change may have a greater bearing on actions of decision-makers than that presented by NGOs which may focus more on making the public more aware of such an issue.<sup>18</sup>

#### *Second Track Diplomacy*

Institutes of international affairs may provide a forum for regional engagement, reinforcing other more temporary bilateral and multilateral forums. They can also provide a valuable second track for diplomacy between countries and/or groups,<sup>19</sup> which is especially useful when official negotiations have stalled.

The interconnectedness of international institutions comes into play here through visiting politicians, academics, and other foreign actors, who via social interaction and dialogue can indirectly implement confidence-building measures and reach understandings. For instance, issues pertaining to security in the South China Sea, which the PRC government may be unwilling to discuss with other governments on an official diplomatic level or in regional forums, may be more manageable through unofficial institutional channels.<sup>20</sup>

#### *Public Understanding*

Institutes of international affairs can shape public opinion by providing education and stirring public interest in the discussion of international relations. This contribution can indirectly invigorate domestic political debates and give more weight to international issues in the public arena. The media also plays this role, but only in short

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<sup>15</sup> B. Taylor et al, 'Track 2 Diplomacy in Asia', ANU: Canberra Papers on Strategic and Defense, no. 164, p. 10.

<sup>16</sup> New Zealand Institute of International Affairs (NZIIA). Online Available HTTP: <http://www.victoria.ac.nz/nziia/events/seminars/background.html>. (accessed 10 August 2007).

<sup>17</sup> Stone, op. cit. (1996), p. 45.

<sup>18</sup> Taylor et al, op. cit., p. 12.

<sup>19</sup> Ibid., pp. 11, 13-14.

<sup>20</sup> Y. Song, *Managing Potential Conflict in the South China Sea*, National University of Singapore: East Asian Institute, 1999.

and topical bursts and thus functions, lectures and debates convened by the institutes provide a deeper understanding of the world political system.

Another method of reaching the public can be through formal educational channels. In 1994, for example, the 'young diplomat program' of the AIIA's Queensland Branch sponsored high school student activities relating to international affairs.<sup>21</sup> International university student interns also have a strong presence in most institutes, furthering this bond between the institutes and the public. Despite these positive functions, however, the institutes face serious challenges.

### **The Weaknesses**

The problems, which often lead to or stem from a lack of independence, include funding issues; the phenomena of 'group think'; and ambivalent public perceptions.

#### *Funding*

Shortfalls in funding can lead to conflicts of interests when financial backers have their own vested interests. This may result in the curbing of criticism, the dropping of an issue or the artificial bolstering of a particular policy<sup>22</sup> - all of which are major problems in less affluent countries. PNG's Institute of National Affairs, for example, requires about 80 firms to contribute to its "...core running and management costs".<sup>23</sup> A concentrated source of substantial funding can also be a serious problem, presenting a tempting fork in the road for struggling self-funded institutes.

Nevertheless, institutions with close governmental connections may gain inside information in the policy formulations process and thus might have a greater ability to shape official policy. The PRC's Institute of Taiwan Studies, for example, reports directly to the Taiwan Affairs Office of the State Council as well as to individual Chinese leaders.<sup>24</sup>

#### *'Group Think'*

When institutes become a type of intellectual society, a form of 'group think' may arise. Such insular communities may hold similar sets of assumptions and processes which preclude self-reflective thought and outside input. D.D. Kaye, a RAND Corporation political scientist and Middle East specialist, elaborates on this phenomenon pointing out that "...over time some participants have observed that they feel they are now part of a group which thinks differently from those who are outside the process".<sup>25</sup> This is indeed a risk run by insular institutes with stagnant membership levels and/or exclusive or selective membership procedures.

For example, those seeking long-term membership in the CFR "...must be nominated by one member and seconded by two others".<sup>26</sup> Yet, even when the public at large are permitted to apply for admission to such institutes, usually only a particular type of person will be approved. In fact, when this report refers to the 'public' it generally refers to a minority who take a keen interest in international relations.

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<sup>21</sup> Legge, op. cit. (1999), p. 177.

<sup>22</sup> H. Kraft, 'The Autonomy Dilemma of Track Two Diplomacy in Southeast Asia', *Security Dialogue*, vol. 31, no. 3, September 2000, pp. 343-56.

<sup>23</sup> Institute of National Affairs. Online Available HTTP: <http://www.inapng.com/>. (accessed 10 August 2007).

<sup>24</sup> Glaser and Saunders, op. cit. (2002), pp. 597-616.

<sup>25</sup> D.D. Kaye, 'Track Two Diplomacy and Regional Security in the Middle East', paper presented to the 2001 Annual Meeting of the International Studies Meeting, Chicago Hilton, 20-4 February 2001.

<sup>26</sup> Council on Foreign Relations. '2006 Annual Report', p. 85, Online Available HTTP: [www.cfr.org](http://www.cfr.org). (accessed 12 October 2007).

### *Negative Public Perceptions*

Occasionally, there is a public perception that these institutions are ‘talk shops’ which fail to produce tangible results. This may stem from into what Federal Labour Member for Melbourne Lindsay Tanner referred to, during a speech to the Sydney Institute, as public anti-intellectualism - especially in the arts.<sup>27</sup> A widely held negative public position such as this on the role of institutes could result in reduced government funding during periods of fiscal restraint. It could also undermine serious research and push institutes in new populist directions.

The public may also be critical of such institutions for being elitist. With respect to the RIIA, for example, political scientist Inderjeet Parmar avers that there “...is a feeling that somehow such concentrations of elites and experts in, what are meant to be, democratic and egalitarian social orders, subvert the power of the people”.<sup>28</sup> This highlights the potential friction between different groups of constituencies although it appears nearly impossible to neatly divorce them.

### *Conclusion: Influence vs. Independence*

It appears that the strengths of institutes are often weaknesses as well. For example, the provision of advice to government may lead to funding dependence, and second track activity may lead to ‘group think’. A key issue running through this discussion of the strengths and weaknesses is the nexus between independence and influence, a theme which will be developed further below.

## **Current State of Institutes**

Exploration of the current state of the institutes is facilitated by the use of paradigms that categorise the different types. Two variables, independence and influence, shape these models. Institutes listed are sorted into paradigms and characterised. These paradigms are then utilised to conduct more detailed case studies in section four

### **Definitions**

As many have noted<sup>29</sup>, it is very difficult to define what constitutes an institute of international affairs. This report considers the views of various researchers, especially those of political scientist James G. McGann<sup>30</sup>, as well as the original spirit of the Versailles project. Thus, its approach is inclusive and has quite wide parameters. An institute of international affairs has three fundamental characteristics:

#### *1. International Focus*

Such institutes are concerned primarily with international affairs. Although most institutes look at their own nation’s stakes in the international environment, and possess a distinctly national outlook, domestic politics should not dominate the institutes’ agenda.

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<sup>27</sup> AAP, Australians “Anti-intellectual, Hostile to Learning”, 21 November 2006. Online Available HTTP: <http://www.news.com.au/story/0,23599,20794702-421,00.html>. (accessed 10 August 2007).

<sup>28</sup> Parmar, op. cit.

<sup>29</sup> See for example: Stone, op. cit. (1993); Marsh, op. cit. (1995); and McGann op. cit. (2007).

<sup>30</sup> McGann, op. cit. (2006).

## *2. Autonomy*

Although they are independent entities with their own structure, staff and property, outside linkages are expected to be making this the most difficult criterion to define. A lack of autonomy will probably be covered up by institutes seeking public credibility and charitable status as an organisation.

## *3. Contributions*

The institutes should be active and contribute in some way to the understanding of international affairs. This can be achieved by providing advice, research or a forum for discussion and debate.

These characteristics are not clear-cut which will permit a degree of interpretive flexibility later when they are revisited during the discussion on paradigms at the conclusion of this section.

## **Data**

Sources of data utilised are internet websites gleaned from a basic AIIA-compiled list of organisations that describe themselves as institutes of international affairs. While the AIIA has not conducted a comparative or systematic evaluation of their work, the latter part of this report does, once the variables have been applied to the paradigms. This sorting process is carried out by looking at the institutes' websites and publications for information related to the variables.

Because the method utilised has weaknesses, owing to the unclear relationship between the institutes and their websites and publications, it is illustrative rather than comprehensive. Interviews were also conducted, but they are equally unreliable in providing further concrete information.

The testing of the paradigms circumvents the need for case-by-case testing, which is beyond the scope of this paper. In addition, institutes with foreign language web sites, no websites, or websites that provide insufficient data are excluded to ensure consistency and quality of data.

## **Variables**

The two major variables, influence and independence, were chosen because they encompass a large portion of the operations and intended purposes of the institutes. They also represent best their strengths and weaknesses, while they are also interconnected and in a state of tension.

### *Influence*

Having influence is the most important means of promoting understanding of international affairs<sup>31</sup> and thus it is a top priority of most institutes to attain it, although they go about it differently. External influence is one major way these institutes differ from universities and this variable can be measured by their reputation, size and activities.

### *Reputation*

Perceived reputation is the most abstract sub-variable, defined largely by how an institute is viewed by its counterparts, the public, government, and the media. It is an important tool for evaluating the non-material influences that an institution can have.

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<sup>31</sup> Stone, op. cit. (1993), p. iv.

### *Size*

This is a more straightforward measure that encompasses the number of staff, as well as the size of resources and finances. Yet, the latter along with other sensitive data may remain concealed. Size is key in providing perspective on the influence that an institution can have.

### *Activities*

These cover a broad range of functions including the provision of advice, publications, conferences, as well as facilitating second track cross-institutional contact; media participation; and interaction with the public. All of these are in turn related to the institutional strengths discussed previously: advice that is listened to, second track diplomacy and public awareness.

Overall, these activities are the most obvious manifestation of influence, but in order to be placed in context should be evaluated in terms of size and the more abstract feature of reputation. In this way, influence is indeed multi-layered and multi-dimensional.

### *Independence*

Independence is the most important requirement for promoting the understanding of international affairs. Without independence, institutes would no longer need to stand on the margins of politics, and could be absorbed by government and/or corporate departments. It is composed of three factors:

#### *1) Legal Status*

This involves the links that institutes may have to other institutes, NGOs, government agencies, university departments and business.

#### *2) Structure*

An institute's structure can be defined by the location(s) of its facilities; its decision-making processes; as well as its organisational structure and membership makeup. These are key in detecting the more subtle internal conflicts of interest that are not detected at the legal level.

#### *3) Ideology*

The philosophy of an institution is an intangible measurement. It often is found in institutes which promote a particular position. Institutes wedded to any particular cause or ideology may negatively influence the open-minded, pluralist debate and inquiry necessary for true independence.

In this case tensions can arise which will underline the weaknesses already discussed in section two above: funding, conflicts of interest, group insulation and public antipathy. Nevertheless, examination of the legal status and structure of the sub-variables should uncover any overt impact on the autonomy of the institute, while an institute's ideological status should highlight other less obvious prohibitions that a particular political leaning may cause.

### **Paradigms**

The five paradigms identified from the historic evolution of the institutes discussed briefly in section two are those of the founder institute; sister institute; partisan institute;

niche institute; and dependent institute. These paradigms were built from information found in the relevant literature and from studying the institutes themselves.

#### *The Founder Paradigm*

This is the traditional bastion of scholarly research and non-partisanship. Its great reputation is based on the long and esteemed history, large size and enviable resource pools of these institutes.<sup>32</sup> They maintain a strong presence in publications and at conferences, although their activities in the public and media arenas are not as robust. This appears to be by choice and reflects their focus on high-flying and cutting edge issues. Independence is assured in most areas, with a democratic structure; an impressive array of funding types and sources; and no ideological platform.<sup>33</sup> Furthermore, this paradigm is composed of only two institutes, the RIIA and CFR. This is because other institutes which have sought to emulate the founders lack their enormous size and historically assured reputation and thus have fallen into the sister category.

#### *The Sister Paradigm*

This paradigm either grew out of the founding institutes or later copied the blueprint of the original founders. In many ways they have a similar structure, style and purpose to the founder institutes, but their size and clout pale by comparison.<sup>34</sup> The sister institutes have developed in diverse ways, with varying levels of success. The South African Institute of International Affairs is one success story, for instance, with extensive facilities and a large and growing income.<sup>35</sup> Most of the oldest sister institutes are located in other Commonwealth countries where we find the New Zealand Institute of International Affairs (NZIIA); the Canadian Institute of International Affairs (CIIA); and the Australian Institute of International Affairs (AIIA). Other sister institutes are located predominately in Western Europe and South America. Examples of these are the Mexican Council of Foreign Relations and Italy's Istituto Affari Internazionali.<sup>36</sup> Nevertheless, there also a significant number in Asia, Eastern Europe and the Middle East. Examples in these regions are the Cambodia Institute for Cooperation and Peace, Poland's Centre for International Relations and the Lebanese Centre for Policy Studies.

#### *The Partisan Paradigm*

Established during the Cold War this group of institutes are more likely to enter the policy debate from a predetermined position, while favouring particular causes, values and parties. Therefore their influence is aimed in certain directions, towards a particular party or group for example, where deep inroads can be made.<sup>37</sup> Their independence is not perfect though, owing to the fact that their ideological sympathies will restrict the international agenda. These institutes, such as the Centre for Strategic and International Studies, are found predominately in America, but have also taken root in Asia and Eastern Europe. Examples of these are Hong Kong's Policy Research Institute; and Russia's Institute of World Economy and International Relations. This paradigm also has the greatest tendency to be hybridised.

#### *The Niche Paradigm*

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<sup>32</sup> M. Wala, op. cit. (1994), p. 230.

<sup>33</sup> Ibid., p. 242.

<sup>34</sup> Legge, op. cit., chapter 1.

<sup>35</sup> South African Institute of International Affairs, Financial Statement 2006/7. Online Available HTTP: [www.saiia.org.za/aboutus](http://www.saiia.org.za/aboutus). (accessed 10 October 2007).

<sup>36</sup> McGann, op. cit. (2007).

<sup>37</sup> Stone, op. cit. (1996), p. 23.

This has a particular focus within international relations. With the expansion of this field, some institutes have refocused by adopting a more specific yet nuanced perspective. More often than not, this refined scope will still be considerable and will do greater justice to the institutes' area of focus. Like partisan institutes, they consciously seek influence in particular expert domains. Their independence is generally on more steady ground than that of the partisan institute owing to the fact that they do not consciously embody ideological prejudices. On the other hand, they usually have external affiliations such as university or government departments, which dilute their legal and structural independence. Examples of institutes which fit this paradigm are Hong Kong's APEC Study Centre; Ireland's Institute of European Affairs (IEEA); and the Philippine Institute for Development Studies. There appears to be no region of the world that possesses a concentration of institutes of this paradigm.

#### *The Dependent Paradigm*

Based on the Soviet model, it is dependent on a country's particular political context and is unsustainable as an independent entity. Institutes of this paradigm are dependent on external interests which dictate, to some extent, their operations, although in order to maintain credibility they at least attempt to maintain the appearance of being separate. Identifying this type is difficult because most institutes must have a good reputation and this is contingent on a degree of independence. The correlation between financial dependence and modification of behaviour varies, although conflicts of interest will usually have some type of impact. Examples of this paradigm are the Bangladesh Institute of International and Strategic Studies; Nepal's Institute of Foreign Affairs; and India's Institute for Defence Studies and Analysis. In fact, most dependent institutes are located in Asia and political scientist Diane Stone contends that many 'think tanks' in that particular region "...are not truly independent but have substantial and dependent ties to government or major corporations."<sup>38</sup> Whether this reflects characteristics of the region itself or rather a more open and transparent acceptance, by populations there, of their dependence is unclear. Tables 1 and 2 below provide more comprehensive insights into the various dimensions of the paradigms according to the variables already discussed.

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<sup>38</sup> Stone, op. cit. (1993), p. 8.

**Table 1: Influence**

	<b>Reputation</b>	<b>Size</b>	<b>Activities</b>
<b>Founders</b>	<ul style="list-style-type: none"> <li>• Towering.</li> <li>• Respectable.</li> <li>• Reaches government.</li> </ul>	<ul style="list-style-type: none"> <li>• Huge premise(s).</li> <li>• Many full time staff.</li> <li>• Large revenues.</li> <li>• Often part-time/voluntary.</li> </ul>	<ul style="list-style-type: none"> <li>• Highly ranked journal.</li> <li>• Send speakers to conferences.</li> <li>• Avoid media and/ public attention.</li> </ul>
<b>Sisters</b>	<ul style="list-style-type: none"> <li>• Very well known.</li> <li>• Academic and political domains.</li> <li>• Challenged by new institutes.</li> </ul>	<ul style="list-style-type: none"> <li>• Resources often limited.</li> <li>• Mixed member growth.</li> </ul>	<ul style="list-style-type: none"> <li>• Journals and publications.</li> <li>• Public lectures and conferences.</li> <li>• Second track interaction.</li> </ul>
<b>Partisans</b>	<ul style="list-style-type: none"> <li>• Selective.</li> <li>• Excellent in some circles.</li> </ul>	<ul style="list-style-type: none"> <li>• Variable.</li> <li>• Can be very well funded.</li> <li>• Financially competitive.</li> </ul>	<ul style="list-style-type: none"> <li>• Selective conferences.</li> <li>• No public participation.</li> <li>• Given media attention.</li> </ul>
<b>Niche</b>	<ul style="list-style-type: none"> <li>• Contingent on context.</li> <li>• Overshadowed.</li> <li>• Flies under radar domestically.</li> <li>• Excellent in specialist circles.</li> </ul>	<ul style="list-style-type: none"> <li>• Generally small.</li> <li>• Shared premise/staff.</li> <li>• Few administrative staff.</li> </ul>	<ul style="list-style-type: none"> <li>• Strong publication sector.</li> <li>• Conference among experts.</li> <li>• Scant media attention.</li> </ul>
<b>Dependents</b>	<ul style="list-style-type: none"> <li>• Not well known outside country.</li> <li>• Excellent in home country.</li> <li>• Access to government.</li> </ul>	<ul style="list-style-type: none"> <li>• Depends on support.</li> <li>• Depends on political.</li> <li>• Can be very large.</li> </ul>	<ul style="list-style-type: none"> <li>• Ordered advice.</li> <li>• Propaganda/support.</li> <li>• Media and public avoidance.</li> </ul>



Table Two: Independence

	<b>Structure</b>	<b>Legal</b>	<b>Ideology</b>
<b>Founders</b>	<ul style="list-style-type: none"> <li>• Centralised leadership and premises.</li> <li>• Elite membership.</li> </ul>	<ul style="list-style-type: none"> <li>• Self-sufficient entity.</li> <li>• Good income generated internally.</li> <li>• Wide range of income types.</li> </ul>	<ul style="list-style-type: none"> <li>• Open forums.</li> <li>• Non-partisan.</li> </ul>
<b>Sisters</b>	<ul style="list-style-type: none"> <li>• Democratic hierarchy.</li> <li>• Decentralised leadership.</li> <li>• Open membership.</li> </ul>	<ul style="list-style-type: none"> <li>• Entirely separate entity.</li> <li>• Small income generated internally.</li> <li>• Wide-range of income types.</li> </ul>	<ul style="list-style-type: none"> <li>• Conservative-liberal.</li> <li>• Open forum.</li> <li>• Non-partisan.</li> </ul>
<b>Partisans</b>	<ul style="list-style-type: none"> <li>• Democratic board.</li> <li>• Concentrated leadership</li> <li>• Few premises.</li> </ul>	<ul style="list-style-type: none"> <li>• Links with other bodies.</li> <li>• Most income generated externally.</li> <li>• Narrow range of income types.</li> </ul>	<ul style="list-style-type: none"> <li>• Conservative-liberal.</li> <li>• Value-based.</li> <li>• Partisan.</li> </ul>
<b>Niche</b>	<ul style="list-style-type: none"> <li>• Closed membership.</li> <li>• Controlled membership.</li> <li>• Slim administration.</li> <li>• Specialists focused.</li> </ul>	<ul style="list-style-type: none"> <li>• Not self-sufficient.</li> <li>• Often external connections.</li> <li>• Limited range of income types.</li> </ul>	<ul style="list-style-type: none"> <li>• Discriminatory.</li> <li>• Influenced by area.</li> <li>• Influenced by target audience.</li> </ul>
<b>Dependents</b>	<ul style="list-style-type: none"> <li>• Controlled leadership.</li> <li>• Controlled membership.</li> <li>• Externally influenced.</li> </ul>	<ul style="list-style-type: none"> <li>• Always external connections.</li> <li>• Very limited range of income types.</li> <li>• Not self-sufficient.</li> </ul>	<ul style="list-style-type: none"> <li>• Strongly influenced ideology.</li> <li>• Externally dictated.</li> <li>• Discriminatory.</li> </ul>

## **Conclusion: Paradigm Comparison**

There is a range of paradigm configurations relating to the variables which are often in tension in different ways. Nevertheless, the founder and niche paradigms seem to have found different types of balance.

### *The Founder Paradigm*

This possesses high degrees of both influence and independence and thus stands as a benchmark. Influence is limited, however, to certain areas such as high-level conferences and scholarly research. It lags behind the dependent paradigm when it comes to the provision of advice directly to government; the sister paradigm in public participation; and the partisan paradigm in media participation. Independence is firm in all areas, outstripping most other paradigms, but it would be unfair to say that there is more independence than influence, as they are both equally strong. This is because of effective prioritisation of influence as well as the large and secure size of founder institutes which guarantee their independence.

### *The Sister Paradigm*

Independence is favoured over influence here as conferences and scholarly research is greatly overshadowed by that of the founder and, to a lesser extent, niche paradigms. The sister paradigm does fill some of the gaps left by founder institutes in the areas of public and media participation as well as second track diplomacy, but these areas have only moderate influence. Independence is almost as strong as that possessed by founder institutes. When compared to the other paradigms, the structural and ideological independence is very obvious. It is also apparent that the institutes of the sister paradigm have followed in the founders' footsteps when it comes to independence, although they have been left behind when it comes to influence, owing to their relatively small size.

### *The Partisan Paradigm*

The partisan institute generally prefers influence over independence. Influence is strong when it comes to giving advice to specific sectors or parties. Outside of this focused area, influence is fragile, but the intensity of the established connections make up for this weakness. Public and media participation follow the above formula of having a small, selective, and strong influence. Independence is sacrificed here because of selectivity and its various features, legal status, ideology and especially structure seem in doubt for the partisan paradigm.

### *The Niche Paradigm*

Like the founder paradigm, this one strikes a balance between the variables. This equilibrium is more focused in particular subjects and activities. Niche institutes obtain influence through their publications, but their efforts in media as well as public and second track diplomacy are much less successful. But like the partisan paradigm, they are relatively strong in their areas of focus. Independence is also generally strong, although many incidental connections water this down. These imported external ties may be structural, financial or philosophic. Therefore, while there is some tension between the two variables, there appears to be a more natural balance than exists within the partisan and sister models.

### *The Dependent Paradigm*

This paradigm favours influence greatly over independence. The trade-off is more extreme than within the partisan paradigm, where connections are more informal. Influence is systematic and secure in favour of the institute's backer. Activity may vary in activities such as media participation, publications and selective conferences. Dependent institutes prohibit public participation and refrain from participating in second track diplomacy, and thus overall seem to be of limited use. Independence is

lacking in the legal and ideological departments, although the partisan paradigm is weaker in terms of structure.

## **Case Studies**

The case studies will focus on our two variables, influence and independence, as well as their sub-variables, noted previously. The aim is to examine the relationship between all of these, compare the case studies alignments, and, to a lesser degree, the connections between them and the paradigms. The following case studies have been selected because they conform to a particular paradigm and there is a wealth of favourable information about them:

- Case Study I: sister institute, CIIA.
- Case Study II: niche institute, IIEA.
- Case Study III: dependent institute, Chinese Institute of Contemporary International Relations (CICIR)

### **Case Study I: CIIA.**

Founded in 1928 the CIIA is a faithful offspring of the RIIA. Its main objective is to promote understanding of international relations and thus strengthen Canada's ability to play a constructive role in world affairs.<sup>1</sup>

### **Influence**

#### *Prestige*

It own long and rich history as well as its association with the CFR gives the CIIA a first-rate standing in the international relations community. Recently, the CIIA has derived much prestige from its members' external activities in the popular media and academe. For example, in August 2007 alone three articles in *The Toronto Star*, which has the largest circulation and readership of any daily Canadian newspaper, mentioned the CIIA.<sup>2</sup>

#### *Size*

The CIIA is relatively large, but not overly wealthy. CIIA membership has been steady and comparatively sizable although it fell from 1,491 in 1994 to 1,300 in 2007. The institute's annual budget is a moderate CN\$1,000,000,<sup>3</sup> which is spread thinly across 12 branches.<sup>4</sup> In recent times, the institute has had trouble raising money because its non-partisan status has avoided echoing the agenda of business or anyone else.<sup>5</sup> Only about ten staff are employed at the national level, thus limiting CIIA activities.

#### *Activities*

These are geared towards the general public and are supported by media participation and publications. Government contacts seem to be made through personal connections. The CIIA's own website maintains that its "...activities, publications and speakers programs help interested Canadians acquire...foreign policy and international affairs knowledge".<sup>6</sup> One example is 'Behind the Headlines', which analyses current

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<sup>1</sup> Canadian Institute of International Affairs. Online Available HTTP: <http://www.ciia.org/community>. (accessed 10 October 2007).

<sup>2</sup> Ibid.

<sup>3</sup> Based on author's correspondence with Douglas Goold, CEO of the CIIA, 11 October 2007.

<sup>4</sup> NIRA, "NIRA's World Directory of Think Tanks". Online Available HTTP: <http://www.nira.go.jp/ice/nwdtt/2005/DAT/1048.html>. (accessed 17 October 2007).

<sup>5</sup> Based on author's correspondence with Douglas Goold, CEO of the CIIA, 11 October 2007.

<sup>6</sup> CIIA, op. cit. (2007).

news. It may be, however, that such catering to the public diminishes the CIIA's independence in other scholarly ways.

### **CIIA: Independence**

#### *Legal*

The CIIA exhibits federal legal characteristics. According to journalist and new CIIA CEO Dr. Douglas Goold the Institute will soon vote on whether to merge its operations with those of its affiliate, the Canadian International Council (CIC) in order to advance its research capacity.<sup>7</sup> The CIC chaired and funded by Jim Balsillie, Co-CEO of Research in Motion, a company which seeks to utilise technology to solve global problems.<sup>8</sup> This partnership steers the CIIA into a closer relationship with business, marking a slight change in direction for the institute and the possibility of major structural changes. In fact, a merger deal with the CIC will be voted on in a matter of weeks, according to Goold, and this could have major structural ramifications.

#### *Structural*

The CIIA appears to be more independent in terms of structure because according to the Institute's own figures, 60 per cent of revenues are generated through programmes, membership and subscription fees.<sup>9</sup> The rest is made up of contributions from government, foundations and corporations. These donors are recognised through their membership in the Institute's Corporate Council. The Institute is independent of the government, with only a 6% funding coming from government, and said to be non-partisan. Thus, the diverse yet limited nature of this funding should be noted along with the reasonably open and inexpensive membership process.

#### *Ideology*

Although it abides by the non-partisan forum model which permits members to express their opinions freely, a philosophy of taking more positions on issues may be a creeping tendency at the CIIA. It may be that new CEO Douglas Gould's opinions are carrying considerable weight within the institute. For example, *The National Post*, one of two national Canadian daily English language newspapers, recently carried an article by Goold himself, entitled 'Shields up', in which he maintains that in August 2007 he "...got a tour of the American missile-defence system...[and] liked what he saw". He then brushes off Canadian and Russian concerns about America's missile defence system.<sup>10</sup> A crucial question arising from this is what role should the President of such an institute play? In other words can one walk a tightrope between working to promote understanding of an issue and publicly promoting a particular viewpoint on the same issue? On the other hand, Goold does make the valid point that "[my] occasional media pieces...are done on a personal basis, not as a mouth piece of the CIIA". Regardless, the CIIA's new partnership with the CIC appears to be leading the institute in a new direction.

### **CIIA: Influence vs. Independence**

Although the CIIA may have traded subtly some of its independence for greater influence this may evolve to create a more productive 'centre' as the Institute has previously had a low degree of influence despite being highly independent. While its

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<sup>7</sup> Based on author's correspondence with Douglas Goold, CEO of the CIIA, 11 October 2007.

<sup>8</sup> 'For Balsillies, Patenting a New World Vision', *The Globe and Mail*, print edition, CTV Globe Media Publishing Inc., 11 July 2006, p. B3.

<sup>9</sup> CIIA, op. cit. (2007).

<sup>10</sup> D. Goold, 'Shields Ups', *The National Post*, 5 September, 2007.

independence has remained relatively solid there is a drift towards a more principled stand on international issues and stronger ties to business.

The CIIA's main institutional connection is with Research in Motion which owns the CIC, the institute's new partner. Public desire for lively debate has pushed the Institute in more populist directions, especially in the media, away from the more scholarly aspects of the sister institute paradigm. Otherwise, the Institute still fits the paradigm, but is pushing its parameters with measured steps.

### **Case Study Two: IIEA.**

Founded in 1991, the Irish Institute for International Affairs (IIEA) is a policy research 'think tank' and forum based in Ireland, which focuses specifically on the European political and business environment.

#### **IIEA: Influence**

##### *Reputation*

The Institute enjoys a strong reputation in the government, and with NGOs as well as with business and according to its Director of Research Jill Donoghue "...all government departments and a very wide range of business sectors are associated with the work of the Institute."<sup>11</sup> This is reflected by the host of prestigious figures, from various fields, who have spoken at the Institute.<sup>12</sup> Some examples include British Prime Minister Gordon Brown, Former French Prime Minister Dominique de Villepin and Former Soviet President Mikhail Gorbachev. In the public domain, IIEA events and publications are featured in newspapers and on television<sup>13</sup> although with private forums and selective membership, prestige in the domestic realm is not as assured.

##### *Size*

The IIEA was founded at European House, Dublin and has one other branch in Brussels<sup>14</sup>. The institute houses around 15 staff and appears to have substantial resources.

##### *Activities*

The institute has hosted high-level gatherings, including keynote speeches, lectures, round table meetings and book launches. These functions are generally limited to members and are attended by representatives of government, business, NGOs, the media, trade unions, the legal and financial professions, the diplomatic corps and academia. In terms of research, the IIEA presently has working groups on over twenty policy areas which bring together experts representing a wide spectrum of views and opinions to discuss policy issues and prepare publications and engage with sister institutes in transnational projects, which concentrate on different policy areas.<sup>15</sup> Whilst its events are geared towards multipliers and not directly towards the public, its research often has public reach – such as the widely available IIEA-backed book *Countering Militant Islamist Radicalisation on the Internet: A User Driven Strategy to Recover the Web*.<sup>16</sup>

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<sup>11</sup> Based on author's correspondence with Jill Donoghue, Director of Research at the IIEA.

<sup>12</sup> IIEA. Online Available HTTP: <http://www.iiea.com/aboutustest.php>. (accessed 10 October 2007).

<sup>13</sup> Based on author's correspondence with Jill Donoghue, Director of Research at the IIEA.

<sup>14</sup> IIEA, op. cit. (2007).

<sup>15</sup> Based on author's correspondence with Jill Donoghue, Director of Research at the IIEA.

<sup>16</sup> Amazon, 'Profile for Institute of European Affairs'. Online Available HTTP: [www.amazon.co.uk/gp/pdp/profile/AUN2GVDDYQ2D1](http://www.amazon.co.uk/gp/pdp/profile/AUN2GVDDYQ2D1). (accessed 10 October 2007).

## Independence

### *Legal*

The IIEA is a self-governing, registered charity that claims to be completely independent despite the fact that it retains ties with government. For example, the IIEA's director general, president and chairman all previously commanded high positions within the Irish Government, though from different parties. In its 15 other honorary positions there seems to be strong connections to pro-European political parties, Fine Gael and the Labour Party; however the IIEA prides itself on its political neutrality. It may well be that the non-partisan standing of the Institute is designed to preserve the charitable status of the organisation and benefit donors. After all, charity organisations in the Republic of Ireland are restricted from participating in certain political, campaigning and lobbying activities<sup>17</sup>. Otherwise, the IIEA does not seem to espouse an identifiable political ideology, other than incidental leanings.

### *Structural*

The IIEA has a membership and council structure and its policy flows from its council which is elected by Institute members. The executive committee delegates subcommittees to deal with specific tasks such as research programmes, publications, finance or administration.<sup>18</sup> All funding comes from membership<sup>19</sup>, and this includes foundation and corporate members such as firms or government departments, and individual members. It also receives a modest operating grant from the European Commission which requires the Institute to promote reciprocal understanding of relations between the EU and the rest of the world<sup>20</sup>. This could be said to be used for analytical purposes, rather than for advocacy purposes<sup>21</sup>, although analytical parameters may lead to sympathy rather than advocacy. Such grants may be returned if the Institute makes a profit.

### *Ideology*

Views and ideas expressed in publications or meetings are said to be those of the authors alone. Furthermore, Jill Donoghue maintains that "...at our events we try to present both sides of the argument in order to allow for neutral analysis of issues discussed". Yet the IIEA may be perceived as being European-centric due to its strong association with the EU. (For example, *The Independent* newspaper published a story entitled "'Heavy Price' for Opting out of EU Force"<sup>22</sup>, which centred on a report by the IIEA. Such publications are part of a larger debate involving the Irish Peace Institute which published an article entitled 'Mankind Must Manage a World Without War'<sup>23</sup>, which took the opposing point of view. However the IIEA has a policy that it does not have a point of view. It views its function of examining and analysing EU policy, from different perspectives, to assist policy makers dealing with EU policy and legislation.

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<sup>17</sup> Office of the Revenue Commissioners, Charities Section, Government Offices, 'Establishing an Organisation (legal status and charitable)'. Online Available HTTP: [www.cidb.ie/comhairleVCS.nsf/0/f4eb7a0a8b9c5b4780256dbf004c809b?OpenDocument](http://www.cidb.ie/comhairleVCS.nsf/0/f4eb7a0a8b9c5b4780256dbf004c809b?OpenDocument). (accessed 10 October 2007).

<sup>18</sup> IIEA, op. cit. (2007).

<sup>19</sup> Based on author's correspondence with Jill Donoghue, Director of Research, IIEA.

<sup>20</sup> European Commission. Online Available HTTP: [http://www.soros.org/idebate/debate-1/att-1806/02-Guidelines\\_for\\_call\\_18.11.03.pdf](http://www.soros.org/idebate/debate-1/att-1806/02-Guidelines_for_call_18.11.03.pdf). (accessed 10 October 2007).

<sup>21</sup> Based on author's correspondence with Jill Donoghue, Director of Research, IIEA.

<sup>22</sup> 'Heavy Price for Opting out of EU force', *The Independent*, 5 March 2002, p. 32.

<sup>23</sup> J. Woulfe, 'Peace Institute Draws on North Experience', *The Irish Examiner*, 11 April 2005, p. 12.

## **IIEA: Influence vs. Independence**

The IIEA's policy is neutrality and independence. However it has financial and philosophical ties to the EU. Influence is fixated on high-level government and business leaders. Whilst there have been some gestures towards the media and public, the organisation remains focused on elite opinion. This may be the price of having such important figures speak regularly at the IIEA.

## **Case Study Three: CICIR**

Established by PRC Chairman Mao Zedong and Foreign Minister Zhou Enlai in 1960, with a view to providing the Beijing Government with foreign policy advice, the China Institute of Contemporary International Relations (CICIR) remains one of the largest of its kind anywhere.<sup>24</sup>

### **CICIR: Influence**

#### *Reputation*

CICIR has unparalleled access to PRC Government decision-makers and confidential data, and thus is accorded an enormous amount of respect within China. Most other 'think tanks' in that country rely on personal relationships to gain the attention of government. Furthermore, through conscious engagement, the CICIR has been gaining traction with the Chinese public and in the domestic media. Outside of China, however, the CICIR is considered to be an arm of the Chinese Ministry of State Security, and thus completely biased, although the institute's image is improving within foreign academic circles.

#### *Size*

The CICIR has an astonishing 400 staff and 10 research offices, which are all located in Beijing.<sup>25</sup> Estimates suggest that the Institute's resources are enormous and provided by the PRC Government. Nevertheless, competition from the private and university sectors is luring researchers away, demonstrating that at least some of the Institute's resources are indeed finite.<sup>26</sup>

#### *Activities*

Its activities cover the full spectrum, including the provision of advice to government, public education, and second track diplomacy. Traditional activities are chiefly to provide the Chinese government with information and advice. For example, the institute provides a daily policy brief to the Ministry of Foreign Affairs leadership. Such traditional modes of influence are being eroded, however, in a more competitive environment and there is a move towards providing the Chinese public, who are increasingly educated and curious, with more information. Lectures are often given by Institute researchers at universities, government work units and even factories throughout China. Another means by which the CICIR reaches the public is through newspaper articles and television interviews, which in turn generates new sources of revenue. Moreover, second track mechanisms are on the rise. Institute analysts on delegation visits to North Korea have been pivotal during periods of official inactivity.<sup>27</sup>

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<sup>24</sup> Japan Centre for International Exchange. Online Available HTTP: <http://www.jcie.or.jp/thinknet/directory/china/CICIR.html>. (accessed 10 October 2007).

<sup>25</sup> Global Security. Online Available HTTP: [http://www.globalsecurity.org/intell/world/china/mss-org\\_08.htm](http://www.globalsecurity.org/intell/world/china/mss-org_08.htm). (accessed 10 October 2007).

<sup>26</sup> Glaser and Saunders, op. cit., p. 602.

<sup>27</sup> Ibid., p. 608.

## **CICIR: Independence**

### *Legal*

The CICIR has inextricable financial, ideological and organisational links with the Chinese Government. The Institute can differentiate itself from actual government, however, through its appointment and employment process, which is more flexible and does not necessarily depend on Party membership.<sup>28</sup> It is also located in a network of universities and other agencies, which are more cooperative than their Western counterparts. Nevertheless, there has been a steady movement towards a degree of autonomy. Competition from other institutes and authors working outside the traditional research institute system have created a more open and competitive environment where limited government interference is tolerated.

### *Structure*

Complete appraisal of CICIR's internal structure is impossible owing to institutional secrecy. However, the decision-making structure is generally independent within certain government-imposed boundaries<sup>29</sup>, although the ministries request that particular research projects that take priority. Nevertheless, a degree of credibility is needed in order to attract the brightest Chinese scholars who are increasingly educated overseas and are in great demand. This has, to some extent, swept aside previous Communist ideological frameworks in favour of other, often imported, political theories – a development in line with general societal trends in China.

### *Ideology*

The CICIR's ideological outlook remains in unison with that of the PRC government. In keeping with the Soviet model of the past, official publications are censored to avoid political embarrassment. Young Chinese scholars, however, are more likely to hold 'liberal' views than in the past, although any criticism of the government is usually veiled.<sup>30</sup> The domestic media tends to pander to the public's growing nationalistic sentiment, resulting in, for example, the frequent publication of reports which are critical of the US.

## **CICIR: Influence vs. Ideology**

The CICIR conforms to the definition of a dependent paradigm although there are at least two exceptions. First, the diverse nature of its activities indicates a more inclusive type of influence. Secondly, it has moved away from traditional distribution methods of providing advice by catering to the desire of the public and media for information on international affairs.

The possibility of achieving any meaningful degree of independence is still well off and while positive developments in this vein are evident they are contingent on China's political environment as a whole. As a result, the CICIR fits into the dependent paradigm, even though a more sympathetic view may be that the institute performs functions similar to its Western counterparts.

## **Conclusion: Case Study Comparison**

The three case studies provided represent a wide spectrum of characteristics:

- The CIIA exhibits high independence and low influence.
- The IIEA displays medium independence and influence.

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<sup>28</sup> Ibid., p. 604.

<sup>29</sup> Ibid., p. 598.

<sup>30</sup> Ibid., p. 603.



- The CICIR possesses low independence and high influence.

The spectrum does appear to be narrowing as the CIIA continues to gain influence, while the CICIR strives for more independence. At the same time, the IIEA has found a narrow balance between the two.

The CIIA seems to be embarking on a new course because its new and ambitious leaders agree that organisational growth is the natural and desired goal. This diverges from the Institute's previous policy grounded in its historical legacy and method. While declining membership and dwindling resources may have pushed the CIIA down this road it is difficult to evaluate whether or not the initiative will succeed because the Institute remains in transition.

The CICIR's shift towards independence is largely the result of the changing national political climate rather than a conscious decision taken by the Institute's leadership. This shift, however, does not seem as marked as that of the CIIA. The CICIR has also not lost much influence, but rather has rearranged influence priorities to adapt to the changing environment. Loss of the government's attention can actually be replaced in some ways by capturing that of the Chinese public.

The IIEA fulfils a niche role but also shows signs of being a partisan hybrid. Like the CICIR it has not made a clear trade-off because it has stayed steady in its trajectory. It has, however, made a compromise with respect to influence by preventing admission to the general public, while prestigious guests are welcomed. Furthermore, while it is not completely independent owing to its political and European links, it has adapted to the Irish context, gaining charity status by claiming and working towards neutrality.

The case studies illuminate the key role of three elements in determining the influence and independence of an institute: 1) leadership personality and style within the CIIA; 2) environmental adaptation at both the CICIR and IIEA; as well as prioritisation in the constituency and activity stakes in the CIIA, CICIR and IIEA.

## **Discussion**

The relationship between independence and influence is an imprecise but important process. It strikes at the very heart of institutes of international affairs and the role that they play in modern international relations and society at large. This relationship can also be shaped by larger political and organisational trends in various countries and throughout the world.

The paradigm and case studies both suggest that institutes must make a trade off between the two variables, although this does not seem to be a direct, predictable or proportional compromise. The CIIA is a good example here as it has made a legal sacrifice of independence to business interests, while major advancements in influence are yet to be seen. Nevertheless, there are potential benefits from such initiatives, where the dividend outweighs the price. The CICIR, for example, took measured steps towards independence, but the erosion of its influence in government has been circumvented by shifting its priorities to gaining influence with the public.

There are also additional factors highlighted by the case studies that shape the variables. These include: leadership personality; adaptation to the national environment; and prioritisation in constituency. For example, a trade-off may be impossible owing to the nature of an institute. One case is that of the IIEA which is bound by Ireland's charity status regulations and thus is unable to be overly partisan. These external factors, however, can also result in a compromise regarding variables. For example, the historical constitution of the RIIA bound the CIIA until it was led down another path by

its new CEO. External considerations must therefore never be discounted when considering how the variables are shaped.

The tension between the variables ensures that institutes must make clear and conscious decisions regarding their aim, purpose, and operations. It seems virtually impossible that institutes, particularly the small ones, can be both influential and independent in all areas. The implications of this allow for different types of institutes to fill various types of requirements, while remaining under the definitional umbrella. In this manner, hybridisation and external connections may be seen as acceptable and in some cases desirable.

This trade off is supported to a degree in some of the relevant literature viewed<sup>31</sup>, although others researchers take a more nuanced approach, stressing external factors over the relationship between the variables.<sup>32</sup> Most of this literature, however, only discusses elements within the two variables. Consequently, there is room for new research seeking to discover the extent to which external variables shape the two variables and the institutes in general.

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<sup>31</sup> See for example: *Ibid.*; Kraft, *op. cit.*; and Taylor, *op. cit.*

<sup>32</sup> Stone, *op. cit.* (1993), (1996), (1996).

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# A TALE OF TWO ECONOMIES: AUSTRALIA, VIETNAM AND GLOBALISATION

By Angelique Fitzgerald <sup>1</sup>

This article paints a picture of globalisation: its definition, its effects and its implementation. This paper explores “globalisation” as a phenomenon and divides the concept into economic, social and political globalisation in an attempt to understand why something that is widely agreed to be a positive phenomenon is still contested in modern society. This article then considers the effects of globalisation policies in the past two decades by comparing the two case studies of Vietnam and Australia, which then illustrate surprising similarities experienced by the two diverse countries in implementation, motivation, role of the government, rise in living standards and rise in inequality. This article concludes that overall globalisation had a positive influence on both Vietnam and Australia, however dissent continues because it is enabled and highlighted by the characteristics of globalisation itself.

## Defining Globalism

*Sydney, Australia, 8 September 2007:*

*10,000 anti-APEC protestors converged on Sydney’s Hyde Park. While many wore shirts declaring disdain for individual leaders or leadership styles, many called for a new climate change policy, expressed anti-war and anti-Capitalist sentiment, and repeated anti-proliferation slogans. The media referred to them as “anti-globalisation protestors.” The protestors were syphoned through a police line of about 100 police officers and were swooped by a helicopter carrying a sniper whose gun gleamed in the sunlight – visible to all below.<sup>2</sup>*

## Attempting to Define the Undefinable

*“The problem is that the word “globalisation” is used in very different ways by different people to mean different things. But really it is nothing more than a description of what is happening in the world. It is a process, not an ideology.”<sup>3</sup>*

There is no universal definition of ‘globalisation’.<sup>4</sup> Rather, the term’s scope appears to be widening as the topic receives greater academic and media attention.<sup>5</sup> Globalisation,

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<sup>2</sup> Ravenhill, J (2006) “From Poster Child to Orphan: The Rise and Demise of APEC” in L. Elliot (ed.) *APEC and the Search for Relevance: 2007 and Beyond*, National Library of Australia, Canberra

<sup>3</sup> A. Gyngell, “‘The New World’: Speech to the Victorian Employers’ Chamber of Commerce and Industry”, *Lowy Institute for International Policy*, 6 October 2005. Online Available HTTP: <http://www.lowyinstitute.org/PublicationGet.asp?i=302>. (accessed 4 August 2007).

<sup>4</sup> G. Pozo-Martin, “A Tougher Gordian Knot: Globalisation, Imperialism and the State”, *Cambridge Review of International Affairs*, vol. 19, no. 2, p. 223.

therefore, does not represent one methodology,<sup>6</sup> nor is the term exclusive to any particular discipline.<sup>7</sup>

Although a vast array of definitions of globalisation exist, these usually include one, or a mixture of, three concepts<sup>8</sup>: global economic, social and political integration.<sup>9</sup> These usually encompass the integration of people, services, technologies and markets.<sup>10</sup> Thus, this report adopts economist Axel Dreher's framework:

“Economic globalisation, characterised as long distance flows of goods, capital and services as well as information and perceptions that accompany market exchanges:  
- Political globalisation, characterised by a diffusion of government policies; and  
- Social globalisation, expressed as the spread of ideas, information, images and people.”<sup>11</sup>

### **Economic Globalisation**

The most common use of the term globalisation refers to the economic realm. The World Bank stresses that the core attribute of economic globalisation is the rise of economic activity between people who live in different countries, owing mainly to falling transport and communication costs.<sup>12</sup> It is commonly defined as “the international integration of economies with regard to markets for goods, factors of production and technology”<sup>13</sup> or “the integration of markets for goods, services and factors of production”.<sup>14</sup> It is also often associated with the integration of international trade markets, foreign direct investment (FDI), and international capital market flows.<sup>15</sup> There are many promoters of the potential and actual outcomes of increased global economic integration. See Table 1 which highlights some of the main pros and cons of economic globalisation derived from relevant literature. Advocates of the positive outcomes of economic globalisation focus on the resultant increase in living standards and openness to cross border product and factor flows. Economist Martin Wolf goes so far as to state that “...the return to the liberal world economy has been the great policy triumph of the past half century.”<sup>16</sup>

The most commonly cited negative effects of economic globalisation are concentrated in the field of development studies. Although statistical data shows that global inequality has decreased over the past 20 years<sup>17</sup>, many academics argue that such

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<sup>5</sup> World Bank, *World Bank Briefing Papers: 'Assessing Globalisation'*, 2003, p. 1. Online Available HTTP:

<http://www1.worldbank.org/economicpolicy/globalization/documents/AssessingGlobalizationP1.pdf>.

(accessed 19 August 2007).

<sup>6</sup> R. Gough, P. Holland and Teicher, 'Conclusion: Globalization, Labour Standards and Flexibility in the Asia-Pacific Region', *Asia Pacific Business Review*, vol. 12, no. 2, April 2006, p. 257.

<sup>7</sup> Pozo-Martin, op. cit., p. 223.

<sup>8</sup> World Bank, *Globalization, Growth and Poverty: Building an Inclusive World Economy*, New York: World Bank and Oxford University Press, 2002, p. ix.

<sup>9</sup> A. Dreher, 'Does Globalization Affect Growth? Evidence from a New Index of Globalization', *Applied Economics*, vol. 38, no. 10, June 2006, p. 1091.

<sup>10</sup> A. Prakash, 'Grappling with Globalisation: Challenges for Economic Governance', *World Economy*, vol. 24, no. 4, 2001, p. 545.

<sup>11</sup> A. Dreher, op. cit., pp.1091-2.

<sup>12</sup> World Bank, op. cit. (2002).

<sup>13</sup> A. Bigsten and D. Durevall, 'Globalisation and Policy Effects in Africa', *World Economy*, vol. 26, no. 8, 2003, p.1119.

<sup>14</sup> M. Wolf, 'Is Globalisation in Danger?', *The World Economy*, vol. 26, April 2003: pp. 393-4.

<sup>15</sup> World Bank, op. cit. (2002).

<sup>16</sup> Wolf, op. cit., pp. 393, 410.

<sup>17</sup> World Bank, op. cit. (2002), pp. 3-8 and Bigsten and Durevall, op. cit., p.1119.

figures are misleading owing to the East Asian boom of the 1990s as well as the subsequent rise of China and India as global production powerhouses.<sup>18</sup> Economists Arne Bigsten and Dick Durevall argue that economic globalisation has increased inequality and decreased living standards in many countries, in particular countries of Sub-Saharan Africa and the former Soviet Union.<sup>19</sup> Axel Dreher disagrees, and has found that globalisation promotes economic growth even in Sub-Saharan Africa, although economic globalisation alone cannot reduce poverty and must involve social and political integration as well. From his perspective poverty does not simply prevail because of failures of economic globalisation, and thus international integration is insufficient to reduce it without favourable social and political scaffolding.<sup>20</sup>

Problems associated with broader economic globalisation such as those outlined in Table 1, can be resolved by changing domestic institutional policies, rather than by reverting to protectionist measures. Even during major financial crises, the leading financial powers continue to pursue policies aimed at liberalising world trade.<sup>21</sup>

**Table 1: Overview of Perspectives on Economic Globalisation**

Positive Arguments	Negative Arguments
<p><i>Trade</i></p> <p>Globalisation promotes free trade which ultimately benefits the masses through greater access to goods, services, information and technology. This common exchange of wealth and information through trade provides countries with excellent development opportunities.</p>	<p><i>Trade</i></p> <p>Despite the theoretical merits of complete economic integration, current trading systems are far from perfect and sometimes operate in a manner contrary to actual stated objectives. Globalisation is based on a system of trade that favours those wealthy industrialised countries which control the institutions that create and enforce the rules; selectively imposing trade barriers to maximise benefits in a global oligopoly.</p>
<p><i>Goods and Services</i></p> <p>With the globalisation of markets, more goods and services are made available at a lower cost to a wider group of people. More access leads to wider consumer demand and improves standards of living. This facilitates the acquisition of imports which cost less than comparable domestically produced items. Such imports help to limit prices and inflation.</p>	<p><i>Goods and Services</i></p> <p>While globalisation may make less expensive goods available to a wider consumer base, this often occurs at the expense of domestic workers and industry. As a result countries can become particularly susceptible to global financial crises in areas such as food security and sustainability.</p>

<sup>18</sup> World Bank, op. cit. (2002), p. 7; N. Crafts, 'Globalisation and Economic Growth: A Historical Perspective', *The World Economy*, vol. 27, no., 1, 2004, pp. 55-6.

<sup>19</sup> Bigsten and Durevall, op. cit.

<sup>20</sup> Dreher, op. cit., p. 1105.

<sup>21</sup> Wolf, op. cit., pp. 393, 410.



(continued)

<p><i>Employment</i> Globalisation creates jobs, fostering economic growth in developing countries that in turn opens their economies to foreign investment. The spill-over effects of open economies therefore leads to more jobs, higher wages and better overall standards of living.</p>	<p><i>Employment</i> Globalisation exploits cheap labour and natural resources in developing countries as domestic laws protecting workers, human rights, and the environment are weak or non-existent. It also leads to job losses in higher wage countries owing to imports or the shifting of production and services abroad.</p>
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Sources: This table was composed by the author from an array of academic, media and internet sources, while the framework was adopted from: World Bank, op. cit. (2002).

### **Social Globalisation**

Social or cultural globalisation is often coupled with economic globalisation, even though it represents a distinct trend in itself. It refers to the integration of people physically through immigration, but also includes the intermingling of societies through forums for cultural dialogue or by disseminating ideas, information and images.<sup>22</sup>

The positive argument for the promotion of greater social integration begins with the premise that globalisation unites the world by promoting fundamental human similarities. Greater knowledge of different cultures through increased communication and trade overcomes harboured misconceptions associated with misinformation and ignorance. Anti-globalisation protestors are themselves products of the social dimension of this phenomenon and are only able to unite in mass protest, sharing dissenting views through increased inter-societal dialogue and discourse. Alternatively, this increased social integration is interpreted as a guise for increased 'Westernisation'. In this context, globalisation is seen as undermining the diverse 'traditional' cultures and languages of the world by imposing alternate ideologies such as consumerism, materialism and secularism.

Economic globalisation is coupled with the spread of social globalisation as many institutions which promote international market integration - such as the World Bank, the World Trade Organisation (WTO) and the International Monetary Fund (IMF) - are based on Western concepts, implemented in accordance with Western standards, and dominated by Western countries.<sup>23</sup>

### **Political globalisation**

Political globalisation is often viewed as the catalyst of both social and economic globalisation, as it is governments that implement policies that either promote or hinder economic and social integration.<sup>24</sup>

International relations specialist Richard Devetak and political scientist Jacqui True stress that globalisation and politics are inseparable.<sup>25</sup> For a market economy to be

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<sup>22</sup> Dreher, op. cit., p. 1092.

<sup>23</sup> Wolf, pp. 393, 410.

<sup>24</sup> Bigsten and Durevall, op. cit., p.1120.

<sup>25</sup> R. Devetak and J. True, 'Diplomatic Divergence in the Antipodes: Globalisation, Foreign Policy and State Identity in Australia and New Zealand', *Australian Journal of Political Science*, vol. 41, no. 2, June 2006, p. 242. Devetak and True view globalisation as either a force which diminishes state power, or one that is fostered by the state in pursuit of a particular economic agenda. See also: A. Prakash, op. cit., pp. 543-65.

successful, it must have a sound underpinning of institutions.<sup>26</sup> Political globalisation also refers to the growth of interaction between states in multilateral and bilateral treaties, organisations, peace keeping, immigration, and security agreements.<sup>27</sup>

Another attribute of political globalisation is that state isolation is broken down through international interconnectedness, exposing people within a state to global influences and information. Advocates claim that this, in turn, spreads democracy and leads to the fall of dictatorships. Alternately, political globalisation may undermine democratic states by taking political and economic decisions out of the local and national arenas by placing decision-making in the hands of unelected institutions, such as the IMF or trans-national corporations.<sup>28</sup> National goals of social equity, full employment, food security and citizenship can be viewed as subordinated to global market imperatives. This also spurs debate involving the role of the state and whether promoters of globalisation are eroding its sovereignty.<sup>29</sup> The mass of contemporary academic literature, however, simply stresses that these challenges are merely a redefinition of the state's changing role.<sup>30</sup>

Inter-state conflict is also less likely with political globalisation. Arguably, the more that states become economically and socially integrated, the less likely they are to engage in warfare.<sup>31</sup> The cost of an attack will outweigh the benefits of peace where global inter-reliance and cooperation leads to stability and conflict resolution through multilateral forums. Another argument is that as the gap between rich and poor widens within and between states the likelihood of religious, ethnic, or armed conflict increases.<sup>32</sup>

### **Taking Sides on the Question of Globalisation**

After considering the various definitions of economic, social and political globalisation outlined above, it is very apparent that opinions about these topics are polarised. The movement that is usually considered to be opposed to globalisation reforms has no unified name and exists in many forms. Within academe alone there are globalisation sceptics, who disagree that the present phenomenon is unique; hyper-globalists, who maintain that state sovereignty is being eroded by corporations; and various political economists who favour interdisciplinary discourse in addition to economic analysis.<sup>33</sup>

The media generally prefers to utilise the term 'anti-globalisation' to describe the movement, although it can lead to confusion as activists typically oppose certain aspects

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<sup>26</sup> Bigsten and Durevall, op. cit., p. 1122; and Dreher, op. cit., p. 1092.

<sup>27</sup> Wolf, op. cit., pp.393, 405-6; A.T Kearney, 'The Globalization Index', *Foreign Policy*, 2006. Online Available HTTP: [http://www.atkearney.com/shared\\_res/pdf/Globalization-Index\\_FP\\_Nov-Dec-06\\_S.pdf](http://www.atkearney.com/shared_res/pdf/Globalization-Index_FP_Nov-Dec-06_S.pdf). (accessed 16 August 2007).

<sup>28</sup> A.V. Deardorff, 'What Might Globalisation's Critics Believe?', *The World Economy*, vol. 26, no. 5, 2003, pp. 640-2.

<sup>29</sup> Devetak and True, op. cit.

<sup>30</sup> R. Vayrynen, 'Sovereignty, Globalization and Transnational Social Movements', *International Relations of the Asia-Pacific*, vol. 1, 2001, p. 227.

<sup>31</sup> Wolf, op. cit., pp. 393, 408.

<sup>32</sup> In 2002 Oxfam Australia noted in its *Submission to the Joint Standing Committee on Foreign Affairs, Defense and Trade* that "...one of the most important factors leading towards a breakdown of peace and security is a lack of economic development...individuals and groups without adequate access to the necessities of life may be desperate enough to resort to violence to secure those necessities." See: Online Available HTTP: <http://www.oxfam.org.au/campaigns/submissions/whitepaperatinterest.pdf>. (accessed 21 August 2007).

<sup>33</sup> D. Held and A. McGrew, 'Global Transformations', *Oxford Companion to Research*, 2007. Online Available HTTP: <http://www.polity.co.uk/global/globalization-oxford.asp>. (accessed 2 October 2007).

of globalisation, and not the phenomenon as a whole. Such critics emphasise the impact of corporate influence as well as shifts toward alternative global international institutions that focus on the global poor, working classes and the environment.<sup>34</sup> The movement encompasses a very wide range of interests, including: church groups; national liberation factions; peasant unionists; intellectuals; artists; protectionists; anarchists; and those supporting re-localisation. These are sometimes reformist in nature, arguing for the need to establish an alternate form of revolutionary capitalism, or taking a reactionary approach insisting that globalisation destroys national industry and jobs.<sup>35</sup> It is testament to the complexity of globalisation that there are diverse perspectives even within dissenting factions.

### **The Scope of the Project**

It has been established that globalisation is a multidimensional and an omnipresent phenomenon. Also, while economists, politicians and members of welfare groups speak of the potential benefits of such an overarching phenomenon there are voices of dissent. Globalisation is clearly a multi-faceted approach to international integration, but this section of this report has indicated that it is necessary to recognise various assumptions usually associated within the related terminology. The preceding section has also provided an outline of the main arguments within the globalisation debate. It has illustrated that almost all positions opposed to globalisation stem from problems in implementing and interpreting state policy, rather than from requests to revert back to protectionist practices.

The focus will now turn to developments in the global integration of two very different “poster children” of globalisation. On the one hand, Vietnam has utilised globalisation as a tool to promote domestic development. Australia, on the other hand, has used the global environment to advance its own national interests and wealth.

This report does not attempt to analyse the complete globalisation experiences of Australia and Vietnam, but rather focuses specifically on developments since the 1980s. This paper covers the effects of economic integration on domestic society and it covers the political impetus of the state, not the affects of political globalisation, nor the extent of global political integration.

While it focuses on economic indicators that affect the economic and social standards of the domestic population, beyond the scope of this work are the extent of economic global integration through political integration tactics, such as multilateral forums and bilateral trade agreements. Nevertheless, this paper aims to provide an historical illustration of the economic integration experience of Vietnam and Australia, involving motivations, policy implementation, effects, and outcomes.

### **Vietnam and Economic Globalisation**

*Hanoi, Vietnam, 18 November 2006:*

*Vietnamese President Nguyen Minh Triet shook hands with APEC member country leaders such as US President George Bush, Australian Prime Minister John Howard, and PRC President Hu Jintao. The smile on his face is transcendent as his country, Vietnam, hosted the esteemed APEC summit - a milestone of global economic*

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<sup>34</sup> D. Green and M. Griffith, ‘Globalization and its Discontents’, *International Affairs*, vol. 78, no. 1, January 2002, p. 50.

<sup>35</sup> Held and McGrew, op. cit.

*integration, and formal recognition of the extraordinary advancement of his country over the past 20 years.*<sup>36</sup>

The economic development of Vietnam since the late 1980s can be attributed to the 1987 *Doi Moi* (renovation) process - a series of drastic reforms aimed at encouraging economic and social development through increased global economic integration.

Historically, the early economy of Vietnam was dominated by agriculture, with rice as the main crop. The country has always participated in foreign trade of handicrafts and agricultural products, while its French colonisers, before independence, focused on mining of coal and minerals. After independence, particularly following the Vietnam War in 1975, the socialist government initiated a state-centric economy for the unified country.<sup>37</sup>

Inherent defects in the socialist economic model, coupled with the termination of Soviet aid, pushed the country into deep economic crisis at the end of the 1970s. When its state-centric approach failed to achieve the economic growth projected with the reunification of the north and south, the Vietnamese Government sought to remedy the situation in the early 1980s through a mixture of macroeconomic reforms. The socialist economic model counteracted these economic policies by distorting information; providing weak incentives; and allocating resources inefficiently.<sup>38</sup> As a result the Vietnamese Government needed to find ways to stimulate enough economic growth just to support the country's large population that exists on a relatively small landmass, let alone improve national living standards.

But the overall failure of the “*Three-part*” *Planning for State Owned Enterprises* of 1978, the “*100*” *Contracting for Farmer Households* of 1981 and the “*Price Wages and Money*” reform of 1985 demonstrated that the central planning model needed to be transformed if there was any hope of achieving sustainable macroeconomic success.<sup>39</sup>

### **The Globalisation Process: Doi Moi (Renovation) Policies**

“It doesn't matter whether a cat is black or white, as long as it catches mice.”

*PRC Finance Minister Deng Xiaoping, 1978*

The Sixth Party Congress of December 1986 officially adopted the *Doi Moi* programme. This initiated Vietnam's transition from a central planning economic model to a “market economy, with a socialist orientation”; and an open door policy aimed at facilitating the country's integration in the global economy. This involved the replacement of the collective rural farms system with one involving allocation of land to individual households; the legalisation of many forms of private enterprise; greater freedom for farmers to manage, work and determine what crops to cultivate; better

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<sup>36</sup> APEC (2006) “The Official Website for APEC Vietnam 2006” [Online] Availability: <http://www.apec2006.vn/> [Cited 16<sup>th</sup> October 2007]

<sup>37</sup> Q. Ngu Vu, ‘Experiences From Viet Nam’, paper presented to the conference on globalisation and economic success: policy options for Africa, Cairo 13-14 November 2006, p. 3-4. Online Available HTTP:

[http://thebrenthurstfoundation.org/Files/Globalisation\\_and\\_Economic\\_Success\\_Cairo\\_2006/GEC\\_CAIRO\\_Viet\\_Nam.pdf](http://thebrenthurstfoundation.org/Files/Globalisation_and_Economic_Success_Cairo_2006/GEC_CAIRO_Viet_Nam.pdf). (accessed 21 August 2007); Viet Nam National Centre for Social Sciences and Humanities and the United Nations, *National Human Development Report 2001: Doi Moi and Human Development in Viet Nam*, Hanoi: The Political Publishing House, 2001, p. 27.

<sup>38</sup> Ngu Vu, pp. 4-5; and Viet Nam National Centre for Social Sciences and Humanities and the United Nations, op. cit., p. 27.

<sup>39</sup> Viet Nam National Centre for Social Sciences and Humanities and the United Nations, op. cit., p. 28.

access to markets and a wider variety of goods to consumers; greater autonomy in production and distribution; a reduction of funding to state-owned enterprises (SEO); the removal of most price controls; the introduction of legislation for and encouragement of FDI; as well as the reduction, or elimination, of trade barriers.<sup>40</sup> Table 2 provides a concise overview of crucial developments in the reform process over the period 1986-2001.

## Effects

The comprehensive *Doi Moi* reform measures initiated during the second half of the 1980s, and outlined in Table 2, were key in Vietnam's economic turnaround. The increases in exports and FDI were beneficial to the domestic economy as it promoted growth, employment, and eventually raised the average living standards of the Vietnamese. The adoption of a market-based economy, and related economic reform policies has resulted directly in the country's strong and continuous economic growth since the early 1990s.

In 1991 the industrial sector grew by 9 per cent, following the reforms introduced that same year which allowed private companies to import and export directly. In 1995, when the number of import goods controlled by quotas was reduced to seven, the GDP growth rate reached 9.5 per cent. Furthermore, when regulations involving industrial property protection were issued in 1996 the GDP growth rate was 9.3 per cent and FDI license approvals reached US\$ 27 billion dollars. By 2001 high inflation had been curbed and nearly 23,000 private companies had been established, with a total of VND 25,000 billion in capital, which created nearly 500,000 new jobs.<sup>41</sup>

Economic global integration has proved beneficial to Vietnam. The most impressive results were in the production of rice, Vietnam's 'traditional' agricultural crop. Before *Doi Moi* came into effect, Vietnam was a net rice importer. Within three years after the removal of the two-tier price system in 1989, and the 1990 amendments to the Foreign Investment Law, Vietnam produced a total of 20 million tonnes which enabled it to become the third largest rice exporter in the world that year. By 1997, when all barriers against internal trade of rice were removed and private enterprises were conditionally granted licences to export rice, exports of this commodity reached 3 million tonnes.<sup>42</sup>

Another area where the *Doi Moi* strategy has been very effective is in attracting FDI. Since the introduction of the *Foreign Investment Law* in 1987, the country has seen a large flow of such investment into the country. (See Figure 1) *UNCTAD World Investments Prospects Survey 2007-9* ranks Vietnam as the sixth favoured destination for FDI over the next two years.<sup>43</sup> The foreign economic sector has contributed significantly to the success of the whole economy with the share of FDI in GDP increasing from 6.3 per cent in 1995 to nearly 16 per cent in 2005. (See Figure 2)

## Spill-Over From the Global Pool

Since the late 1980s Vietnam has achieved impressive economic growth, and thus had improved significantly the living standards of its citizens and reduced the domestic

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<sup>40</sup> Ibid., pp. 1, 28; and P. Glewwe, M. Gragnolati and H. Zaman, 'Who Gained from Vietnam's Boom in the 1990s?', *Economic Development and Cultural Change*, July 2002, vol. 50, no. 4, p. 773.

<sup>41</sup> Viet Nam National Centre for Social Sciences and Humanities and the United Nations, pp. 28-9.

<sup>42</sup> Ibid., p. 28.

<sup>43</sup> (US) Central Intelligence Agency (CIA), 'The World Fact Book'. Online Available HTTP: <https://www.cia.gov/library/publications/the-world-factbook/geos/vm.html>. (accessed 30 August 2007); and D. Ha, 'Vietnam Among Top Ten 2007-09 World FDI Prospects', *Thanh Nien News*, 10 October 2007. Online Available HTTP: <http://www.thanhniennews.com>. (accessed 22 October 2007).

poverty rate. This outcome can be attributed directly to the positive spill-over effects of globalisation. The abandonment of the centrally planned economy in favour of a market-based one, along with the creation of appropriate foundations involving key reforms, has encouraged large domestic and foreign investment, and further integrated the Vietnamese economy globally. These factors have contributed to the strong economic growth rates achieved by Vietnam during the period and have facilitated improvements in standards of living within the country. Such an approach is useful to a small country like Vietnam, whose domestic market is not large enough for the country to benefit from domestic economies of scale, and whose international trade is arguably the best way to make use of its comparative advantages to promote economic growth and increase living standards.<sup>44</sup>

**Table 2 Overview of the Doi Moi Reform Process, 1986-2001.**

<b>Year</b>	<b>Major Reforms</b>	<b>Outcomes</b>
<b>1986</b>	The Sixth Party Congress announced its Doi Moi (renovation) programme.	Change in economic development thinking towards the promotion of a multi-sector economy, with the leading role to be played by the state sector. Transition to a new market economy with state management began.
<b>1987</b>	The First <i>Foreign Investment Law Open Door Policy</i> was accelerated. Enactment of the <i>Land Law</i> . Introduction of market-determined exchange rate.	Established agricultural land use rights.
<b>1988</b>	Establishment of a two tier banking system. Adoption of <i>Resolution 10</i> on agricultural land use rights of farmer households.	Approval of first joint venture. Vietnam's export earnings reached US\$1 billion for the first time ever.
<b>1989</b>	Removal of two tier price system. Quotas for most commodities were abolished. Unification of exchange rate system.	Vietnam became a net rice exporter and the 3rd largest exporter of this commodity in the world. High inflation was curbed.
<b>1990</b>	<i>Foreign Investment Law</i> was amended. Approval of law on central bank, state-owned banks and credit institutions. Corporate law establishing new frameworks for activities of liability limited and joint venture companies was introduced.	A total of twenty million tonnes of grain was produced domestically. Two million tonnes of crude oil was extracted domestically. Total accumulated FDI licence approvals surpassed US\$1 billion.
<b>1991</b>	Private companies became entitled to export and import directly.	The industry sector grew by 9 per cent.
<b>1992</b>	Adoption of a <i>new constitution</i> that recognised the multi-sector economy. Trade pact with EU signed. Hunger Elimination and Poverty Programme (HEPR) started.	Total accumulated FDI licence approvals surpassed US\$5 billion. The number of SOEs began to fall as the number of private enterprises increased. The literacy rate reached 87 per cent.
<b>1993</b>	Amendment of land law. Approval of bankruptcy Law and Environmental Law. Removal of US embargo against Vietnam.	Poverty had declined from 70 per cent to 58 per cent since the mid-1980s. First mobile telephone put in use. Broader international donor community relationship were re-established.

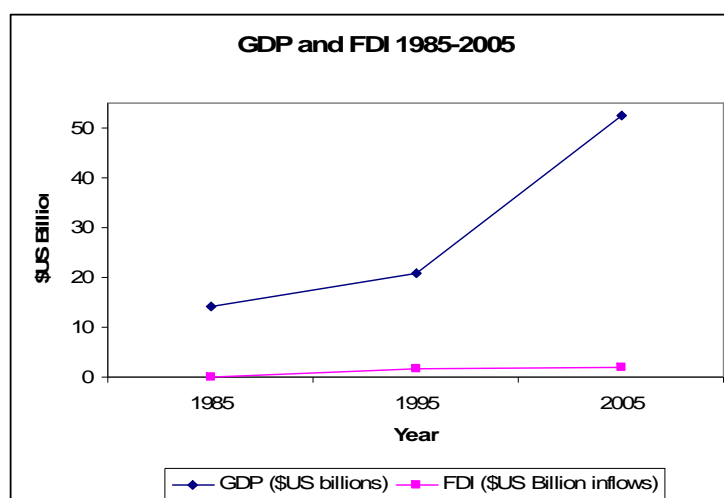
<sup>44</sup> Ngu Vu, op. cit.

(continued)

<b>1994</b>	Export licence system for most goods was removed – with the exception of rice, wood and crude oil. Labour code was enacted. National program of safer water and environmental sanitation launched.	Vietnam became a member of ASEAN. Total accumulated FDI licence approvals surpassed US\$10 billion.
<b>1995</b>	Law on state owned enterprises was approved. Number of import goods controlled by quotas was reduced to seven.	AFTA membership was granted. Export value reached US\$5 billion. GDP growth rate reached 9.5 per cent.
<b>1996</b>	Regulations on <i>Industrial Property Protection</i> were issued. Debate opens on whether SOEs should continue to lead the way.	Total FDI licence approvals rose to US\$27 billion. GDP growth rate reached 9.3 per cent.
<b>1997</b>	All barriers against internal trading in rice were removed. Private enterprises were granted licenses to export rice, subject to certain conditions. A national plan for the advancement of women was adopted.	Total rice exports reached 3 million tonnes. Crude oil production surpassed 10 million tonnes. The Internet was first used.
<b>1998</b>	A new range of non-tariff measures and exchange controls aimed at restraining imports and protecting domestic production were introduced temporarily. A programme was introduced to support those communes experiencing the most difficulty. A national target employment programme was introduced. A grassroots democracy decree was approved.	Over 90 per cent of children were vaccinated. Annual population growth rate was below 2 per cent. The poverty rate was at 37 per cent, down from 58 per cent in 1993. APEC membership was granted. Literacy rate reached 89.7 per cent. Total registered FDI surpassed US\$30 billion.
<b>1999</b>	<i>Decree 57</i> which liberalised export-import rights was passed. A new enterprise law was approved. The equitisation programme was accelerated.	Total rice exports reach 4.5 million tonnes. Granted UN award for population and family planning. Life expectancy reached 68.3 years.
<b>2000</b>	<i>New Enterprise Law</i> become effective. Bilateral trade agreement with the US was signed. The Vietnam Stock Exchange was opened.	Economic growth reached 6.7 per cent. Nearly 15,000 private enterprises were established. Adult literacy rate reached 94 per cent.
<b>2001</b>	Ninth Communist Party Congress adopted the ten year Socio-Economic strategy (2001-10).	The IMF and World Bank resumed structural adjustment lending to Vietnam. Economic growth was the second highest in the region at 7 per cent. Socio-political stability continued and nearly 23,000 private companies had been established with VND 25,000 billion in capital, providing nearly 500,000 new jobs. Approved SOE reform program during the period 2001-05.

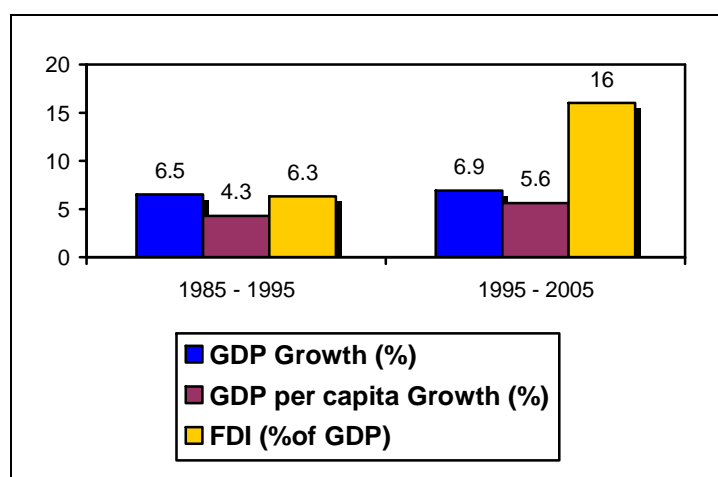
Source: adapted by author from: Viet Nam National Centre for Social Sciences and Humanities and the United Nations, op. cit., pp. 28-9.

**Figure 1: Increase in Vietnam's GDP and FDI since the Implementation of Doi Moi reforms, 1985-2005.**



Sources: World Bank, 'Data and Statistics', 2007. Online Available [HTTP: http://web.worldbank.org/WBSITE/EXTERNAL/DATASTATISTICS/0,,contentMDK:20394802~menuPK:1192714~pagePK:64133150~piPK:64133175~theSitePK:239419,00.html](http://web.worldbank.org/WBSITE/EXTERNAL/DATASTATISTICS/0,,contentMDK:20394802~menuPK:1192714~pagePK:64133150~piPK:64133175~theSitePK:239419,00.html). (accessed 3 September 2007); World Bank, 'Vietnam at a Glance', 2006. Online Available [HTTP: http://devdata.worldbank.org/AAG/vnm\\_aag.pdf](http://devdata.worldbank.org/AAG/vnm_aag.pdf) (accessed 3 September 2007); and UNCTAD, 'Foreign Direct Investment Database', 2007. Online Availability [HTTP: http://www.unctad.org/Templates/Page.asp?intItemID=1923&lang=1](http://www.unctad.org/Templates/Page.asp?intItemID=1923&lang=1). (accessed 28 August 2007); and United Nations, 'United Nations Human Development Report', various years. Online Available [HTTP: http://hdr.undp.org/](http://hdr.undp.org/). (accessed 21 August 2007).

**Figure 2: Annual Growth of GDP, GDP per capita and FDI (in per cent)**



Sources: compiled by author from: World Bank, op. cit. (2006); World Bank, op. cit. (2007); and UNCTAD, op. cit.; UN op. cit. (2007).

A widely accepted measure of economic globalisation is the amount of FDI a country can attract, partly because such investment results in foreigners participating in the management of local companies.<sup>45</sup> Figure 3 illustrates the relationship between FDI and the United Nations Human Development Index (HDI) – a widely accepted measure

<sup>45</sup> Australian Department of Foreign Affairs and Trade (DFAT), 'Foreign Direct Investment: The Benefits for Australia', Online Available [HTTP: http://www.dfat.gov.au/trade/fdi/index.html](http://www.dfat.gov.au/trade/fdi/index.html). (accessed 28 August 2007).



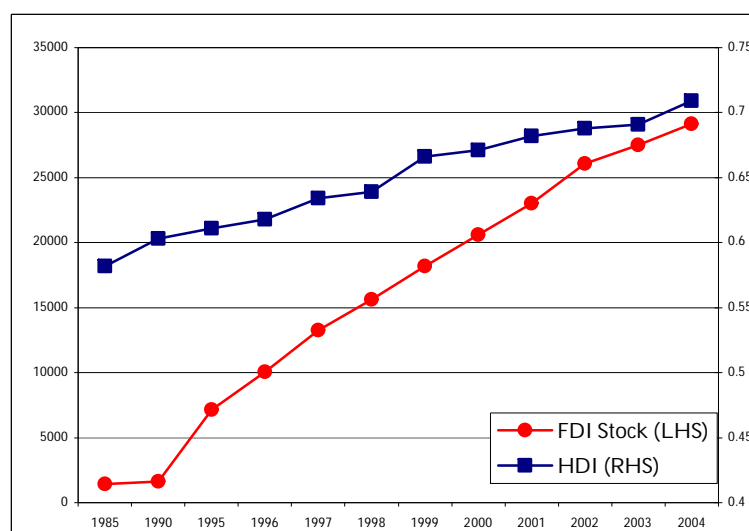
of development. It shows a 98.6 per cent correlation between HDI and FDI stocks in Vietnam for the period. A simple regression model is used to illustrate the economic significance of the fact that for every five billion US dollar increase in FDI stocks in Vietnam, the HDI increases by 0.02 points.

The emergence of the market-based economy must be appealing internationally if it is to attract FDI and should involve the establishment of appropriate institutions; legal and physical infrastructure; a stable macroeconomic environment; and government support for business development. This can result in the standards of domestic legal, social, and economic institutions becoming acceptable in the global market. In this way, *Doi Moi* reforms have influenced positively social and political structures within Vietnam.

### Negative Effects

After the *Doi Moi* reforms were initiated, Vietnam's overall poverty rate fell from 58 per cent in 1993 to 20 per cent in 2004.<sup>46</sup> Poverty reduction, however, was greater in urban areas.<sup>47</sup> Rural poverty rates are the highest among small landholding farm households, as they rely on informal credit with high interest rates, have limited access to markets, and cannot supplement their income with outside employment.<sup>48</sup> Between 1992 and 1998 urban poverty rates fell from 25.1 per cent to 9.2 per cent, while those of rural areas declined from 66.4 per cent to 45.5 per cent. Poverty reduction rates varied according to an individual's education, ethnicity, gender and occupation.<sup>49</sup>

**Figure 3: Relationship between HDI and FDI, 1985-2004.**



\* Dates chosen were those for which FDI and HDI data was available.

\*\* The UNCTAD yearly average was utilised for the period 1975-85.

Sources: compiled by author from UN, op. cit. (2007); World Bank, 'Data and Statistics', op. cit. (2007); World Bank, op. cit. (2006); UNCTAD, op. cit.; UN, op. cit. (2007) years 2000-6; Viet Nam National Centre for Social Sciences and Humanities and the United Nations, op. cit.

<sup>46</sup> UNDP, 'Vietnam at a Glance: Human Development Overview', 2007, Online Available HTTP: <http://www.undp.org.vn/undpLive/Content/UNDP/About-Viet-Nam/Viet-Nam-at-a-Glance-fact-page>. (accessed 2 November 2007).

<sup>47</sup> Glewwe, Gragnolati and Zaman, op. cit., p.775.

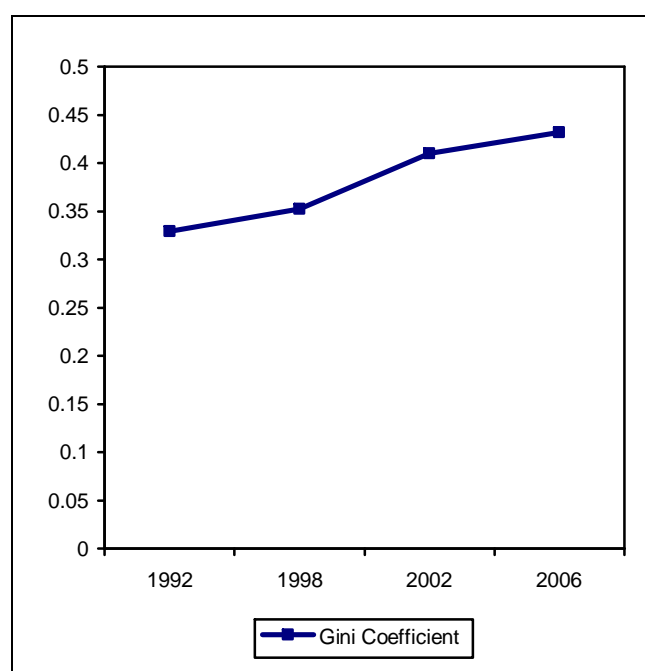
<sup>48</sup> UNDP, op. cit.

<sup>49</sup> Glewwe, Gragnolati and Zaman, op. cit., pp. 772-6.

This distribution pattern of economic wealth is particularly worrying as 80 per cent of Vietnamese households are situated in rural areas, while approximately 90 per cent of those classified as poor live in rural areas.<sup>50</sup> Therefore, despite Vietnam's rapid economic growth, which has averaged 6.7 per cent per annum since 1985, it has also resulted in increased inequality, particularly a widening rural-urban income gap; as well as growing disparities from various forms of ethnic, geographic, linguistic, and social isolation.<sup>51</sup>

The Gini coefficient is used to illustrate inequality as it provides statistics which summarise the income distribution throughout a population. It is expressed as a ratio between 0 and 1 for populations with equal income distributions, with 1 for populations with absolutely unequal income distributions.<sup>52</sup> Vietnam's Gini coefficient increased from 0.329 in 1992 to 0.352 in 1998, which indicates a modest increase in inequality during that period.<sup>53</sup> However, the country's Gini coefficient grew to 0.410 in 2002 and rose even higher in 2006, reaching 0.432.<sup>54</sup> (See Figure 4)

**Figure 4: Gini Coefficient of Vietnam, 1992-2006.**



Sources: compiled by author from Dinh Thanh Lam, op. cit.; and Hodgson, op. cit.

<sup>50</sup> Although poverty levels in all regions have been reduced somewhat from economic integration, there is a great disparity between rural and urban poverty rates. The regions of the Northern Uplands, Mekong Delta, and North Central Coast account disproportionately for more than two-thirds of Vietnam's poor. See: Ibid.; ABI/INFORM Global, p. 773; and UNDP, op. cit.

<sup>51</sup> UNDP, op. cit.

<sup>52</sup> Australian Bureau of Statistics, 'Gross Weekly Income', 2006. Online Available HTTP: <http://www.abs.gov.au/AUSSTATS/abs@.nsf/46d1bc47ac9d0c7bca256c470025ff87/D62255A4A6B59475CA256CBF001721A1?opendocument>. (accessed 31 October 2007).

<sup>53</sup> Glewwe, Gragnolati and Zaman, op. cit., p. 779.

<sup>54</sup> T. Dinh Thanh Lam, 'Gap Grows Between Vietnam's Haves and Have-nots', *Asia Times Online*, April 10, 2002. Online Available HTTP: <http://www.atimes.com/se-asia/DD10Ae03.html>. (accessed 2 November 2007); and A. Hodgson, 'Vietnam's Income Distribution', *Euromonitor Archive*, 29 July 2007, Online Available HTTP: [http://www.euromonitor.com/Vietnams\\_income\\_distribution](http://www.euromonitor.com/Vietnams_income_distribution). (accessed 2 November 2007).

## Conclusions on Vietnam

The main lesson derived from Vietnam's globalisation reforms is that in order for development to occur economic growth is essential and the best way for similar small developing countries to achieve similar results is through unilateral domestic trade reform which encourages global integration. This is exactly what the *Do Moi* renovation process involved as Vietnam effectively harnessed the benefits of globalisation through economic policies that promoted greater global integration. Political initiatives set in motion these globalisation reforms which altered the domestic economic environment, raising the development standards of Vietnamese citizens. However, the positive effects have not been equally shared, resulting in continued domestic opposition to globalisation.

## Recycling the Poor White Trash of Asia: Australia and Economic Globalisation

*Canberra, Australia, 6 November 1989:*

*A ministerial meeting signalled the beginning of the Asia Pacific Economic Cooperation (APEC) Forum. Ministers sat awkwardly not knowing what to discuss, but ultimately agreed to meet again in the future after they had collected relevant economic data. Despite the brevity of this first meeting and the Forum's humble beginnings, APEC's first host Australian Foreign Affairs Minister, Gareth Evans consciously marked the historical significance of the moment by recognising Australia as a globally integrating State.<sup>55</sup>*

Australia was a reluctant party to the new wave of global integration. This is unusual because historically this country has identified itself with its early European ties and sought to conduct a large amount of trade with distant states. The global climate following World War II, however, spurred Australia to embark on largely protectionist economic policies, which resulted in a domestic loss of confidence as well as a slowdown in growth and real income. With the rise of the "Asian Tigers" throughout the 1980s and comparative decline of Australia during the recession of the early 1990s, Australian diffidence peaked when former Prime Minister of Singapore, Lee Kuan Yew warned that Australia was in danger of becoming the "...poor white trash of Asia".<sup>56</sup> As the Australian economy floundered against the backdrop of successful globalisation policies abroad, the Hawke-Keating government of the 1980s, and the Howard Coalition from 1996 onwards, sought further global economic integration as a means to raise the domestic living standards, and improve the global positioning of the country.

The Australian government initiated such policies at just the right time as it was clear that the world was changing quickly with the PRC market reforms of 1978; the collapse of the Soviet Union in the early 1990s; and the pledge, in 1992, to integrate socialist India into the global economy. By 2005 the connections associated with

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<sup>55</sup> Ravenhill, J (2006) "From Poster Child to Orphan: The Rise and Demise of APEC" in L. Elliot (ed.) *APEC and the Search for Relevance: 2007 and Beyond*, National Library of Australia, Canberra

<sup>56</sup> P. Costello, 'The Australian Revival', address to the National Press Club, 1 March, 2006 Online Available HTTP: <http://www.treasurer.gov.au/tsr/content/speeches/2006/005.asp>. (accessed 30 October 2007).

integration were thicker, more varied, richer, and more complex than those existing during any preceding period of global integration.<sup>57</sup>

### Policy Reform Process

The first steps toward deregulation and ‘globalisation’ were undertaken by the Fraser Government, although these were counterbalanced by its commitment to high tariff protection for Australian industry and regulated exchange rates.<sup>58</sup> Not until 1983 did the Hawke Labor Government float the Australian dollar, initiating the nation’s active involvement in the newest wave of globalisation.<sup>59</sup> Following this was a decade of extensive economic reform outlined in Table 3.

**Table 3: Summary of Australian Labor Party Economic Reforms, 1983-93.**

Year	Policy change
1974	There was a 25 per cent reduction in tariffs.
1980	Interest ceilings were removed.
1983	The Australian dollar was floated while capital and foreign exchange controls were removed. The 1983 Economic Summit was held.
1984 and 1985	Finance was deregulated and tariffs were reduced.
1985 and 1986	The income tax base was broadened to include capital gains and fringe benefits. Rates and thresholds lowered.
1987 onwards	The Federal budget moved into substantial surplus.
1988	Tariffs were slashed.
1991	Tariffs were slashed.
1993	Tariffs were half the number of the previous decade.

Sources: compiled by author from J. Stewart, ‘Australia Since the 1980s’ *Institute of Public Affairs*, vol. 45, no. 2, October 2006, pp. 2-3; Edwards, op. cit.; and National Archives of Australia, ‘Australia’s Prime Ministers’, Online Available HTTP: <http://primeminister.naa.gov.au>. (accessed 5 November 2007).

The decade following the 1983 decision to float the Australian dollar was arguably the most drastic period of economic reform since World War II under the Curtin Government. It shifted fundamentally the composition of the Australian economy away from protectionism, exposing it to global competition.<sup>60</sup> Arguably, the initial tariff

<sup>57</sup> This is not a unanimously held position, however, as some argue that the current trend of global integration only seems this way because we are living through it or because of the impact of modern technology.

<sup>58</sup> J. Edwards, ‘Quiet Boom’, Lowy Institute Paper 14, Longueville Media, Double Bay; p. 25.

<sup>59</sup> Although the magnitude of the initial reforms aimed at spurring the subsequent economic boom is hotly debated, J. Edwards - in op. cit. - and A. Charlton - in *Ozonomics: Inside the Myth of Australia’s Economic Superheroes*, Random House, Sydney, 2007 - stress that it was the Hawke-Keating Government that initiated it.

<sup>60</sup> Edwards, op. cit., p. 26.

reductions of 1987-8 were the catalyst for Australia's engagement in the new wave of globalisation. The Howard Coalition continued economic integration policies, furthering this achievement by removing more than 250 plus tariffs in 1999.<sup>61</sup>

It should be noted that the Australian economy grew quickly through the first century of European settlement, and again after World War II. However, expansion during these periods can be attributed to the increasing number of workers; the growing amount of capital; the opening up of new land; and the discovery of metal and mineral deposits. The nature of Australia's expansion since the 1980s is different from these early phases. This is because the country has, in the most recent phase, achieved substantially more output growth than can be explained by any increase in inputs, suggesting that labour, capital and resources are being used more efficiently and ingeniously.<sup>62</sup> The greater efficacy of Australian labour, capital and resources are results of the country's increased global integration.

## Effects

Faith in globalisation, as promoted during the 1980s, has paid dividends.<sup>63</sup> Since its re-evaluation of protectionist policies Australia has experienced the longest economic upswing in history, and the nation's standard of living is the highest ever. According to economist and former journalist John Edwards:

In the hallways of meetings of the IMF, the World Bank, the G20, the Financial Stability Forum and APEC, Australian officials are often asked why Australia, of which so little was expected, is doing so well.<sup>64</sup>

From the light hearted remarks of the Chilean finance minister Nicolas Eyzaguirre Guzman, to the Organisation for Economic Cooperation and Development (OECD)'s *Economic Survey of Australia – 2004* it is clear that Australia's movement towards global integration is often considered an exemplary model. As the nation emerged from recession at the end of the 1981-2 financial year the unemployment rate was in excess of 10 per cent and consumer price inflation was over 11 per cent. The unemployment rate has been halved during the past decade, while net household wealth has doubled. Real wealth has increased more in the last 15 years than the preceding 30 years. The growth of per capita income has been faster in Australia over this period than in other developed countries such as Canada, New Zealand, the UK, and the US.<sup>65</sup>

The Australian economy is currently experiencing its sixteenth year of uninterrupted expansion, the longest boom in its history. The ability of the Australian economy to grow continually since 1991 is remarkable considering that in the preceding twenty years it had experienced five recessions. Exports and imports together accounted for about one third of GDP in 1991 before rising to 40 per cent of GDP in 2005. Tariffs on manufacturer have fallen from an average 15 per cent in 1988 to 3.5 per cent, causing the volume of Australia's manufacturing output to grow by over 40 per cent and exports to increase by 500 per cent. The level of foreign investment in Australia over the last fifteen years, has more than doubled, while Australian investment abroad has increased

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<sup>61</sup> Costello, op. cit.

<sup>62</sup> Edwards, op. cit., p.8

<sup>63</sup> For an illustration of the mentality associated with globalisation reforms see: F. Argy, 'An Australia that Works: A Vision for the Future', CEDA research study P38, August 1993.

<sup>64</sup> Edwards, op. cit., p. 3; and Peter Costello expresses a similar view in Costello, op. cit.

<sup>65</sup> Edwards, op. cit., pp. vii, 3, 25; OECD, *Economic Survey of Australia – 2004*, OECD Economic Surveys: Australia, vol. 2004, no. 18, 2005, pp.1-239; P. Hartcher, 'National Champions', *The Diplomat*, April/May 2007, p. 27; and Costello, op. cit.

fivefold; wealth has grown by two and a half times; output has risen by nearly two thirds; capital stock by more than half; labour productivity by just under half; and the number of jobs by a quarter. Economic reforms have enabled Australia to become richer, more productive, and much more fully integrated in the global economy.<sup>66</sup>

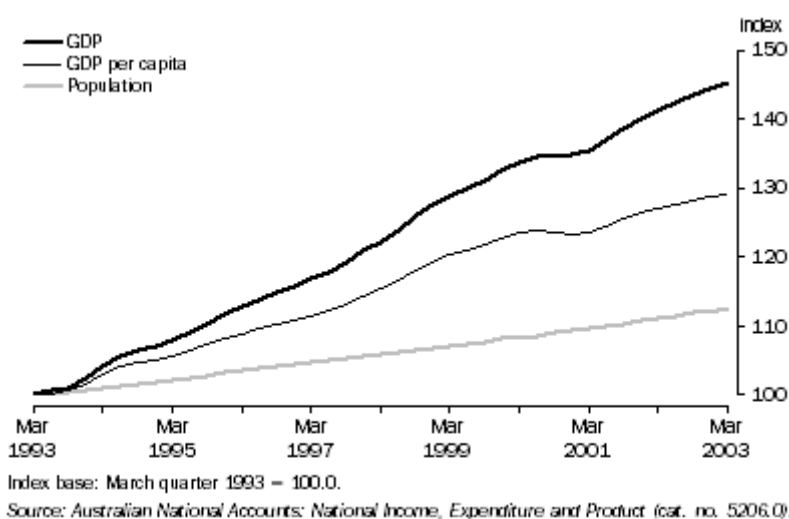
The Australian Bureau of Statistics (ABS) charts reproduced in Figures 5, 6 and 7 show that Australian GDP per capita and real national wealth per capita have increased, while average hours worked have decreased. This indicates that Australia has become a more efficient and wealthy nation through economic global integration.

### Beyond Political Impetus

...while these [Hawke-Keating Government] policy changes could help explain a decade of superior growth as the Australian economy became more efficient and productive, by 2006 changes made twenty years before were no longer a plausible explanation of contemporary success. Globalisation has taken over.<sup>67</sup>

Government policies were the catalyst for Australia's global economic integration, but were not wholly responsible for its globalisation success. The corporate sector and emigration were highly influential in shaping Australia's globalisation experience.

**Figure 5: Real GDP Per Capita, March 1993-March 2003.**



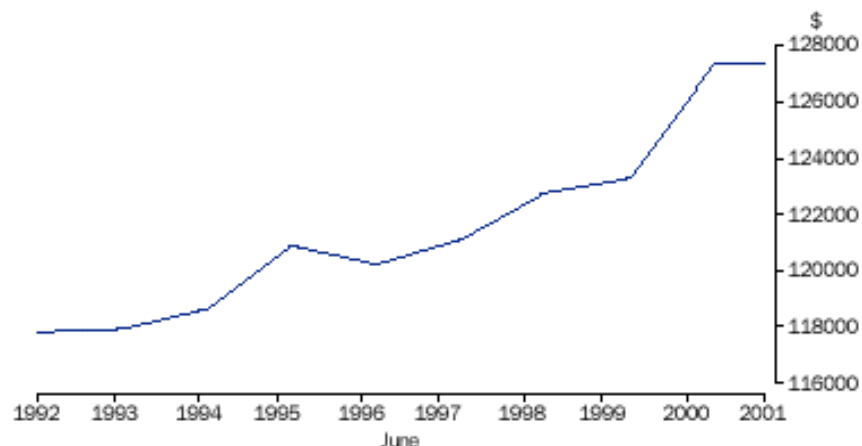
Sources: Australian Bureau of Statistics (2007) Real National Wealth Per Capita 1992-2001. Online Available HTTP:

<http://www.abs.gov.au/Ausstats/abs@.nsf/7d12b0f6763c78caca257061001cc588/365EFD1E06587AABC A256BDC00122403?opendocument>. (accessed 31 October 2007).

<sup>66</sup> Edwards, op. cit., pp. 8-9, vii, 9, 97; Hartcher, op. cit., p. 28; and Costello, op. cit.

<sup>67</sup> Edwards, op. cit., p. 11.

**Figure 6: Australian Real National Wealth Per Capita, 1992-2001.**

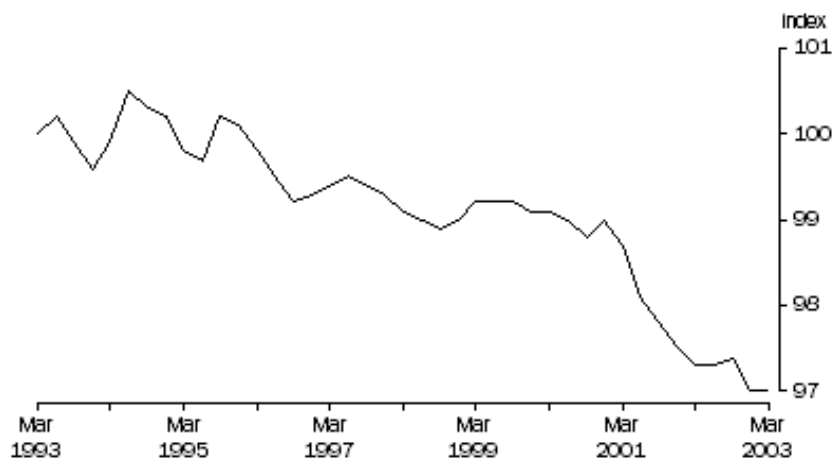


(a) Reference year 1999-2000. Data are not available before 1992.

Source: Australian System of National Accounts.<sup>8</sup>

Sources: Australian Bureau of Statistics, 'Real National Wealth Per Capita 1992-2001', 2007. Online Available [HTTP: http://www.abs.gov.au/Ausstats/abs@.nsf/7d12b0f6763c78caca257061001cc588/365EFD1E06587AABC A256BDC00122403?opendocument](http://www.abs.gov.au/Ausstats/abs@.nsf/7d12b0f6763c78caca257061001cc588/365EFD1E06587AABC A256BDC00122403?opendocument). (accessed 31 October 2007).

**Figure 7: Average Hours Worked (Inversely showing productivity), March 1993-March 2003.**



Index base: March quarter 1993 = 100.0.

Source: Australian National Accounts: National Income, Expenditure and Product (cat. no. 5206.0), Australian Labour Market Statistics (cat. no. 6105.0).

Sources: Australian Bureau of Statistics, 'Average Hours Worked 1992-2001', 2007. Online Available [HTTP: http://www.abs.gov.au/AUSSTATS/abs@.nsf/94713ad445ff1425ca25682000192af2/15145fb9071088cfca256e150075648b!OpenDocument](http://www.abs.gov.au/AUSSTATS/abs@.nsf/94713ad445ff1425ca25682000192af2/15145fb9071088cfca256e150075648b!OpenDocument). (accessed 31 October 2007).

### Corporate Takeover

The Australian corporate sector has had a huge impact on Australia's economic integration. It utilises its overseas branches and affiliates to implement strategies which influence economic globalisation. In the global debate on whether growth is gained from the invention of new technologies, or production of items based on such innovation, the OECD has noted that Australian productivity has been boosted by new technologies

which were neither invented nor produced in that country.<sup>68</sup> Journalist Peter Hartcher maintains that Australia's private sector is responsible for the nation making such impressive strides towards achieving its potential to integrate globally.<sup>69</sup> His argument is that government can only set the framework for global integration; it alone cannot produce the necessary products, find the necessary markets, make the necessary sales and create wealth.<sup>70</sup>

In the global economy there is nothing inevitable about the international competitive standing of any industry. This competitiveness is arguably a question of strategy and execution, not of preordained sector by sector national comparative advantage.<sup>71</sup> For example, economist Brian Easton states that a *competitive advantage* replaces comparative advantage as a more useful comparison and is attained "...through constant innovation that promotes product differentiation and reduces costs."<sup>72</sup> *The Diplomat Global 100* list illustrates that diverse and outstanding global successes such as Westfield, CSL, and Billabong demonstrate that it is impossible for 'traditional' industrial policy approaches to successfully evaluate the likelihood of a corporation succeeding when it 'goes global'. Economies of scale are not as guaranteed in a global context, insofar as large companies experience global diseconomies of scale.<sup>73</sup> Although Australia's 'traditional' comparative advantage has always been in mining and services, the acquisition of competitive advantages in anything from prosthetic ear drums to surf wear is possible in a global context.

Australia is adapting to a globally integrated world with a distinct economic flair, largely owing to the prowess of the corporate sector, while pursuing its interests. In 2002-3 the Australian Bureau of Statistics estimated that Australian enterprises had 4,012 affiliates, including offshore subsidiaries, branches, and majority-owned foreign joint ventures, all of which employ 321,924 staff and generate sales revenue of A\$142.3 billion.<sup>74</sup> It is probable that the Australian economy will continue to alter its approach to global integration through technologies and expertise that are derived and produced elsewhere.<sup>75</sup> Australia's rapid expansion is based on more than just remaining the resource pit of the world as the large corporate sector has influenced policy formation and implementation through its expertise, education and technology.<sup>76</sup>

## A Social Takeover

Another large component shaping Australia's successful global integration model is its labour market. Rapid engagement and integration into the world economy

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<sup>68</sup> Ibid., p. 3; and OECD, op. cit. (2005), pp. 1-239.

<sup>69</sup> Hartcher, op. cit., p. 28.

<sup>70</sup> Ibid.; and B. Easton, *Globalisation and the Wealth of Nations*, Auckland: Auckland University Press, p. 38. Hartcher's argument cannot be held, however, with the former case study of Vietnam. The Vietnamese government was almost solely responsible for all aspects of their globalisation process, owing to the very nature of its socialist political grounding. In order to fuel and establish integration into the global world, the Vietnamese had to implement and supervise a full-scale fundamental reformation and development plan. However, it is evident that Hartcher is arguing from the perspective of capitalist society.

<sup>71</sup> Easton, op. cit., p. 38.

<sup>72</sup> Ibid., p. 38; and Hartcher, op. cit., p. 28.

<sup>73</sup> Hartcher, op. cit., pp. 28, 39. The Scandinavian nations, for example, are small but have very successful global companies such as Nokia.

<sup>74</sup> M. P. Thirlwell, 'The New Terms of Trade', Lowy Institute Paper 07, Longueville Media, Double Bay, p. 104. This is almost as high as the A\$148.5 billion figure for exports of domestically generated goods and services.

<sup>75</sup> Edwards, op. cit., pp. 11-12.

<sup>76</sup> Australia was often cited as the global farm and quarry because of its traditional comparative advantage in the resource sector.



has brought with it greater opportunities for Australians to live and work throughout the world. Some within this group have become global commuters by working in multinational enterprises; living in global cities; and becoming part of the international labour pool. They take with them their language, education, experience, technology and expertise.<sup>77</sup>

The Australian ‘diaspora’ has received considerable attention from academics as it is composed of about one million people, including permanent emigrants; long-term expatriates; and tourists.<sup>78</sup> Lawyer, historian and former prime ministerial advisor Michael Fullilove, and Chloe Flutter, a geography and economics specialist, argue that members of the diaspora should be recognised for their role in transforming Australian economic integration policy because they contain a wealth of international knowledge and experience, and thus can function as a bridge to international ideas, investment, capital, international collaboration and information exchange.

Globalisation of the labour market has enabled highly skilled Australians, sometimes referred to as “gold collar workers”, to go where opportunities exist and then integrate their experiences into Australian business practice when or if they return.<sup>79</sup> The Committee for Economic Development of Australia (CEDA) notes that the most common reason for Australians to leave their homeland for the long-term was “better employment opportunities”, noting that 21.5 per cent of them receive a salary of, or in excess of, A\$200,000.

This international exchange of people, which geography Professor Graeme Hugo refers to as ‘brain circulation’, is beneficial for Australia. Global mobility of the labour market is distinctly valuable as individuals bring with them knowledge and experience acquired internationally. CEDA maintains that 79 per cent of respondents referred to Australia as “home”<sup>80</sup>, raising the question of whether they are likely to return to the country with their new found wealth and experience, and then integrate their overseas knowledge and experience of models of efficacy to enhance Australian domestic relationships and methods. Management, professional engagement, networking, technological training and awareness as well as ethical standards are then inadvertently, or consciously, utilised to shape domestic economic policies through the abilities of the harnessed global labour market.

As shown in Figure 8, Australia’s net movement of people has increased significantly since globalisation reforms were implemented. Arguably therefore, the growing number of expatriates has positively influenced Australia’s integration in the global economy through the promotion of bilateral trade; the provision of market information; the mobilisation of balance of payment flows; investment inflows from expatriates; and the role of middlemen helping to stimulate business activity for Australia.<sup>81</sup>

Although direct financial flows attributable to Australian expatriates are very hard to quantify, emigrant workers provide tangible economic benefits for the home country. This particularly valuable for a country like Australia that has a relatively small population and is somewhat isolated geographically. Diaspora networks also increase

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<sup>77</sup> Hugo, Rudd and Harris, ‘Australian Diaspora: It’s Size, Nature and Policy Implications’, CEDA information paper no. 80, December 2003, p. 3.

<sup>78</sup> Ibid, pp. 42, 44; and M. Fullilove and C. Flutter, ‘Diaspora: The World Wide Web of Australians’, Lowy Institute Paper 04, Longueville Media, Double Bay, p. 1.

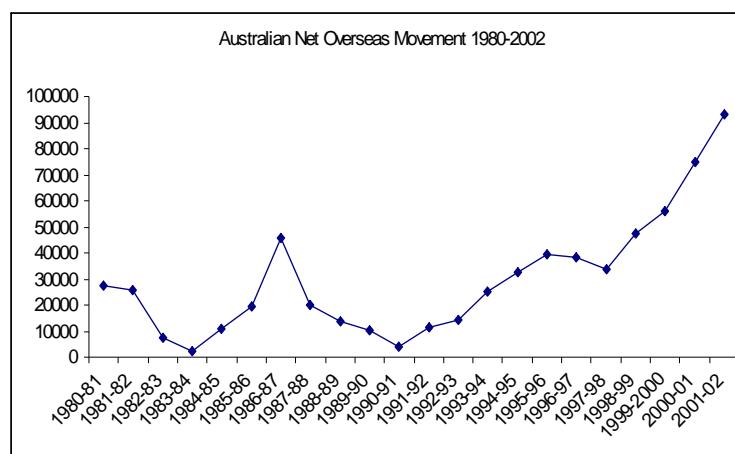
<sup>79</sup> Fullilove and Flutter, op. cit. pp. 2, 51.

<sup>80</sup> Hugo, Rudd and Harris, pp. 3, 42, 44, 46.

<sup>81</sup> Fullilove and Flutter, op. cit. pp. 34-6. However, it can also be argued that because social integration barriers are being eroded in other countries, a negative “brain drain” is occurring in Australia.

international visibility, facilitate trade and business links, as well as accelerate the flow of ideas between Australia and the world.<sup>82</sup>

**Figure 8: Australian Net Movement Overseas, 1980-2002.**



Sources: G. Hugo, D. Rudd and K. Harris, op. cit., p. 27.

## Elephant in the Room: The Negative Effects

### *Unequal Distribution*

The boom of the last two decades associated with globalisation has raised overall living standards and wealth by increasing employment and reducing the poverty rate. Globalisation, however, has not distributed these benefits evenly. Incomes have increased more in the top bracket than the middle, and wealth has increased more than income, leaving Australia a more unequal society.<sup>83</sup>

Australian Bureau of Statistics data that shows the Gini coefficient for gross weekly income in Australia has risen from 0.400 in 1981-82 to 0.448 in 1999-2000. This suggests that Australia has greater disparities in income distribution, with the top 10 per cent of the population owning 45 per cent of total wealth. The top 1 per cent increased their share of wealth from 12 to 15 per cent, largely at the expense of middle-income earners.<sup>84</sup> The federal budget addresses inequality of before tax incomes through employment income redistribution. The federal budget, however, does not address existing wealth, inheritance, higher tax incomes, and the treatment of financial investments made with loans. Australia has a progressive tax system in place, but lacks wealth and inheritance taxes, and has only low capital gains tax. Equality of opportunity has 'traditionally' been a source of economic strength for Australia, and the rising inequality threatens not only the social conditioning and positioning of individuals, but also Australia's future economic potential.<sup>85</sup>

### *Debt*

Another area that has the potential to derail the benefits derived from globalisation is Australia's private debt. *Public* debt is that which the government owes and the Howard Coalition Government has significantly reduced this since 1996.<sup>86</sup>

<sup>82</sup> Fullilove and Flutter, op. cit., p. 36.

<sup>83</sup> Edwards, op. cit., p. 9.

<sup>84</sup> Australian Bureau of Statistics, op. cit. (2006).

<sup>85</sup> Edwards, op. cit. pp. 9-10.

<sup>86</sup> Costello, op. cit.; and Charlton, op. cit., p. 177. The Howard coalition Government often cites this as one of its most important achievements.

*Private* debt is that which Australian companies, banks as well as individuals owe, and this has reached an all-time high, reaching 140 per cent of household disposable income.<sup>87</sup> In the 1980s Australia held approximately 10 per cent of wages in savings, but this tendency has changed and currently Australians spend over 2.3 per cent more than their income – increasing private debt rapidly to nearly AU\$ 150 billion at present. Although this amount of debt is currently sustainable, if a recession were to occur households with large debts and minimal savings would be in distress.<sup>88</sup> Australia's total current private debt has the potential to cause a shock that would hinder the continuation of the country's recent economic performance, and potentially lead to a reversal of Australian policies that promote global economic integration. This growing private debt is arguably a symptom of a deeper problem, a continuing current account deficit, which shows no sign of abating.<sup>89</sup>

### **Conclusions on Australia**

There is considerable disagreement over which government's policies were most influential in Australia's globalisation boom. Some argue that it was the Hawke-Keating Governments which instigated a chain reaction that would last eleven and a half years; while others argue that it is the Howard coalition that is responsible for the complete economic turnaround.<sup>90</sup> It is beyond the scope of this paper to consider which position is more accurate. It is evident, however, that the rise of Australia's social and economic standards has resulted from a conscious policy to integrate into the global economy.<sup>91</sup> These reforms were contextually profound and were shaped, and initially implemented, unilaterally by the Australian Government.

Nevertheless, since the initial reforms of the 1980s, Australian economic integration has been fuelled by the corporate sector's initiatives and interests, and buttressed by interpersonal communication enabling dissemination of experience, practice and ideas. Economic globalisation has overall been a positive experience for Australia, although the inequalities and disparities caused by economic integration should not be overlooked.

### **More than an Invisible Hand**

*Melbourne, Australia, 11 December 2006:*

*The venue was a large maroon room in which semicircles of removable seats were lined up in front of a stage with a lectern. Over 100 APEC Study Centre technocrats filled the seats as they scribbled meticulous notes on every detail of the topics to be discussed at the forthcoming APEC summit in Sydney. Each topic was given its due: H5N1 outbreaks and major flyways of migratory birds...standardisation of customs forms...removal of behind the border trade barriers...<sup>92</sup>*

This report provides an overview of Australia's and Vietnam's globalisation experiences. These countries were chosen as case studies because of their diversity, and with the intention of facilitating discussion on their different perspective. However, it has become evident that these historically, economically, socially and politically diverse

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<sup>87</sup> Edwards, op. cit., p. 13.

<sup>88</sup> Charlton, op. cit., p. 177.

<sup>89</sup> Ibid.; Thirlwell, op. cit.; and Edwards, op. cit.

<sup>90</sup> See for example: Charlton, op. cit.; and Costello, op. cit.

<sup>91</sup> Argy, op. cit.

<sup>92</sup> APEC (2007) "APEC 2007 Annual Conference of APEC Centres" *Monash University* [Online] Availability: [http://www.apec.org.au/ASC\\_conference2007/index.html](http://www.apec.org.au/ASC_conference2007/index.html) [Cited 8th November 2007]

countries have had many similar experiences in their quests for economic global integration.

### **Motivations**

The motives for Australia and Vietnam implementing new economic integration reforms in the late 1980s were domestically apolitical. Vietnam embarked upon its *Doi Moi* as a means of facilitating development, because the country was suffering from high inflation and poverty levels, as well as low employment. Delegates at the 9th Socialist Party Congress agreed that, in light of the contemporary economic climate, economic integration was the key to development.

Australia, however, viewed economic integration as an opportunity to advance further as it was already a developed country, and had a comparatively high standard of living. It chose this path after witnessing the success of its neighbours. With its sluggish economy, high inflation, unemployment and interest rates, it felt overshadowed by the emerging “Asian Tigers”.

Both Australia and Vietnam embarked on global economic integration to raise their GDP growth rate; improve employment prospects; increase productivity; lower inflation and generally increase their standards of living.

### **The Policy Reform Process**

Vietnam’s policy reformation was far more extensive than that of Australia as it had to alter the fundamental economic ideology of a centrally planned system to that of a competitive market economy. There were huge changes in approaches to domestic and international trade. Before integration policies were initiated, Australia was already a capitalist market-based economy. Thus, although Australia’s new economic integration policies were contextually profound Vietnam’s reformation was more extensive.

It is interesting that commentators are less likely to attribute Australia’s success to government initiatives than they are in the case of Vietnam. However, both countries unilaterally implemented their trade reforms with their governments leading the way at the outset. By contrast multilateralism is a global, non-discriminatory form of trade liberalisation, such as that facilitated by the Uruguay Round<sup>93</sup>, and is usually viewed as a prerequisite to the achievement of total free trade. Nevertheless, because the present economic practice is far from multilateral, unilateral liberalisation is an alternative that can provide 70 to 80 per cent of potential multilateral gains. Unilateral gains come from liberalisation of a country’s domestic economy, while access to other markets is a subsequent, but not defining benefit. Both Australia and Vietnam altered their trading systems without negotiating with other regional or global powers, or through multilateral forums and preferential trade agreements (PTAs) or other outside assistance. The decision to implement reforms originated at the domestic level where implementation was conducted by government, in accordance with the view that liberalisation of the domestic economy and the pursuit of global economic integration was in its self-interest.

The Vietnamese and Australian Governments actively implemented the new economic ethos of ‘globalisation’ and used their “invisible hand” in altering trade policies. Australia, owing to its capitalist framework, was able to adapt soon after the government initiated the reforms. Further implementation in Australia became governed by migratory spill-over and corporate entrepreneurialism - not the experience of

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<sup>93</sup> J. Ravenhill, ‘Australia and the Global Economy’ in J. Cotton and J. Ravenhill (eds), *Trading on Alliance Security: Australia in World Affairs 2001 – 2005*, Melbourne: Oxford University Press, 2007, p. 209.

Vietnam which continued to be state-led in this area. Australia also experienced faster growth in FDI as its 'traditional' linkages and social and legal infrastructure were immediately more attractive to larger corporations based in OECD countries. Vietnam was much less developed than Australia when the reforms were introduced. Although resultant changes have been profound, Australia already had in place the necessary domestic scaffolding of property laws, intellectual property rights, land tenure and foreign investment protection. Vietnam needed to make drastic alterations in that realm in order to attract foreign investment.

### **Effects**

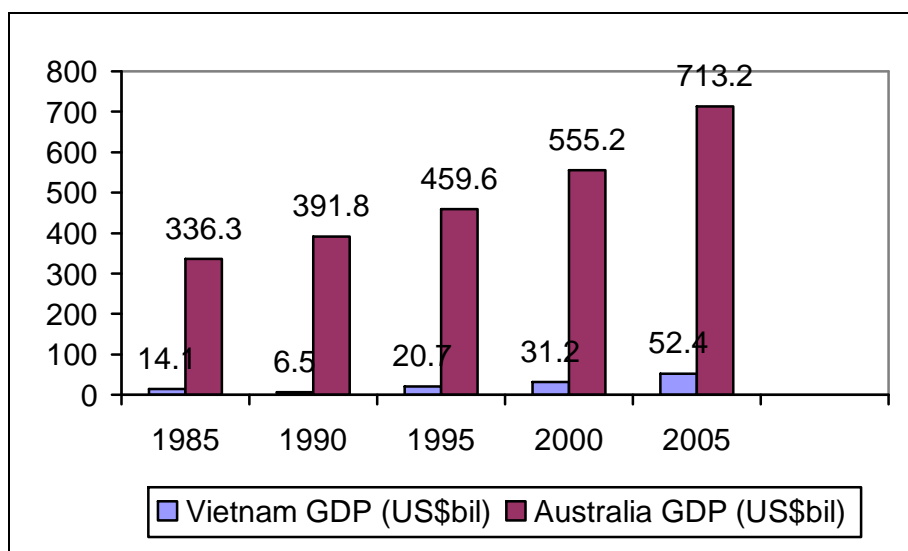
Both Vietnam and Australia have experienced increases in GDP, HDI and FDI, which have resulted in increased domestic growth, improved standards of living, and greater global integration. Figure 9 illustrates the increase in GDP for both Vietnam and Australia, highlighting the income gap between the two countries and the mutual rise in GDP since global integration. As seen in Figure 10, Vietnam has achieved amazing levels of GDP growth since the inception of the *Doi Moi* reforms. After the economic decline of the early to mid-1980s, followed by tariff reductions of 1987-8, Australia's growth rate has consistently increased. Figure 11 illustrates that both Vietnam and Australia have experienced a steady rise on the HDI over the past two decades. Australia's HDI increase was initially very large and continued to grow. Vietnam has shown marked improvements in standards of living since 1985.

### **Negative Effects**

Although there have been a remarkable number of benefits to both countries from economic integration they have experienced a rise in inequality between the richest 10 per cent and the poorest 10 per cent of their citizens. This is illustrated by the increase in the Gini coefficient for both countries, but is especially evident in the case of Vietnam. In addition to inequality, Australia has also amassed a large amount of private debt from consumerism and a change in mentality about spending which is a potential source of future instability.

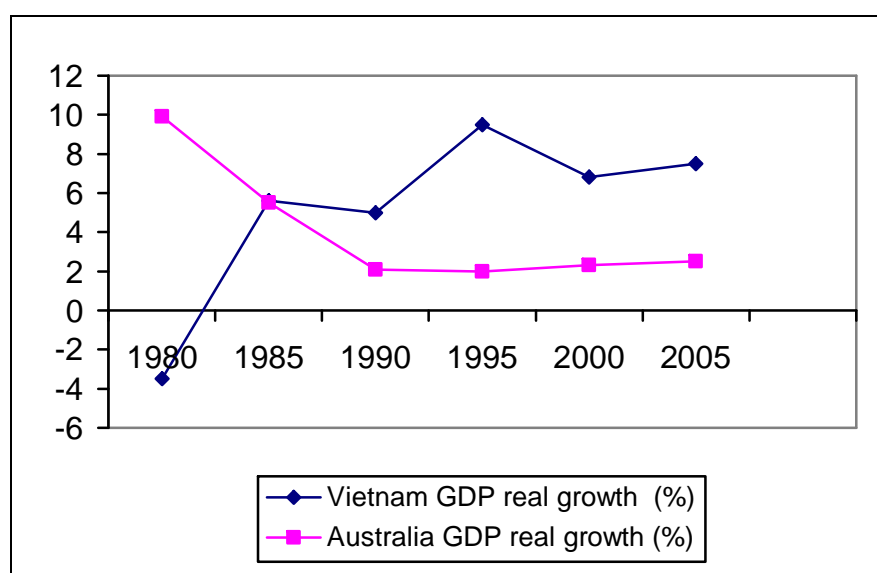
Figure 12 illustrates the overall Gini coefficients of both countries since 1986. The increase in Australia's coefficient is less than that of Vietnam's, arguably because it has less of an urban-rural social and economic divide. 80 per cent of Vietnam's population lives in rural areas and do not experience the benefits of globalisation as easily as those residing in urban centres. Because Australia's population lives mainly in urban areas most of it has the opportunity to advance economically through employment and favourable consumer prices, which permit more efficient distribution of benefits. As a wealthy developed nation

**Figure 9: GDP Comparison of Vietnam and Australia, 1985-2005.**



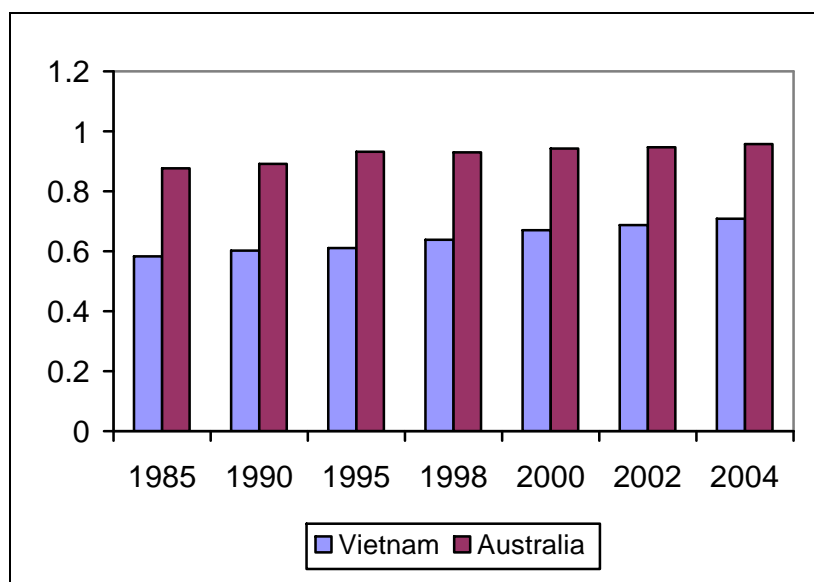
Sources: compiled by author from: Australian Bureau of Statistics, 2007. Online Available HTTP: <http://abs.gov.au/Ausstats/abs@.nsf/Previousproducts/DA0298138C2F75BBCA256DEA00053934?opendocument>; the Department of Foreign Affairs and Trade, August 2007. Online Available HTTP: <http://www.dfat.gov.au/geo/fs/aust.pdf>. Figures converted from US\$ using exchange rate of A\$1 = US\$ 0.8295; World Bank, op. cit. 2006; Econstats, 2007. Online Available HTTP: <http://econstats.com/weo/C177V019.htm>. (accessed 1 November 2007); OECD, *Economic Survey of Australia - 2004*, vol. 2004, no. 18, pp.1-239. Online Available HTTP: <http://www.oecd.org/dataoecd/48/62/34473158.pdf>; 'Country Briefings: Australia', *The Economist*, 2007. Online Available HTTP: <http://www.economist.com/countries/Australia/profile.cfm?folder=Profile-Economic%20Structure>. (accessed 2 November 2007). (US) Central Intelligence Agency, *The World Fact Book*, 2007. Online Available HTTP: <http://www.cia.gov/library/publications/the-world-factbook/geos/vm.html>. (accessed 30 August 2007).

**Figure 10: GDP Growth rate comparison of Vietnam and Australia, 1980-2005.**



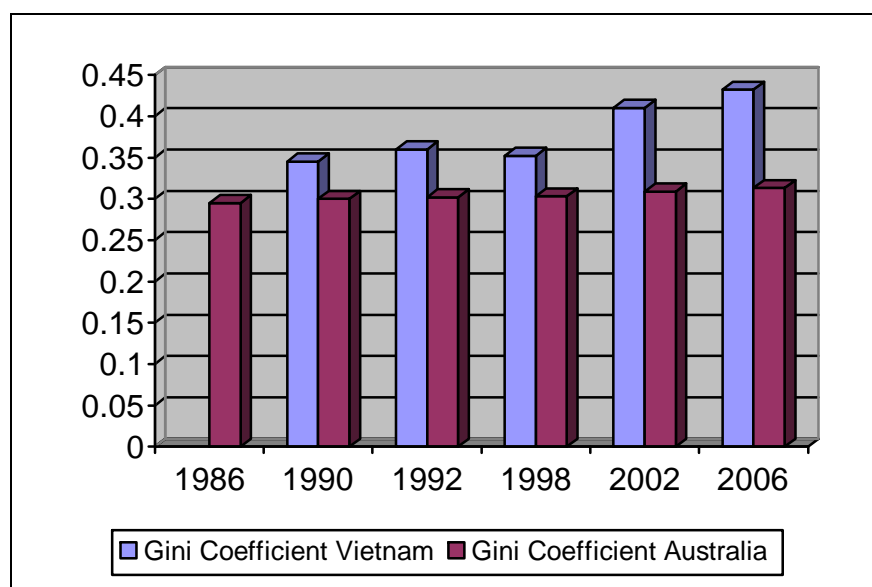
Sources: compiled by author from Australian Bureau of Statistics, op. cit. (2007); Department of Foreign Affairs and Trade, op. cit.; Econstats, op. cit.; OECD, op. cit (2005); *The Economist*, op. cit. (2007); CIA, op. cit. (2007).

**Figure 11: Australia and Vietnam HDI Comparison, 1985-2004.**



Sources: UNHDP: 1998, 2000, 2007. Online Available HTTP: [http://hdr.undp.org/en/media/hdr\\_2000\\_back1.pdf](http://hdr.undp.org/en/media/hdr_2000_back1.pdf); [http://hdr.undp.org/en/media/hdr\\_1998\\_back2.pdf](http://hdr.undp.org/en/media/hdr_1998_back2.pdf); [http://hdrstats.undp.org/countries/country\\_fact\\_sheets/cty\\_fs\\_AUS.html](http://hdrstats.undp.org/countries/country_fact_sheets/cty_fs_AUS.html). (accessed 31 October 2007).

**Figure 12: Comparison of Gini Coefficients for Vietnam and Australia, 1986-2006.**



Australia has a welfare safety net which involves unemployment benefits and Medicare, in addition to employment opportunities. Vietnam also has an ethnic minority that is substantially wealthier than the general population and resides almost solely in urban centres.

## Conclusions

Global economic integration has proven to be beneficial to both Australia and Vietnam. The former has become an OECD success model, and the latter has been named a World Bank Developing Model Economy.<sup>94</sup>

Both countries have pursued a unilateral trade agenda, with initial implementation solely by the government. They have sought global economic integration as a means to achieve further domestic development and have continually increased their GDP, HDI and foreign investment levels since implementing integration policies. Nevertheless, both have also experienced a greater rise in inequality from their economic globalisation reforms.

This report demonstrates that although the Vietnamese and Australian economies were situated very differently at the outset of their globalisation endeavours, both have experienced similar effects of global economic integration.

The results of globalisation outlined above are overwhelmingly positive, although opinions about globalisation remain polarised. It is arguably the very nature of globalisation that perpetuates opposition to the movement, fuelled partly by the perception of growing inequality despite marginal gains by the poor. Social globalisation permits greater cross-border interpersonal communication, which in turn illustrates disparities between incomes within and between states. Greater political globalisation sheds more light on the hand of government in the reform process. Although dissent is a characteristic of globalisation it also stems from the fundamental dimensions of the movement - to spark foreign interest, investment, education, communication, technological exchange, and discourse across 'traditional' borders, while promoting integration.

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<sup>94</sup> Hartcher, op. cit, p. 28; and World Bank, 'World Bank's Zoellick: Vietnam A Model For Reducing Poverty'. Online Available HTTP: <http://web.worldbank.org/WBSITE/EXTERNAL/EXTABOUTUS/ORGANISATION/EXTPRESIDENT2007/0,,contentMDK:21433988~menuPK:64822279~pagePK:64821878~piPK:64821912~theSitePK:3916065,00.html>. (accessed 30 September 2007).



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# US-CHINA COOPERATION IN AN APEC FREE TRADE AREA OF THE ASIA-PACIFIC: A PERFECT SOLUTION OR AN IMPOSSIBLE DREAM?

**Lisa Normandeau**

As China continues its economic emergence, it is increasingly being drawn into trade and political disputes with the world's other superpower, the United States. Despite the significant challenges facing this bilateral relationship, there has been only limited investigation into the role that the Asia Pacific Economic Cooperation may play in easing current tensions. This report examines the recent proposal for APEC officials to consider a Free Trade Area of the Asia Pacific and more specifically, analyses the prospect of negotiations for such an agreement facilitating solutions to the problems impacting the US-China relationship. Ultimately, a FTAAP would offer significant benefits by increasing trade liberalisation and reducing the numerous bilateral free trade agreements, negotiations will however be fraught with difficulties. These difficulties and the problems inherent in APEC itself foreshadow great difficulties for the proposal. While there may be some scope for addressing the US-China problems through trade negotiations, clearly the FTAAP does not hold all the answers.

## **Introduction**

One of the most remarkable developments in the global economy over the last two decades has been the economic emergence of China. Its strong economic performance together with its sheer size and rapid population growth mean that China is increasingly altering regional dynamics in the Asia-Pacific and reshaping the global power balance. At the heart of this change is a set of complex and dynamic problems which have the potential to destabilise the entire region. An analysis of the current literature on these issues reveals only passing reference to the role of the *one* permanent regional institution which unites the US and China in high-level dialogue, the Asia Pacific Economic Cooperation (APEC) forum. Recent developments, however, dictate that this should no longer be the case. Tabled for discussion at the 2007 APEC economic leaders' meeting in Sydney is a proposal for APEC to seriously consider a Free Trade Area of the Asia Pacific (FTAAP). If adopted, this proposal would unite *all* APEC economies, the US and China included, under one trade agreement. The time has therefore come to consider fully the role APEC may play in facilitating Sino-American dialogue and more specifically, the viability of FTAAP negotiations working to stimulate innovative and practical solutions to the bilateral tensions that are plaguing the two nations.

This report analyses the role that APEC may play in facilitating high-level dialogue on the serious issues confronting its two biggest economies. Specifically, it will attempt to examine the feasibility of the proposed FTAAP, and assess the possibility of negotiations for the accord providing a vehicle through which US-China problems can be addressed. Part I considers the problems facing the two nations; the second section assesses critically the role of APEC; Part III discusses the FTAAP initiative; while the final section analyses the chances of the agreement succeeding. From these initial conclusions, the potential for an FTAAP to address any of the US-China problems is determined.

Ultimately, this paper contends that with the collapse of the most recent round of multilateral negotiations, an FTAAP would *theoretically* be an ideal mechanism to address the bilateral problems plaguing the US and China. Unfortunately, the realities of international relations today see long-term benefits superseded by short-term agendas and *realpolitik*. Furthermore, the report argues that APEC lacks the organisational structure to facilitate adequately the negotiation and implementation of an FTAAP. Correspondingly, an APEC-sponsored FTAAP holds limited chance of success, and has little promise as a solution to addressing the serious issues facing the US and China.

## **Part I: US and China - Issues of Contention**

Despite the country's remarkable economic performance, China's integration into the world economy is by no means comprehensive. Nonetheless, its share of world merchandise imports increased from 3.4 percent in 2000 to 6.1 per cent in 2005, while its portion of international merchandise exports rose from 3.9 per cent to 7.3 over the same period.<sup>1</sup> China's growing interaction with the global trading system has increased its economic contact with the world's largest economy, the US. Together, China and the US make up a large proportion of global Gross Domestic Product (GDP) measured in Purchasing Power Parity terms<sup>2</sup>, with shares of 14.5 per cent and 20 per cent respectively in 2005.<sup>3</sup> China is now the third largest trading partner for the US and its sixth largest export market.<sup>4</sup> From this increased interaction has emerged a mounting economic and strategic rivalry between the two nations. This section of the report focuses on key economic and political problems that bolster this rivalry and fuel concerns of policy-makers on both sides of the Pacific. The strategic importance of the two nations dictates that these issues and the methods employed to address them will play a significant role in shaping the future of the Asia-Pacific region.

### **Trade Imbalance**

The US global current account<sup>5</sup> deficit reached US\$856.7 billion in 2006, an increase of US\$65.2 billion from 2005.<sup>6</sup> Conventional economic theory states that a current account deficit is "neither good nor bad" when viewed in isolation, and that to completely understand any economic implications the deficits must be analysed in terms

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<sup>1</sup> 'World Trade in 2000 - Overview', *World Trade Organisation*, 2001. Online Available HTTP: [http://www.wto.org/english/res\\_e/statis\\_e/its2001\\_e/its01\\_overview\\_e.htm](http://www.wto.org/english/res_e/statis_e/its2001_e/its01_overview_e.htm)

(accessed 12 April 2006); 'World Trade in 2005 - Overview', *World Trade Organisation*, 2006. [http://www.wto.org/english/res\\_e/statis\\_e/its2006\\_e/its06\\_toc\\_e.htm](http://www.wto.org/english/res_e/statis_e/its2006_e/its06_toc_e.htm) (accessed 12 April 2006).

<sup>2</sup> Purchasing Power Parities are internationally recognised as the best method of converting currencies into a common currency for the purpose of economic analysis. This is because they eliminate the differences in price levels between countries in the process of conversion.

<sup>3</sup> 'World Economic Outlook Database', *International Monetary Fund*, 2007. Online Available HTTP: <http://www.imf.org/external/pubs/ft/weo/2007/01/data/weorept.aspx?sy=2004&ey=2008&scsm=1&ssd=1&sort=country&ds=.&br=1&pr1.x=81&pr1.y=14&c=924%2C111&s=PPPSH&grp=0&a=> (accessed 1 May 2007).

<sup>4</sup> G.C. Hufbauer, Y. Wong and K. Sheth, *US-China Trade Disputes: Rising Tide, Rising Stakes*, Washington, DC: Institute for International Economics, 2006, p. 4.

<sup>5</sup> A nation's current account balance is the difference between its total savings and its total investment current account. More specifically it is the sum of the value of imports of goods and services plus net returns on investments abroad, minus the value of exports of goods and services.

<sup>6</sup> 'U.S International Transactions Accounts Data', 14 March 2007. Online Available HTTP: [http://www.bea.gov/international/bp\\_web/simple.cfm?anon=71&table\\_id=1&area\\_id=3](http://www.bea.gov/international/bp_web/simple.cfm?anon=71&table_id=1&area_id=3) (accessed 30 March 2007).

of the specific circumstances within an economy.<sup>7</sup> America's increasing current account deficits have corresponded with shrinking levels of national saving, 0.4 per cent of disposable personal income in 2005<sup>8</sup>, which mean that the country needs to attract approximately US\$7 billion of capital from the rest of the world every day to finance its current account deficit.<sup>9</sup> This growing foreign debt will eventually lead to lower future consumption as later generations bear the cost of the low levels of national saving.

While the trade figures are worrying, it is important to understand the true nature of what they represent. China has a large trade surplus with the US, but runs a trade deficit with other global trading partners. This deficit is partly a result of high levels of foreign domestic investment (FDI) in China from other Asian nations, reflecting its position as a final assembler of manufactured goods in regional production.<sup>10</sup> The expansion of trade with China brings lower prices to American producers and consumers while forcing firms to use resources more efficiently to stay competitive. Despite these benefits, US politicians prefer to highlight the harmful effects of the increasing trade deficit with China. More importantly, US policy-makers have tended to equate a reduction in the bilateral imbalance with China to a decrease in the overall current account deficit.<sup>11</sup> Hence trade policies, such as the China Textile and Apparel Safeguard<sup>12</sup>, are clearly beginning to discriminate against Chinese imports in an attempt to reduce this deficit. The difficulty of the situation is that any reduction in the US trade deficit with China from targeted trade policies may simply divert demand to the next lowest cost foreign supplier, increasing America's bilateral deficits with these economies. As economist Chad P. Brown *et al.* explain, a reduction of the trade deficit will require total production to increase or expenditure to fall, neither of which are probable outcomes of targeted trade policies affecting selected trading partners.<sup>13</sup>

Of further concern for economists are historical trends in the US which warn of potential increases in protectionist policies. Theoretically, the persistent deficits on both the current account and the government's fiscal policy should lead to a real depreciation of the US dollar (USD) and an increase in interest rates.<sup>14</sup> This has not occurred, leading economists around the globe to suggest that the USD is overvalued. Historically, increasing trade deficits and currency overvaluations tend to foreshadow protectionist American trade policies. As Fred Bergsten, director of the Institute for International Economics and former assistant secretary of the US Treasury, detailed in testimony before the US Senate, this situation increases the number of industries seeking protection from imports and lowers the ability of exporting industries to mount 'countervailing

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<sup>7</sup> G. Mankiw, *Macroeconomics*, 5th edn., New York: Worth Publishers, 2002, p. 125.

<sup>8</sup> Hufbauer, Wong and Sheth, *op. cit.*, p. 3.

<sup>9</sup> F.C. Bergsten, 'The US Trade Deficit and China', *Testimony at The US-China Economic Relations Revisited Committee on Finance*, United States Senate, 29 March 2006, Washington, D.C. Online Available HTTP:

<http://www.iie.com/publications/papers/paper.cfm?ResearchID=611> (accessed 11 March 2007).

<sup>10</sup> N.R. Lardy, 'United States - China Ties: Reassessing the Economic Relationship', *House Committee on International Relations*, U.S House of Representatives, 21 October 2003, Washington D.C. Online Available HTTP:

<http://www.iie.com/publications/papers/paper.cfm?ResearchID=268> (accessed 10 March 2007).

<sup>11</sup> C.P. Brown, *et al.*, 'The U.S. Trade Deficit: Made in China?', *Economic Perspectives*, 4Q, 2005.

<sup>12</sup> This safeguard allows the US government to impose import quotas on textile and apparel imports from China if it determines that Chinese-origin imports are causing "market disruption."

<sup>13</sup> Brown, *et al.* *op. cit.*, 5.

<sup>14</sup> J.W. Lee, W.J. McKibbin and Y.C. Park, 'Transpacific Trade Imbalance: Causes and Cures', *Brookings Discussion Papers in International Economics No. 162*, The Brookings Institution, August 2004, p. 287. Online Available HTTP:

[http://www.brook.edu/views/papers/20040815\\_bdpie162.htm](http://www.brook.edu/views/papers/20040815_bdpie162.htm) (accessed 10 April 2007).



pressures'.<sup>15</sup> The current escalation of protectionist pressures against China<sup>16</sup> provides further evidence of these trends. Any failure to properly address these underlying economic trends in US domestic politics will have global repercussions and according to economist and China specialist James Dorn, represents "...a danger to the global trading order".<sup>17</sup>

### Renminbi Undervaluation

China's increasing current account and bilateral trade surplus with the US has prompted calls for the country's currency, the Renminbi (RMB)<sup>18</sup> to be re-valued.<sup>19</sup> In 2003 preliminary estimates by economist Morris Goldstein, a former deputy director of the IMF's research department, suggested that given the strong controls on capital outflows, surpluses on both current and capital accounts, and large accumulation of foreign reserves, the RMB was undervalued by about 15 to 25 per cent.<sup>20</sup> Prior to 2005, it was pegged at approximately RMB 8.28 to the USD. In that year, as a result of sustained foreign pressure, China moved to a managed exchange rate system which allowed the RMB to move up or down by 2.1 per cent with daily fluctuations limited to 0.3 per cent.<sup>21</sup> This relatively small change in the currency valuation has failed to satisfy China's critics

While the increase in the RMB required to bring about an exchange rate truly reflective of the Chinese economy differs among economists<sup>22</sup>, there is general agreement with the analysis of Brown *et al.* that an unanticipated sizeable increase in the value of the RMB has the potential to reduce the rate of accumulation of USD denominated assets by the Chinese. This in turn would increase interest rates and reduce the size of the overall trade imbalance of the US as well as between the two nations.<sup>23</sup> Thus, the current thrust of US-China policy-making focuses on encouraging such a re-valuation. Chinese diplomats view calls for currency appreciation as "unfair" and see a large appreciation of the RMB as an unacceptable option.<sup>24</sup> As foreign policy and US-China relations expert Nicholas Lardy explained in testimony before the US House of Representatives in 2003, Chinese households have approximately ten trillion RMB in savings accounts. Given the undiversified nature of these financial savings and the weaknesses of China's major banks, any move to significantly reduce capital controls could cause an unprecedented shift into foreign currency and lead to a domestic banking crisis.<sup>25</sup>

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<sup>15</sup> Bergsten, op. cit. (2006).

<sup>16</sup> For example, in 2005 the textile and apparel industries successfully pushed for restrictions on Chinese imports

<sup>17</sup> J.A. Dorn, 'Is China Cheating', speech to *The Annual Conference of APEC Centres*, Melbourne, APEC, 2007.

<sup>18</sup> RMB is also known as CNY.

<sup>19</sup> M. Goldstein, 'China's Exchange Rate Regime', *Testimony to The Subcommittee on Domestic and International Monetary Policy*, Trade and Technology Committee on Financial Services, US House of Representatives, 1 October 2003, Washington, D.C. Online Available HTTP:

<http://www.petersoninstitute.org/publications/print.cfm?doc=pub&ResearchID=266>

(accessed 30 March 2007); Lardy, op. cit. (2003).

<sup>20</sup> Goldstein, op. cit. (2003).

<sup>21</sup> Hufbauer, Wong and Sheth, op. cit., p. 11.

<sup>22</sup> Estimates suggest increases anywhere in the range of 15 to 40 per cent.

<sup>23</sup> Brown, *et al.*, op. cit., p. 4.

<sup>24</sup> Comments made by Ambassador Jiang Chengzong, Secretary General of the China National Committee for Pacific Economic Cooperation, in conversation with the author on 19 April 2007.

<sup>25</sup> Lardy, op. cit. (2003).

Calls from US policy-makers for Chinese authorities to take action on currency valuations have intensified over recent years. In 2006, Federal Reserve Chairman Ben Bernanke labelled the undervalued RMB an “...effective subsidy for Chinese firms that focus on exporting” by contributing to the low prices of Chinese imports to the US.<sup>26</sup> Furthermore, in 2005 the Treasury’s Semi-Annual Official Report to Congress only narrowly backed away from labelling China a ‘currency manipulator’.<sup>27</sup> If evoked, this term would expose China to retaliatory legislation. The Schumer-Graham bill, for example, would have imposed an across the board tariff of 27.5 per cent on all Chinese goods if the Treasury report had found that nation guilty of such a transgression.<sup>28</sup> Unfortunately, policy-makers ignore that these tariffs raise the prices of Chinese imports and are essentially a tax on US consumers. Furthermore, legislation designed to win votes by ‘China bashing’ increases the possibility of the Chinese introducing retaliatory legislation and may further hurt American exporters and consumers.

### US Domestic Situation

As China continues its economic rise, US policy-makers are struggling to find appropriate policy responses. American trade policy is currently polarised as business groups including the US Chamber of Commerce and the Business Roundtable continue to view China as a potential source of great prosperity and thus are lobbying for closer Sino-American trade ties. On a sectoral level, however, many Chinese imports compete against domestic industries<sup>29</sup> and as the volume of these items increase so do calls from these sectors for increased protection. The textiles and apparel industry, which has received protection for over 50 years, secured new restraints against Chinese imports in 2005 providing a platform for other sectors such as steel and automotive parts to launch similar campaigns. Indeed, the power and influence of US manufacturing industries is enabling protectionists to gradually gain pre-eminence over groups advocating increased trade linkages with China.<sup>30</sup>

Another key issue of contention between the two economies is China’s designation as a Non-Market Economy (NME) in the US. This status implies that state intervention distorts prices and costs in China. An importing country can therefore calculate anti-dumping<sup>31</sup> margins using figures from alternative countries to ‘guesstimate’ the actual costs and prices that would exist if China had a market economy.<sup>32</sup> US politicians have been using China’s NME status as an excuse to invoke anti-dumping regulations, a

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<sup>26</sup> B. Bernanke, 'The Chinese Economy: Progress and Challenges', speech to *The Chinese Academy of Social Sciences*, Beijing, China, 15 December, 2006. Online Available HTTP: <http://www.federalreserve.gov/BOARDDOCS/SPEECHES/2006/20061215/default.htm> (accessed 16 April 2007).

<sup>27</sup> 'Report To Congress on International Economic and Exchange Rate Policies', *Department of Treasury*, US Government, November 2005.

<sup>28</sup> 'Press Release', *United States Senate*, 3 February 2005. Online Available HTTP: [http://www.senate.gov/~schumer/SchumerWebsite/pressroom/press\\_releases/2005/PR4111.China020305.html](http://www.senate.gov/~schumer/SchumerWebsite/pressroom/press_releases/2005/PR4111.China020305.html) (accessed 19 April 2007).

<sup>29</sup> C.P. Brown and R. McCulloch, 'US Trade Policy Toward China: Discrimination and Its Implications', *The Brookings Paper*, Washington D.C., The Brookings Institution, 2005, p. 6. Online Available HTTP: <http://www.brookingsinstitution.org/views/Papers/200506bown.pdf> (accessed 13 April 2007).

<sup>30</sup> V.K. Aggarwal and K.C. Lin, 'Strategy Without Vision: The US and Asia-Pacific Economic Cooperation' in J. Ruland, E. Manske and W. Draguhn (eds), *Asia Pacific Economic Cooperation (APEC): The First Decade*, London: Routledge Curzon, 2002.

<sup>31</sup> If a company exports a product at a price lower than what it normally charges in its domestic market, it is said to be “dumping” the product.

<sup>32</sup> Hufbauer, Wong and Sheth, op. cit., p. 64.

practice James Dorn has described as an “unfair protectionist device”.<sup>33</sup> The granting of market economy status is a key measure in working to improve US-China relations.

### **Human Rights**

The US and China remain locked in heated debate about the latter’s approach to human rights. In a speech to the US Congress in 2005, Acting Deputy Assistant Secretary of State for Democracy Human Rights and Labour Gretchen Birkle accused the Beijing Government of torture; mistreatment of prisoners; detention without notification and communication; as well as the denial of due process of law.<sup>34</sup> A report by the US Trade Representative, published earlier that same year, also maintained that China was not adhering to “...certain internationally recognised labour standards, such as the rights of freedom of association and collective bargaining”.<sup>35</sup> These claims put China in violation of core labour standards as defined by the International Labour Organisation (ILO). Although China’s Ministry of Commerce responded by arguing that the Chinese Government was actively regulating minimum wages as a means of “safeguarding the interests of the poor”, these comments did little to assuage US concerns.<sup>36</sup> Also, many US politicians have seized upon these issues and other non-democratic practices of Chinese society with a view to winning votes. Nevertheless, while such matters are of importance, it is vital that due recognition is accorded to China’s position as a developing economy and that it is permitted time as well as space to address these issues internally before they are linked to external trade sanctions.

### **Security Issues**

The status of Taiwan is also a source of tension between the two countries. Senior Chinese diplomats insist that Taiwan is still a province of China, and refuse to acknowledge any claims of sovereignty.<sup>37</sup> Officially, the US administration does not support Taiwanese claims for independence and still advocates a one China policy. In practice, however, the Taiwan Relations Act allows America to supply Taiwan with defensive weapons while committing to a peaceful resolution of the dispute. According to US-Asia relations expert Charles E. Morrison, Beijing regards Washington’s position as a threat to its “territorial integrity”.<sup>38</sup> In 2005, *The Washington Times* published an article claiming that China’s military build-up was prompting fears of an imminent attack on Taiwan.<sup>39</sup> Despite Chinese claims to the contrary, their rapidly growing

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<sup>33</sup> Dorn, op. cit.

<sup>34</sup> G. Birkle, 'China's Human Rights Record and Falun Gong', *Testimony Before the House Committee on International Relations*, United States House of Representatives, 21 July 2005, Washington, D.C. Online Available HTTP: <http://www.state.gov/g/drl/rls/rm/2005/50110.htm> (accessed 11 March 2007).

<sup>35</sup> 2005 National Trade Estimate Report on Foreign Trade Barriers, Office of the United States Trade Representative. Online Available HTTP: [http://www.ustr.gov/Document\\_Library/Reports\\_Publications/2005/2005\\_NTE\\_Report/Section\\_Index.html](http://www.ustr.gov/Document_Library/Reports_Publications/2005/2005_NTE_Report/Section_Index.html) (accessed 19 April 2007).

<sup>36</sup> 'Nation to Remain Favoured FDI Destination', Ministry of Commerce of the People's Republic of China, 7 September 2006. Online Available HTTP: <http://english.mofcom.gov.cn/aarticle/newsrelease/significantnews/200609/20060903082806.html> (accessed 19 April 2007).

<sup>37</sup> Remarks by Ambassador Jiang Chengzong during conversation with the author on 19 April 2007.

<sup>38</sup> C.E. Morrison, 'APEC in Sino-American Relations: A Vehicle for Systematic Integration', in Ruland, Manske and Draguhn, op. cit.

<sup>39</sup> B. Gertz, 'Chinese Dragon Awakens', *The Washington Times*, 2005. Online Available HTTP: <http://www.washtimes.com/specialreport/20050626-122138-1088r.htm> (accessed 20 April 2007).

military budget and deployment of 700-800 missiles<sup>40</sup> within striking distance of the island clearly had the US authorities concerned. The future of this decisive issue remains uncertain and subsequent related developments are sure to have a profound impact on both Sino-American relations and any plans for any FTAAP negotiations which would include both the Taiwanese and Chinese economies.<sup>41</sup>

### **In Summary**

China's rise means that its current and future actions will have increasing strategic implications for the US<sup>42</sup> and that issues which develop must be handled through mutual cooperation and with due sensitivity. The problems discussed above are a brief snapshot of some of the key issues of concern. When viewed in isolation, they are not insurmountable obstacles to furthering relations between the two countries, but collectively they undermine the foundations of bilateral cooperation. The current actions of American policy-makers, instead of stabilising these foundations, are further weakening US-China relations. Clearly, the proposal to subsume these difficult issues under region-wide negotiations for an FTAAP aims to prevent a further deterioration of bilateral relations. The complexity of these issues does however lead to questions about their relevance to the wider region and as this report will explain, foreshadows difficulties in any FTAAP negotiations.

## **Part II: APEC**

The APEC region is vital to global economic development; it has consistently outperformed the rest of the world, and today member economies account for approximately 40 per cent of the world's population, 56 per cent of international GDP and 48 per cent of global trade.<sup>43</sup> Its weight in the world economy stems primarily from the inclusion of the six large economies in North America and Northeast Asia, the US, Canada, Mexico, China, Japan and Korea. These provide the bulk of APEC's regional trade. The high levels of economic growth in the APEC region belie the diverse nature of the economies. The forum thus plays an instrumental role in facilitating integration and regional cooperation amongst its members. This section of the report examines APEC's characteristics, while assessing its role in fostering economic development and integration throughout the region. The analysis will be drawn upon later in this report to assess the suitability of an FTAAP working to address several key Sino-American problems.

### **Formation of APEC**

APEC was established to facilitate economic growth, intensify economic and technical cooperation and foster an enhanced sense of community among member nations.<sup>44</sup> From the outset, the forum sought to promote global free trade and facilitate

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<sup>40</sup> D.M. Lampton, 'The Faces of Chinese Power', *Foreign Affairs*, vol. 86, no. 1, 2007.

<sup>41</sup> To accommodate China's refusals to recognise the sovereignty of Taiwan, official APEC documentation refers to Taiwan as Chinese Taipei and labels all Forum members as 'member economies' rather than states or countries.

<sup>42</sup> Y. Peng, 'Sino-American Relations: New Changes and New Challenges', *Australian Journal of International Affairs*, vol. 61, no. 1, 2007.

<sup>43</sup> 'About APEC', *Asia-Pacific Economic Cooperation Secretariat*, 2007. Online Available HTTP: [http://www.apecsec.org.sg/content/apec/about\\_apec.html](http://www.apecsec.org.sg/content/apec/about_apec.html) (accessed 18 April 2007).

<sup>44</sup> 'APEC at a Glance', *Asia-Pacific Economic Cooperation Secretariat*, 2006.

the liberalisation of the Asia-Pacific region.<sup>45</sup> The first ministerial meeting was held in 1989 with the intention of promoting growth-based economies in the region. Importantly, the creation of APEC was also a response to the emerging economic power of East Asia, and specifically Japan. It therefore sought to provide a framework for managing economic growth and deepening the economic integration of East Asia and the Pacific.

APEC's development was influenced by a range of political and economic factors pertinent at the time, many of which still remain relevant today. In an attempt to unite the divergent views and values within the region, it became a voluntary, non-binding, consensus-based forum. According to the 1991 Seoul APEC Declaration, cooperation will be based on:

(a) the principal of mutual benefit, taking into account the differences in the stages of economic development and in the sociopolitical systems, and giving due consideration to the needs of developing economies; and

(b) a commitment to open dialogue and consensus-building, with equal respect for the views of all participants.<sup>46</sup>

The consensus to develop a set of inter-governmental relationships with no “overarching supra-national structures” further consolidated support from economic leaders.<sup>47</sup> While attempting to address mounting fears about the creation of an inward looking and exclusive community, APEC also adopted a regional agenda which embodied the objectives of global trade liberalisation. The convergence of East and West in one outward looking regional institution is a prevailing APEC theme and the balancing of the cultural divide between the two remains a key factor in many of its decisions.

### **Pillars of Operation**

Delegates at the 1989 APEC Ministerial Meeting developed key objectives designed to guide the future of the forum.<sup>48</sup> These aimed to improve economic prosperity in the region by recognising a commitment to open markets and expanded trade. APEC members also committed themselves to supporting a successful conclusion of the Uruguay Round of multilateral trade negotiations; promoting sustainable growth; as well as increased linkages and regional cooperation. The Eminent Persons Group, appointed in 1992 to “enunciate a vision for trade in the Asia-Pacific Region”,<sup>49</sup> transformed the

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<sup>45</sup> P. Drysdale, 'Open Regionalism, APEC and China's International Trade Strategies' in P. Drysdale, Zhang Yunling and Lingang Song (eds), *APEC and Liberalisation of the Chinese Economy*, Canberra: Asia Pacific Press, 2000, p. 16.

<sup>46</sup> 'Seoul APEC Declaration', 12-14 November, Seoul, Korea, APEC, 1991. Online Available HTTP: <http://www.aseansec.org/1041.htm> (accessed 11 April 2007).

<sup>47</sup> P. Drysdale, 'APEC Then and Now: The Catalytic Role of the APEC Process: Behind the Border, Beyond the APEC Goals' in *APEC Perspectives 2006*, The Australian APEC Study Centre, Singapore: APEC Secretariat, 2006, p. 4.

<sup>48</sup> 'Joint Statement', First APEC Ministerial Meeting, *APEC*, Canberra, Australia, 6-7 November 1989. Online Available HTTP: [http://www.apec.org/apec/ministerial\\_statements/annual\\_ministerial/](http://www.apec.org/apec/ministerial_statements/annual_ministerial/) (accessed 11 March 2007).

<sup>49</sup> 'Joint Statement', Fourth APEC Ministerial Meeting, *APEC*, Bangkok, Thailand, 10-11 September 1992. Online Available HTTP: [http://www.apec.org/apec/ministerial\\_statements/annual\\_ministerial/1992\\_4th\\_apec\\_ministerial.html](http://www.apec.org/apec/ministerial_statements/annual_ministerial/1992_4th_apec_ministerial.html) (accessed 11 March 2007).

objectives outlined in 1989 into specific foundations which focused APEC's future policy and work program in three key areas:

- 1) Trade and Investment Liberalisation;
- 2) Business Facilitation; and
- 3) Economic and Technical Cooperation.

The 1994 Bogor Declaration of Common Resolve further defined APEC's vision, setting the goal of free and open trade and investment in the Asia-Pacific region by 2010 for developed members and 2020 for developing member economies.<sup>50</sup> Since this time, the 1995 Osaka Action Agenda, the 2001 Shanghai Accord and the Busan Roadmap of 2005 have all been embraced by member economies intent on further shaping APEC's vision and work program.<sup>51</sup>

The Bogor Goals were to be achieved not through traditional methods of legally binding reciprocal negotiations, but through a process of non-discriminatory open regionalism. Non-discrimination implies that trade concessions offered within APEC must be made available to all World Trade Organisation (WTO) members on a non-reciprocal basis, and also dictates that imported goods shall be treated equally to locally produced goods once they have entered a domestic market.<sup>52</sup> The concept of 'open regionalism' is founded on the belief that an exclusive and closed Asia-Pacific trading bloc would be detrimental to the APEC economies and the wider global community. These principals have built APEC into a unique and multifaceted regional institution.

### **APEC's Report Card**

Eighteen years since its inception, APEC has produced significant results despite having encountered considerable challenges and this section explores the forum's successes, failures and future challenges. To date, member economies have made significant progress towards improving trade liberalisation and economic integration in the region in the following areas:

- 1) Average tariffs in the region have been reduced from 16.9 per cent in 1989 to 5.5 per cent in 2004<sup>53</sup>, while business transaction costs have been reduced by 5 per cent between 2001 and 2006 and are scheduled to be reduced by a further 5 per cent by 2010.<sup>54</sup>
- 2) Under the common interpretation of the Bogor Goals<sup>55</sup>, Australian Minister for Foreign Affairs Alexander Downer believes that developed countries have met or will achieve their targets by 2010, and furthermore is 'certain' that free trade will be achieved in developing countries by 2020.<sup>56</sup>

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<sup>50</sup> 'Economic Leaders' Declaration: From Vision to Vision', *APEC*, Subic, Philippines, 25 November 1996. Online Available HTTP:

[http://www.apec.org/apec/leaders\\_\\_declarations/1996.html](http://www.apec.org/apec/leaders__declarations/1996.html) (accessed 4 April 2007).

<sup>51</sup> 'APEC Outcomes and Outlook', Asia-Pacific Economic Cooperation Secretariat, 2007.

<sup>52</sup> A. Gyngell and M. Cook, 'How to Save APEC', *Policy Brief*, Lowy Institute, 2005.

<sup>53</sup> 'A Mid-Term Stocktake of Progress Towards the Bogor Goals, *17th APEC Ministerial Meeting*, Busan, Korea, APEC, 2005, p. 4. Online Available HTTP: [http://www.apec.org/apec/news\\_\\_media/fact\\_sheets/BusanRoadmap\\_BogorGoals.html](http://www.apec.org/apec/news__media/fact_sheets/BusanRoadmap_BogorGoals.html) (accessed 24 March 2007).

<sup>54</sup> 'APEC Outcomes and Outlook', Asia-Pacific Economic Cooperation Secretariat, 2007.

<sup>55</sup> Being that free trade in developed countries means tariffs of less than 5.5 per cent.

<sup>56</sup> A. Downer, speech to *Monash APEC Lecture*, Melbourne, APEC 2007 Annual Conference of APEC Centres, 19 April, 2007.

- 3) Through its program of economic and technical cooperation (ECOTECH), APEC has developed into a valuable forum for sharing information and experiences. Capacity-building efforts, particularly in the financial services sector and in developing member economies, have further strengthened APEC's work in this area.
- 4) Finally, APEC has also succeeded in elevating the process of cooperation to the highest level possible through the annual meeting of leaders of member economies. These meetings, which include three of the five permanent members of the United Nations Security Council, remain the only vehicle that brings together leaders from *both* sides of the Pacific allowing them to discuss key issues of regional and global importance.<sup>57</sup> Of particular importance have been the responses of member economies at this venue to the 1999 crisis in East Timor and more recently to global counter-terrorism efforts.

APEC has also faced many difficult roadblocks on its journey towards liberalising Asia-Pacific trade and investment and these have harmed the status of the forum, while contributing to doubts about its purpose and value. These obstacles include:

- 1) Ambiguities in defining and interpreting 'open regionalism' resulting in non-discrimination being viewed by some as an unconditional APEC principal and by others as a conditional principal. This confusion leaves some member economies in favour of trade liberalisation without reciprocation from the rest of the world, while other members argue that it should be conditional upon a reciprocal global response.<sup>58</sup> Thus, various countries are reluctant to offer trade concessions unless these are reciprocated globally, which in turn limits the effectiveness of liberalisation efforts within the APEC region.
- 2) Differences of opinion on trade liberalisation among member economies resulted in the failure of Early Voluntary Sectoral Liberalisation (EVSL). This program aimed to accelerate the pace of trade liberalisation by identifying sectors "...where early voluntary liberalisation could have a positive impact on trade, investment, and economic growth in the individual APEC economies and the region".<sup>59</sup> This EVSL initiative, however, was derailed by Japan, China and Korea who opposed any attempts to deviate from APEC's role as a voluntary forum for coordinating *unilateral* liberalisation.<sup>60</sup>
- 3) A "very small" support mechanism which, although part of APEC's original appeal, has progressively handicapped the forum's ability to effectively manage its work agenda. The APEC Secretariat is staffed by a team of 21 program directors and 27 specialist or support personnel temporarily seconded from member governments.<sup>61</sup> Because these employees work under contracts of no

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<sup>57</sup> Many of these meetings substituted for 'state visits', which at the time were politically impossible, particularly between China and the US, and permitted personal contact at head of state level.

<sup>58</sup> R. Scollay and J. Gilbert, 'Measuring the Gains from APEC Trade Liberalisation: An Overview of CGE Assessments', *The World Economy*, vol. 23, no. 2, 2002, 1.

<sup>59</sup> 'Economic Leaders' Declaration', *APEC*, Hanoi, Vietnam, 25 November 2006. Online Available HTTP: [http://www.apec.org/apec/leaders\\_\\_declarations/2006.html](http://www.apec.org/apec/leaders__declarations/2006.html) (accessed 14 April 2007).

<sup>60</sup> J. Ravenhill, 'From Poster Child to Orphan: The Rise and Demise of APEC', *APEC and the Search for Relevance: 2007 and Beyond*, Canberra: Research School of Pacific and Asian Studies, The Australian National University, 2006, p. 9. Online Available HTTP: [http://www.apec.org/apec/ministerial\\_statements/annual\\_ministerial/1989\\_1st\\_apec\\_ministerial.html](http://www.apec.org/apec/ministerial_statements/annual_ministerial/1989_1st_apec_ministerial.html) (accessed 16 March 2007).

<sup>61</sup> 'APEC Secretariat', *APEC*, 2007. Online Available HTTP:

more than a year in duration the long-term continuity of the organisation had suffered.

Finally, when analysing APEC's suitability to encourage further trade liberalisation in the region, it is necessary to consider the following challenges that the forum faces:

- 1) The recent virtual collapse of the Doha Round of WTO Multilateral Trade Negotiations which has stalled global momentum and political support for trade liberalisation.
- 2) The burgeoning of its agenda which has stretched its limited secretarial resources. New initiatives in business facilitation, counter-terrorism, and disease prevention have diluted APEC's potency and affected progress in other key areas. The acknowledgement by Australian Foreign Minister Downer that climate change will be added to this year's agenda is further evidence of APEC's expanding work program.<sup>62</sup>
- 3) The proliferation of Preferential Trading Agreements (PTAs) over the last decade<sup>63</sup> which have created a set of competing preferential and discriminatory trade arrangements in the region. Each additional PTA introduces new inefficiencies in the region and damages excluded economies.<sup>64</sup> Untangling this 'spaghetti bowl' of intersecting regional bilateral trade agreements is rightfully a key concern for APEC. The release of a 'Common Understanding'<sup>65</sup> on PTAs for APEC member economies is an initial step in the right direction, but much work is still to be done to ensure these agreements do not increase further barriers to trade and fragment the Asia-Pacific region.

When considering the feasibility of the organisation to act as a vehicle for addressing Sino-American tensions, it is important to recognise the fundamental advantage it has over other alternative dispute mechanisms. Despite its failings, APEC has consistently been the one organisation to bring together the leaders and top policy-makers of both countries for dialogue at the highest level. Over the last decade they have become accustomed to meeting annually in an APEC setting to discuss key issues of regional significance. These venues, familiar and comfortable to all involved, have helped develop both strong inter-government and people-to-people relationships. US-China economic and political tensions certainly have wider regional implications and the opportunity to imbed discussion of these issues within a broader APEC setting should not be dismissed lightly.

### **Part III: FTAAP**

This section discusses the proposal for an FTAAP, while examining its potential economic benefits and the specific design in the context of current global trade

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[http://www.apecsec.org.sg/apec/about\\_apec/apec\\_secretariat.html](http://www.apecsec.org.sg/apec/about_apec/apec_secretariat.html) (accessed 16 April 2007).

<sup>62</sup> Downer, op cit.

<sup>63</sup> As of July 2005, 53 PTAs have been negotiated between APEC economies and many more are currently under discussion.

<sup>64</sup> R. Scollay, 'Preliminary Assessment of the Proposal for a Free Trade Area of the Asia-Pacific (FTAAP)', APEC Business Advisory Council, 2004, p. 8.

<sup>65</sup> 'Proposals for an APEC Common Understanding on RTAs', *Pacific Economic Cooperation Council Trade Forum*, Singapore: PECC Secretariat, 2003. Online Available HTTP: [www.pecc.org/publications/papers/rta-common-understanding.pdf](http://www.pecc.org/publications/papers/rta-common-understanding.pdf) (accessed 30 March 2007).



liberalisation. It will then refer back to the original question by looking precisely at the ways in which an FTAAP could facilitate solutions to Sino-American problems.

### **Global Trade Liberalisation**

The concept of free trade is established upon the belief that trade stimulates economies to concentrate on producing commodities which they can turn out most efficiently. This is achieved by opening an economy to foreign competition, forcing domestic producers to either match the quality and efficiency of their foreign counterparts or switch their resources into more productive areas in which they have a comparative advantage. The notion of comparative advantage in trade is not a new one as in 1776 Adam Smith argued;

“If a foreign country can supply us with a commodity cheaper than we ourselves can make it, better buy it of them with some part of the produce of our own industry, employed in a way in which we have some advantage.”<sup>66</sup>

Underlying the free trade principal is the belief that the potential gains are largest in the absence of barriers such as tariffs, quotas or subsidies. It is therefore argued that governments should adopt policies which promote the unrestricted flow of goods and services to maximise the economic benefits.<sup>67</sup>

Since 1995, the WTO has overseen the reduction of barriers to trade. This organisation evolved from the 1948 General Agreement on Tariffs and Trade (GATT) and works to negotiate trade agreements, settle trade disputes and facilitate trade through a set of legally enforceable rules.<sup>68</sup> The third and most recent round of multilateral trade negotiations was launched in Doha in November 2001. The 148 nations participating seek to “maintain the process of reform and liberalisation of trade politics” while “...addressing the marginalization of least-developed countries in international trade”.<sup>69</sup> The Organisation for Economic Co-operation and Development (OECD) has estimated successful completion of the Doha Round of negotiations would result in the following benefits:

- 1) Nearly US\$100 billion in gains from increased economic activity from full tariff liberalisation for industrial and agricultural goods;
- 2) Another US\$500 billion in gains from liberalising trade in services; and
- 3) The gain of at least a further US\$100 billion from reducing procedural barriers.<sup>70</sup>

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<sup>66</sup> A. Smith, *The Wealth of Nations Books IV-V*, London: Penguin Books, 1776, book IV, section ii, p. 33.

<sup>67</sup> 'Understanding the WTO', *World Trade Organisation*, Geneva, 2007, p. 13. Online Available HTTP: [http://www.wto.org/english/thewto\\_e/whatis\\_e/tif\\_e/tif\\_e.htm](http://www.wto.org/english/thewto_e/whatis_e/tif_e/tif_e.htm) (accessed 3 April 2007).

<sup>68</sup> *Ibid.*

<sup>69</sup> 'Ministerial Declaration', *Doha WTO Ministerial 2001*, Doha, Qatar, 14 November 2001.

Online Available HTTP:

[http://www.wto.org/english/thewto\\_e/minist\\_e/min01\\_e/mindecl\\_e.htm](http://www.wto.org/english/thewto_e/minist_e/min01_e/mindecl_e.htm) (accessed 19 April 2007).

<sup>70</sup> A. Gurria, 'Doha: the Low Hanging Fruit', OECD, 2006. Online Available HTTP: [http://www.oecd.org/document/4/0,2340,en\\_2649\\_201185\\_37295108\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/4/0,2340,en_2649_201185_37295108_1_1_1_1,00.html) (accessed 18 April 2007); 'The Doha Development Agenda: Welfare Gains from Further Trade Liberalisation with Respect to Tariffs', Working Party of the Trade Committee, OECD, 2003. Online Available HTTP: [http://www.oecd.org/olis/2003doc.nsf/43bb6130e5e86e5fc12569fa005d004c/c35981a497f5c129c1256d51003e78be/\\$FILE/JT00146731.PDF](http://www.oecd.org/olis/2003doc.nsf/43bb6130e5e86e5fc12569fa005d004c/c35981a497f5c129c1256d51003e78be/$FILE/JT00146731.PDF) (accessed 11 April 2007).

The sheer size of these projected gains as well as the resultant struggle between competing national and domestic interests for their share increases exponentially the difficulties of all parties reaching an agreement.

Until recently, multilateral liberalisation was seen as the principal method for achieving global liberalisation objectives, but unfortunately, the Doha Round negotiations have faltered. The remaining obstacles preventing further progress on global trade liberalisation are the hardest to tackle and touch at the complex core of the global trading system. American trade and economic specialist Jeffrey Schott, who spent about ten years in the US Treasury Department, maintains that factors undermining prospects for a successful completion of the Doha Round include:

- 1) Difficulties reaching agreement on the modalities for cutting farm subsidies and tariffs;
- 2) Problems addressing global economic imbalances;
- 3) Growing US trade deficits which weaken political support for liberalisation; and
- 4) The problems encountered by developing countries in adapting to the current competitive environment and their reluctance to add to their adjustment burden by committing to new trade reforms.<sup>71</sup>

As the negotiations drag on, the prospects for successful completion of the Doha Round deteriorate.

### **Free Trade Area of the Asia Pacific (FTAAP)**

The proposal for an Asia-Pacific free trade agreement was first raised for discussion at the inaugural Pacific Trade and Development Conference in 1968. An FTAAP has subsequently been considered in numerous forms by regional organisations but always rejected, primarily owing to fears that such an accord might undermine the global multilateral trade negotiations.<sup>72</sup> However, current concern about the progress of the Doha Round has shifted thinking about the merits of an FTAAP. The 2006 APEC Economic Leaders Declaration in Hanoi directed officials to “...undertake further studies on the ways and means to promote regional economic integration, including an FTAAP as a long term prospect and report to the 2007 APEC Economic Leaders’ Meeting in Australia”.<sup>73</sup>

Nevertheless, the debate on the academic merits of an FTAAP is extremely polarised. This was most vividly borne out at the 2007 Annual Conference of APEC Centres, where diametrically opposed views of experienced economists were outlined explicitly. Fred Bergsten is one of the strongest advocates of the FTAAP proposal and many of his arguments are outlined later in this section. Although his analysis highlights the benefits that such an accord would bring to all involved it places limited emphasis on and seems to underestimate the obstacles to actually achieving it.

In contrast, economist Ross Garnaut, a former Australian ambassador to China and self-acknowledged “long-time sceptic” about prospects for an FTAAP, admits that recent developments have strengthened the case for such an accord, but still questions

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<sup>71</sup> J.J. Schott, 'Completing the Doha Round', *Policy Briefs in International Economics*, Institute for International Economics, 2006. Online Available HTTP:

<http://www.petersoninstitute.org/publications/pb/pb06-7.pdf> (accessed 19 April, 2007).

<sup>72</sup> R. Garnaut, 'The Politics of Trade Liberalisation', paper presented at *The Annual Conference of APEC Centres*, Melbourne, 2007.

<sup>73</sup> "Economic Leaders' Declaration", *APEC*, Hanoi, Vietnam, 25 November 2006. Online Available HTTP: [http://www.apec.org/apec/leaders\\_\\_declarations/2006.html](http://www.apec.org/apec/leaders__declarations/2006.html) (accessed 14 April 2007).

whether sensitive sectors which have inhibited further progress on multilateral negotiations will be any easier to address within APEC.<sup>74</sup> An example involves rules of origin. In negotiations for the NAFTA and other FTAs, the US insisted upon a restrictive product-by-product arrangement, which is in contrast to the ASEAN style of openness in its trade agreements.

### **Potential Gains from an FTAAP**

In his speech at the 2007 Annual Conference of APEC Centres, Bergsten argued that an FTAAP would represent an enormous liberalisation of trade and offer substantial benefits to APEC member economies.<sup>75</sup>

Economist Robert Scollay, director of the New Zealand APEC Study Centre, has enlisted the help of John Gilbert in undertaking a Computable General Equilibrium (CGE) simulation to model projected changes in economic welfare from various kinds of trade agreements, including: APEC non-discriminatory liberalisation (NDL); global multilateral liberalisation (ML); an ASEAN plus three FTA; as well as the proposed ASEAN-China and ASEAN-Japan FTAs. (See Table I)<sup>76</sup>

While caution must always be applied when analysing statistical results, owing to assumptions and data selection issues, the results of this simulation demonstrate the strong economic benefits of an FTAAP. The figures indicate that such an agreement would have a larger projected change in economic welfare than any of the preferential agreements analysed. The welfare gains for Southeast Asia are higher with the ASEAN Plus Three agreement than with the FTAAP, but these should be considered in terms of the substantial increases in projected economic welfare in Northeast Asia under the latter. Furthermore, as Scollay points out, the combined economic welfare under the FTAAP for the eighteen APEC economies shown is more than three times the net gain from the ASEAN Plus Three FTA. This simulation clearly backs Bergsten's claims that an FTAAP will bring large economic benefits to APEC economies and addresses his argument that in the face of a collapse of the global multilateral liberalisation negotiations, it represents the next best option for economies of the APEC region.

Bergsten also maintains that an FTAAP could "sweep the proliferation of PTAs under one roof and decrease [trade] discrimination" in the region.<sup>77</sup> This is an important issue for the Asia-Pacific, for despite an explosion in the number of PTAs, key trade flows within the region are still being ignored. With the exception of the current proposal for a US-Korea FTA and the recently concluded Japan-Mexico FTA, the current PTAs fail to link key North American and Northeast Asian Economies; correspondingly, approximately 40 per cent of exports within the APEC region are not covered by a trading agreement.<sup>78</sup> Additionally, each new PTA introduces discriminatory trade policies and new inefficiencies into the region. The challenge for the large economies, particularly China and the US, is to maintain control of the current situation and ensure that it does not impede the push for further integration of the Asia-Pacific.

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<sup>74</sup> Garnaut, *op. cit.*

<sup>75</sup> F.C. Bergsten, 'Making an FTA Work', Speech to the Annual Conference of APEC Centres, Melbourne, APEC, 2007.

<sup>76</sup> Scollay, *op. cit.* (2004), p. 27.

<sup>77</sup> Bergsten, *op. cit.* (2007).

<sup>78</sup> Scollay, *op. cit.* (2004), p. 13.

Finally, Bergsten argues that by working to achieve an FTAAP APEC members may also act as catalyst in restarting the Doha Round negotiations.<sup>79</sup> Non-APEC members, facing potentially large decreases in their own economic welfare associated with a successful implementation of an FTAAP, may be more inclined to promote trade liberalisation through the WTO process. Such a development would not come as a surprise; after all one only need to consider the role that APEC played in bringing the

**Table 1**  
**Selected Trade Agreements/Arrangements: Projected Changes in Economic Welfare**  
**(in million US\$ (1997))**

	<b>ASEAN China</b>	<b>ASEAN Japan</b>	<b>ASEAN Plus 3</b>	<b>FTAAP</b>	<b>APEC NDL</b>	<b>Global ML</b>
Australia	-118.7	-234.9	-690	1744.8	939.9	1742.2
New Zealand	-22	-49.9	-134.8	682.4	296.8	2240.7
<b>China</b>	209.5	-861.5	<b>514.1</b>	<b>3275.1</b>	1846.6	5180
Hong Kong	-267.1	-218.6	-1221.6	3038.7	2428.6	3272.7
Japan	-1628.5	528.1	6612.4	14931.7	12437.4	14578.4
Korea	-491.3	-706.9	5028.2	5658.1	4885.2	7764.8
Chinese Taipei	-429.3	-477.9	-2011.8	3100	2961.8	3091.3
Indonesia	461	842.2	2403	2658.5	2123.1	2750.4
Malaysia	1128	504.9	805.9	771.6	515.5	1305.9
Philippines	205.1	154.7	61.3	86.8	-218.2	-36.2
Singapore	2688.6	1947.1	2438.6	1933	1569.4	2585.5
Thailand	691.7	2983.2	2933.8	2497.1	1908.9	2963.3
Vietnam	429.8	877.8	1092.5	1278.8	489.9	1646.1
Canada	0.1	-25	-62.4	1111.4	570.5	1771
<b>United States of America</b>	-1166.3	-2035.9	<b>-4266.3</b>	<b>1189.4</b>	-6390.8	<b>-569.2</b>
Mexico	3.8	29.3	59.4	-317.9	-593.1	-484.8
Rest of South America	17.7	-62	-354	-1766.1	2652.9	2815.3
Columbia	8.4	-2.2	-50.8	-247	349.5	341.2
Peru	-61	-15.8	-88.2	66.1	-83.1	1602.9
Venezuela	17.4	6.8	-0.8	-73.4	122.2	646.7
Argentina	-75.3	-32.7	-195.6	-527.9	221.2	3145.3
Brazil	-219.3	-145.6	-591.3	-1908	2075.2	6067.7
Chile	4	-52.8	-118.9	310	74.3	621
Uruguay	-3.7	-1.8	-17.7	-37.9	29	770.9
<b>Aggregates</b>						
<b>18 APEC Economies</b>	1637.1	3188.2	<b>13355.0</b>	<b>44015.7</b>	25762.7	52025.8
Northeast Asia	-2606.8	-1736.9	<b>8921.2</b>	<b>30003.6</b>	24559.6	33887.1
Southeast Asia	5604	7310	<b>9735.1</b>	<b>9225.8</b>	6388.7	11214.9
Australasia	-104.7	-824.7	-824.8	2427.2	1236.9	3982.9
North America	-1162.5	-2031.6	-4269.3	1983	-6413.4	717
<b>Non-APEC</b>	-1682.7	-2989.5	-6495.2	<b>-18455.6</b>	10158.5	<b>32905.7</b>

Source: Scollay, op. cit. (2004), p. 27.

<sup>79</sup> F.C. Bergsten, 'Toward a Free Trade Area of the Asia Pacific', *Policy Briefs in International Economics*, February 2007, Washington, DC; Peterson Institute for International Economics. Online Available HTTP: <http://www.petersoninstitute.org/publications/pb/pb07-2.pdf> (accessed 14 March 2007).

Uruguay Round of negotiations to conclusion in the 1990s.<sup>80</sup> Although it would be an ambitious strategy to attempt to influence the current round of WTO negotiations through efforts to achieve an FTAAP, success would bring with it remarkable benefits to global economic development.

### **Design Features of FTAAP**

Currently there is no singular, comprehensive proposal for an FTAAP, a factor which makes analysis of its potential impact on US-China relations slightly more difficult. Nonetheless studies are being undertaken by various academics and a report will be tabled at this year's APEC Economic Leaders Meeting in September.<sup>81</sup> Robert Scollay and the APEC Business Advisory Council's 'Preliminary Assessment of the Proposal for a Free Trade Area of the Asia-Pacific', mentioned above, is by far the most wide-ranging of these studies. Their work highlights the need for a high-quality agreement that complies with WTO regional trade rules<sup>82</sup> maintaining that "trade barriers should be reduced or removed on substantially all sectors of trade" within the region.<sup>83</sup> Any agreement must also embody the crucial APEC principals of comprehensiveness and flexibility<sup>84</sup>, so that it works towards the achievement and furthering of the Bogor Goals.

Scollay also details the following additional provisions required in an FTAAP so that it meets the "high standards embodied in APEC principals" as underlined in the common understanding for trade agreements in the region<sup>85</sup>:

- 1) competition policy;
- 2) standards and conformance;
- 3) customs procedures;
- 4) government procurement;
- 5) mobility of business persons; and
- 6) dispute settlement.

Yet, for any FTAAP to be truly comprehensive it must feature additional provisions for sensitive sectors such as agriculture; trade remedies and anti-dumping measures; intellectual property; services trade; as well as investment and rules of origin. The unification of all APEC economies under one agreement, encompassing all of the issues briefly outlined is a monumental aspiration. Nevertheless, in the face of a failing multilateral round of global trade liberalisation, the FTAAP is considered by some to be an alternative worth pursuing.

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<sup>80</sup> S. Bin, 'The Political Economy of an Asia Pacific Free Trade Area: A China Perspective', *An APEC Trade Agenda? The Political Economy of a Free Trade Area of the Asia Pacific*, The Pacific Economic Cooperation Council and The APEC Business Advisory Council, 2006, p. 63.

<sup>81</sup> Senior Australian Department of Foreign Affairs officials have confirmed during discussions with the author that modelling for an FTAAP is currently taking place and a proposal will be presented at this year's meeting in Sydney, although they would not be drawn on the chances of the proposal succeeding.

<sup>82</sup> These rules state that regional trading agreements must involve the removal of barriers on substantially all trade in goods between members whilst having substantial sectoral coverage.

<sup>83</sup> 'Understanding the WTO', World Trade Organisation, Geneva, 2007. Online Available HTTP: [http://www.wto.org/english/thewto\\_e/whatis\\_e/tif\\_e/tif\\_e.htm](http://www.wto.org/english/thewto_e/whatis_e/tif_e/tif_e.htm) (accessed 30 March 2007).

<sup>84</sup> Scollay, op. cit., p. 15.

<sup>85</sup> Scollay, 'Asia-Pacific RTAs as Avenues to Achieving the Bogor Goals: Analysis and Ways Forward', paper presented to *The 2nd Annual Conference of PECC Finance Forum*, Hua Hin, Thailand, 2003, p. 15.

## **FTAAP, the US and China**

The statistical results above indicate large potential gains for both the US and China from an FTAAP. China stands to experience a six fold increase in projected economic welfare from the introduction of such an agreement, while for the US it is the only scenario in which there are gains to be made. With the possibility of obtaining such large benefits, there is compelling logic for the two countries to raise many of the above mentioned problems during broader talks on achieving an FTAAP. This idea is firmly advocated by Bergsten who has published widely on the topic. His main argument is that embedding US-China problems in a broader context would offer "...the promise of eventual elimination of most or all barriers between them".<sup>86</sup> He also believes that the US Congress would support the mutual elimination of trade barriers because reduced Chinese barriers<sup>87</sup> would benefit the American economy.<sup>88</sup> For China, the associated domestic reforms and increases in efficiency resulting from the liberalisation of its remaining restrictions would produce substantial economic benefits.<sup>89</sup> In addition, it is argued that negotiations within APEC could help reduce the considerable tension between the US and China, allowing sensitive bilateral political problems to be addressed.

## **Part IV: Analysis**

The previous section of this report highlights the economic arguments for an FTAAP, specifically detailing the significant projected gains for all APEC countries, including the US and China. Unfortunately, for an initiative to make economic sense is not enough; there needs to be substantial support from contemporary political leaders, policy-makers and institutions. This section analyses the proposal for an FTAAP in a wider context and contends that the chances of such an agreement succeeding are very remote. In reaching this conclusion, this section analyses:

- 1) The level of Chinese support for an FTAAP;
- 2) Current attitudes to trade liberalisation in the US;
- 3) The likelihood of an FTAAP stemming the increasing flow of PTAs and synchronizing them under one umbrella agreement; and
- 4) The potential for APEC to provide sufficient means to negotiate and implement an FTAAP.

## **China**

From a Chinese perspective, the jury is still out on the merits of an FTAAP, especially one that is negotiated and implemented through APEC mechanisms. As has already been alluded to, increased access to foreign markets and dynamic gains from trade could assist China's economic development and projected welfare. Some Chinese diplomats, with these potential gains in mind, support Chinese participation in an FTAAP.<sup>90</sup> China's main trading partners are APEC members and the country would undoubtedly benefit from involvement in a high-quality FTA for the Asia-Pacific region. Any gains must however be weighed against possible difficulties in achieving and implementing an FTAAP in China. As mentioned earlier in this report a high-quality

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<sup>86</sup> Bergsten, op. cit. (2007), p. 11.

<sup>87</sup> Which are already significantly higher than US barriers.

<sup>88</sup> Bergsten, op. cit. (2007), p. 12.

<sup>89</sup> Ibid.

<sup>90</sup> Remarks by Ambassador Jiang Chengzong, during conversation with author on 19 April 2007.

agreement necessary to fulfil both APEC and WTO principals would need to include provisions on certain key sectors. Unfortunately, agreement on these will not be easily achieved by Chinese negotiators. There is great pressure within China from State Owned Enterprises including the banking, telecommunication and transportation sectors which are vehemently opposed to free competition and further integration with foreign suppliers. Other issues which have proved difficult to reach agreement on within both the WTO framework and individual PTAs will also not magically disappear, thus remaining prominent road blocks to free trade. Examples of these include China's import restriction on palm oil, a key area of tension among ASEAN countries; as well as fierce domestic concerns over agricultural and dairy imports.<sup>91</sup>

### **Support for liberalisation in US**

US trade discrimination against China is not the only obstacle to furthering relations between the two countries through trade. There is also considerable US domestic opposition to the general process of trade liberalisation at a Congressional level and from powerful industrial lobbies within America. These anti-trade pressures have been bolstered by the pursuit of bilateral agreements which provide concessions to specific industries. Because of the limited understanding of the benefits from trade liberalisation the main issues of concern are job security and fears that trade agreements will adversely affect labour markets. These problems have contributed to considerable political and public opposition to what in reality are inconsequential, essentially strategic, trade agreements; a factor that does not bode well for any FTAAP proposal.

Of further concern is that the main thrust of America's pro-liberalisation agenda has been centred upon obtaining reductions in agricultural trade barriers from the European Union (EU). The absence of European liberalisation in any FTAAP proposal significantly eliminates a vital political impetus for supporting trade liberalisation in the US.<sup>92</sup> This issue will not be resolved through an FTAAP, unless fear of losing market access and possible trade discrimination ignites enthusiasm in the EU and elsewhere to restart Doha Round negotiations. Without concessions from the EU, and under the current climate for trade liberalisation, American trade experts concede there is little momentum for free trade in the US.<sup>93</sup>

### **PTAs**

One of the main arguments for an FTAAP is that it will halt the rash of new bilateral trading arrangements in the region and unite them under one overarching agreement. This is a task that should not be underestimated. While an FTAAP might prevent further PTAs from being concluded, harmonisation of the inconsistent and discriminatory provisions of existing agreements is an undertaking fraught with risks. The Asia-Pacific region is one of the most diverse in the world. The trade agreements that have been reached over the last decade reflect this diversity, ranging from all-inclusive trade arrangements to marginal economic affiliations. Underscoring the difficulties facing those seeking to negotiate an FTAAP are comments made by Chinese academic, Sheng Bin, who claims that China "...may be reluctant to confine itself into a single template for an FTA which is not able to show preferential and differential treatments for selected partners".<sup>94</sup> Unravelling these agreements, which adhere to no common template and are each designed to advance the specific national interests of the countries, is no easy

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<sup>91</sup> Bin, op. cit., pp. 65-66.

<sup>92</sup> Garnaut, op. cit. (2007).

<sup>93</sup> Remarks by a US trade and APEC expert during conversation with the author on 19 April 2007.

<sup>94</sup> Bin, op. cit., p. 62.

task. An FTAAP will be unable to absorb all PTA provisions and countries disadvantaged in this process may block the further amalgamation of these agreements. Furthermore, the possibility of an FTAAP existing in conjunction with individual PTAs will only increase confusion and economic inefficiencies. Managing PTAs in the region thus presents a sizeable stumbling block to any FTAAP negotiations.

### **Viability of APEC as a Vehicle**

If APEC leaders decide to advance the proposal for an FTAAP at this year's meeting, it will mark a substantial change in direction for the organisation and its structure. As Peter Drysdale points out, APEC was never designed to be a negotiating forum for trade liberalisation.<sup>95</sup> The organisation is viewed by many to have a weak central administration and an extraordinarily slim support structure that would strain under the weight of the divisive and sure to be lengthy negotiations for an FTAAP. In these circumstances it could be suicidal for an organisation, already struggling with questions about its future, to burden itself with the task of negotiating a regional trade agreement without the proper analytical capabilities and support mechanisms.

For an FTAAP to be successful, APEC would also be forced to abandon its adherence to voluntary, non-binding negotiations, while moving away from a non-discriminatory approach to trade liberalisation.<sup>96</sup> Discarding these fundamental principals seriously alters the original APEC vision of 'open regionalism'. As the failure of the EVSL initiative demonstrated, there are inherent difficulties in transforming APEC into a compulsory, rules-based organisation, problems which would only multiply during negotiations for an FTAAP. If APEC were to decide to facilitate the conclusion of an FTAAP it would need to alter its core principals, a process that may damage the very facets of the forum which appeal directly to many of its member economies.

### **Conclusion**

What are the prospects of negotiations for an FTAAP providing a vehicle to address the bilateral problems plaguing the US and China? *Theoretically* such an accord seems to be an option worth considering. Unfortunately economic arguments alone are not enough. This paper maintains that the combination of highly charged political issues, especially in the US, an under resourced APEC, and lack of momentum for trade liberalisation make the chances of an FTAAP successfully addressing US-China problems highly unlikely.

After analysing critically information from the first three sections of the report, part IV concludes that an FTAAP has little chance of becoming a political reality.<sup>97</sup> This analysis is centred on four key points which:

- 1) recognise the *active opposition towards furthering the course of trade liberalisation in the US* and that the FTAAP proposal, even at this initial stage, has *received limited political support from key policy-makers*;
- 2) find that *domestic pressures in China would make the negotiation and implementation of an FTAAP extremely problematic*;
- 3) argue that the *chances of an FTAAP being able to subsume the 'spaghetti bowl' of PTAs under one trade agreement are relatively limited*; and

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<sup>95</sup> Drysdale, op. cit. (2006), p. 8.

<sup>96</sup> Scollay, op. cit. (2004).

<sup>97</sup> This is a view echoed by the vast majority of specialists consulted for this paper.



- 4) find that APEC is *not currently in the correct position to facilitate these negotiations*.

In addition to the findings just mentioned above, the serious nature of the problems facing America and China must also be recognised. The US Congress is not about to abandon its current pursuit of protectionist policies against China in favour of broad-scale trade liberalisation. Nor will it easily agree to negotiate greater market access for a country designated as a Non-Market Economy. Correspondingly, China is not about to jump headlong into trade negotiations which include Taiwan as a sovereign economic entity or harm the powerful state-owned industries. Those arguing that the problems between the two nations should be embedded in broader FTAAP negotiations fail to outline how these would adequately address the key issues. Currency valuations and trade imbalances are not going to be fixed overnight and negotiations for changes in a multilateral, APEC context would increase the number of parties seeking to advance their national self-interest.

In the light of these conclusions, it is unlikely that APEC economies will reach an agreement to further proposals for an FTAAP and thus will forego the large increases in projected economic welfare mentioned in section III above. Without the political motivation for trade liberalisation, the desire to work through difficult issues so larger gains may be realised is non-existent. Correspondingly, an FTAAP would be unable to help ease US-China tensions. As is often the case in global politics, an initiative that is theoretically sound will be overlooked because it is too difficult to achieve politically.

### **Where to from here?**

The inability of an FTAAP to effectively address bilateral US-China tensions would not render the role of APEC obsolete. While many of the problems discussed here are too sensitive and difficult for multilateral negotiations, the forum provides a broad and helpful framework for economic and political dialogue between Ministers and senior officials. This report recommends that the US and China build on the relationships and good will established partly through the APEC mechanism and work together bilaterally to tackle the problems between the two nations. Any escalation in political criticism and rhetoric from either side will only further inflame tensions and should be resisted. Open dialogue and mutual cooperation are key in combating many of the issues outlined in this report and must be the primary focus for all involved.

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# THE 'CHINDIA' ERA: WHAT ARE AUSTRALIA'S CHOICES?

Giulia Fabris <sup>1</sup>

This report explores the implications of the rise of China and India, within the context of their bilateral relationship, and considers how these might shape Australian foreign policy choices. Section one looks at the theoretical underpinnings of Chinese and Indian foreign policy and how these ideas are manifested in the practical realm. The second part provides analysis of their bilateral relationship, highlighting key points of tension and amity and illuminating the potential for cooperation and conflict in the future. The final section discusses the manner in which the changing China-India relationship could affect Australia economically and politically. This position is highlighted through the policy choice faced by Australia in pursuing uranium sales to India. The report concludes by examining several choices that Australia faces and suggests ways to navigate the 'Chindia'<sup>2</sup> relationship.

## The Giants of Tomorrow

“The likely emergence of China and India...as new major global players...will transform the geopolitical landscape, with impacts potentially as dramatic as those in the previous two centuries.”

*Excerpt from US National Intelligence Council report.*

China and India are the giants of tomorrow. Home to a significant portion of the world's population and facilitators of unparalleled world economic growth, the rise of these countries has brought with it excitement and opportunity as well as fear and suspicion. Such emotions also describe their bilateral relationship, which will become increasingly critical as both exercise influence in the global economic, political and cultural spheres. These developments have had a significant effect on Australia, not only because of the potential to bring greater prosperity to our own economy, but because of questions of stability and leadership in our region.

## The Coming Asian Century?

India and China have redefined the nature of the global economy, stimulating unprecedented levels of growth. Following the liberalisation of its economy in 1978 the People's Republic of China (PRC), it has recorded average real Gross Domestic Product (GDP) growth of about 9.5 per cent per year <sup>3</sup>, making it the world's fastest growing

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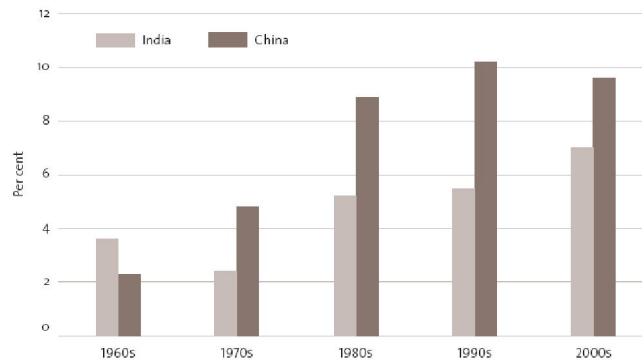
<sup>1</sup> I would first like to acknowledge the support of my institutional supervisor, Ms. Melissa Conley Tyler for her assistance and insights. I appreciate the assistance of Professor Hugh White, Dr. Peter van Ness and Mr. Mack Williams for taking time to speak with me. Finally, I would like to thank Associate Professor Robert Campbell and Ms. Mee-Yeong Bushby, for their support, guidance and assistance throughout this process.

<sup>2</sup> The term 'Chindia' was introduced by Jairam Ramesh in his book titled 'Making Sense of Chindia: Reflections of China and India', released in April 2005. The word was quickly adopted by BusinessWeek and used in a series of their articles on China and India in June 2005, leading to the popularisation of the term internationally.

<sup>3</sup> Department of Foreign Affairs and Trade (DFAT) (a). 'China Country Brief', updated August 2006, Online Available HTTP: [http://www.dfat.gov.au/geo/china/cb\\_index.html](http://www.dfat.gov.au/geo/china/cb_index.html). (accessed 29 August, 2007).

economy.(See Figure 1) Worth approximately US\$2.6 trillion<sup>4</sup>, it is also the fourth largest economy in the world. When considered in terms of purchasing power, these estimates are scaled up to a value of \$US 9.9 trillion, second only to the United States (US).<sup>5</sup> To a lesser extent, India has also enjoyed substantial economic growth since

**Figure 1: Average Annual Growth Rate for India and China, 1960s-2000s.**



Source: S. Gordon, 'Widening Horizons', ASPI.

its own reform process began in 1991. Since then, India has sustained an average real GDP growth of at least 6 per cent per year, rising to 9.2 per cent per year in the last two years.<sup>6</sup> The current value of its economy is estimated at \$US 886 billion, which when adjusted in terms of purchasing power makes it the world's fourth largest.<sup>7</sup> These growth patterns have had a direct effect on human development in both countries, with significant decreases in levels of absolute poverty.

Yet, despite these facts, both countries still face considerable domestic challenges, including structural difficulties such as banking sector weaknesses in China as well as fiscal debt and poor infrastructure in India.<sup>8</sup> Both must still contend with huge pockets of poverty, disease and growing income disparities, an issue which threatens social cohesion. Moreover, environmental damage bought about by intensive industrialization will become an increasingly cumbersome problem if not dealt with adequately.<sup>9</sup> Still, it is largely accepted that in spite of these constraints, both economies will continue to grow.<sup>10</sup>

India and China already command respectable places within the global economy. The PRC has attracted large sums of foreign investment and its vast, low-cost labour

<sup>4</sup> DFAT (b), 'China Fact Sheet', updated May 2007. Online Available HTTP: <http://www.dfat.gov.au/geo/china>. (accessed 29 August, 2007).

<sup>5</sup> DFAT, op. cit. (2006a).

<sup>6</sup> DFAT (d), 'India Fact Sheet', updated May 2007. Online Available HTTP: <http://www.dfat.gov.au/geo/india>. (accessed 29 August, 2007).

<sup>7</sup> CIA World Factbook, GDP (PPP) rank order, updated 16 August, 2007. Online Available HTTP: <http://www.cia.gov/library/publications/the-world-factbook/rankorder/2001rank.html>. (accessed 3 September, 2007); M. Srivastava, 'India as an Emerging Power: A Report', *India Quarterly*, vol. 62, no. 1, 2006, p. 69.

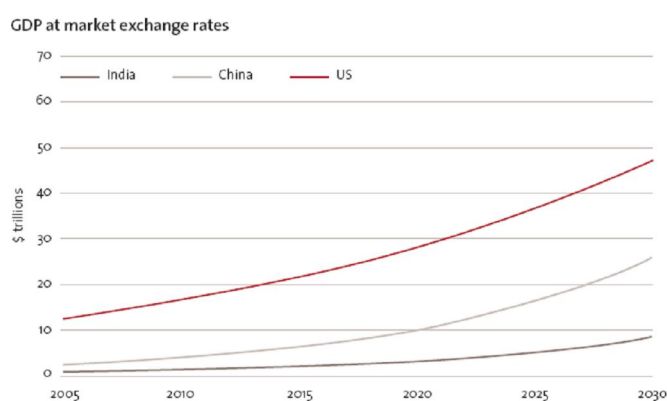
<sup>8</sup> D. Hale, 'In the Balance: China's Unprecedented Growth and Implications for the Asia-Pacific', *ASPI Strategy*, Canberra: Australian Strategic Policy Institute, 2006, pp. 18-19; DFAT (c), 'India Country Brief', updated August, 2007. Online Available HTTP: [http://www.dfat.gov.au/geo/india/india\\_brief.html](http://www.dfat.gov.au/geo/india/india_brief.html). (accessed, 29 August, 2007).

<sup>9</sup> DFAT, op. cit., 2007(c); Hale, op. cit., pp. 22-3, 26-7; P. Lavoy, 'India in 2006: A New Emphasis on Engagement', *Asian Survey*, vol. 47, no. 1, 2006, p. 124; Q.S. Zhao and G. Liu, 'The Challenges of a Rising China', *Journal of Strategic Studies*, vol. 30 no. 4, 2007, pp. 597-8.

<sup>10</sup> See D. Wilson and R. Purushothaman, 'Dreaming With BRICs: The Path to 2050', global economics paper, New York: Goldman Sachs, 2003.

market serves a strong manufacturing sector. India, by contrast, has developed a strong services sector, particularly in information technology. Its English-speaking, low-cost workforce has encouraged interest from those looking to outsource productive activities. Both are recognised for achievements in technical sectors such as computer software and hardware development. With reforms in both countries far from complete, there is still scope for greater productivity and growth. According to a recent Goldman Sachs report, China is predicted to overtake the Japanese economy by 2015 and become the largest economy in the world by 2041. For its part, India will be the fastest growing economy over the next thirty to fifty years, by which time it will rank as third largest behind China and the US.<sup>11</sup> (See Figure 2)

**Figure 1: Expected Growth Rates for China, India and the US, 2005-30. (Market Exchange Rates)**



Source: S. Gordon, 'Widening Horizons', ASPI.

### Growing Political Confidence

Economic growth has boosted the confidence of both nations and this is evident in their respective foreign policies. Both states seek greater political leverage through closer relations with major powers and within multilateral institutions. From the mid-1990s, China has become affiliated with or has undertaken a more proactive role in key global and regional institutions, including expanded participation in the UN Security Council and leadership in the creation of the Shanghai Cooperation Organisation (SCO). Similarly, China has sought to develop relationships with the great powers such as India, the EU states and the US which reinforce its standing as an influential state with 'global responsibilities'.<sup>12</sup>

More frequently, China seeks to promote itself as a regional leader. It has taken on a principal role in the Six Party Talks to negotiate with North Korea, but more importantly, it endeavours to create a space in Asia that minimizes the input of the US. The Beijing Government will continue to promote the East Asia Community as an institution that synergizes the economies and strategies of nations of the region with China at the helm. China's display of international influence will intensify next year when Beijing hosts the Olympic Games.

India, which has the largest population of all the democratic nations, is also experiencing the heady glow of international influence. It is pursuing a more substantial

<sup>11</sup> Ibid., pp. 4, 10.

<sup>12</sup> Hu Jintao, quoted in E. Medeiros and M. Fravel, 'China's New Diplomacy', *Foreign Affairs*, vol. 82, no. 6, 2003. Online Available HTTP: <http://proquest.umi.com.virtual.anu.edu.au/pqdweb?did=437688871&sid=1&Fmt=3&clientId=20870&RQT=309&VName=PQD>. (accessed 29 August, 2007).



role in greater Asia, where it already actively promotes its interests and its role as guarantor of peace and stability.<sup>13</sup> In its unique position as the world's largest democracy India continues to strengthen its ties to global powers and has successfully negotiated stable relationships with Washington and Beijing. With many nations still fearful of PRC intentions, India is being courted as a partner and friend to act as a counterweight to China and as a leading figure in the fight against terrorism in South Asia.<sup>14</sup> As such it is accorded greater responsibilities, not only from the US, but also from Association of South East Asian Nations (ASEAN) states.<sup>15</sup>

New Delhi is increasingly savvy to the efficacy of multilateral engagement. It has intensified its commitment to regional organisations in order to enhance its standing with its neighbours. Furthermore, it has applied for a permanent seat, with full veto powers, in a reformed UN Security Council to reflect the fact that it should now be considered on a par with the existing permanent members. In more subtle ways, India demonstrates its increasing confidence through the distribution of aid to its neighbours and as a model to other developing countries. India's response to the 2004 tsunami highlighted its newfound capabilities, not only in the military sphere, but also in its professional and rapid response.

### **Why does it matter?**

The simultaneous growth of these two states is unprecedented in global history and is a watershed for Asia. These developments are confronting primarily because they indicate a rapid shift in global power away from America to a new world order containing by several spheres of power. The success of Chinese and Indian diplomacy has already prompted several states to shift their allegiances and priorities away from the US. A fundamental tension is thus emerging over political ascendancy in both the region and the world at large. Two critical questions are: how will states facilitate or attempt to hinder China and India's ascension to global power and what kind of world will subsequently emerge?<sup>16</sup>

The economic competitiveness of both economies in conjunction with the hunt for global energy and markets for goods may lead to an increase in antagonism. Both India and China are competitive as investment options and developed countries are coming under growing domestic pressure to protect their own economies. This has sometimes resulted in outright bullying over currency valuations and the outsourcing of work.<sup>17</sup> Similarly, China and India's huge and growing energy (See Table 1) and raw material requirements to fuel economic growth have led to increased energy diplomacy throughout the world. China and India are expected to become leading consumers of energy as their demand continues to increase.<sup>18</sup> This may destabilize current trends in international competition for crucial and finite natural resources. As these developments play out, both China and India continue to upgrade their military capabilities, making them amongst the leading military spenders in the world. (See Table 2)

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<sup>13</sup> R. Mohan, 'India and the Balance of Power', *Foreign Affairs*, vol. 85, no. 4, 2006. Online Available HTTP:

<http://proquest.umi.com/pqdweb?did=1058765521&sid=1&Fmt=3&clientId=20870&RQT=309&VName=PQD>. (accessed 29 August, 2007).

<sup>14</sup> Srivastava, op. cit., p. 67.

<sup>15</sup> Lavoy, op. cit., p. 122.

<sup>16</sup> H. Kreft, 'China, India and Global Change', *The World Today*, vol. 62, no. 8-9, 2006, p. 27.

<sup>17</sup> P. Subacchi, 'China and India in the Changing Economic Order', London: Chatham House, 2007, p. 5; M. Yahuda, 'China's Foreign Policy Comes of Age', *The International Spectator*, vol. 42, no. 3, 2007, p. 346.

<sup>18</sup> Refer to statistics in P. Subacchi, op. cit., p. 15.

The dominance of both China and India and the influence they have in the developing world is also instructive. Greater consumption of resources and in China's case a policy of non-interference has meant that both states have initiated relationships with so-called 'rogue states' such as Burma, North Korea and the Sudan. These relationships may undermine global trends aimed at prioritising certain social and environmental standards. This pattern is also evident in the fact that the Chinese and Indian development models are gaining acceptance internationally. Chinese development strategies based on rapid economic growth, dictatorial leadership and a reduced dependence on Western ideals are gaining credibility. While this in itself is not necessarily a negative development, as it gives hope to states struggling to adapt to liberal, free-market policies,<sup>19</sup> it is yet another indication that power is shifting and different priorities are coming to the fore.

**Table 1: Top Ten Global Oil Consumers in 2006. (in thousand barrels per day)**

<b>State</b>	<b>Oil Consumption in 2006</b>
The US	20, 588
China	7, 274
Japan	5, 222
Russia	3, 103
Germany	2, 630
India	2, 534
Canada	2, 218
Brazil	2, 183
South Korea	2, 157
Saudi Arabia	2, 068

Source: Energy Information Administration. Online Available HTTP: [http://www.eia.doe.gov/emeu/cabs/topworldtables1\\_2.htm](http://www.eia.doe.gov/emeu/cabs/topworldtables1_2.htm). (accessed 2 October 2007).

**Table 2: Top Ten Global Military Spenders in 2006. (in billion \$US)**

<b>State</b>	<b>Military Expenditure in 2006 (billion \$US)</b>
The US	528.7
The UK	59.2
France	53.1
China	49.5
Japan	43.7
Germany	37.0
Russia	34.7
Italy	29.9
Saudi Arabia	29.0
India	23.9

Source: Stockholm International Peace Institute.

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<sup>19</sup> Kreft, op. cit., p. 27.

In sum, China and India are important, not only because of their economic weight and political influence, but also because they increasingly following their own agendas.<sup>20</sup>

## How do Giants Think?

“The agony of international relations is the need to try to practice politics without the basic conditions for political order.”

*Bernard Crick, British political theorist.*

Foreign policy is the practical realm of international relations theory. In contemporary history, this has been dominated by two distinct theoretical paradigms – realism and liberalism. Both theories have evolved with the changing international environment and maintain relevance in policy-making circles as neo-realism and neo-liberal internationalism. They do not, however, account fully for the current fulcrum of Chinese and Indian foreign policy decisions. A third perspective, constructivism, is also useful in providing insights into the current foreign policy-making decisions of these nations.

### Neo-Realism

Neo-realism reflects ‘realist’ perceptions of the world system. At its core is the nation state, which is considered the highest authority, and the ways in which it utilizes and interacts with power. The aim of foreign policy is to ensure the survival of the state, including through the use of force.<sup>21</sup> Because this position claims universality and immutability, it purports to be a rational and scientific understanding of the nature of the system.<sup>22</sup> At a theoretical level, neo-realism is the product of changes in the global system and provides analysis of the state system that remains largely unchallenged.<sup>23</sup>

In the international order, there is no accepted overarching set of rules or institutions to constrain state behaviour and so power defines the positions of states. As one gains power another must lose it, thus creating a constant mutual threat as both seek to maximize their own positions within the system. Such a level of competition and suspicion precludes the possibility of an enduring peace<sup>24</sup> and the best mechanism to offset conflict is to balance power.

There is a degree of disagreement among neo-realists as to when a state should seek to maximize its advantage. Defensive neo-realists argue that force is not the most effective diplomatic tool and that states only react defensively to the build-up of strength by others. In an instance where a state challenges the *status quo* or resorts to conflict to achieve its goals, a defensive use of force is considered necessary.<sup>25</sup> Offensive realists, however, do not wait for other states to build power, but pre-emptively deny it to a potential threat to increase their own. This creates tensions that may well evolve into conflict.<sup>26</sup>

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<sup>20</sup> Subacchi, op. cit., pp. 16–17.

<sup>21</sup> S.L. Lamy, ‘Contemporary Mainstream Approaches: Neo-Realism and Neo-Liberalism’, in J. Baylis and S. Smith (eds), *Globalization of World Politics: An Introduction to International Relations*, Oxford: Oxford University Press, 3rd edn., 2005, p. 216.

<sup>22</sup> *Ibid.*, p. 221.

<sup>23</sup> B. Buzan, ‘The Timeless Wisdom of Realism?’ in S. Smith, K. Booth and M. Zalewski (eds), *International Theory: Positivism and Beyond*, Cambridge: Cambridge University Press, 2006, p. 56.

<sup>24</sup> S. Burchill, ‘Realism and Neo-Realism’, in S. Burchill and A. Linklater et al, *Theories of International Relations*, New York : St. Martin’s Press, 1996, p. 70.

<sup>25</sup> Lamy, op. cit., p. 211.

<sup>26</sup> *Ibid.*, p. 210; Zhao and Liu, op. cit., pp. 586-7.

## Neo-Liberal Internationalism

Neo-liberal internationalism does not challenge the basic assumptions of neo-realism on the structure of the international system and the competitive nature of states.<sup>27</sup> It focuses instead on the potential for cooperation through economic interaction to resolve tensions. Cooperation and economic growth, pursued through international institutions, are seen as useful in mediating tensions inherent in the system. As rational actors, states will eventually understand the power of cooperation because the end result is positive for all parties and because states have mutual vested interests.

Institutions are important because they impose specific rules that limit the pursuit of excessively self-interested ends. They facilitate the development of common interests and encourage greater transparency in state behavior.<sup>28</sup> Institutional problem-solving mechanisms normalize state behaviour as they reinforce the mutual benefits for cooperation and highlight the risks states face in pursuing their own agendas at the behest of others. Despite the growing appeal of institutions in the global arena, however, states still demonstrate a tendency to focus above all on prioritizing their own interests.<sup>29</sup> Furthermore, there is little empirical evidence to prove the central position that interdependence necessarily leads to greater co-operation or even peace.<sup>30</sup>

Rather than resort to the use of force to coerce others, neo-liberal internationalists encourage the use of 'soft power'.<sup>31</sup> This is understood as culture, ideas and moral values which are potent in their ability to persuade rather than intimidate states to act in a desired way. It is becoming increasingly relevant given the proliferation of globalizing tendencies and the spread of new ideas in the post-Cold War environment.<sup>32</sup> There are two forms of soft power:

- 1) that which is driven by and aimed at leaders as well as senior officials; and results in positive action in multilateral institutions; and
- 2) that which includes people-to-people initiatives including, art; music; culture; substantial economic progress; or participation in humanitarian programs.<sup>33</sup>

## Social Constructivism

Constructivism rejects the position that material factors such as structure and power explain the actions of actors in the international system. Rather, it maintains that the system is built socially and influenced by socialized ideas about the world and how it should be. These concepts are constructed through the different social, cultural and ideological experiences of states, which constitute a concert of shared ideas and values that when taken as a whole constitute the international system. The concept of culture - which includes norms, values, rules and models - plays a significant role in understanding a state's identity.<sup>34</sup> These characteristics help leaders decide which actions to pursue in the international system. Furthermore, norms within the international system also serve to influence state decision-making because they set

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<sup>27</sup> Lamy, op. cit., pp. 207–8

<sup>28</sup> A. Goldstein, 'Power Transitions, Institutions and China's Rise in East Asia: Theoretical Expectations and Evidence', *Journal of Strategic Studies*, vol. 30, no. 4, 2007, p. 650.

<sup>29</sup> Lamy, op. cit., p. 207.

<sup>30</sup> H.V. Pant, 'Indian Foreign Policy and China', *Strategic Analysis*, vol. 30, no. 4, 2006, p. 772.

<sup>31</sup> J. Nye in J. Pocha and J. Ha, 'The Rising 'Soft Power' of India and China', *NPQ*, 2003, p. 5.

<sup>32</sup> Srivastara, op. cit., p. 73; Subacchi, op. cit., p. 16.

<sup>33</sup> R. Terrill, 'Riding the Wave: The Rise of China and Policy Options for Australia', *ASPI Strategy*, Canberra: Australian Strategic Policy Institute, 2006, p. 31.

<sup>34</sup> Pant, op. cit., p. 764.

boundaries and standards for acceptable behaviour. In relation to strategic interactions, constructivists argue that a state's identity explains how it decides what is in the national interest. The structure of the international system then helps to determine which strategies are best for pursuing those goals.<sup>35</sup>

Constructivists seek to understand the reasons for certain global trends. One of these is the convergence of an institutional model, in this case the centrality of the nation-state, economic interdependence and democratic institutions. States adapt to these dominant forms, not necessarily because they believe in them, but because there is perceived value and symbolism in doing so and, significantly, it underscores a desire for acceptance and legitimacy. Another significant trend is the internationalization of certain norms, which are absorbed by states and help to define their identity and behaviour in the international system.<sup>36</sup>

### **Chinese Foreign Policy**

The last decade has seen the Chinese move away from following a strictly realist foreign policy to embrace ideas from all three of the theoretical schools outlined above. It is important to understand motivations for this shift. First, it must be recognised that foreign policy is devised by the Chinese Communist Party (CCP), whose primary goal is to retain power, hence its policies are aimed at strengthening and legitimizing this.<sup>37</sup> Secondary to this is China's pursuit of "...modernization, great power status, sovereignty and security".<sup>38</sup> The realization of these goals is underscored by realist logic, as manifested in the Five Principles for Peaceful Co-existence, which highlight the importance of state integrity and the rule of non-interference. China also attempts to reshape the international security order in its favour by seeking 'strategic partnerships' with key global and regional powers to enhance its international standing and reduce the risk of these states forming strategic alliances against it.<sup>39</sup>

Given the contention that identity, rather than structure, better explains foreign policy decisions, constructivists argue that China's historical identity is that of a victim of Western dominance. This in turn explains its preference for realist policies, especially on the crucial issue of the maintenance of territorial integrity.<sup>40</sup> This perception of the country as a victim is in turn manipulated by the CCP, which promotes nationalism as a viable foreign policy option in order to reclaim a new national identity for China based on strength. This has had the effect of hardening PRC resolve even further on issues of territorial sovereignty.

However, involvement in the international system has convinced the Beijing government that a foreign policy based exclusively on realist policies is untenable as this would not create stability and the dominant global norms no longer accept these terms of reference. China has thus pursued a more nuanced policy agenda, influenced by neo-liberal internationalist ideas. This is demonstrated in its embrace of international institutions in order to present a more peaceful image of itself.<sup>41</sup> Similarly, China has developed interdependent economic relations with a number of states, ostensibly to

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<sup>35</sup> M. Barnett, 'Social Constructivism', in Baylis and Smith, op. cit., p. 263.

<sup>36</sup> Ibid., p. 265.

<sup>37</sup> Yahuda, op. cit., p. 339.

<sup>38</sup> A. Bhattacharya, 'China's Foreign Policy Challenges and Evolving Strategy', *Strategic Analysis*, vol. 30, no. 1, 2006, p. 197.

<sup>39</sup> Ibid., p. 193.

<sup>40</sup> J.S. Hempson-Jones, 'The Evolution of China's Engagement with International Government Organisations: Towards a Liberal Foreign Policy?', *Asian Survey*, vol. 45, no. 5, 2005, pp. 706-7.

<sup>41</sup> Zhao and Liu, op. cit., pp. 588-9.

achieve the dual objectives of mutual gains and greater stability. Evidence suggests that the constraining norms of international institutions are socializing China's behaviour to the extent that it now seeks ways in which to use these ideas to inform its policy agendas and strategic thinking.<sup>42</sup>

International Relations specialist Michael Yahuda argues that PRC foreign policy is not so much based on consistent application of principal, than on how Chinese leaders define the national interest. Thus, it can be argued that while there has been adaption to institutional norms and structures, it is goals such as territorial integrity and the survival of the Party, not a belief in institutional ideals, that are the motivating factors.<sup>43</sup> Underscoring this logic is the Party's appeal to nationalist pride to build a sense of national unity. While it is evident, that to a certain degree China avails itself of the new ideas of neo-liberal internationalism, it seems to do so on its own terms.

### **Indian Foreign Policy**

India's foreign policy has changed significantly in the post-Cold War era. Previously, it was the leader of the non-aligned movement, which sought to maintain independence from superpower politics and ostensibly enabled India to pursue its own destiny. This extended to economics, where India remained outside the world trading system. Finally, India pursued a more idealistic path, championing equal rights for the disenfranchised in the Third World.<sup>44</sup> These culturally embedded ideas, such as idealism and non-alignment are still relevant and evident in Indian foreign policy-making today as the country does not seek to align with any key state, but acts as a bridging power between several nations. This underscores India's desire to conduct an independent foreign policy. Such idealism is merged with traditional realist ideas, such as *Kautilya's* concentric circle thesis, which puts India in the middle, surrounded by potential friends and enemies. On this basis, India seeks engagement with various states on different levels, which has contributed to a much more nuanced and sophisticated foreign policy.<sup>45</sup>

However, there has also been significant change in India's foreign policy. It seeks to promote itself as a major power and endeavours to establish stable relations with other major powers and a steady regional order to facilitate economic modernization. Thus, the Indian government has pursued its foreign policy with a greater level of pragmatism than previously. An important component of this was the acquisition of nuclear weapons, which New Delhi feels had also given it certain rights as a global power.<sup>46</sup> This reflects the realist understandings of power as epitomized through the possession and possible use of force, but also that economic strength is a necessary component to building a powerful nation.<sup>47</sup>

New Delhi is cautiously optimistic about the international system, although it is aware that conditions could change very quickly. The PRC remains one of India's key security concerns, so in response New Delhi has pursued strategic relationships to offset Chinese power. India's 'Look East' strategy, which builds closer economic, political and security ties with the ASEAN states is designed to develop its capacities as a regional

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<sup>42</sup> D. Yong and T. G. Moore, 'China Views Globalization: Toward a New Great-Power Politics?', *The Washington Quarterly*, vol. 27, no. 3, 2004, p. 123.

<sup>43</sup> Yahuda, op. cit., pp. 341-2.

<sup>44</sup> S. Ganguly, 'India's Foreign Policy Grows Up', *World Policy Journal*, vol. 20, no. 4, 2003-04, p. 41.

<sup>45</sup> N.K. Jha, 'Traditional Foundations of Nehru's Foreign Policy', *India Quarterly*, vol. 62, no. 1, 2006, pp. 112-14.

<sup>46</sup> Srivastava, op. cit., pp. 62-3.

<sup>47</sup> Ganguly, op. cit., p. 47.

and global leader, and to counterbalance the power of China in Southeast Asia. While India does not necessarily want to compete directly with the PRC, it has sought to achieve strategic and economic parity. Strengthening Indian-American relations are also indicative of the apprehensions that New Delhi feels towards Beijing.

Moreover, India is also adopting more liberal ideas in its foreign policy, utilizing its 'soft power' to attract positive attention. Its democratic credentials and position as a leader in the developing world underscore its positive international image. Globalisation has enabled India to make a significant international cultural impact through art, music and film.<sup>48</sup> In the aftermath of the war in Afghanistan, for example, India distributed films and CDs, in addition to aid supplies, to the local people.<sup>49</sup> As the world's largest democracy, India is predisposed to certain ideas consistent with a liberal worldview, which in turn makes other democratic states more eager to engage with India. This is not to argue, however, that its style of democracy, influenced by its unique background and circumstances, is identical to Western liberal democracies. Furthermore, India has embraced fully the logic of economics as a precursor to closer relations with other states. This is evident in its ties with China in particular, which are predicated on growing economic interests. Whether these can transcend the political barriers, however, and expand to more cooperation is an interesting question.

### **China and India: Cooperation or Conflict?**

"We could not become 'brothers' as envisaged in the idealistic days of the 1950s. We will not be a 'threat' to each other...we could be 'good neighbours' henceforth and 'good friends' in the future."

*George Fernandes, former Indian Defence Minister*

The China-India relationship has experienced both highs and lows. Their independent growth and burgeoning political influence designate the bilateral relationship as important and its development, either positive or negative, will have a significant impact. Numerous tensions punctuate relations, including territorial disputes, geo-strategic alliances, and competition for resources. However, this does not preclude the possibility for bilateral cooperation and recently both states have dedicated themselves to promoting more positive interactions. The result has been a curious mix of both cooperation and competition, a trend which is set to continue well into the future.

### **Forging Cooperative Ties**

Common interests that are consistent with their respective foreign policy goals complement China-India relations. Primarily, both states are concerned with pursuing economic development as a precursor to greater international strength, and this requires a peaceful and stable region. Hence there is a need for positive relations with their neighbours, the great powers and of course, with each other. Similarly, they have a vested interest in promoting effective access to energy resources and expanding regional cooperation.<sup>50</sup> China and India share a common vision for the future world order, predicated on the assumption of multiple spheres of influence and power and reduced

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<sup>48</sup> Srivastava, op. cit., p. 73.

<sup>49</sup> Pocha and Ha, op. cit., p. 8.

<sup>50</sup> M. Malik, 'South Asia in China's Foreign Relations', *Pacifica Review*, vol. 13, no. 1, 2001, pp. 83-4.

American influence. Moreover, as developing countries, they share a multiplicity of problems that can be alleviated through the sharing of experience.<sup>51</sup>

Consistent with the discourse of the post-Cold War environment, India and China have sought cordial relations through cooperation, which offers many possible benefits to both countries. The frequency of high-level state visits has increased significantly since 2003, as top leaders travel back and forth across the Sino-Indian border, to sign agreements and strengthen ties on issues as disparate as territorial claims, economic integration and technological cooperation. With the normalization of diplomatic relations between the two<sup>52</sup> they officially no longer view each other as security threats and instead seek to intensify strategic and economic interactions.

The focus of the relationship remains the potential for mutual aggrandizement through economic success. The volume of bilateral trade has expanded (see Table 3) from US\$ 26 million in 1991 to US\$ 18.7 billion in 2005, and there are predictions that it will exceed US\$ 20 billion in 2007. Furthermore, China is expected to become India's number one trading partner within the next three years.<sup>53</sup> There is an evident political will to further strengthen the economic aspect of the relationship, with frameworks in place to explore

**Table 3: Trade Patterns between China and India, 2000-04, (in million \$US and per cent)**

Year	China's Exports to India (in million \$US)	Growth (in %)	India's Exports to China (in million \$US)	Growth (in %)
2000	1560.75	-	1553.48	-
2001	1896.27	21.5	1699.97	25.6
2002	2617.73	40.9	2274.18	33.8
2003	3343.59	22.2	4251.49	87.0
2004	5926.67	77.3	7677.43	80.6

Source: K. Mahmud, 'Sino-Indian Relations: Future Prospects – Friendship, Rivalry or Contention?', *Regional Studies*, Islamabad, vol. 25, no. 2, pp. 3-28, 2007.

the expansion of ties to a variety of areas, including a possible Free Trade Agreement.<sup>54</sup>

Cooperative measures are also evident in the strategically critical areas of energy and defence. Incremental progress is being made towards developing a strategic 'understanding'. Annual dialogues have been undertaken since 2005 as strategic synchronization becomes a fundamental necessity to achieve stability. This is underscored by the progress already made through security dialogue and military exchanges. Competition for energy resources is intensifying, although India has been less successful than China in securing access to overseas supplies. Thus, it is taking a more cooperative approach to ensure its energy security, as is demonstrated by its joint

<sup>51</sup> G.V. Raman, 'Wanted: A 'Shadow of the Future' on India-China Relations', *China Report*, vol. 43, no. 1, 2007, p. 91.

<sup>52</sup> G. Goh, 'China and India: Towards Greater Cooperation and Exchange', *China: An International Journal*, 4:2, 2006, p. 270.

<sup>53</sup> H. Hua, 'Friends or Foes: Mutual Perceptions Between Two Asian Giants', in I. Saint-Mezard and J.K. Chin (eds), *China and India: Political and Strategic Perspectives*, Centre of Asian Studies, Hong Kong: University of Hong Kong, 2005, p. 246; B. Raman, 'India-China: Hype & Reality': Part One, *South Asia Analysis Group*, paper no. 2038, 27 November, 2006. Online Available HTTP: <http://www.saag.org/papers21/paper2038.html>. (accessed 27 September, 2007).

<sup>54</sup> Goh, op. cit., p. 272; R. Swaminathan, 'India-China Relations in the Emerging Era', *South Asia Analysis Group*, paper no. 2019, 9 November, 2006. Online Available HTTP: <http://www.saag.org/%5Cpapers21%5Cpaper2019.html>. (accessed 27 September, 2007).



venture exploration projects in Syria and the Sudan's Greater Nile.<sup>55</sup> It must be recognised, however, that competition still defines Sino-Indian interaction to a large degree. That both states also possess nuclear capabilities further affects the dimensions of the relationship. Although it is unlikely that such weapons will be used, it introduces a greater level of danger into the relationship.<sup>56</sup>

## Old Suspicions Linger

### *Territorial Disputes*

Despite recent cooperative measures, contentious issues remain which threaten to undermine these positive developments. One of the most sensitive is the issue of territorial sovereignty along China and India's common border involving Aksai Chin, a 38,000 sq. km territory; and the Trans-Karakoram Tract, a 58,000 sq. km part of Kashmir claimed by Pakistan. In turn, China claims the northern Indian state of Arunachal Pradesh.<sup>57</sup> (See Map 1)

**Map 1: Contested areas at the Chinese-Indian border**



Source: G. Price, 'China and India: Cooperation and Competition', Asia programme briefing paper, London: Chatham House, 2007.

This latter dispute has a particularly bitter history, culminating in the 1962 border war, which resulted in a freeze in Sino-Indian relations as well as lingering suspicions and mistrust, which complicate relations today. This issue remains unresolved as these areas hold great symbolic importance and serve as important strategic buffers for both countries.<sup>58</sup> Tension over what the precise delineation of their common border should be is compounded by China and India's emergence as rising powers, which makes them more protective of their spheres of influence and strategic integrity.<sup>59</sup> No clear consensus exists on how best to resolve the dispute, so it is unlikely that the issue will disappear soon.

<sup>55</sup> Goh, *op. cit.* pp. 274-7.

<sup>56</sup> Malik, 'India-China Relations: Giants Stir, Cooperate and Compete', Honolulu: Asia-Pacific Center for Security Studies, 2004, p. 6.

<sup>57</sup> G. Price, 'China and India: Cooperation and Competition', Asia programme briefing paper, London: Chatham House, 2007, p. 4.

<sup>58</sup> G. Zhang, 'Sino-Indian Security Relations: Bilateral Issues, External Factors and Regional Implications', *South Asian Survey*, vol. 12, no. 1, 2005 (b), p. 62.

<sup>59</sup> Goh, *op. cit.* p. 267; J.D. Yuan, 'The Dragon and the Elephant: Chinese-Indian Relations in the 21st Century', *The Washington Quarterly*, vol. 30, no. 3, 2007, p. 138.

Similarly, the ambiguity concerning Tibet and Sikkim raises prickles. PRC leaders claim legitimacy in maintaining the territorial integrity of the Chinese nation, to which Tibet is an 'inalienable' component. India, however, has invested in the Tibet issue as it is home to a significant refugee population and plays host to the Tibetan 'government-in-exile'. And while New Delhi accepts PRC sovereignty over Tibet and has agreed to discourage anti-Chinese dissent in India, Beijing fears that the Indians will manipulate the issue to gain political leverage in the future. India remains cautious about Chinese intentions for a fair and equal relationship, given its failure to officially recognise the status of Sikkim.<sup>60</sup>

### **The Shadow of Geopolitics**

The potential for misunderstanding and competition is further intensified through the interplay of regional politics. This has three components: the Sino-Pakistan 'special relationship', India's growing closeness with the US, and the emerging strategic rivalry in South and Southeast Asia. These are critical relationships because of the symbiotic interactions between these states and the New Delhi and Beijing governments. The motivations and perceptions of each state will condition their approach to both China and India, and this has consequences for the bilateral relationship.

#### *Pakistan*

The Sino-Pakistan alliance has been a source of friction since its inception in the 1960s. Despite recent improvements in its relations with India, China continues to pursue a strategic alliance with Pakistan, India's great adversary. New Delhi objects to Beijing transferring nuclear and missile technology to Pakistan and is concerned by the lack of transparency in that relationship. Pakistan's use of Chinese-produced weapons in militarily engagement with India is also a worrying trend.<sup>61</sup> For New Delhi, the Sino-Pakistan relationship reinforces the threat that the PRC poses to its security, giving further weight to the belief that China is attempting to limit India's rise. While this is indeed a PRC objective, its alliance with Pakistan facilitates access to energy resources and is a source of knowledge about Western intentions in Central Asia. Beijing is unlikely to sacrifice such benefits in order to assuage New Delhi's concerns. Nevertheless, Beijing has agreed not to give formal security guarantees and it now claims neutrality in the Kashmir conflict. But the PRC will not renege on its relationship with Pakistan, which compels India to pursue options to counteract its potentially negative implications.

#### *The US*

A similar tension characterizes the US-India-China strategic triangle. America remains the most influential actor in Asia and will continue to retain its dominance there at least in the short-term. As such, it will play a decisive role in the way in which the Sino-Indian relationship develops. As India grows, its importance as a strategic outpost increases, particularly as a potential counterweight to China<sup>62</sup>, although this is complicated by the American-Pakistan relationship and India's opposition to US hegemony. Still, India seeks to benefit from the global superpower, which requires a certain level of acquiescence to its proposals for cooperation. Hence, India has shown

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<sup>60</sup> Malik, op. cit.

<sup>61</sup> A.J. Tellis, 'China and India in Asia', in F.R. Frankel and H. Harding (eds), *The India-China Relationship: What the United States Needs to Know*, New York: Columbia University Press, 2004, p. 146.

<sup>62</sup> Yuan, op. cit, p. 136.

interest in the Quadrilateral Initiative, a potential security grouping of the region's democracies aimed at countering China. India has been rewarded with a potential nuclear deal and military exchanges. From India's perspective, such a relationship helps to curb PRC ambition and attracts positive attention from both China and the US.<sup>63</sup> For the Beijing government, however, this is an unwelcome development which has compelled it to seek even more extensive ties with states in the region.

From quite a different perspective, China uses the US relationship as a basis to pursue closer ties with India. Beijing has entertained the idea of building a cooperative bloc to counteract American influence in Asia, the SCO and India have become interested in participating. This would give both greater negotiating power with other Asian nations and some ability to counter US initiatives that may cause discomfort, such as those pertaining to state sovereignty and human rights.<sup>64</sup> Yet, very close cooperation is unlikely at this juncture because America is more important to them individually than they are to each other. This reinforces the importance of the US in stabilizing China-Indian ties. Unfortunately, Washington may choose to try to play New Delhi and Beijing against each other in order to maintain its own dominant position in Asia and to further its own goals generally.

### *South and Southeast Asia*

Security and economic interests are the rationale for diplomacy in China and India's neighbourhood, which is potentially a competitive arena. For the PRC, its interest in South-East Asia is driven by economic incentives, defensive concerns over territorial disputes and geopolitical imperatives. New Delhi's interest in that region is a reaction to the rise of China as it seeks to curtail that country's influence while increasing its own, and seeking the benefits of economic engagement. South-East Asia is probably where Sino-Indian tensions will come to the fore.<sup>65</sup>

In South Asia, China has extended its diplomacy to include those states directly on India's periphery as part of a strategy to neutralize developments in the Indo-US relationship. This strategically hedges India, which does not enjoy entirely positive relations with its neighbours. These developments create tension in Sino-Indian relations, as each state seeks to outdo the other in their traditional territorial spheres. This is particularly so given that their objectives conflict and their strategies are aimed at each other to a great degree.

The actions of South and Southeast Asian states have a significant bearing on the development of Sino-Indian relations. Positive simultaneous attention from two large countries is desirable for these states as they can attempt to encourage competition between them to achieve their own ends. As China and India compete for influence, they will be required to meet the demands of the smaller states to gain ascendancy. This renders the bilateral relationship far more complex and difficult to mediate than would first appear.

### **Perceptions, Ideas and Realities**

It is difficult to claim a position of either extreme optimism or pessimism when assessing the future of the China-India relationship. To a large extent, the outcome will

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<sup>63</sup> L. Martin, 'Mistrust and Cooperation: Analyzing Sino-Indian Relations', *China Brief*, vol. 4, no. 21, 2004. Online Available HTTP: <http://www.jamestown.org/terrorism/news/article.php?articleid=2372925>. (accessed 7 October, 2007).

<sup>64</sup> Tellis, op. cit., p. 136.

<sup>65</sup> Ibid., p. 166.

depend on how each manages the concerns and interests of the other.<sup>66</sup> This in turn will be shaped by the ideas and motivations of foreign policy decision-makers and policy orientations discussed in chapter two above. The Chinese and Indian governments remain compelled to a large degree by thinking shaped by neo-realist assumptions.<sup>67</sup> In this context, where both are considered rising powers with overlapping interests, it is assumed competition will characterize the relationship in the future.<sup>68</sup> To a certain degree, their actions are a somewhat generic response to the security dilemma each poses to the other, and this necessitates such requisite reactions as enhanced ties through alliances, greater military presence in strategic waters and traditional claims to the integrity and sovereignty of nation states.

Even in the economic sphere, often promoted as a cooperative realm, competition and self-interested policy choices are evident. Zero sum logic attends many of the policy decisions of both states, as each seeks to nullify any advantage gained by the other. Forays into each other's traditional spheres of interest suggest they are both motivated to protect gains in security and economics. Currently, many leading policy-makers of both states just do not believe in the power of institutions. While they are considered appropriate in the economic sphere, there remains doubt that in the long-term strategic context they will be enough to restrain ambition for power.<sup>69</sup>

Cooperation between the states is limited to a few areas, while problems within the relationship loom large. Beijing is not predisposed to resolving these issues as quickly as New Delhi because it faces more pressing security concerns, and is satisfied to let its issues with India simmer. Furthermore, it is a strategic calculation that the longer they are left, the more likely that China will be in a position to shape the final result in its favour. For India, however, the sooner that such issues are resolved, the quicker the relationship can stabilize. Lack of clarity on how to proceed with such matters obviously engenders higher levels of mistrust and apprehension.<sup>70</sup>

Underscoring this strategic logic are powerful emotions and traditions borne through years of interaction and each state's personal experience. The value of constructivist theory in this context is that it explains much more powerfully the deep mistrust and misperceptions that affect the relationship. Importantly, memories of war are still pervasive and have helped to shape stereotypes and exacerbate mistrust, which is difficult to overcome.<sup>71</sup> Even the greater intensity of economic linkages has been unable to shift significantly these attitudes and both states are generally inclined to think the worst despite such new developments.<sup>72</sup> Nationalist desires pushing both states to great power status invite a competitive element that often manifests itself through realist-style political and economic policies. India resents China's failure to recognise fully its status as a comparable power and seeks a more influential position to level the playing field. China feels compelled to frame its policies in such a way as to diminish India's capacity to compete for leadership in Asia.<sup>73</sup> These emotions may fade with time

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<sup>66</sup> B.M. Jain, 'India-China Relations: Issues and Emerging Trends', *The Round Table*, vol. 93, no. 374, 2004, p. 266.

<sup>67</sup> Raman, op. cit., p. 89.

<sup>68</sup> W. Sidhu and J.D. Yuan, *China and India: Cooperation or Conflict*, Lynne Rienner Publishers: London, 2003, pp. 172-3

<sup>69</sup> M. Frazier, 'Quiet Competition and the Future of Sino-Indian Relations', in Frankel and Harding, op. cit., p. 315.

<sup>70</sup> A. Tellis, op. cit., pp. 140, 143-4.

<sup>71</sup> Han, op. cit., p. 238.

<sup>72</sup> Price, op. cit., p. 10.

<sup>73</sup> Martin, op. cit.

and to a certain extent already have begun to diminish,<sup>74</sup> but the outcome will depend on how both sides engage and legitimize the concerns of the other.

Yet, the relationship again defies simple categorization, as in spite of these adversarial elements collaboration is growing steadily. The cooperative logic of neo-liberal internationalism is applicable in aiding our understanding. While seemingly motivated by the self-interested drive to gain economic ascendancy, the harmonization of economic ties has led to the conclusion that both states can achieve favourable outcomes. It is also telling that both nations have attempted to extend this cooperation beyond the economic sphere into the potentially hazardous defence and energy sectors. This realization is fundamental to building further relations, and is a catalyst for expanding ties beyond economics and constructing a more rounded relationship.

## **Conclusion**

China and India will not compete nor cooperate exclusively. Rather, an amalgam of cooperation and competition is the most likely scenario. 'Quiet competition' between the two states is probable in the economic and strategic spheres, but this need not cause serious harm to the bilateral relationship. It is politically risky for either state to indulge in overtly antagonistic rivalries that could interfere with their foreign policy objectives. The pragmatism demonstrated by policy-makers implies that they have accepted this to a large degree. However, the relationship rests on tenuous foundations and is susceptible to unsteady misperceptions, distrust, realist political thinking and nationalist pressures.<sup>75</sup> The promise of a bloc aimed at counteracting US preeminence is not likely to materialize given that both states still require American investment and interest to facilitate their development.<sup>76</sup>

It is worth remembering, however, that competition does not inevitably lead to conflict. The Sino-Indian relationship is a pillar of the region. If it were undermined it would create instability and hinder growth. Unfortunately for both sides, past events continue to shape their perceptions of each other, views which are often far divorced from the current reality.<sup>77</sup> The challenge will be for the leaders of both states to manage the differences between them in such a way as to avoid disrupting regional peace and stability, while appealing to states in the area to facilitate such developments.

## **Australia's Choices.**

"The message for Australia given the rising giants of Asia is that our foreign policy task will become far more complex. The task, as ever, is to help shape the region, not just endure its consequences."

*Paul Kelly, Journalist.*

The world is changing. Nowhere is this more apparent than in Asia where the rise of China and India is being heralded as a unique event in world history.<sup>78</sup> This presents Australia with new foreign policy challenges as it attempts to adapt to the changing circumstances and still maintain its interests.

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<sup>74</sup> Jain, op. cit., p. 9; M. Malik, op. cit. (2004), p. 2.

<sup>75</sup> Ibid., p. 171.

<sup>76</sup> Frazier, op. cit., pp. 314-15.

<sup>77</sup> Han, op. cit. pp. 251-2.

<sup>78</sup> K. Kapisthalam, 'Australia and Asia's Rise', *Australian Journal of International Affairs*, vol. 60, no. 3, 2006, p. 369.

Australian foreign policy is driven by the dual goals of seeking security and economic prosperity. In Asia, Australia's position has been underscored by the presence of powerful allies, in the past Great Britain and most evidently since World War II the US, with whom Australia shares a common belief in liberal democratic values.<sup>79</sup> Our foreign policy has supported the dominance of such states because of this commonality and the insurance their presence has provided for our economic and security interests in the region.<sup>80</sup> This remains true in the present era where Australia's economic, security and cultural interests are interconnected with those of America and the global order it has created.<sup>81</sup> Australian foreign policy, however, is rendered more complex by its geographical proximity to Asia. In recent times a greater focus has been given to expanded ties to India and China. The latter is now one of our most prolific trading partners, while ties to India include the development of the fastest growing of Australia's bilateral trade relationships. Australia has also sought to enhance its strategic connections with both states.

Australian foreign policy currently presents a unique dichotomy as it seeks to reinforce its strategic integrity by ensuring the ongoing presence of the internationally dominant US, with whom it shares a close relationship. Simultaneously, we benefit from Asia's economic success and enhanced status through closer ties with states of that region. The current balance of power in Asia, with the presence of a dominant US, and the rising economic successes of China and India, presents favourable conditions for Australia.<sup>82</sup> However, it requires astute diplomacy to mediate tensions resulting from relationships between these states. Although the current Australian Government has expressed the view that we need not choose between traditional allies and geographical 'friends', the danger is that in the future Australia may be forced to do so.

### **Uranium Sales to India**

Demonstrative of the difficulties Australia currently faces in satisfying both of its new Asian partners and its key ally, the US, are its proposed uranium sales to India, which have been announced in recent months. Officially the uranium is to be used in India's civilian nuclear programme, but such deals have a direct bearing on Sino-Indian relations. The proposed Australian-Indian transaction would only proceed if the US and India reach a similar deal, although the Labor Opposition in Australia has stated that it would block such sales if elected.<sup>83</sup> Nevertheless, the prospect of such a deal has created controversy for a number of reasons, not the least of which is that India is not a signatory to the Non-Proliferation Treaty. Thus, concerns have been raised that the uranium might be used in military programs ostensibly in response to a threat from China and so on.

On one level the proposed transaction could be construed as a positive development in Indo-Australian bilateral relations as it would reflect growing mutual ties and the desire to further strengthen the relationship though expanded economic interests. From India's perspective, would balance Australia's earlier decision to sell

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<sup>79</sup> D.M. Jones and A. Benvenuti, 'Tradition, myth and the dilemma of Australian foreign policy', *Australian Journal of International Affairs*, vol. 60, no. 1, 2006, p. 110.

<sup>80</sup> A. Gyngell and M. Wesley, *Making Australian Foreign Policy*, Port Melbourne: Cambridge University Press, 2003, pp. 215–16.

<sup>81</sup> *Ibid.*; Jones and Benvenuti, *op. cit.*, p. 104.

<sup>82</sup> H. White, 'The limits to optimism: Australia and the rise of China', *Australian Journal of International Affairs*, vol. 59, no. 4, 2005, p. 470.

<sup>83</sup> R. McClelland, 'Sale of Uranium to India will undermine non proliferation', media release, 14 August, 2007.

uranium to China, a state which India believes is less transparent than itself on nuclear issues, but which unlike India has signed the Non-Proliferation Treaty.<sup>84</sup> Furthermore, it represents a potential opportunity to normalize relations amongst the nuclear states of the region and alleviate pressures over access to energy resources.<sup>85</sup> Stabilization of nuclear competition could also lessen suspicions about potential confrontation in the future and would create a climate more amenable to building trust and establishing stability in the region.

From Beijing's perspective, these proposals represent another possible hedge against China. The US has sought to engage India strategically, in part as a response to China's growing regional power, and the proposed Indo-American uranium deal is an attempt to convince India to join its cause. For Beijing, the proposed Australian-Indian transaction is evidence of Canberra's support for the budding Indo-US relationship and possibly implicit acceptance of the further development of India's military nuclear programme.<sup>86</sup> Such events would disrupt both the inherently unstable Sino-Indian relationship and regional equilibrium.

The ability to achieve a positive outcome in this situation depends largely on how Beijing interprets this new development; and on how Australia, the US and India follow through on this and other initiatives in the region. Concurrent developments such as the Quadrilateral Initiative, promoted by Japan and America and involving India and Australia are probably aimed at containing China's growth. As recently as September 2007, these four states along with Singapore engaged in naval exercises in the Bay of Bengal. China may respond by seeking to build upon its ties with SCO nations to create a division in Asia.<sup>87</sup> Adding to the complexity of the situation is the economic integration of states, which ultimately works to limit extremely negative political and strategic outcomes. The motivations that compel each state in such endeavours differ. For Australia, at least with respect to the proposed uranium sales to India, the imperative is to develop closer ties with India. Yet, the rationale behind pursuing a policy such as the Quadrilateral Initiative, if Australia chooses this as an option, is more likely driven by its loyalty to the US. Nevertheless, in the event of a change of government in the near future, the likelihood of this happening decreases.<sup>88</sup>

### **Australia's Choices**

Australia is at a crucial juncture in its history in terms of foreign policy decisions. It faces the prospect of a regional future where powers such as India and China will share powerful positions with already dominant powers the US and Japan. Furthermore, it may find itself increasingly pressured to choose between any number of regional partners, all of whom are important pillars in ensuring its interests. At the very least, it will have to devise new ways to think about the region and how best to engage with it.

First, Canberra should continue to recognise the importance of the Sino-Indian relationship and its potential impact on Australia and understand that both China and India will probably become decisive figures in the region.<sup>89</sup> As previously stated, the

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<sup>84</sup> S. Gordon, 'Widening Horizons: Australia's New Relationship with India', *ASPI Strategy*, Canberra: Australian Strategic Policy Institute, 2007 (a), p. 5.

<sup>85</sup> S. Gordon, 'Implications of Sale of Australian Uranium to India, unpublished report, 2007 (b).

<sup>86</sup> *Ibid.*

<sup>87</sup> C. Caryl, 'Asia's dangerous divide', *The Bulletin*, 6 September, 2007. Online Available HTTP: <http://bulletin.ninemsn.com.au/article.aspx?id=292619>. (accessed 2 October, 2007).

<sup>88</sup> P. Kelly, 'Staking a Claim Among Giants', *The Australian*, 19 September, 2007, p. 16.

<sup>89</sup> Asia Society and Woodrow Wilson International Center for Scholars, 'The India-China Relationship: What it Means for the US', Conference Report, 2001, p. 30.

growth of China and India will probably catapult them both to the centre of the global economy and heighten their political influence. Because both states will continue their extensive forays into neighbouring regions, their potential impact on regional stability will increase. While key relationships, such as the Sino-US and Sino-Japan axes, will remain important, it is important to realize that because relations between Beijing and New Delhi could produce explosive outcomes, it is in our interest to pursue policies that exploit positive aspects of the relationship. Furthermore, we need to recognise the pivotal role that America will play in the evolution of these relations and in Asia at large, as well as capitalize on our close relationship with the US to secure outcomes that are in our best interest.

Secondly, Australia should seek to strengthen its bilateral ties with both India and China, while avoiding policies that engender antagonisms between them. Their relationship, as discussed above, is fragile and subject to misperception as well as the vagaries of history and geopolitics. It is critical that Canberra avoid the pursuit of policies that appear to play the two states off against one another, or imply that Australia is choosing one over the other. The Quadrilateral Initiative is problematic in this sense as it reflects simple Cold War zero-sum logic, which would invite antagonism. Canberra must use its diplomatic leverage in Washington to ensure that the US is aware that such polarizing policies are neither useful nor conducive to stabilizing the region and clarify how and why its position differs from its major ally.<sup>90</sup> Australia's interests in China differ somewhat to those of both the US and Japan, and thus Canberra has often adopted a cautious approach to dealing with Beijing. Australia's priority will be to adopt a more flexible and creative approach when dealing with such divergent governments. To this end, Australia could attempt to inject itself more deeply into the transitional process, as much as it can as a middle power, to achieve its objectives. This requires making tough decisions that Australia has previously tried to avoid.<sup>91</sup>

Thirdly, Australia may want to consider alternatives to the Quadrilateral Initiative that include China. Although it may still be inclined to pursue this option in conjunction with its alliance support for the democratic nations of Asia and ostensibly to achieve the security imperatives set out by the initiative, the fact remains that it feels pervasively like a containment arrangement. A better approach may include venturing beyond Australia's present inclination for bilateral agreements and aim to engage China within multilateral arrangements such as ASEAN, the East Asia Summit and the APEC forum.<sup>92</sup> This is not to claim that this would immediately resolve tensions between nations, but they could provide the stability and balanced environment necessary for negotiations. As reflected upon earlier, China's engagement in such international meetings can facilitate normalization of its international behaviour and may help smooth the process of transition.<sup>93</sup>

A more subtle approach may include the pursuit of triple alliances, such those reached in the past, designed to encourage positive relations between Australia and two other powers. Political scientist R.N. Rosencrance argues convincingly of the utility of such arrangements in mediating relationships in northeast Asia.<sup>94</sup> The approach could be

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<sup>90</sup> White, op. cit., p. 479.

<sup>91</sup> Kelly, op. cit., p. 16.

<sup>92</sup> A. Dupont, 'Quadrilateral alliance runs counter to post Cold War multilateralism', 26 March 2007. Online Available HTTP: <http://www.usyd.edu.au/news/84.html?newstoryid=1645>. (accessed 2 October, 2007).

<sup>93</sup> Gordon, op. cit. (2007 a), p. 48.

<sup>94</sup> R. Rosencrance, 'Australia, China and the US', *Australian Journal of International Affairs*, vol. 60, no. 3, 2006, pp. 364–8.



applied to include units of three involving India, China and Australia. It could be successful if it pursues, in the first instance, an economic agenda that clarifies the emphasis which Australia puts on positive relations with both states and obviates the need to classify relations in polarized terms.<sup>95</sup> It would also provide Australia with an opportunity to encourage the two sides to strengthen further their ties. It is unlikely that closer Sino-Indian relations would result in the creation of an anti-Western alliance given that both states still consider their individual relationships with the US to be more important than relations with each other.<sup>96</sup> Thus, this framework should be expanded to include the US.

Finally, Australia should reflect upon wider regional and global developments and consider facilitating the emergence of a 'concert of powers' in Asia.<sup>97</sup> This concept suggests that in the future groups of powerful states, which will include India and China and several middle strength powers, will emerge in Asia and Europe. Mediation between these powerful states could occur based on the premises applied to the Concert of Powers in the post-Napoleonic period: mutual recognition of equality amongst said powers and a willingness to maintain peace through compromise.<sup>98</sup> The advantage of such an arrangement is that it would consider the varying interests and expectations of the major powers and reduce the likelihood of conflict between key states such as China, India, Japan, and the US. It would be a challenge to achieve such a vision, not least because as a middle power Australia's influence is limited. Nevertheless, it is in our national interest to pursue such ideas and maintain our ties with the US. Fledgling attempts to discuss such matters with Chinese officials indicate that governments may indeed listen.<sup>99</sup>

Australia's choices will ultimately be decided by new realities in the region and the ability of our future leaders to create new foreign policy. Whatever choices Australia makes, it faces very important challenges as the balance of power in the region shifts and the 'Chindia' era comes to pass.

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<sup>95</sup> Ibid., pp. 365–6.

<sup>96</sup> Asia Society and Woodrow Wilson International Center for Scholars, *op. cit.*, conference report, p. 31.

<sup>97</sup> C. Bell, 'Living with Giants: Finding Australia's Place in a More Complex World', Canberra: Australian Strategic Policy Institute, 2005.

<sup>98</sup> White, *op. cit.*, p. 473.

<sup>99</sup> Ibid., pp. 475, 477–8.

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32 Thesiger Court, Deakin ACT 2600, Australia  
PHONE: 02 6282 2133—FACSIMILE: 02 6285 2334  
WEBSITE: [www.aiia.asn.au](http://www.aiia.asn.au)—EMAIL: [ceo@aiia.asn.au](mailto:ceo@aiia.asn.au)