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FOREIGN POLICY PRIORITIES FOR AUSTRALIA

SESSIONS AND SPEAKERS

AUSTRALIAN FOREIGN POLICY

Chair: Zara Kimpton OAM, National Vice-President, Australian Institute of International Affairs

John McCarthy FAIIA, National President, Australian Institute of International Affairs

The Hon Bob Carr, former Minister for Foreign Affairs

The Hon Alexander Downer AC, former Minister for Foreign Affairs

Professor Michael Wesley, Director Academic Outreach and Research, National Security College, ANU

ENHANCING AUSTRALIA'S PROSPERITY

Chair: Colin Chapman, President, AIIA NSW

Martine Letts, CEO, Australia China Business Council

Tony Walker FAIIA, International Editor, *Australian Financial Review*

Innes Willox, Chief Executive, Australian Industry Group

THE GOVERNMENT'S FOREIGN POLICY PRIORITIES

Chair: Professor Nick Bisley, Editor, *Australian Journal of International Affairs*

The Hon Josh Frydenberg MP, Parliamentary Secretary to the Prime Minister

STRENGTHENING AUSTRALIA'S SECURITY

Chair: Emeritus Professor James Cotton FAIIA, School of Humanities and Social Sciences, University of New South Wales at ADFA

Linda Jakobson, Director, East Asia Program, Lowy Institute for International Policy

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ANNOUNCEMENT OF THE AIIA FELLOWSHIP AWARDS 2013

Presented by: Emeritus Professor Peter Boyce, University of Tasmania and President, AIIA Tasmania

CONCLUDING REMARKS

Allan Gyngell AO, FAIIA, former Director-General of the Office of National Assessments and founding Executive Director of the Lowy Institute for International Policy

Melissa Conley Tyler, National Executive Director, Australian Institute of International

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Australian Foreign Policy

CHAIR: ZARA KIMPTON: Today's conference is going to bring together experts and representatives from government, academia, business and the media who focus on the issues which will affect the foreign policy of a new government, such as security, economic and global issues.

When putting all of this together and choosing the date of the conference we had no idea international relations was going to be on the front page of every paper in the country. Tony Abbott has described the relationship with Indonesia as being our most important foreign relationship. I'm sure today we're going to hear a lot more about developments in this regard.

We certainly live in interesting times and we look forward to hearing the views of those who are going to speak today.

So for your information, today's event will not be held under the Chatham House Rule, so it will be recorded and broadcast. I'd now like to introduce our first speaker who is our National President, John McCarthy. As you'll see in your information pack John has had a distinguished career as Ambassador and High Commissioner in many countries in Asia as well as the United States. So, welcome John.

JOHN MCCARTHY: Well, thank you very much, Zara. I'd like to welcome Bob Carr here today and Alexander Downer will be here shortly. Because we have such an outstanding list of speakers, including of course the aforementioned, I really want to keep my comments pretty brief.

The two or three things I'd like to say in terms of how I would like to see personally Australian foreign policy developing. I don't want to cover the waterfront and say we've got to do this with Indonesia and this with China and this with Japan, so just three real points.

The first is that I was heartened by several words I heard from the Parliament yesterday. They were from Bill Shorten. They were "This is a team Australia moment." I thought you know this is the first time I've heard anything like this in six years. It would be really good if that informed the way we handled our foreign policy in the future. You can't do it all of the time. Quite obviously there are different perspectives, but some effort to do this on the part of our country as we move into a new era of diplomatic relations I think would be of enormous benefit.

Let me start in this context with the issue of boat people. This is partly a foreign policy issue, it's partly a domestic issue but the fact of the matter is unless we get this boat people issue right in the country we're not really going to have the political energy for too much else. It is so consuming as an issue. We saw this in the lead up to the recent election that it is hard to see our government being able to give the attention they need to give to the rest of the world unless we get this right.

Now it seems to me there are three elements in it, I don't want to be proscriptive on how to do it, but one element is humanitarian. We have to as a country show that we have, we're fulfilling our humanitarian obligations. I think, incidentally, this could have been done with the so called Malaysian solution where we were prepared to undertake to bring in a much larger number of refugees in return for Malaysia taking some of the people who were illegal. I know these words all have separate meanings to different people but I think you know what I mean when I say illegal. I think that's one thing we have to fulfill.

The second is that we obviously have a responsibility and the government has a responsibility to protect our borders; we can't get away from that. And those that say we should just let people in that's simply not possible. No government can do that, no government does that around the world. You just can't do that any longer. So there is a responsibility quite clearly to protect our borders.

The third is our responsibility to our neighbors and the fact that what we do impacts on our dealings, not only with Indonesia but quite clearly with the South Pacific. You see this with the PNG solution, you see this with Nauru, but also much more widely I think it impacts on what we do and what our policy is on these issues, and impacts much more widely on our reputation in the region. What sort of country are we? Are we a country that is so obsessed with protecting our borders and having what was once referred to me by Allie Alatas's: your pristine country. There was a touch of irony in that, obviously. But we are seemingly so obsessed by this issue that when we talk about integrating in the region people say, "Well, wait a minute. That's really the way you behave." Now that may be unfair, it may be an unfair comment about Australia, but nonetheless the impression that you have in the region of Australia is a country that is so obsessed with its border that it really is not as engaged as it might be in what it can do with the region as a whole.

So, on this area particularly I think it is crucial that we develop a bipartisan policy. Now, that actually—and a lot of people didn't like it—we weren't too far from that in the lead up to the election, but what I would argue is for the next three years and possibly beyond a real effort be made to develop a

bipartisan policy between both parties on this boat people issued, because otherwise I think it is going to exhaust our foreign policy energy as a country. I really think that is important.

Now, when I say develop a bipartisan policy is a policy which incorporates the three elements which the policy has to have. Consideration of our borders, and let's not overdo that. We get a bit obsessed with that from time to time. Second to the humanitarian element we have to fulfill that. We're not as bad at that as people see us as being. And thirdly, we have to bear in mind our relations with our neighbors. It's not just Indonesia; it is what our policy might do in the future in the Pacific what the repercussions are.

So essentially that is the first point I think I really want to make. The second point is really this, and again it's partly related to ambitions to do more with Asia which is being manifested I think actually by both parties over the last few years. This is to do with our relations with the United States. This is a delicate area and one can easily be misunderstand in this. In this context, the first point I want to make is this that I am totally in favor of the maintenance of the alliance with the United States. There should be no doubt about that.

The second point, however, is I think a lot of us would sense that since 9/11 we have tendered with the United States to walk in lock step. We have lost the capacity to think in security terms in an independent way. I'm not sure we've had enough real thought given to this within the community, within the academic community, or within in government. I think the tendency as increased for us to feel that if the Americans believe that a certain course of action is appropriate we should get on board.

I think there are two aspects to this. The first is in terms of what we want as a country and what our needs are as an independent country and they are not automatically those of the United States. Let me give you an example. We have with the 7th Fleet out of the [Yokosuka] in Japan an Australian vessel, Australian naval vessel. That's fine. In many ways it's absolutely what we should be doing with the United States Navy but you have to ask yourself a question: if that particular unit is deployed for purposes which relate to United States policy—for example, in the gulf of Taiwan or off Japan—what position do we actually take on that? We, of course, have the right to withdraw that vessel from the fleet but that would look pretty strange. What I'm essentially saying is that we could through the way we have developed our policies over the last ten or twelve years, and that's bipartisan, we could find ourselves in a situation where we are undertaking actions which are not necessarily totally consistent with our view of what Australia would be doing.

My personal view would be this. On the Taiwan issue I think it would probably be inappropriate for us to be in a fleet which is effectively warning the Chinese

on Taiwan as it did in 1996. Japan, less of a case. I think if Japan were indeed threatened by China I think it would be a lot more appropriate because the changes in what was happening regionally and globally would be so great. It would probably be more appropriate for us to be involved in that. But that's frankly totally hypothetical.

My point is we need to be in a position to make up our mind independently of what we should do. That is because, to repeat myself, what is an Australian national interest isn't automatically in the United States national interest. Not automatically. It may often be.

The second point is the impression has been gained in the region for the last ten or twelve years in a bipartisan way under both governments that on security issues we do not have an independent view and I think it's common sense that in the wake of the latest news out of Indonesia that view is going to be heightened because what has been published is that we have been working with the United States in essentially eavesdropping on Asian countries, in this case Indonesia. Now, that can't do us any good in terms of our perspective or our wish to be seen as an independent country. We are seen as on security issues working in lock step with the United States. I think we need to think about that as a country. So that will be the second main point I want to make about the way we develop our foreign policy.

I stress again I'm not arguing against the alliance. I'm not arguing against the relationship with America which is hugely important. What I am arguing for is the need to look at our interests in an independent way and not necessarily through the prism of the United States views on security in the region.

The third point I really want to make is this. Both parties over many years have emphasized the important of Asia to Australia. Let's not just repeat this; it's clear, it's obvious. I think it really is essential in a bipartisan way that we keep up the pressure on the community as a whole to respond to the requirements of dealing with Asia over the next 20 or 30 years. Let us avoid—and I come back a little bit to bipartisan here—let's avoid the temptation, which happens in Australian politics, to damn with fake praise what the government before has done in this area rather than take it up and use it.

I think really that's all I want to say. We're going to hear now from some very distinguished speakers who have vast experience in dealing with our foreign policy, and those are just a few thoughts that might inform the debate later on. But that's enough from me and I look forward to hearing not only from Mr. Carr and Mr. Downer but I look forward to hearing from my old colleagues in the system who will be talking on panels later on. So thank you very much.

ZARA KIMPTON: Thank you, John. So we're now delighted to welcome the Honorable Bob Carr who just retired recently, as you all know, as Foreign Minister. He served in that role from March 2012 until September of this year. He's had a long standing interest in international relations and of course is also well known as being the longest continuously serving Premier in New South Wales history. So welcome Bob.

HON BOB CARR: Thank you Zara, our distinguished guests including Alexander Downer, members of the diplomatic corps, ladies and gentlemen. On the current issues with Indonesia I'd only make three quick points. One is it may be appropriate now for the Prime Minister to consider what I would couch as choosing the verb carefully, demodulating the language used in Parliament on Tuesday if it assists expediting a normalization of the Australian/Indonesian relationship. I think that verb remodulate, a softer verb than apologize, might capture the opportunities we've got in settling on a formulation that enables this to happen sooner rather than later. I think the bipartisanship has been noteworthy. I think Australia is entitled to have a conversation with our America ally about the standards that the NSA has applied in being a protector of security material. I think that's probably more relevant than dilating on how we could, Mr. Snowden has been.

The third point is we are going to have to think seriously about what is to come because that's by no means clear. This is a big concern because one of Australia's most serious interests is in having ten resilient prosperous societies on its trajectory towards more political pluralism in many cases, and higher standards of governments. Australia's interest is in the resilience of the ten societies ASEAN. It's been suggested that we should join ASEAN. I think the consensus would be that that's not in our national interest but a closer alliance with our foreign policy thinking with ASEAN is very often useful. I recall the ASEAN consensus being that an opening to Myanmar was appropriate. ASEAN was at that point before the Europeans, before the Americans, and I thought it very persuasive and we lifted our sanctions and had a warm response from President Thein Sein because we acknowledged that the progress of reform in that country was irreversible. Something that I think will be demonstrated next week when Aung San Suu Kyi, the iconic opposition leader with Myanmar is in Australia.

The opening to Myanmar is a useful example of how a more consultative approach with ASEAN positions, that was a consensus ASEAN position but it's time to acknowledge the irreversibility of reforms in Myanmar is appropriate as a guide for Australia. But we've got to work at these relationships. Two examples. When a Parliamentary colleague took it upon himself to go to Malaysia and be an observer of the Malaysian election and was turned back at

the airport, I made the point to our Malaysian friends that we thought turning him away was not desirable, but we didn't elevate it into a dispute.

I'll give another example. When a so-called freedom flotilla sailed out from North Queensland for the Indonesia popular provinces to make a point I said that they would receive if detained in Indonesia, they would receive no Consular assistance from Australia. We would have another episode of Australian diplomats investing millions of dollars in time trooping in and out of prison as these people were detained as they might have been for up to a year or longer. The people in the so-called flotilla were dissuaded therefore from making the journey. I mentioned this to President Yudhoyono sitting next to him at the G20. He took it seriously, he was aware of this so-called Flotilla and he texted Dr. Natalagawa to alert him. He texted me to have it confirmed. Indonesia as well know is acutely sensitive to matters pertaining to its integrity and its sovereignty in those provinces.

It's easy to talk about Australia in the Asian Century but attention to policy that has us appropriately engaged does mean attention to issues like this and standing up to elements of Australian public opinion that want a gesture. I'll talk about that reflecting on Sri Lanka later.

The region around north faces challenges. The trajectory towards a more clinically plural, economically resilient future is not assured in many of these jurisdictions. There's the middle income trap, there are questions of governance. Singapore is an outstanding example of corruption resistance building to a political system but it could be considered to be a somewhat lonely example. And of course there is the persistence of ethno religious tensions throughout the region.

This is not the time to dilate on the Australian/China relationship. I just noticed a sea change in April of 2013, in April of this year in how the China relationship is discussed. From November 2011 right through to April of this year there was a view being strongly articulated by elements of Australian business, by leaders of the Australian university commonwealth and by a couple of former prime ministers, a few former prime ministers, to the effect that there was somehow a lack of attention by Australia to the challenge of relations with China. There were references to two issues, the decision made on Waiwei and the way the 2011 announcement about a retaining presence of Marines in Northern Australia was made the context in which it was made.

This strikes me as being noteworthy that such comment ceased in April of this year when the Chinese agreed to recognize the relationship with Australia as one that entails annual meetings, guaranteed annual meetings of the leadership. And second, the use of the expression strategic partnership. Now whether this was a recalibration by China in its thinking about relations in the

region or something specific to their thoughts about Australia as something we can think about. I think the Chinese focus in its relationship with Australia will be very much on investment.

There are two ways of looking at this relationship. I know the talking points from doing that stress the fact that no Chinese investment in Australia—no proposed Chinese investment in Australia—is being rejected. Some have had conditions attached. That includes proposed investments from state owned enterprises. We can refer to a string of very successful examples in sugar, irrigation properties, right across the mining sector, and in power generation. The Chinese perspective is clearly different. They see an element of prejudice applied to proposed investment especially from state owned enterprise. And how we reconcile those two perspectives is probably the most significant era of current work in the Australia/China partnership.

John referred to relations with the U.S. I've got to say as a foreign minister dealing with the labor government here dealing with a democratic administration it was hard—and I'm picking exaggerated language—to pick an argument. From our perspective the approach of the Obama administration is appropriately multi-lateralist, discriminating in its application of American force, of American power. If you were sitting out—I had a businessman come to my office once and he said, "You need to have six arguments with the American administration, just to demonstrate something to China, just to demonstrate something to the world." I said, "I appreciate the direction you're coming from but I don't think it's the way to run our foreign policy." And I said, "If we were sitting out in such a spirit"—and I don't want to be misunderstood here—but I said, "If we were sitting out in such a spirit, deliberately to pick arguments with the Obama Administration it would be hard." Given that Hillary Clinton was on the same page as us when it came to elevating the rights of women and girls in developing countries, given that they were in contrast with the adventurism of the Bush Administration. They were selective about the applications of America power in the Middle East; leading from behind on Libya struck me as being appropriate.

When Secretary of State Kerry chose to risk quite a bit of American capital in bringing forward peace talks between the Israelis and the Palestinians he was doing so I thought in a way that was appropriate and in a way that William Hagg and I called for when we had our talks in Perth at the beginning of this year. The Auckland talks, Hagg and I thought it appropriate appeal to American leadership on this front. In talking to a new government, a new administration in Teheran again strikes me that American policy is appropriately nuanced; and in seeking engagement with Russia on Syria appropriately realist. Because after all we witnessed in the last two years it

strikes me there is no change for a cease fire in talks between the parties in Syria without the engagement of Russia.

I would compare this with the adventurism of the Bush years which left America drained from two wars, aggravated Sunni, Shia relations across the Arab world; elevated—I'm not blaming America remotely for this. I choose the verb carefully "aggravated" and not "create." Elevated the notion of the crusade for democracy. I think Condoleezza Rice was referring to that for twelve months before abandoning it after an election outcome in Gaza. And leaves us in Iraq with a situation where hundreds are dying every month in conditions of chronic instability. Why wouldn't a labor government here find it, given this contrast, entirely combatable to work with the Obama Administration with more realist instincts?

I think gathering force in the U.S. is an isolationist strand in the Republican Party for the first time since the 1940s that could in the right circumstances see a U.S. administration consider the rebalancing the so-called [inaudible] to Asia. We've now faced a situation where to the concern of some nations to our north America was not able to be present at significant meetings or to maintain bilateral visits because of a chronic political deadlock in Washington.

So I think it's appropriate for Australians to discuss the possibility of rolling crises about the American budget—not about the budget deficit which is being addressed by circumstances—but by the need for Washington to top up Social Security and health commitments that are structurally underfunded, at the same time as we see the rise of isolationist sentiment in the Republican Party for the first time since the 1940s.

I think it's appropriate that Australia have a strong multi-lateralist attention in its foreign policy and that this be part of our international personality. Three examples. Work on the arms trade. I think it's a source of pride that Australia was one of seven original sponsors of a proposition that the trade in small arms be subject to control. There are nations that saw this as a serious contribution, well and beyond any narrow definition of our national interest by Australia.

Second, I think it's a good thing that Australia chairs for with Japan dedicated to the proposition that there can be nuclear nonproliferation and eventually nuclear disarmament. Hard headed realists like Schultz and Kissinger think there's a case for leaving this on the international agenda and Australia, appropriately, should be sitting down at the meetings with a long term partner Japan and giving it attention, keeping this notion alive.

I'll give a third example. While Tony Abbott has said less Geneva, more Jakarta in our foreign policy, it was in Geneva that Australia won support for an

international inquiry into human rights in North Korea. Are we going to leave unattended the tragedy of that one party dictatorship, or do we move in these forums in a multi-lateral spirit to focus the attention of the world on it.

While we're on the UN I just want to report that I think it's regrettable that in two votes last week and I believe in two votes this week Australia abstained on motions that condemned the expansion of settlement activity on the West Bank. I'm proud that since 2008 Australia has voted yes to condemn that settlement activity. I made a case on the [fifax] website this week that taking that stand is in Australia's interest, it's in Israel's interest not to encourage the chauvinist strand in Israeli opinion but to encourage the strand exemplified by foreign Prime Ministers Barrack and Olmert. I think it's in Australia's interest which is in pointing that that has been reversed.

It places us in lockstep of course with those titanic powers in the Marshall Islands in Micronesia when you line up on votes in the UN refusing to condemn the expansion of settlements which by any test, by any test, is making a comprehensive peace settlement more difficult. I'll finish my comments now on this subject with these observations. Peace Now, an Israeli group, reported a 70% rise in settlement activity this year over last year. That is infinitely complicating the peace process.

There is one area though whereby partisanship in Australia is worth remarking on and worth maintaining and that is on Sri Lanka. I think it's enormously difficult when a diaspora group in our multi-cultural society attempts to capture Australian foreign policy. There is not one narrative out of the three and a half decades of civil war in Sri Lanka. There are two narratives and our job is to through engagement to maintain pressure and encouragement on the Rajapakse government to reverse the recent practices that had encroached on civil liberties to hear our concerns about the treatment of the chief justice late last year. It's appropriate to raise these matters in our meetings with the president and with the foreign minister. But to deny the fact that there's been progress, to deny the face that this country is emerging from three and a half decades of atrocious civil war is to adopt one narrow view about this country's recent history. The provision of patrol boats is perfectly defensible. It lifts the capacity of this country to deal with a common problem, one that all the nations of the region have declared illegal, that is, people smuggling. That's human trafficking, people smuggling, irregular immigration.

Again, it's easy to express sentiments about Australia in the Asian Century but maintaining that as part of the character of our diplomacy does require work on practical solutions. I draw with all respect to the high commissioner from Canada about making a distinction between our foreign policy approach and that of Kennedy here. I spoke to John Beard, the Canadian foreign minister and

made it very clear that we would be going to [Chola], we saw it as appropriate to engage with the government of Sri Lanka, we live in the region and our interests require that engagement. The whole notion of Australia in the Asian Century means that any other approach is plainly inappropriate. Thank you very much.

ZARA KIMPTON: Thank you. Mr. Carr has agreed to take a couple of questions. If you could state your name and any affiliation. Do we have any questions from the audience?

QUESTION: [off mic]...last couple of days about the intelligence process in particular am I right in thinking that...of the German Chancellor. If that is his position what are some of the downside consequences of that and wouldn't that be a fundamental change in Australian intelligence policy and practice?

HON BOB CARR: I'd settle on the terminology I used at the outset here and that is that a remodulation of the language used in the Parliament on Tuesday is appropriate. That leaves plenty of flexibility but I think a different form of words from those settled on by the Prime Minister in the Parliament earlier this week would enable us with a bit more confidence to move towards the resolution of this situation that is in the interests of Australia and in the interest of Indonesia. I don't think you can argue that the rough guide provided by President Obama's approach to Chancellor Merkel is inappropriate here. I think it would be very dismissive to reject that as at least a rough guide to how Australia should approach. I think it might be useful finally to reflect on the position we could find ourselves in three months or six months' time. If we're going to be using a form of words and an approach that resembles President Obama's approach to Chancellor Merkel then why not begin the process now? Why not seek to truncate and not prolong the inevitable adjustment.

So I've chosen as I said at the outset I've chosen a more gentle verb to insert into this discussion and it leaves the Prime Minister I think with a fair bit of room to start weighing the formal options.

QUESTION: Julian. Can you comment on the current contrast where on the one hand in China the new leadership is trying to move heaven and earth to reduce the size of SOE's in their economy compared to the debate here in Australia where some commentators, including the Chinese bureaucracy, are arguing that we should increase the exposure of our economy to SOE's and surely we can increase their engagement with China by opening the doors more fully to privatized firms but leaving the normal filters just to SOA investment which apply on a broad basis and aren't China specific.

HON BOB CARR: I think the filters on SOE's are pretty mild. The policy adopted in 2008 simply means is a higher level of the consideration of the investment proposal coming from an SOE or sovereign wealth fund. A higher level of consideration but I can't, I haven't been told there's a single investment proposal from a state owned enterprise or sovereign wealth fund that has after that consideration been rejected. Frankly, I don't see a contradiction between China formulating an economic policy that reduces the role of state owned enterprises and seeking in Australia that they get fair and expeditious consideration for any investment proposal they make.

ZARA KIMPTON: I think we'll stop the questions there and if we have some time at the end then we'll come back. So I'm now delighted to introduce another former foreign minister, the Honorable Alexander Downer who was Prime Minister from 1997 to 2006 and who is, he now has a professorial role at Adelaide University and he is also the United Nations Special Envoy to Cyprus. So, we're delighted that Mr. Downer has been able to join us today and welcome.

HON ALEXANDER DOWNER: Thank you, Zara, very much. Let me begin by congratulating the Australian Institute of International Affairs on its anniversary. I think it's done a wonderful job over the years. I know during the time I was the Foreign Minister I very much appreciated input from the broader community on foreign policy issues. Actually there are surprisingly few forums where that input comes from that the AIIA was one of them in all sorts of different ways. Indeed at one stage it was having some financial problems in particular with the publication of its Journal. I seem to recall having some discussions with them and doing something that I never really liked to do and that is use some government money to help with the task of getting it and keeping it published. So I don't know what's happened, Bob, since then. Perhaps there were labor cutbacks. Yes, I know one would laugh. The notion is rather absurd. In any case, it's a great organization and it brings together a lot of good people all around Australia.

This is a pretty broad topic to talk about, priorities for Australian foreign policy. So perhaps a starting point should be that running any foreign policy is really an extension of domestic government and even on some occasions domestic politics. What you're seeing at the moment in terms not just of Australia and Indonesia but broader diplomatic rows around the world, illustrates that point pretty strongly.

Therefore, I mean, Australian foreign policy priorities can be put very simply: to promote our national interests as best we possibly can, though they're hard to define. They're very broad our national interests but that's what we start off by doing. I tend to agree with something I heard John McCarthy I think talking

about when I came in here. That is, this rhetoric about Australia and Asia. I think we as a country really should move past this constant refrain that our priority is to engage with Asia. It's rather like saying the Netherlands priority is to engage with Europe. Mind you in the case of the U.K. perhaps that might be a relevant thing to think about.

But in the case of a country like the Netherlands, 16 or so million people with a pretty substantial GDP. Look where it is in the map of the world and it's pretty obvious its first priority is to engage with Europe. In Australia's case it's pretty obvious that our first priority is to engage with Asia and the Asia Pacific region. I think this rhetoric for the last 20 to 30 years is to many outsiders rather curious and in fact, I think in a sense it does us more harm than good because it makes it sound as though there is something exceptional in Australia engaging with Asia whereas it should be something obvious and natural. By Asia I think one should expand that to say the Asia Pacific.

That doesn't mean to say, by the way, that Australia—I member Richard Armitage saying this to me rather pointedly on one occasion, “It doesn't mean that Australia is just a regional country.” Australia is a significant country. It's not a small country as we sometimes describe ourselves. Australia is a significant country, not only obviously an area the sixth biggest country in the world. In population well it's in the top 50 in the world but in GDP it's around the 12th biggest economy in the world. This is a very important country and it's therefore a country that has global interests, not just regional interests. And if you think about our neighborhood then of course our security is almost entirely tied up with our own region, with the Asian Pacific region these days. That wasn't always the case, of course, but these days.

But when you look at our economic interests they are actually very broad. The countries in our immediate neighborhood for right or for wrong they're not our most important economic partners. The countries in Asia that are in north Asia, China, Japan and Korea. And you cannot underestimate the importance to our economy not just of the United States, very obviously, which in one sense as Julie Bishop was saying this morning I noticed is our biggest economic partner. Well, that depends how you define it. But the European Union which is hugely important to Australia economically if not strategically.

So we are a country that does have global interest. We have regional priorities for reasons that are entirely obvious and that should be, any debate about that should be laid to rest. I don't think we need to have—I think we need to move past some of the rhetoric that we've been using over the last 20 or 30 years.

The second thing I'd say is that when you think about Australian foreign policy priorities we obviously have to deal with events as they arise, and events are always arising. The latest crisis is always the most terrible crisis in the history

of Australian diplomacy and then that moves on and we come to another one. We had a crisis with Indonesia over live cattle. We had one with Indonesia I think I could pointedly say to you that in September 2009 over the Oceanic Viking we had a crisis with Indonesia. We really did have a crisis with Indonesia which I lived through day by day over East Timor. We have had a lot of crises with Indonesia and we have one now as well.

But we deal with events but we do need to have a broad strategy. I think in terms of Australia's national interests there are many relationships we need to focus on. I talked about the European Union, the U.K. of course, a particularly important country there to Australia. But I think there are five bilateral relationships which are of particular importance to Australia, certainly from my experience. And in no particular order. Some people put them in order, I haven't put them in any particular order but let me just start with the United States. I tend to agree with Bob Carr—and I worked with both Democratic and Republican administrations. I've worked with them both. There aren't many occasions with our great ally that we have strong differences of view, and there are people who come to you saying, "Oh, you must go out and express a different view with the United States in order to demonstrate that you have an independent foreign policy." Of course we have an independent foreign policy. And there are moments when we do have differences of view with the United States but you don't run a foreign policy by playing political games and deliberately creating differences in order to position yourself or suck up to someone else. I suspect that strategy would prove to be quite catastrophic as Bob is suggesting.

But we have had our moments with the United States. I remember having considerable disagreement with Madeleine Albright. I'm very fond of Madeleine Albright but substantial disagreement with her over her tactics that she used with the U.S. Senate to try to get it to ratify the comprehensive test ban treaty which was a treaty we took to the United Nations General Assembly to be brought onto the Treaty books. I was about to say brought into effect. It's not actually brought into effect yet, but to be established. And we needed the Americans to ratify it. The Clinton Administration bungled this process and it caused some argument amongst us.

We had many an argument with the United States over Iraq, not over the objectives but over the implementation of the strategy in relation to Iran. We had a very major argument with the Americans initially over East Timor where we wanted the Americans to make a real contribution to our deployment to East Timor in 1999 and the Clinton Administration initially refused to do so. And everyone forgets this but we went public on CNN in my particular case to express our displeasure at the reluctance of the Americans to support us when we had supported them on so many occasions in the past.

So this myth which is perpetrated through particularly the Commentaria and elsewhere that we always just go along with the Americans I'll have to say to you in practice is not true, but as Bob Carr said typically we are going to draw the same conclusions and come to the same point of view on international issues and let us not underestimate the huge value that we should, what we get from that relationship with the United States. An economic partner, a strategic partner that underwrites the security of the Asia Pacific region where we earn so much of our livelihood. And yes, the United States is our great intelligent partner. I don't want to, on a day like today, I don't want to underestimate this issue. Our intelligence community and our intelligence relationships with the United States and the U.K. in particular I think I would use this expression *are hugely important to us*. They are hugely important to the security of our country, the security of our people and the prosperity of Australia. And you don't play with the intelligence community and our intelligence capacities and our intelligence relationships lightly.

It is true that Edward Snowden and *The Guardian* have done a huge disservice to this country, to the United States and to the Western Alliance. There is no question about that but I don't think that we should allow these short term embarrassment, even humiliation, of these events to undermine the strong intelligence relationship that we have with the United States and with others, the U.K. in particular. That we should in any way weaken our own capabilities because they are all about protecting our country and protecting our people. So that component of the relationship with the United States is a very important one even though as Bob has said we owe them no thanks for Edward Snowden.

By the way, you weren't the foreign minister during any of the time when American ambassadors were reporting conversations with our foreign ministers and prime ministers and they all came out in the Wiki leaks saga. Thank you again to the Americans in whom we had confided and then reading these headlines of what you had said on not just the front of the *Sydney Morning Herald* or *The Australian* but on the front of *The New Zealand Herald* and the *London Times* and so on, was excruciating, excruciating and of course lead to all sorts of attacks and so on. Love attacks.

The second absolutely critical relationship I wanted to refer to is indeed Indonesia. I talked a little bit about how we of course had our ups and downs with Indonesia over the years. It is a very different country with a very different culture to our own but it is of course a vitally important relationship to us and we need to as they need to work on ensuring that we have a mutually beneficial relationship. And the relationship we've had in particular with SBY, Susilo Bambang Yudhoyono has been as good a relationship if you take it on average over the years as we've ever had with Indonesia at any time since

Indonesia independence. We have had a really close and important relationship with him. We've been through many an event together. We have shed tears together over the Bali bombing and the Tsunami. At the time of the first Bali bombing he was the Coordinating Minister for Security and it was with him that I met three or so days after the Bali bombing and we set up the police and intelligence collaboration which has served us so well since.

And with our team, and people from our intelligence community, Aston Calbert and so on we have I think worked together in a very emotional and important way on the Tsunami and helping Indonesia recover from the Tsunami, was one of the great things Australia did for Indonesia.

So this is a relationship which is mutually beneficial and I think that is a phrase that we need to reflect on. There is a great deal to gain for us in having a good relationship with Indonesia and as we've I think demonstrated over the years helping them with the Tsunami and counter-terrorism, economic links, our development assistance program and so on. Bob, I think it's about \$650 million or so now a year. We have been able to help Indonesia a great deal. They've got a great deal out of their relationship with us. Given our rather special relationship with the United States they have been able to use us to help them in their relationship with the United States in ways that I wouldn't necessarily comment on publically.

But we have urged the United States on many an occasion to take Indonesia a great deal more seriously than it might otherwise because Indonesia has a low profile in the United States more broadly and in Washington in particular. They're focused as you can imagine these days on Syria and the Middle East, peace process and so on but Indonesia is a vitally important country. I know in our time in government and presumably since we've done a great deal for Indonesia to ensure that the United States gives its bilateral relationship with Indonesia a very high priority. As an example of the way our close relationship with the United States and our relationship with Indonesia can be helpful to both of those countries as well.

We have to get over this problem—I'm happy to answer any questions later if you want to ask me about it. We have to get over this problem with Indonesia and we will. We will overcome it eventually. Ways will be found in order to do that and ways must be found which don't compromise our intelligence capacity or intelligence community. So we have to be careful how we do it. It doesn't lend itself to glib one liners. It's a difficult issue to challenge and again, I give no thanks to Edward Snowden and *The Guardian* newspaper for what they've done.

Very quickly I want to talk about the other three relationships. In the case of China, their so called emerging power. It certainly is an emerging power. I

have a much more benign view of China than many other people have. I appreciate that but I have a lot of experience with China. This is a country which is driven above all by a desire to escape poverty and has been hugely successful in doing so. In the last 30 or so years the Chinese have lifted 600 million people out of poverty. It is one of the most extraordinary achievements in history. And when people talk about the Chinese threat and the dangers of China and so on I'm not sure what they think the Chinese government is planning to do. There are issues, I was in Vietnam myself last week with the Vietnamese Foreign Minister and we had a long discussion about this. There are issues in relation to the South China Sea. In this country we've for a long time been supporting a code of conduct to manage the competing claims in the South China Sea. There are competing claims with Japan of course over the use of Diaoyu/Senkaku Islands. There are tensions in relation to Tibet and so on. But China is not an expandist power. China is trying to secure its prosperity. And that is the driving force of China.

And one of the things Australia usefully can do is to try to explain, as I think Australian governments both the past one and the Howard government, try to explain—including to the Americans—that China isn't the threat that it is sometimes painted as being. There was an old saying, I think it was Joe Nigh who first coined it, that if you call someone your enemy they'll become your enemy. And the danger is demonizing China as a threat and a potential enemy and that becoming a self-fulfilling prophecy. It's important to work with China and I think on the whole Bob says there is a perception between 2007 and April 2013. I think he said that the relationship with China could have been better and given a higher priority. Well, I'll leave historians to debate that.

But I think Australia has in an overall sense handled the China relationship well because at the government level we haven't fallen into this trap of demonizing China. There is a real issue in this country which relates to Chinese investment in Australia. There is an increase in Chinese investment in Australia but what are we going to say? What are we going to say as a country that American investment is fine, British investment is fine, Japanese investment is fine but Chinese investment is not. Singapore investment, that's fine. But where is that going to leave us? What message are we sending to China if we say that? What sort of message is that to the outside world, to the changing dynamics of the world with the growth of China? The huge savings they have, the investment potential with China if Australia says we aren't sure about Chinese investment. Do you think they're going to establish a sort of little polit bureau in a farm that they've bought and turn it into a Communist enclave? I think Bob the Communist enclaves are more likely to be in Balmain than they are in country New South Wales. Sections of the Australian labor party, definitely the Greens. But I don't think there's such a problem in

country in New South Wales and the property that might be owned by a Chinese company.

So we have to be an open country and an engaged country and we have to be prepared to welcome China and the growing Chinese economy as part of our prosperity, if I could put it that way. That's not to say we have to appreciate all that the Chinese do in areas that I've been talking about in a different context earlier. We don't have to appreciate that and we have to find ways of defending and protecting our assets as best we can and we do.

I just want to mention Japan. I've just been in Japan in the last week. John McCarthy was the Ambassador to all of these countries I've mentioned, I think, with the exception of China. And I'm going to mention India. I think the Japanese relationship has become less fashionable in Australia and foreign policy like everything really is driven a little bit—at least foreign policy debate – is driven a little bit by fashion. Japan is a hugely important country and I'm delighted to see that its economy under Shinzo Abe's second round is starting to recover. There's a sense I found in Tokyo the other day of the heightened confidence in Japan of course in the greater sense of nationalism merging always was going to happen. They were always going to become more self-confident and not live forever under the shadow of the Second World War.

But this is a country which is a very natural friend of ours. One of the things I did was set up the Trilateral Strategic Dialogue with Japan and the United States. Yes, the Chinese objected to that but nevertheless we pressed ahead with this. And I think, Bob, you found that pretty useful. I think it's worked well and I'm sure it will continue under the new government.

But don't underestimate Japan. I think it's our second largest trading partner and don't underestimate the influence it has as a country can have and the heightened level of activity by Japan now in the Asia Pacific region and a bit beyond. We worked very happily with the Japanese, for example, on security issues in Iraq. When we went back into Iraq we went back into providing protection for the Japanese there in Al-Muthanna Province. So we have worked closely with them.

And finally India. Every single opposition says that the government hasn't done enough to build the relationship with India. Did the liberal opposition say that, Bob, to you over the last 18 months? They probably did. I can remember having breakfast with John McCarthy when he was the High Commissioner there in that delightful residence in New Delhi. And he went I suppose remember this, but we were having a discussion—we had many discussions over the years a lot of which we won't be discussing here. We've known each other since I was about 15. The discussion was about why our relationship with India never seems to be as good as we hoped. You know we

play Cricket and we know who Sachin Tendulkar is and they know who Steve Waugh is and all that sort of thing, part of the British empire, the use of the English language in much of middle class India, and so on. But yet sort of never quite works. I think what we recognized was that the trouble for Australia with India is that Australia never seems to matter enough to India to be sufficiently important to India.

I don't know if you all watched Q&A this week. It's one of the very rare occasions I thought that program was worth watching. It's just pathetic normally – it's the ABC here. It's pathetic. And now I can see how much Tony Jones gets paid as well, although I think he's a very professional person as Clive Palmer says.

But seriously it reminded me of how we sort of struggled to get the right kind of profile in India. We decided to change our policy on uranium exports to India partly because of the circumstances of the American 1, 2, 3 agreement which made it possible. But partly because we thought well it's something they really want. It's an arrangement we can make. And Kevin Rudd put that on hold but Julia Gillard when she became the Prime Minister she reactivated that and I think that's going ahead now, smoothly I hope. So that will give us a level of importance in India that we might have otherwise had and we just need to work on that relationship.

So, I'm sure I've spoken for far too long but thank you very much for having me, and again, congratulations to the AIIA on their anniversary.

ZARA KIMPTON: Mr. Downer has agreed to take a few questions.

QUESTION: John Weston from the ANU. Thank you very much for the speech. I was wondering in spite of the countries that are significant, you didn't mention ASEAN despite ASEAN being central. It's only the regional institutions that Australia values so highly and despite us being ..., 600 million people... I wonder if you want to comment on ASEAN.

HON ALEXANDER DOWNER: I mean look I have a little bit of time to make a speech. I didn't have time to talk about everything in the world. I think ASEAN is collectively, obviously important to Australia. I've been to many a meeting of the ASEAN PMC and also the ASEAN Regional Forum and ASEAN was the driver of the establishment of the East Asia summit, which we got into in the very beginning in 2005 or 2006. So, yes, often we have worked successfully collectively with ASEAN and continue to do so but how well does ASEAN work collectively together and to what extent do we do with ASEAN collectively, rather than the individual countries bilaterally? We do both. I think ASEAN struggled for a long time. ASEAN got off to a flying start you know driven by the Americans to establish it in the context of the Cold War and the Vietnam

War. ASEAN played a different kind of role from the one it does now. It, after that period, went ahead in leaps and bounds. I think for a while through the '90s, early 2000s ASEAN stalled a bit through the Asian economic crisis. There were questions about well what's ASEAN going to do to address this? And the answer was nothing; it has no capacity to. They came out with a Chiang Mai initiative and various initiatives out of that.

But I think it's sort of getting a bit more momentum back now is the sense I have. I mean I've been discussing it in Vietnam as I mentioned. I was in Vietnam the other day discussing ASEAN in Vietnam. I do have a sense of heightened optimism about it but it's a collection of individual countries. It's not anything else. At the heart of our relationship with ASEAN the bilateral relationships we've had obviously with Indonesia and Malaysia, Singapore and so on.

QUESTION: Linda Jacobson from the Lowy Institute. Mr. Downer you mentioned the trilateral dialogue between Japan, the United States and Australia and there's recently been yet again this dialogue and China reacted rather disappointedly, harshly saying that the communique that came out of the dialogue was a reflection of these three countries ganging up on China. In my view it was basically because of the use of the word status quo in the communique. When you established this of course we were living in a different time and China wasn't quite as big and strong and powerful as it is today, but what were your thoughts on this whole notion, this perception of ganging up which inevitably every time those three meet and say anything about China will be the case.

HON ALEXANDER DOWNER: I think as I understand it the principle objection of the Chinese in relation to the communique was a reference—I'm not sure what the reference was any more—but the reference to the South China Sea. So, right, I suppose that was predictable. Well, the Chinese objected right from the word go when we started the diplomacy of trying to set up the Trilateral Strategic Dialogue. First of all, we suggested it to the Americans and they said they'd go away and think about it and then they came back and said, "Yeah, we think this might work. See what the Japanese think." I took it up with the then Japanese Foreign Minister very unsuccessful initially who said to me, "Minister, why would we bother to have a trilateral security dialogue with a country like Australia. I mean you're not a very significant country compared to the United States." I thought this was on the whole not terribly diplomatic. Kono was his name, I remember, don't forget that quickly when I'm crossed. He passed as the foreign minister and others came. The Foreign Ministry, the [Gimachou] was pretty supportive.

So when we got it going, as we were getting it going the Chinese objected. I made the point—the thing about the Chinese is they're in your face; they tell you what they think which for us as Australians, such shy and subtle people, is most refreshing. So they took it up with me and said they didn't like it and exactly your point is this an attempt to contain China? And I made the point, no we have common interests with those two countries. The United States is an ally of ours and it's an ally of Japan's. We are all three of us liberal democracies. We all have liberal—a bit of an exaggeration in relation to Japan perhaps—but liberal market economic systems and so we have a natural affinity and it makes perfectly good sense for us to talk to each other just as you have your Shanghai Cooperation Group. You didn't invite us to be part of that. We don't perceive that to be containment of anybody. Well, certainly not of Australia.

And I made it quite clear to the Chinese, "Look, we're friends with you. We have an excellent relationship with you and we can be friends with other people and we can make friendly relationships with other people. But we as a country are totally opposed of containment in China." And I don't think the Chinese have ever thought that Australia—they have thought of America sometimes and they definitely think of it of Japan, but I don't think they thought we had a policy of wanting to contain China. In my time or during the time of the three foreign ministers who succeeded me.

So I don't think so but I'll be honest with you, we had to make the point. We had to make the point to them.

QUESTION: ...[off mic]

HON ALEXANDER DOWNER: Well, you're one of the people who drove me into this. We established a—you were persistent and effective. So I established the Bilateral Human Rights dialogue with Vietnam which is a forum for us to raise any manner of issues we want to raise. As I understand it, and since I've just been in Vietnam, I've had some discussion with our officials there as well as with the Vietnamese. This is still going. I don't know how effective it is. Of course I can't comment on that now. I've had nothing to do with it in the last six years but I'd like to feel that that could be made effective and I have never been backward in being happy to raise human rights issues with any country with which I've had human rights concerns. For some reason or other there is a perception that center right governments are less committed to human rights issues than center left governments. I don't think there is any historic evidence to support that. I think all Australian governments have been in their different ways fairly robust in raising human rights issues, civil liberties issues, religious freedom and so on because if I had more time I'd talk about the importance of values in diplomacy.

I think Bob made a comment about how the Americans under the Bush Administration used to go out and preach democracy. You know I actually am in favor of democracy. So when I was whether George W. Bush and Condi Rice were right or wrong in going around talking about the virtues about democracy, you know strangely enough I thought that was pretty good. That's a message that resonated with me. I know the Arab Spring has proved to be a bit of a disappointment and democracy hasn't quite arrived in Vietnam yet. I didn't get the feeling when I was there last week that it was just around the corner. And it hasn't arrived in China. You can say all these things when you're not the minister anymore. When I was the minister I used to say to the Chinese, "At least you don't have to worry about the next election here. We've only got six months to go 'til we have to face the voters. You've probably got several generations." So, yeah, they sort of smiled wanly. I think everybody likes my jokes all the time. A bit of levity in diplomacy goes a long way. This is not a light matter; it's a big issue and I hope that the new Australian government will do even better what we and no doubt Bob and others have done to promote civil liberties in Vietnam.

ZARA KIMPTON: Thank you very much, Mr. Downer. So I'd now like to welcome Professor Michael Wesley is who is the Professor of National Security at the Australian National University. Before that he was the Executive Director of the Lowy Institute in Sydney and before that Professor of International Relations and Director of the Asia Institute at Griffith University. And during that time he was also the editor of our journal *The Australian Journal of International Affairs* and chair of our research committee. So we really feel that Michael has been one of us. Welcome, Michael.

PROFESSOR MICHAEL WESLEY: Thanks, Zara. And can I just add my congratulations to the AIIA. Eighty years is not a small achievement. When the AIIA was founded I believe Joe Lyons was the Australian Prime Minister. Franklin Delano Roosevelt was the American president. A little known guy called Adolf Hitler had just come to power in Germany and Joseph Stalin was in charge of the Soviet Union. So if you think of everything that has changed since then it's a remarkable achievement.

Ladies and gentlemen, I don't have a lot of time and I'm not going to insult your intelligence by trying to summarize what John, Bob and Alexander have said. A great deal of richness in what they have said. What I'm going to do is in jazz fashion try and riff a little bit on some of the back beats that they've put down. I do think there are some very real commonalities in what they've said. There are some real differences but there are some real commonalities. And I'd like just to kind of draw out some of the richness in what they've said.

I think underlying what John, Bob and Alexander have said is the fact that we are facing a world, we are going into a world where there are two headline and partially contradictory trends going on. The first one is a real advance in economic interdependence. A rapid increase in the dependence of the economies of our region on each other. This is interdependence not only in terms of markets, of investment, of energy flows, of minerals flows, but in relation to production sharing. One of the things that people often don't realize is that our part of the world is the most advanced part of the world in production sharing. Production sharing has gone further faster in our part of the world than it has in Europe and certainly in any other part of the world.

The other trend that seems contradictory to this is that there is rising strategic rivalry in our region. There is rising rivalry between China and the United States; rising rivalry between China and India; between China and Japan. This plays out on the front pages of the region's newspapers at all times so these are two very contradictory trends and I think they will set the context for Australian foreign policy for the next few decades.

Another issue I would like to raise that I think is a significant one is that in the context of this interdependence and rivalry often the countries that are the most fierce rivals of each other are also those that are most deeply economically interdependent with each other. And I think what we've seen over the last five years has been the creation of quite remarkably robust bilateral diplomatic relations between these countries. If you think of the relationship, the bilateral diplomatic relationship between China and the United States I would argue that it is the strongest Sino American relation we have ever seen. If you think about a couple of incidents in 2012, the police chief of Chongqing sought refuge in American Consulate early in that year and then later in that year the Blind Civil Rights activist Chen Guangcheng sought refuge in the American Embassy in Beijing.

Arguably 15 years ago, 10 years ago these both would have blown up into full scale diplomatic incidents that would have taken weeks if not months to resolve. In both of these cases they were resolved very quietly in under a week. That shows you just how remarkable and how robust that bilateral relationship has become.

You can't say that apparently between Japan and China but I think you could probably say that between India and China. So deep rivals are constructing very robust bilateral relationships among them. The implication for Australian foreign policy, ladies and gentlemen, I believe that given the robust nature of the bilateral relationships between rivalous great powers I believe we are entering a period in which the rivalry is going to be displaced onto other countries in the region. I think we're already in an era in which rivalry

between particularly China and the United States but I think there are elements of Japan and India becoming involved here. They are competing with each other for the alignment of the smaller countries in this part of the world and I would include Australia there. So I think that is one set of trends that we are going to be dealing with in the foreseeable future.

John, Bob and Alexander each spoke about the American alliance. It is no mistake that we are concentrating much more closely on the American alliance today and we will continue to do so into the future. I think one of the other trends that we notice, particularly as we travel into the region, is that there is a shift of the center of gravity in the U.S. alliance system going on. I think there is a westward shift in the center of gravity in the U.S. alliance system. What that means is the United States unequivocally is relying on its Western Pacific allies to do more of the heavy lifting. It is confronting a real challenge from China and it is relying more and more on its allies and its partners in the Western Pacific. It means that the strategic choices of countries like Australia are going to become much more consequential, not only for the United States but for the other countries in our region. I think this will bring much greater attention to the sorts of strategic choices that Australia makes.

All of this means, I think, that there is a serious structural alignment going on between the interests of Australia and the interests of the countries of Southeast Asia. It's unsurprising that the issue of the rift or the tension between Indonesia and Australia has been raised by each of our speakers this morning. But I look at them very much in the context—I think Alexander you talked about previous examples of rifts or tensions between Australia and Indonesia. I'd also go back a little bit further. It's very reminiscent to me of 20 years ago when Australia and Malaysia had a rift over certain comments made by Paul Keating about a certain recalcitrant prime minister in Southeast Asia. What is remarkable I think in each of those cases—and I would add that case to all of those that Alexander raised—is that they looked very serious at the time. There were a lot of tensions at the time, a lot of emotions but how quickly they were repaired, how quickly those relationships were repaired.

Which to me speaks to a real structural alignment of interests. The trends I talked about at the start of my remarks: the interdependence, the rivalry, the displaced competition; that not only affects Australia; it affects our neighbors in Southeast Asia as well.

I think possibly the biggest issue and the big interest that brings Australia and the countries of Southeast Asia together is this question: how will the rising strategic rivalry amidst the conditions of interdependence buckle and try and reshape the regional and global institutions and norms that we live in? Australia, New Zealand the countries of Southeast Asia are all heavily trade

dependent countries. They all live in a very commercial area of the world. They certainly rely on outside help to defend themselves and therefore they are very dependent on the integrity of both regional and global norms. We are very dependent on the integrity of regional norms and laws, as well as international norms and laws to tame the law of the jungle nature of international affairs when great powers start to become rivals.

So how will our norms and how will the laws and norms and institutions that we rely on be changed and challenged into the future? The final question I would leave with you is that yes, we are highly engaged in both global level institutions and regional level institutions. If there is one consistent theme of Australian foreign policy that runs all the way back to the founding of the Australian Institute of International Affairs, it's being of great activation in international for a to secure Australia's interests but also the integrity of regional and global norms.

The question I would leave with you, ladies and gentlemen, are the international institutions and the regional institutions that we are engaged with are they appropriate, are they adequate for dealing with the challenges of rivalry among the great powers and are they performing adequately? And if they are not, what should we be doing about them? Thank you.

ZARA KIMPTON: So we do have time for a few questions. Professor Westley has agreed to answer them.

QUESTION: Thanks very much. John Goodlad from the Institute of International Affairs in Western Australia. Thank the speakers also for their comments on the 80th anniversary of the Institute as well. I can't think of a jazz tune to mix it all together but talk about strategic rivalry particularly as it emerges in the Indian Ocean. And also taking up Mr. Downer's comments about moving past the Asia/Australia engagement narrative. I wonder if it's helpful to start our own pivot, if you like, which is looking at Australia more as an Indian Ocean, Asia Pacific nation. It certainly gives us an immediate access to 44 literal states there and probably helps recognize our economic trade interests as well. So just as a broad observation of how we see ourselves in foreign policy terms and how that develops in the region.

PROFESSOR MICHAEL WESLEY: John, thanks for that. Unsurprisingly a line that often resonates well in the West is that Australia for too long has had a very East Coast focused foreign policy where over 90% of our population is and therefore we tend to look outwards to the East and to the North and not hard enough towards the West. There are real challenges to doing that. The Indian Ocean is in the Pacific. It doesn't have, for a start a remarkable chain of literal states and islands that have been incredibly prosperous and have

integrated with our economy very quickly and very closely. So that's a real challenge.

We have tried through the Indian Ocean concept to try and engage towards the West. I tend to look at it as the growing importance about the Indian and Pacific Oceans to not only our economy, not only to our security, but basically to the world as a whole. If you look at the consequential flows, for instance, of energy that flow across the Indian Ocean towards not only India but to the economies of Southeast and Northeast Asia this has become a very important cockpit, if you like. The interesting thing about this if this is true is that there is a chain of islands, peninsulas, that separates the Indian and Pacific Oceans. I often call it the IndoPacific peninsula because it does mean that that chain of islands and the straits between them becomes very, very strategically significant for these rivalrous great powers. I actually include Australia as part of that peninsula. It's a way in which Australia really does have a very close identity of strategic interests between Australia and the countries of Southeast Asia. It really matters to us the choices that they make—if this rivalry is being displaced— really matters to us the choices they make among the various great powers and how they make them.

ZARA KIMPTON: Mr. Carr had a comment on that as well.

HON BOB CARR: I think the great challenge with the Indian Ocean concept is to give traction to some of the relationships. It's not an immediately obvious agenda. But there are two examples in my time that suggest a way forward. One is a terrific initiative by the department which is called Africa Down Under. It brings to Perth every year mining ministers, mining officials, private companies from Africa to share in Australia's expertise in an area where we've got unrivaled expertise, that is, in running a mining industry. And issues based or a thematic forum like that struck me as doing more good than any conventional diplomacy in giving some substance to this view across the Indian Ocean.

And secondly, our focus on small island states has got resonance with those that are in the Indian Ocean. I'll never forget a conversation with the former Minister of Seychelles. He spoke about Australia's important role in combating piracy. He said piracy is so significant to the Seychelles that we had one strike by pirates. They lost a third of the year's energy and he deeply appreciated Australia's role in anti-piracy efforts. So I think thematic or subject based points of contact means far more than those other methods of getting some traction in the relationship.

Of course the nastiest strategic issue, the challenge we face here, is on proposals that float around from American think tanks from time to time and perhaps in other circles for us to militarize the Caicos Islands. If we think

we've got a challenge in our relationship now with Indonesia, try adding to that the prospect that there would be drones operating out of Caicos and see how the Indonesian establishment takes that little initiative by Australia. Quite apart from how China would interpret that in respect of their interest in sea lanes of communication in the Indian Ocean.

ZARA KIMPTON: Any more questions?

QUESTION: Tony [inaudible]. Could you say a bit more about the nature of this rivalry. Presumably a rivalry between two states or more is not a threat, that's business. What is the essence of the rivalry between the United States and China?

PROFESSOR MICHAEL WESLEY: Thanks, Tony. And lovely to see you again. Tony and I taught together too many years ago for me to mention. The nature of the rivalry essentially arises from I think the discomfort of China that the U.S. Navy is able to sail up and down its coastlines collecting intelligence and that it looks out at the Pacific and it sees off its coastline a chain of islands that are allied to the United States and it sees as being hostile to China. They are elements of the regional order that I think China would really rather change if it could. And in that context we have seen, of course, a massive Chinese arms buildup isometrically targeting American vulnerabilities or perceived vulnerabilities in the region. There is a very active conversation in Washington occurring about how the United States should best respond to this and how the United States can affordably respond to it.

That conversation actually involves the strategic policies of countries like Australia. So the think tank that came up with the idea of the ASE battle concept very recently has put out a paper on the strategic debate in Australia. So the strategic debate in Australia and the choices that we're making are actually being very, very closely watched, not only in Washington but in Beijing and in other places as well.

I would also add, Tony, very briefly that SIPRI, the Stockholm International Peace Research Institute came out with a paper not very long ago saying that there has been a 200% increase in acquisition of weapon systems, particularly maritime weapon systems in Southeast Asia over the past five years in relation to the previous five years. So, it's a rivalry that is affecting other countries in the region as well.

ZARA KIMPTOM: Thank you. Well, I think we're going to have to wrap it up now. It's been a most interesting session and I particularly would like to thank our speakers John McCarthy, the Honorable Bob Carr, the Honorable Alexander Downer, and Professor Michael Wesley. We've been very honored and privileged to have you here today in the first session of this conference. I'd like you all to join me in expressing your thanks to them.

Enhancing Australia's Prosperity

CHAIR: COLIN CHAPMAN: We've now come to the very hard part of this 80th anniversary conference dealing with money, the sordid business of making money, or as the program puts it, "enhancing Australia's prosperity." Well, in 80 years, Australia has been a very prosperous country, and so I'm not going into the history of that or give you an economics lesson, but we all know that we're in changing times at the moment. The whole issue of investment in mining and resources is undergoing a period of change. Agriculture is looking to new opportunities and new markets, but the Australian dollar is driving problems for our manufacturing industry, for our tourism industry, and for our education industry, all of which have been very important sectors, and we don't know what's going to happen, but we know we're in a period of great change.

I'm not going to say any more about that except just give you one brief anecdote, and it concerns the husband of a friend of mine who's an Australian inventor. Now, I can't identify him because he'd rather I didn't, but this is a man who is a brilliant Australian. He runs one of Australia's most worldwide successful companies. All of you who travel internationally experience his product every time you come back to Australia. And the sad news about him is that after maybe 15 years of building his business, he's thinking of moving to Europe—not Asia, but Europe. And this is an issue which I think we all have to confront, because apart from the traditional industries, we've got to really build innovation and our new industries and actually keep people like him here.

Now, "enhancing Australia's prosperity." I've got an excellent panel here who are going to address this subject with me. On my right is Martine Letts, who is the Executive Director, the Chief Executive of the Australia China Business Council. On my left here is Tony Walker, who is the International Editor of the *Australian Financial Review*, and who was the China correspondent for many years. And then we have the Director General, the Executive Director of the Australian Industry Group, Innes Willox. I'm going to ask each of them to speak for five minutes just to introduce the subject, and then we're going to have a general discussion, and then I'm going to invite all of you to take part. So, Martine, over to you first.

MARTINE LETTS: Thanks very much, Colin, and thank you for the invitation, AIIA. I must say it is both delightful and also sobering to see so many friends and colleagues, including family friends dating back to the time that my parents were working in international affairs. It's really terrific to see so many friendly faces here today.

I should start with a small caveat. I am CEO of the Australia China Business Council, but I've only been the CEO of the Australia China Business Council for about five minutes. So please take that into account when you hear my remarks.

I'm going to talk very briefly about three sort of main points. One is about economic diplomacy, both abroad and at home. I'm inevitably also going to say more than a few words about China given my role, and then finally a concluding paragraph on energy, which I think is a common theme running through everything that has to do with enhancing Australia's prosperity.

I think it's fair to say that we must take advantage of a critical moment in history where Asia really is the global economic story, the story of so-called global convergence or the great convergence. I won't go into explaining these terms—it'll take too much time—but I think we all know what that means, where critically Australia must be positioned to be competitive to maintain its current prosperity. The Asian story is the Australian story, has become the Australian story, starting of course with the China story and its impact on the region and the world, the impact of the China story. Harnessing Australian prosperity is about using economic diplomacy to shore up the security threats that were alluded to or specifically talked about at some length this morning, what might be called a rumbling geostrategic environment helping to shore up a region when it becomes inevitably noisy from time to time. It's about using our political and economic capital wisely, knowing what we want and what we need and what we can live with in the end. It's about understanding how even though all politics are local, our future is inextricably linked to external engagement and relationships. And that's not only about us in this room who are practitioners understanding it, but also making sure that the wider Australian public understands it.

We cannot assume, as the ancient century-wide paper seems to suggest, that the region will remain politically relatively stable, but we can still use this relatively stable moment to build and thicken relationships through greater economic engagement and familiarity to prepare for those tensions which are always lurking. And I note that I'm very assured by Michael Wesley's recent article in the *Sydney Morning Herald*. He said that spying has made the world much safer for us, so that's an assuring thought. But perhaps more importantly, Allan Gyngell not so long ago also spoke about the decade of diplomacy versus the decade of security in the post-9/11 world, and I think that's something that's worth keeping in mind when looking at working on Australian economic prosperity in Asia.

Now, the new Australian government has sought to grasp the opportunities, and economic diplomacy is king despite the fact that Indonesia is the only thing that's hitting the headlines right now, with bilateral free trades a priority for the new Australian government, in particular, of course, in Northeast Asia, China, Japan, and Korea.

Now, as a former multilateralist, I can say with great conviction that there are great advantages for Australia in multilateralism because not only does it mean that you work on the creation of international binding norms, and I'm thinking in particular in the security domain, not only in chemical weapons and nuclear disarmament and arms control, but also of course through organizations like the World Trade Organization. And as a middle power, we also benefit from having allies, having people that work with us on generating good outcomes. But there are distinct advantages in bilateral free trade negotiations for building relationships and understandings well beyond simply a productive trade and investment relationship. You develop per force deeper understandings of one another's economies, one another's cultures, political and social constraints that go into informing your negotiating position and coming to the point where you can reach an agreement that suits you both.

And I think that what is also very encouraging, given the fact that I'm now working for a business council, is that the government is practically looking to engage business and bring business along on this enterprise, and I thought it was rather interesting that the Andrew Robb issued a press release the other day encouraging businesses to register with the government so that there can always be a group of people that will accompany delegations on these international discussions. International engagement obviously needs to be matched with domestic economic reform, and I'm sure that Innes Willox will talk a bit about that.

So let me briefly turn to China, which is a relationship which is a keystone relationship for us, and also a keystone relationship for all other relationships within Asia. Timing is everything. The recent change of government in Australia and changes of government in China have created a real opportunity to adopt a deeper and more structured approach to maximize the potential from the relationship, building on what has gone on before. And this should result in a closer working relationship between the new government and business also in developing the bilateral business relationship with China, especially on the free trade agreement. And even though the free trade agreement seems a no-brainer between China and Australia given the complementarities, the fact of the matter is that the nature of our engagement with China on the economic front will change from resources based to something far more complex where we are not as competitive, in particular, in the services area.

Our challenge also is to continue to convince the public of the benefits to all Australians of trade investment with China, and the Australia China Business Council published something called "The Household Report," which demonstrates that each year the benefits to the average Australian household of doing business with China continues to rise in real terms, a 51% increase over the past five years.

I won't go into the details about what Australia and China free trade needs to include because I think that most of you are familiar with this, and I can probably answer these in some of the Q&A, in addition to which I realize that

I'm under some time constraints, so I won't go into any more detail than that except to say that the importance of dialogue in building economic prosperity continues to be important, not just at the government level, but also at the public level, as I mentioned also through 1.5 track dialogues and business dialogues accompanying the critical political dialogue. And we of course are delighted that Australia and China will have regular political dialogues. It's very important, though, that the business dimension of that is used to accompany and to thicken and broaden the relationship to fireproof it against future tensions as they might inevitably arise.

Just in conclusion, I want to say that underpinning our prosperity and global prosperity is of course the challenge of finite resources and sustainability. Without advances in technology, engineering, and innovation that precede economic growth, the zero sum logic which relates one country's gain to another's loss could lead to a sharp rise in international tensions. I'd like to just recall Rupert Murdoch's 10th anniversary lecture where he did identify values, immigration, and destructive technologies as the key to Australia's future wellbeing, but he said we don't have to worry anymore about competing with people around us producing cheaper moccasins or cheaper wages. What we have to worry about now is someone in Beijing or Bangalore beating us with breakthrough drugs or intelligent robots. Interestingly, he said that Australians need to take control of their destiny and not just think about Australia's place in the world as defined by its alliance, by its trading partners or by its government, but by our own capacity to innovate and to generate our own wealth.

Finally, I wanted to make a point about energy. To achieve any of this requires massive and unprecedented uses of energy, not least for the clean digital economy, which consumes mass amounts of energy. Asia is becoming increasingly expert in nuclear power technology, with China and Korea producing nuclear reactors for export. Just think of this: Australia's uranium, our expertise, China and Korea's reactor manufacturing strengths. We have one of the ultimate synergies that would contribute immensely to our economic prosperity here in Australia. So this may not be disruptive technology, but it's a destructive thought to leave you with about how Australia would benefit greatly for its economic prosperity by embracing nuclear energy. Thank you.

COLIN CHAPMAN: Innes Willox, I come to you for your take on enhancing Australia's prosperity, please.

INNES WILLOX: Thank you, Colin. Thank you, everyone. It's a great pleasure to be here, and thank you for the opportunity. I'll take a slightly different tack and maybe look a little bit more domestically before I look outward. I think it's very clear from a business perspective that we are at a point where we have tremendous opportunities before us, but also tremendous threats, and we need to be able to address both sides of that equation if we are to be successful and absolutely to enhance Australia's prosperity.

This is a story of positioning. We hear a lot now, the new maxim is that we're now well into what will be called the Century of Disruption where the world is changing. When you look to our north, the three great economies, India, Indonesia and China are all growing dramatically, and they're right on our doorstep, and we need to be in a position to take advantage of that, but to do that, we need to be able to grow our economy here in Australia. If we are really to enhance our prosperity, we need to look into our own backyard first.

What's our current situation? Well, we're very well connected to the Asian growth story, those three great economies that I mentioned. We do have good links into there, but you could argue that our business relationship with Indonesia is well and truly underdone, the India business relationship is one of great potential, and the China relationship, though based on raw materials, has also been a story of growth, but that is changing. You now hear much more commonly stories of businesses that were going to go to China, or have been in China, now moving elsewhere, to Vietnam or Thailand, for instance, because China has become a relatively high-cost economy, and I'm happy to discuss that later.

We have an affluent, well-educated population. We have great natural resources. We have stable government. We have strong public finances. Our mining boom is going through transition. We're moving from investment to production, and much of the rest of the economy is not yet ready to fill that void that is occurring as a result of the mining boom changing shape. We have a decade of low productivity growth, a flat-lining productivity within Australia. That's an issue that we need to address. We now have relatively, if not the highest unit labor costs in the world within Australia, and that's something we need to be well aware of when we're thinking of where does our prosperity come from into the future. Also, energy costs have skyrocketed, with stories of 50 to 80% increases in energy costs for businesses within Australia over the past decade not uncommon.

So, we need to boost productivity. We need to list the non-mining sector. We need to look at areas like our advanced manufacturing capabilities to value add to those natural resources that we have, to take advantage of that skills base that I mentioned, to develop capabilities that are wanted not just by the region, but the world at large. We have to find ways to integrate Australian SME companies into global supply chains so that they can compete on a global scale. That is where our prosperity will come from.

Look, we have a whole range of things we could do. I won't bore this group with a long dissertation on workplace relations, but we need to get some more nimbleness into our workplaces. We need to lift our education and training performance at the lowest levels. We have about seven million Australians who are basically functionally illiterate or innumerate when it comes to being able to participate in the workplace. That's a big handicap that we have. We have very poor Asian literacy skills, as we know, only about 300 non-Mandarin speakers learning Mandarin in final year of high school across Australia, and we need to do better when it comes to managerial training and understanding,

particularly of our region, of high levels of business. I think that's something we recognize.

We have to do much better when it comes to innovation. That's where our skills come into play. That's where our competitive advantage comes, with that highly-skilled workforce that we have and those innovative capacities that we have within Australia. You'll hear a lot of discussion around the future of companies like Ford and Holden in Australia. Global companies, but both those companies, no matter what decisions they make about their future, have both indicated that their R&D core capability they have in Australia is perhaps the best that they have in the world. So we need to lift those skills. We also need to address our tax system. We have a range of very inefficient taxes, particularly at state level, those transactional taxes.

Regulatory burdens—you'll hear from Josh Frydenberg later, but Josh is looking for the government trying to sort of strip out redundant and unnecessary regulation from government, and that's something we need to look at. And we look at infrastructure, look at port infrastructure, look at road infrastructure, rail infrastructure. All of these are big areas where if we are to enhance our capacities within the region, we need to look in our backyard.

A couple of quick issues. The government has come into office looking to complete up to four different FTAs within a very short timeframe. That's an ambitious agenda, and we are very strong supporters of free trade. Also, investment has to be a key component of any free trade agreement to allow free flows of capital.

So one point I'll make is that policymakers—not policy leaders, necessarily, but policymakers—haven't quite grasped the concept that capital is mobile. It's globally mobile, and the first question you always need to ask if you are to ask about how Australia's prosperity is to be enhanced is: Why would you invest in Australia. That's the first question you need to ask: Why invest in Australia? What is it that we have here? That's why investment is going to be a key component of this, and that's why I just said that the government's decision that it will make around December 17th, if not before, on the Archer Daniels Midlands proposal to invest in grain core are going to be essential to how Australia is perceived in the world, not just globally, but also by foreign companies who are already in Australia. If that proposal is rejected, I think there will be a lot of head shaking within the business community more generally, and I think it will have long-term implications for us. And we need to look at that decision in that context, that it will be essential to our future agenda when it comes to investment.

The FTA agenda is ambitious, as I said, but as long as we push ahead with those FTA negotiations... Now, in any negotiation, there are going to be winners and losers, and there will be losers as part of these FTA decisions. And some of them will have quite bit impacts on our economy, and we will need to continue to adjust, so we need to be nimble. This is about flexibility and getting out.

One other point to make is that we do host the G20 next year. I sit on a B20 advisory taskforce for the federal government. I know there's a lot of skepticism among many people about the value and prospects of the G20, but this is a big opportunity for Australia to reset a global economic agenda, to focus it around growth and jobs, to look at financial services, to look at taxation, to look at infrastructure, to look at trade, and to shape those agendas, and this is not an opportunity that we should miss to inject some Australian values into those global debates. That's where I'll leave it for now.

COLIN CHAPMAN: Now, I'm going to go back to the issues of trade and investment shortly, but China is our major trading partner, and we do need to spend a few minutes on that. Tony was the leading financial newspaper's correspondent there, covering China for *The Australian Financial Review*.

TONY WALKER: Actually, I represented *The Financial Times*, which I think probably we could agree is a leading financial newspaper, but my association with *The Financial Review* began in 2000 when I was made political editor.

I wanted to just pick up a couple of points from the early speakers. First, could I say it's a privilege to share the platform with my friend Martine Letts, with veteran journalist Colin Chapman, and my former colleague from *The Age*, Innes Willox. Innes was a great loss to the profession, but he's gone on to bigger and better things, and certainly better remunerated, and not so uncertain in the era of redundancies. I'm sorry Josh Frydenberg isn't here, actually. I agree with what Bob Carr had to say, and I should mention too that I was a Middle East correspondent for *The Financial Times* for a decade in the '80s and early '90s when he voiced some criticism about abstention on the votes at the United Nations on Palestinian settlements. I note that when this new government came into power, Foreign Minister Julie Bishop declared that they were going to restore bipartisan policy to the Middle East. In my view, those abstentions don't represent a bipartisan approach on that particularly sensitive issue. They represent an approach which is tilted towards one side. I don't want to say anything more than that, but I just wanted to note my support for Mr. Carr's position on that.

Alexander Downer mentioned the matter of Snowden and the leaks via publication of *The Guardian* newspaper. It's a very complex issue, this. It's an awkward issue for journalists to address, of course. We don't have time to debate it now because it is so complex. All I would say is that politicians tend to be in favor of the publication of privileged information when it serves their interests, and less so when it does not. Some of the arguments we might note that are being deployed in this current debate about the Snowden matter were also deployed at the time of the publication of the Pentagon Papers. Now, it's a stretch—before Alexander jumps in on this—it's a very big stretch to compare the two circumstances, but nevertheless, this is a very complex issue that requires careful thought and discussion.

On the issue of foreign investment, and clarifying the situation, I couldn't agree with Alexander Downer more. Not always, as he would attest, are we in agreement on various matters, but I think especially where China is concerned, it's absolutely critical that China is made to feel that it is not in any way being discriminated against in comparison with our other trading partners, including the European Union and the United States. We might set aside the vexed Huawei matter, and it may come up in this particular discussion, but I believe that to be a special case. But overall, I think it's critical that we give China a sense of certainty and a sense that they have reasonable access to investment opportunities in this country. Of course it's complicated because their economy hasn't been fully developed. The status of their state-owned enterprises is uncertain and in transition, so judgments have to be made, obviously, on a case-by-case basis.

Now, on the topic, I was a bit horrified when I looked at the subject to discover that I hadn't really prepared a talk which addressed it. So I noticed that Russell Trood over there, who is an academic, will mark me down severely for not sticking to the topic. I'm going to talk about my own experience in Asia and hopefully draw some conclusions from that, my own long experience in Asia. I did read the "Australia in the Asian Century" document last evening just to refresh my memory about its main thrust. I couldn't agree with it more in the sense that I think we have to deepen our cultural relationships with the region, that we have to devote more resources to education so that people are more focused on the opportunities who are now part of the world and more knowledgeable about them. I noticed Allan Gyngell over there, who I believe co-authored this document, or made a contribution to its preparation. But I think what's more important, possibly, than the words in this document is the process that was undergone in the preparation of it.

So, I was asked to talk about Asia, and I made no claims to be an Asian expert, but when I sat down last night to think about what I was going to say, and I tallied up all the years I had spent there in my childhood and as a correspondent, it comes to about one third of my lifespan, and that's quite a big number. In all, I've spent probably about 20 years in the region, and I was a bit horrified, I have to say, when I did that calculation.

Could I tell you my personal story? I went to Singapore at the age of six weeks on a Catalina flying boat from Rose Bay in Sydney with my mother. My father was the assistant to the governor in the reconstruction of Singapore. We lived in government house, which is now the residence of Lee Kuan Yew. A few years ago when I interviewed him, I asked him if I could return to my childhood home, and he said, "Anytime." So, I'm looking forward to going back sometime.

Off and on, I spent a dozen years in Singapore during a formative period of my life. I played with the local kids, learned a bit of Malay, traveled up country with my father in an armored car during the Malayan Emergency, and listened, as kids do. I did a lot of listening. I would listen to my father and his friends talk about Singapore and Asia, and towards the end of British Colonial rule,

their views about the fate that might befall the newly independent Singapore when that Communist Harry Lee assumed power. I didn't at that early stage know what a Communist really was, but I assumed it was something like one of the Bansia Boys that my mother used to read stories to me about when we took our afternoon rest.

Singapore was going to be the red outpost in Southeast Asia, a sort of Cuba of the Malaya Archipelago. Well, it's history now, but Lee Kuan Yew took over, crushed the Communists, and turned his country into a development model in the region. So much for the alarms of the exiting British Colonial administrators. I have to say secretly I was kind of cheering Harry Lee on as the Union Jack came down.

I remember being a bit skeptical, as I say, about these concerns about what might transpire in Singapore and had to reason to call 40 years later when I was correspondent for *The Financial Times* in China, at the time of the British handover of Hong Kong, and we'll come back to that. So that's lesson number one in Asia—don't necessarily believe what you're told. Hold it carefully up to your examination and scrutiny. Or to employ a [Dungism], practice is the sole criterion of truth, or put another way, seek truth from facts. I'm tempted to say something else, but I won't.

I learned one other useful lesson in Singapore. At a certain stage, my father was controller of imports and exports. This was akin to being both trade and customs minister at the same time. His clientele included some of the wealthiest Chinese merchants. They were often in our house. I had an opportunity observe these "Hungs," or whatever they were called in Singapore, and I remember being struck then by the aura that surrounded these wealthy Chinese entrepreneurs, taking risks, making money, and more money was baked into their DNA. This was another lesson absorbed for my further, future edification, the extraordinary entrepreneurial ability of the Chinese and their capacity for hard work.

Let's move forward 20 years, two decades during which the Vietnam War came and went and China began opening to the outside world. In 1979, I fielded a phone call from the then-editor of *The Age*, Michael Davie, and I think it's fair judgment, in those days *The Age* was probably the best paper in the country. You may not be able to make that claim now. Michael asked me if I'd like to go to China. The thought hadn't occurred to me. I was then chief of staff in *The Age's* Canberra bureau in the reign of Michelle Grattan, R-E-I-G-N, not R-E-I-N. It was then the Fraser period in government, and I think, Alexander, you worked in Fraser stuff, but I'm not sure if you were there still in 1979. You might have embarked on your diplomatic career.

Of course I said yes. So began a long China journey in two parts. In the first part, I was correspondent from 1979 to 1983 for *The Age*, *The Sydney Morning Herald*, and *The Financial Times*, and I could tell you a million stories about my time as correspondent in the immediate aftermath of the Third Plenary Session of the 11th Central Committee of the Chinese Communist Party. This

was an event of unrivaled importance. Deng asserted himself, got rid of the whateverists, and little by little began entrenching an economic reform process.

Earlier this week, I spoke at a lunch hosted by Mike Smith of the ANZ Bank for Chinese journalists. I recalled during that lunch that I was among the first correspondents to go to Sichuan Province in the winter of 1980 to report on the first free markets in China. This was the beginning of the process of decollectivization. This was the start of it all. Of course, who could possibly have imagined that 33 years ago, the beginning of the Chinese reform effort would begin on the streets of the capital of Sichuan Province with peasants selling their produce in an open market? I thought it was interesting. Fox Butterfield was with me of *The New York Times*, and whose book "Alive in a Bitter Sea" was one of the better earlier works by correspondents in China at that time, but neither of us could possibly have imagined that things would transpire as they did.

So that's another lesson. Building on my earlier experience in Singapore, never, never underestimate the Chinese. And I recall debating with my colleagues in *The Financial Times* in those years, who were skeptical about China's ability to transform itself. I had another view.

In conclusion, let's move forward another 10 years. I was back in China after a decade in the Middle East for what would prove to be the country's second big reform push. Remember this was after the Tiananmen Square episode. By this stage, I had left *The Age*, or *The Age* had left me, and I was working full-time for the FT. This was another extraordinary period in modern Chinese history, during which reforms laid down by Deng continued to be implemented and China's growth engine gathered steam. It was not all plain sailing, we should remind ourselves. In the mid-1990s, China suffered a fairly severe retrenchment, or solid landing, perhaps not a hard landing. If that happened now, its impact on the rest of the world would be that much greater. That's the point about China's expanding weight, including risks and rewards to us.

I'd just like to drill on one episode before finishing. That was the 1997 handover of Hong Kong to Chinese sovereign rule. A lot of alarmist stuff was published at the time about Hong Kong's days being numbered. It would be turned into a Communist version of Guangzhou, or worse. The Communists would kill the "golden goose." Well, of course, that was never going to happen, as it never was going to happen under Lee Kuan Yew in Singapore. If we've learned anything about the post-Mao leadership in China, it is that it is extremely pragmatic. And you can be sure of one other thing: They know a lot more about us than we do about them. Thank you.

COLIN CHAPMAN: Thanks so much, Tony, for that historical analysis. Very interesting. I take from that the old journalist's maxim, "Don't always believe what you're told." Martine, we were told by stock market analysts 10 years ago that Chinese growth, which was then, I think, running around 12%, would go on and on and on. And so all the projections made in the stock markets

everywhere else were that. And then we were told it was going to slump, and now Chinese growth is hovering around 7.5%, and there are two schools of thought. There are those who says it's going to go down further, maybe to 6% or something like that, and those who say, oh no, because of changes and reforms—and there haven't been many reforms, but one reform only last week was a small relaxation in the One Child Policy, for example—it may pick up again. What in your particular is your assessment of where Chinese growth is headed, because that's key to many of our industries?

MARTINE LETTS: Thank you. That was a question perhaps for an economist or a financial analyst, but perhaps I can answer the question by somehow pointing to something else. In any event, I think that we, even at 7.2%, I think the consensus among those that comment on these matters is that this is still pretty solid growth. Of course, because so many of our economies, including the Australian economy, is very much tied into China's capacity to buy what we produce, any kind of reduction in growth has potentially got negative implications for our ability to sell the stuff. But I think the broader point here really is how is the Chinese economy going to develop over the next few years. There is a consensus that it must change, that there has to be a lot of capital that has to be freed up in the domestic market, that there's got to be a lot more opportunities for private capital to be invested, for opening the financial markets, but also opening opportunities for private capital and private companies to become active in China and to generate their momentum and their own growth. Now, some of the initiatives that were taken at the Plenum, including the ability to sell off some agricultural land, some of the smaller reforms are all going to be small steps in the right direction.

So, I think the broader point here really is how sustainable is China as an economy going forward, and the consensus is that it can't be sustainable if it continues just doing the same things that it's doing now. There are some things that Australia and others can play some examples and some initiatives and some learnings that we can share with China to help it on that road.

COLIN CHAPMAN: Tony, would you like to venture a view on Chinese growth?

TONY WALKER: Yes. When we were correspondents there in the earlier days, but I think it's perhaps the case to a degree now, we used to talk about "Chinese statistics and damn lies." I think the growth numbers are probably more reliable now, but it always seems odd to me that they come in very close to the targets that they set for themselves, even if some of those targets seem a bit improbable on occasions. Of course, we've seen them reduce the growth target to around 7.5% growth, which is still spectacular, obviously, in our terms and globally. The question for China was whether it can keep it up and complete this extraordinarily complicated transformation from an investment-led economic model to a consumer-driven economic model. I think the jury is out on whether it is able or will be able to pull that off. I think this new leadership in China has enormous challenges in front of it to continue this process of transformation. Most of the low-hanging fruit has been gathered, so it can only get more difficult. And they know, of course, that the only way they

can continue to inject dynamism into this economy is to continue to open the markets and liberalize that economy, especially the financial sector. But there are risks involved, and they are cautious, understandably, because this is a very complex exercise.

They would tell you, if you spent very long in China, or they would repeat to you Deng's advice, "Cross the river by feeling the stones," so you don't go charging off without being fairly sure that you're going to be able to pull off whatever reforms they're trying to initiate. Of course, the other problem that China has in this next period is to not allow political liberalization to get too out of whack with economic liberalization. So they've got a number of challenges in trying to sort of balance their economic development model, but also deal with the demands of an increasing middle class population which wants more say in the way the country is run.

COLIN CHAPMAN: Innes, can I pick up the issue of trade deals and free trade agreements with you, which you mentioned earlier? Andrew Robb, we were hoping that he was going to be here, but he couldn't. Last week, he was a North Asian circuit in Beijing, Seoul, and Tokyo on the FTAs with those three countries. And it seemed in the kind of media talk that we had from press briefings that he was much more optimistic about being able to conclude something with these three countries than in the past, where whenever this has been raised at any of these conferences, people have said, oh no, it's going to take years and years and years. What's your prognosis? Do you think it is possible to conclude these agreements reasonably swiftly, and what are the sticking points?

INNES WILLOX: Thanks, Colin. Look, these are important agreements for Australia to negotiate. The point is to conclude what? What is the outcome? What shape does that outcome of that agreement take? Is it an agreement for the sake of an agreement, or is it an agreement that will drive and deliver real benefits for the national economy? That's the key question you have to ask. The Japan agreement, from talking with the negotiators, is moving ahead quite quickly, and the Abe government is certainly supportive of an FTA. Of course, agriculture for Japan is the big sticking point, so how far are they prepared to cut a deal on agriculture, and then what do we have to cut in return. That's the big question, but I think Japan's moving forward.

Korea, that could happen at any day. The big issue for big parts of Australian industry with Korea is what is the trade-off, sort of the beef/autos trade-off that we have around Korea? That's a big issue, just because of the impact it would have on the auto sector here. We can have a whole other discussion about the auto sector separately.

China, well, that agreement started a long time ago when Alexander was in government, and I was there with him, and we're still going. Like everything with China, we'll have ups and downs and ins and outs, and we may well get there eventually. Many in the business community thought that the government's decision to announce a timeframe around that agreement was

slightly curious because of the negotiating impact with China, but we are very supportive of the principle of FTAs. They all have enormous benefits for us.

Just on China, China is no doubt the "golden egg," but it shouldn't be the only egg in our basket. I think business is looking at that now. I mentioned earlier in my remarks that business is finding now China to be particularly high cost. Labor costs are almost equivalent with Australia, so where's the competitive advantage there. Then on the East Coast, it's particularly expensive. As you move further inland, you're getting further away from market, and that increases your cost. That's why companies are looking elsewhere for investment opportunities. The Chinese growth pattern, as both Martine and Tony have mentioned, is changing. It's changing from one of infrastructure to one of consumption. I still remember sitting in the foyer of the Peninsula Hotel in China last year and watching a woman walk in, and five minutes later walk out of the Chanel shop with six handbags. I thought that was a quite clear demonstration of consumptive capacity at its best. But the makeup of their economy is changing, and that will have impacts for Australia. We just can't dig up and ship off iron ore at \$120/ton anymore. That's not going to happen now. It's a volume equation rather than a price equation that will impact on our economy for a long time to come. These Chinese government has quite deliberately and clearly taken the decision to slow things down and to change the mix, and that will have an impact on us.

I remember sitting in this very room at a conference about 18 months ago with a speaker from the Chinese School of Politics and Economics, the Academy, saying well, we can get our iron ore from anywhere in the world, what's so special about yours. We can develop our own services economy with relationships with the United States; would you rather have a relationship with Harvard or AMU. That was putting it pretty bluntly.

COLIN CHAPMAN: And what was your answer?

INNES WILLOX: He wasn't asking me. He was telling the audience. He basically shocked everyone. Well, you can compete in a whole range of different areas. You don't just have to compete at top tier, of course, but that's sort of the equation. It's a very competitive economy. That's why a good FTA with Australia will benefit us, because it will allow for free flow of capital.

Now, the big question I'm interested in about China and the China FTA is the investment equation in that FTA, with the Chinese wanting some quite clear concessions around investment, and it's going to be a matter of if the government gives it to them, and then under what circumstances the public reacts to that.

COLIN CHAPMAN: Yeah, I want to ask Martine about investment in a second, but can I just ask you one more question about Japan? A quid pro quo that Japan appeared to want for any concessions was to wipe out the tariff on cars, i.e., the 10% tariff. Now, that really is going to put the kiss of death, isn't it, into

the Australian car industry? I mean, it's probably going to go anyway, but we couldn't really survive that.

INNES WILLOX: I wouldn't really agree with "it'll go anyway." Toyota have a particularly special relationship with Australia. It was the first market that they entered outside of Japan, so there is a historical market there. The question is about the supply chains into the auto sector, and there's a Productivity Commission inquiry just underway now into that. That may be a determinant or it may be a postmortem. We'll just have to see as timing goes on around the decisions that [inaudible] make. Yes, that's what Japan want, and that would also be an impact with the Korean FTA, which would also play havoc with some of the local auto producers here. As all things, you have to balance and weigh out, where's your opportunities and where's your costs?

TONY WALKER: I just wanted to add very briefly to Innes' remarks about the negotiations with the Chinese. Yes, I think it was a mistake to set an absolute deadline, or a notional deadline. They are extremely tough negotiators, and if they think there's some sort of haste about their approach, they'll take advantage of it. I covered the World Trade Organization negotiations that were very long, very arduous, and very tough, and the Chinese, I can assure you, played very hardball in those negotiations. And if I learned anything in all those years I spent in China—10 years—there's this one simple proposition: The Chinese will seek to get away with what they can get away with.

COLIN CHAPMAN: Martine, coming back to this question of Chinese investment, there seems to be a consensus from our lead speakers earlier, Alexander Downer and Bob Carr, that we've got to treat the Chinese the same as everyone else. But there is this thorny question of state-owned enterprises. What's your view about that? Should we open the door to China's state-owned enterprises, or should we discriminate in any way against them?

MARTINE LETTS: We've also got a couple of our own, so we don't forget that it's not only China that has state-owned enterprises. Now, I think the point about state-owned enterprises is that at present, not a single dollar can be invested by a state-owned enterprise without needing to be vetted, which seems to us to be somewhat extreme, and certainly Australia should be liberalizing its approach there. It doesn't mean that you shouldn't be vetting them or looking at them to make sure that it is transparent, that its operations are transparent here. But we certainly do not think that the \$1 threshold is a reasonable approach for the future, and that's something that the Business Council has been quite clear on.

The other point to make: Despite the argument that not a single application by state-owned enterprise has been knocked back in Australia, the truth is that there are many approaches that have been made which haven't even reached the formal application stage because the company has been talked out of even making the application in the first place because it was likely to cause difficulties. So, what is on the record doesn't necessarily correspond to the interest that state-owned enterprises have shown in Australia, which just

never becomes a metaphor for the public. Also, the point about the investment threshold is well taken. This is not just important for Chinese investment; it's of course important for investment from all sources given that Australia desperately needs those dollars for the development of infrastructure. Many of those dollars come from China, but it's not just from China. But you can expect the Chinese to insist with justification that at the very least, we have the same threshold as we've given to the United States and the Australia-US agreement.

Let me just say one final thing about the FTA negotiations. I think the Chinese will be looking at the Australian negotiations in some ways as a small test for what may be coming in the US-China free trade negotiations. There's a lot more at stake in these negotiations than just the free trade negotiations between Australia and China. It's precedent-setting and there will be a lot of understandings that will be important and have important implications for other negotiations.

COLIN CHAPMAN: Right. Now, before I throw the discussion over to the floor, I just want to raise the question of G20 with you all. The last government invested an awful lot of effort into G20, Australia's role in G20, and Australia in a couple weeks' time takes over the chair of G20, heading towards the Brisbane meeting a year from now. I as a correspondent attended a lot of these international meetings of G8's, G7's. I went to the first five of them when I worked for the BBC as an economics correspondent, and then *The Financial Times*. They impressed me only really by the fact that the communique was so often written and available before the meeting actually started. And the outcomes of these meetings were always rather disappointing, and I would point, actually, to the last meeting in St. Petersburg, which I don't think was a huge success. So, have we invested too much in this, do you think, or can we really expect to achieve much from the upcoming round of G20, which starts really for us in two weeks' time? Maybe Tony?

TONY WALKER: Look, I covered the early sessions of the G20 in Washington and in London, and subsequently in Pittsburgh. I could see real value in this grouping. Of course, it will not live up to expectations, but these sorts of multilateral institutions rarely do. But I think if you look back at what was achieved around the time of the financial crisis, it proved its value. Now, the question is whether that will be sustained. I guess that depends on the work of the member countries.

What's interesting to me about a G20 is not that it's fragmenting, but it's providing a useful platform for like-minded countries within the G20 grouping to pursue their interests if they find they have common interests. For example, I was in Turkey last week and had a number of useful discussions, and I saw Paul Kelly here before. He probably left when he heard that I was going to be on the panel. But anyway, we had useful discussions with senior Turkish politicians, including the very, very impressive Deputy Prime Minister and Australia—I see Bob Carr in the back row there—with Turkey and two or three other countries within the G20 as caucusing on various matters. So I think the process of G20 meetings, and also the issues that are being addressed

such as financial sector reform and so forth, fulfill a useful function. Of course, there's the other aspect of it, that world leaders come to these events and engage with each other and do business with each other. I think having the larger grouping rather than that moribund smaller G8 grouping is a very, very useful exercise. And of course from our Australian point of view, it's one of the achievements of the past decade, I think, becoming a participant in that grouping.

COLIN CHAPMAN: Innes, would you like to add to that?

INNES WILLOX:: Thanks. Yeah, I sit on the G20, the business, which is called the B20 Organizing Committee for Australia, and I was in St. Petersburg. There's a very strong sense that the G20 has lost its way. It probably lost its way when the French held the presidency a few years back, and then it has really not recovered much since then. There's a great deal of concern that the G20 has lost its relevance, which is deeply unfortunate. You don't want the G20 to become the "gee whiz," but that may be what happens. So we have a very clear opportunity here to reset and reframe the agenda. When I last looked, the G20 had 73 different working groups, which is just impossible. So what we're looking to do on the business side is to simplify the agenda, put the rubric of jobs and growth on it with those four streams around financial services, infrastructure, tax, and trade, and work through those agendas.

The reality is is that if we don't get it right, the G20 will probably wither on the vine. That seems to be particularly in terms of relevance. It will always be positive from a leadership perspective, of leaders being able to get together to discuss major issues, but a lot of the framework, the grunt work that goes on, people will lose interest, and that would be deeply unfortunate.

The other thing around the G20 that's of concern is follow-through. They're very good on communiqués and ambition. We'll see if we deliver this. The ambition is to deliver a one-page communiqué at the end of the meeting. Others overseas are aghast at this thought, but that's basically where we're getting to, or else you read 160 pages of slides that nobody really does read. So it's trying to simplify, make it simple, make it straightforward, reframe some of these agendas so that we can push forward. Part of the problem is follow-through. We all remember after, I think, the 2008 G20 meeting where all the leaders stood up and put their hands on their hearts and said that they wouldn't support any form of protectionism and they're all for open economies and open markets, and within three weeks of the G20 meeting, 17 of the 20 economies had instituted protectionist measures in response to the financial crisis. That undermines confidence in processes within sort of the global business community. So that's the sort of issues we're looking at—simplify it and keep it on track. But it is a tremendous opportunity for Australia to really impose some Australian values, if I can put it that way, on the process. Certainly, that's the hope of other institutions internationally who are participants in the G20 process, that we are going to be able to get it back on track.

COLIN CHAPMAN: Thank you. Time for questions. Please, could you say who you are and where you're from? Who is going to come up with a question?

MR. MURPHY: My name is Tom Murphy. I'm from the Strategic and Defence Study Center at the Australian National University. My question relates to manufacturing in kind of the automotive industry in Australia, whether we should just accept the idea of comparative advantage and allow our industries to kind of peter out to make more efficient use of our existing resources and infrastructure. Or is it in our best financial and maybe strategic interests to protect the domestic industry and capabilities at the expense to taxpayers? And if we are flogging a dead horse, what kind of a message does that send regionally?

INNES WILLOX: Thanks, Tom. A couple of points. There's not a car on the road that hasn't been subsidized by government in a manufacturing sense right around the world. You're probably driving one. You might not understand it. Germany subsidizes each vehicle to the tune of about \$300 per taxpayer. Sweden is just under that about \$280. Australia is \$17. It's not a big investment. It employs either directly or indirectly about 30% of Australia's manufacturing workforce. It provides an enormous amount to Australia in terms of R&D capability, skills development. I could take you through example after example of an employee who has started in the automotive sector and now works in the defence sector or the tech sector or the work order sector or any others. It's a big developer of skills within the broader economy and the broader community.

I mean, we have to make a decision about whether we keep an automotive sector here or not. If we do make a decision to let it go—and that won't be a decision taken just by government, companies will make those decisions—then we have to work out what replaces it. Where do we pick up those skills? Where do we pick up that R&D capacity? Where do we develop the economy of the future? Now, you might look back and say, well, we support it. Yeah, we do, but so does everyone else, and we just need to make a very clear strategic choice about if that's what we want or not. Now is probably a good time to make that decision. What message does it send? Well, you've got to be realistic and not naïve. Every government in some way supports industry within their country. That's part of what government does. There's protectionism or supports everywhere you look, whether it's through frameworks, whether it's through taxation arrangements, whether it's through a whole range of other perspectives. So we're no different to anyone else in that area. We just need to make some decisions around what we do. If the decision is to withdraw government support beyond 2022, well then we need to work very quickly on what replaces it.

COLIN CHAPMAN: Thank you. I've had a signal from organizers that our next speaker has rushed in from Parliament, so I'm afraid I'm going to have to wind this up at this particular stage. I'll just thank our panel here. Martine Letts, thank you very much. Tony Walker and Innes Willox, thank you very much indeed for your contributions.

The Government's Foreign Policy Priorities

CHAIR: PROFESSOR NICK BISLEY: We're very fortunate to have with us the Honorable Josh Frydenberg MP Parliamentary Secretary to the Prime Minister. He'll speak for around 15 minutes or so on the government's priorities and then we'll have around 15 minutes or so for questions and then lunch will be yours from around 1 PM. So, Josh, the floor is yours. Thank you very much

HON JOSH FRYDENBERG: Thank you very much, Nick. It's a great pleasure to be here. What an incredible audience. As a politician I don't always get to speak to such a large audience. We've recently had the British High Commissioner come to speak to us in Canberra to the Party room and the High Commissioner got up and he said, "Look, I once gave a speech to an audience of just one person." And he said he gave the speech and the man in the audience he laughed and he cried, he clapped and he cheered and after the speech the High Commissioner went down to see him and said, "Look, thank you sir for sitting through my speech but unfortunately I have to leave now." To which the man said, "High Commissioner, please, please don't do that." And the High Commissioner said, "Well why?" And the man said, "Because I'm the next speaker."

It's a great pleasure to be here at the Australian Institute of International Affairs to celebrate its 80th birthday. It's a wonderful organization. All credits to Melissa Conley Tyler for her work in putting together this distinguished group of speakers, as well as John McCarthy. I had an opportunity recently to speak to the Victorian Chapter of the Institute. And when I went through the building I looked on the wall of the former presidents of the Institute and they included two former members for Kooyong, the state that I represent; Sir John Latham and also Sir Robert Menzies. And a great person in my life has been Zelman Cowen. It's a source of pride for the family and for his friends that the Institute has named their major address in the name of Zelman Cowen. So I have a great deal of affection for the Institute and I wish it all the very best for the future.

I come here today to say that no political party is the source of all wisdom when it comes to foreign policy. Indeed, I take my hat off to the Labor Party for decisions like in 1972 to establish diplomatic relations between Australia and China. They were far sighted decisions. As well the good work of Bob Hawk and Paul Keating in establishing APEC has been strongly in Australia's interest. And Gareth Evans, my friend Gareth Evans has also done some extremely important work in Cambodia.

On the coalition side we've had some very large successes and have a proud tradition of our own in foreign policy. And whether it's been from Menzies through to Howard to now we have a government. I think there's been three consistent themes in our approach to foreign policy. First has been the centrality of the U.S. alliance. Second has been our deep engagement with our region including Asia but also importantly the South Pacific. And third has been our approach, our pragmatic approach to multi lateralism in engaging with international institutions and bodies when it's in Australia's interest to do so.

First to the alliance. You can go back to Teddy Roosevelt sending the great white fleet to Australia in 1908 and look to Sir Robert Menzies decision to send Richard Casey to Washington in 1940. And of course, when Percy Spender and Sir Robert Menzies with President Truman and Dean Atchison entered into the ANZUS Alliance in 1951. There has been a very important focus from the coalition on our strategic alliance with the United States. It's an alliance that is not founded on one economic issue or one security issue. It's founded in common values and shared interests. And for the Abbott government we welcome America's deep engagement with our region. In fact they've been an important balancing factor with their military personnel, whether it's on the Korean Peninsula, whether it's in Japan or indeed, the announcement during the time of Gillard government that they would be rotating troops through Darwin. These are all significant positions that the United States has taken and we believe that it's in the long term interests of our region and stability in our region that it continue.

We do not believe that Australia needs to choose between the United States and our relationship with China. This is a false choice. This is a Hobbesian choice. And the best example or illustration of how these two important friendships and relationships that Australia has is best illustrated by that one week in October 2003 when both President Hu Jintao and President George W. Bush addressed the Australian Parliament.

We also should look to our relationship with America as being very important for our economy. America is not our largest trading partner; that rests with China; but the United States is still our largest investment partner and that is a point that is sometimes forgotten. So I wanted to put there first and foremost that one of the consistent themes of coalition foreign policy which will continue under the Abbott government is the centrality of our relationship with the United States straddling across both strategic and security people to people links, but also investment in the economy.

The second theme in the coalition's approach to foreign policy is our deep engagement with our region. No single political party or leader discovered

Australia's interest in Asia. In fact, Sir John Latham when Prime Minister Lyons sent him to the region in 1934 was the first Australian foreign minister who was then called the Minister for External Affairs, to actually go on a trip to our region for the very purpose of building Australia's relationships. And you all remember Sir Robert Menzies terminology when he described Asia as the north not the Far East. And I think at the time that was a very significant statement. And whether it was Richard Casey or Percy Spender or Sir John Latham or Sir Robert Menzies there has always been a deep engagement in our region.

In terms of the single countries that we have important bilateral relationships with obviously Indonesia is and must be a major focus. We are going through a difficult period with recent announcements over past days. But I am very confident that the relationship will return to where it was, which is of two good friends operating together in pursuit of mutual interest. And we shouldn't forget that John Howard dealt with five Indonesian presidents during his term. First president Suharto, then president Habibie, and that was a difficult time through the East Timor crush. But then president Wahid, the first Indonesian president to visit Australia in more than 20 years when he came here in 2001. Then President Megawati Sukarnoputri and of course finally SBY and John Howard attended his inauguration in 2004. And there was some great achievements in our relationship with Indonesia during that time. The Lombok Treaty being one but also Australia was there to help Indonesia during a difficult time with the IMF bailout packages during the Asian Economic Crisis as well as in the Post Tsunami relief operations.

During that time Australia and Indonesia showed what it means to be very good friends and, like I said, after this difficult period I am very confident that the relationship will return to normal and when it does so it will be very important to take the relationship whether through a free trade agreement or other means to a new level.

Australia's relationship with China is absolutely critical. China is the number one source to Australia of international students, more than 150,000. China is the greatest source of any country of international visitors. Our bilateral trade is around \$130 billion two way trade on an annual basis. It's a very, very significant relationship and if we conclude a free trade agreement which the Prime Minister has indicated is a priority that again will see the relationship strengthened further.

Japan. Japan has historically been a great friend of Australia and if you trace it back to the agreement in 1957, the Economic and Commerce Agreement that Prime Minister Menzies entered into with Prime Minister Kishi of Japan. That laid the framework and the foundation for Japan to be Australia's number one

trading partner for more than four decades. And in a twist of fate Prime Minister Kishi's grandson is Shinzo Abe, today's Prime Minister of Japan. Shinzo Abe has already announced in a number of public forums the real priority he has is strengthening Australia's and Japan's relationship.

And again a free trade agreement with Japan is so important because we have a lot of opportunities to extend our trade whether it's in beef or in resources from its already high levels and that can be done through a free trade agreement and obviously people to people links.

In terms of India I've always been of the view that the India/Australia relationship has been underdone. Would you believe the last Indian prime minister to visit Australia was Rashif Ghandi in 1986. The Indians snubbed us at [Chobham] because at that point the government, the last previous government, had refused to sell uranium to India. Well, we welcome the backflip on that issue because that announcement had been made under the Howard government and selling uranium for the purposes of a civilian nuclear industry was an important way for India to go forward. Again, a free trade agreement with India will be a priority for our government.

In terms of other relationships Korea is also a priority relationship and a free trade agreement is something that we can pursue with Korea. Last week I visited Thailand. Would you believe the last Australian prime minister to visit Thailand was 1998 when it was John Howard. A million Australians visit Thailand every year. Thailand is the second largest economy in the ASEAN grouping. We need to focus again on some of those other ASEAN countries where we can strengthen our relationships.

One of the ways we want to build Australia's engagement with the region is with a new Columbo plan. Back in the '50s Percy Spender was responsible for putting in place a program that led to more than 40,000 young people from the region coming to study in Australia. The current vice president of Indonesia was a student under that plan. Those people have gone back to their old countries to be senior bureaucrats, senior politicians, senior business figures with a much better understanding of Australia. The coalition has committed \$100 million to ensure that thousands of our people can go and study in the region. And so that will be a real focus for us.

In terms of our South Pacific friends Papua New Guinea, a country of seven million people is absolutely key to Australia on a number of levels. Their economy is developing fast and Australia wants to be alongside Papua New Guinea to assist them in that transition. Fiji has elections scheduled for late next year and obviously that is a relationship which Julie Bishop both as a shadow foreign minister and now as the foreign minister has said needs to be

put back in its rightful place. And we do not want a situation where Australia, and this has been the case, has been persona non grata in Fiji.

In terms of the third thing after the United States, after Asia and the South Pacific, the third thing and the third priority after the Abbott government is around pragmatic but engaged multilateralism. Now multilateralism is not necessarily in Australia's interest but we have been a great beneficiary of Australia's participation in groups like APEC, the East Asian Summit, the ASEAN Regional Forum. And these are important bodies where Australia can come together to share ideas in face to face dialogue between senior leaders and the prime minister level.

In terms of the United Nations Security Council Australia has this important responsibility as being a non-permanent member for two years as a result of our recent election. Our priorities at the UN Security Council are about promoting agendas around counter terrorism and nonproliferation. And you may be aware that Australia is chair of the sanctions committee which will deal with the sanctions that applied to Al Qaeda, Taliban and indeed Iran in light of its nuclear program.

The other area where multilateralism will be important to Australia is our upcoming hosting of the G20 meeting next year. The G20 representing some 85% of the world's GDP will be the largest conference that Australia has held of its kind. With world leaders, prime ministers and presidents but also leaders of major international organizations and bodies. The focus for the Abbott government at the G20 will be on growth, trying to ensure that there is a rule based system around trade and infrastructure and indeed taxation. And so we are working through that agenda and we take over the presidency officially on I think it's the 1st of December this year and it will be a major meeting held in Brisbane where the Abbott government will be able to pursue its plans for growth in the region.

So can I conclude by saying that the coalition has had a very proud tradition in foreign policy. There were some significant successes in the time of the Howard government due to the hard work of particularly John Howard and his foreign minister, Alexander Downer. Tony Abbott and Julie Bishop were very senior members of that Howard government. And I believe you will see in the coming months and years a continuation of a lot of the policies which John Howard promoted and Alexander Downer promoted but essentially it will be around those three key things of the centrality of the U.S. alliance and relationship. Our deep and abiding commitment to our region, Asia and the South Pacific, and third a pragmatic approach to multilateralism. Thank you very much.

PROFESSOR NICK BISLEY: Thank you, Josh. As advertised we have around 15 minutes or so for questions so if you could indicate clearly and when I call you can you stand up and tell us your name and institution or affiliation and keep your questions short.

QUESTION: Thank you very much. [Inaudible]. Australia had just taken over from India [inaudible].

HON JOSH FRYDENBERG: You're right, our chairmanship, we have been the vice president, the vice chairman and now to the chairmanship. That's an important organization dealing with the relationships of the surrounding countries of the Indian Ocean. We want to see freedom of passage through those sea areas but the priority really is to ensure that there is good consultation among those countries when there is anything that may upset one or another country in that particular region. So, yes being Chairman of the Indian Ocean, Pacific Rim organization is important and it's one we will work closely with our neighbors to ensure there is freedom of navigation in those areas.

QUESTION: Barry [inaudible], Ambassador of Argentina. In both of your presentations and all the ones we heard today there is a clear focus obviously in the Asia/Pacific region which is important for Australia as it is for us in our region. But there hasn't been practically any mention at all about the other regions, South America, Africa, Europe, the Middle East. What can you say about that? What is going to be the policy to the areas which are not your first priority?

HON JOSH FRYDENBERG: Well, they are absolutely priorities but our first priority has been in our immediate region. We also have specific responsibilities. If you think about our aid program too this is where we've tended to focus, but we are a global player and particularly during our time on the UN Security Council as we chair the G20. The major South American countries like Argentina but also in Brazil. What is happening in the Middle East has always been of direct interest to Australia and we do not want to see a worsening of the situation, for example, in Syria or we do not want to see Iran under any conditions get a weaponized nuclear program.

So we have global interests. Plus with Europe with obviously strong historical ties but also very strong trade ties and very strong people to people links. So through multilateral fora but also in strong bilateral relationships. I remember once upon a time I worked for Alexander Downer and we went to South America, we went a number of times to South America, and we worked with the South Americans obviously on things like the Keynes Group and the Trading Group but also in terms of the environmental agenda as well as in the multilateral agenda.

So I think just because we talk often about the rise of China and India and Indonesia and our responsibilities in the South Pacific, that is not mutually exclusive from our broader participation in the global relationships with Europe, South America and the Middle East.

QUESTION: Robin Fitsein, an Institute member, formerly involved in some ways in university governance. A question in relation to the Colombo plan. I have a concern that it could be at least as presented publicly at the relative expense of sending students—post graduate students in particular—but also undergraduate students to the United States and Europe. The reality is that the overwhelming majority of scientific innovation, particularly medical innovation, is coming from the western world and the states creating intellectual property of course in those places. It might well be argued that to discourage a student from going to the states or to make it less appealing would not necessarily be doing a service. So my question is can it be reverse Colombo plan in some way be tweaked to involve for instance, the United States and to involve a general encouragement for students going elsewhere abroad, particularly in the context of our special relationship with the United States.

HON JOSH FRYDENBERG: Well, as somebody who has studied both in the United States and in Europe I obviously understand the importance of those institutions but the purpose of the reverse Colombo plan or new Colombo plan is to meet what we consider to be a big gap in the current system. You see there are more than 400,000 Indonesian students studying in Australia but there are only a couple of hundred Australian students studying in Indonesia. The same can be said for Thai students or Chinese students and we believe the way to overcome that problem is to dedicate government funding as well as the government resources to try to identify opportunities and to leverage off the private sector to get partners in the private sector to identify opportunities for young people to encourage young people to study in the region.

So I do not believe that this will be at all at the expense of opportunities for people to study in Europe and the United States. If you look at those two destinations there are many well-known scholarships, whether it's the Sir John Monash or the Commonwealth or the Rhodes or the Fulbright or the Menzies scholarships. But there hasn't been that replicate in our own region and we believe that needs to be corrected. This has been a pet project of Julie Bishop's and I think it's really to make what is a blindingly obvious gap in Australia's engagement in the region.

So I hear what you say but I don't believe it's a valid concern because if you also speak to universities in Australia they have come out very strongly, as well as a number of vice chancellors, behind the government's proposal. I

think over time it could have a significant impact in building greater awareness and interest in our region.

QUESTION: Erika Feller. I'm recently appointed Fellow to the Institute and I am formerly the Assistant High Commissioner for Refugees. I have a very simple question and I'll keep it brief. To what extent does a pragmatic approach to multilateralism embrace greater promotion or respect for human rights globally by Australia in efforts to promote peace and security for people around the world?

HON JOSH FRYDENBERG: Well, it's absolutely critical for Australia to do its part to promote human rights in the region. We did that during the time of the Howard government with a number of human rights dialogues with particular countries. If you look at our involvement, for example, in East Timor all the work that Alexander Downer did in Bougainville. That has been absolutely critical in lifting the standard and the quality of the human rights enjoyed by people in our immediate region. If you look at our aid program, again during the term of the Howard government, there was a great focus on governance and building capacity and training among our partners with the aid program so there would be a greater emphasis on human rights.

For me and for the government it's nonnegotiable that you are out there seeking to promote human rights. You can do that through international bodies as well as through international organizations. So, I'm very confident that there will be a continuation of Australia's proud tradition of promoting human rights internationally.

QUESTION: Anthony Bergen, from the Australian Strategic Policy Institute. This morning Bob Carr made some very strident criticism of your government for diverting away from what he saw as an even handed approach to the Israel/Palestine issue and referred to a vote last week where Australia abstained on an issue relating to settlements. I'd like to ask whether you wish make any response to that sort of criticism.

HON JOSH FRYDENBERG: Well, we're being very consistent in opposition and now we will be in government that Israel is a long term friend of Australia. It's based on the fact that we are both democracies and it's also an historical connection. During the time of the Howard government Australia was a steadfast friend of Israel—we don't believe that this comes at the expense of our relationships. But we were also very critical of Bob Carr's efforts when he was foreign minister to change Australia's voting pattern at the United Nations. So I would reject his criticism of that, of our position and would say that both Prime Minister Abbot and Foreign Minister Bishop when in opposition made very clear that our friendship with Israel and our voting

positions would revert to where they were during the time of the Howard government.

QUESTION: Chris [inaudible] We are concerned to see stronger multilateral decisions. One question is to the South Pacific. Do you see the South Pacific forum developing over time into a self-sustaining community so we act more in line with other countries. The second question is on a global scale. Would you see a possibility for later to develop into a global security community of democracy?

HON JOSH FRYDENBERG: Well, in terms of the South Pacific Forum we think it's a useful important body and we played a very active role there supporting the Secretariat. Otherwise in terms of elevating it to a community you would need to get all the states to support that. As I referred to in my speech, there's been quite difficulty with Fiji, for example, in the South Pacific and obviously the transition to elections in September of next year will be an important stepping stone. But we would welcome closer engagement and Australia's participation in the South Pacific, among the South Pacific nations.

On NATO look I wouldn't go to give advice to the NATO countries. Australia is not part of that. I think this notion of collective security might have been a very Wilsonian notion but it hasn't turned out in subsequent practice to come too much. But and you've seen some major disagreements among NATO countries over some of the recent development in the Middle East area. But the point is it tends to be the same NATO countries that have done a lot of the heavy lifting. To spread the load among those NATO counties if you look at what happened in Libya and elsewhere I think will be important but you know the NATO supportive commitment to ISEF and Australia's participation in those multilateral commitments has been important so we will continue to work with NATO in the security field.

QUESTION: [inaudible]. So I wonder if this government will be against the word of the public in which they support...[inaudible-away from mic]

HON JOSH FRYDENBERG: I will not disagree with that last statement at all. They're your words to say that it's mutually exclusive. It's not. In fact Australia—and I've visited the West Bank when I went there with a delegation that included other Australian politicians, as well as visiting Israel. And I think that's important. And we've been through our aid program in successive governments a supporter of important projects in the Palestinian territories. So I do not believe the relationships are mutually exclusive. I do believe though with its opposition on the Israel Palestinian issue or on other issues that there is good public support for our positions. So I would also take issue with that.

The point about the Israel/Palestinian issue which has been a long-running sore for the international community is a two-step negotiated solution is the

best outcome. And as you remember there was a great debate and dispute within the government at the time between Julian Gillard and Bob Carr as to how they should vote on the decision about granting state status. Our view then was that it shouldn't be unilaterally imposed as an outcome but it needed to be a negotiated solution. So our position is that the two entities, Israel and the Palestinian representatives, need to come together with the good officers of the international community to try to overcome what is sometimes seen as intractable differences because for the long term benefit of both their people the only solution is a two state solution.

QUESTION: My name is Papa Meniska. I'm an Ambassador of Poland to Australia. I come from the country which is very much upbeat in terms of the membership in the European Union. It's the story in terms of the [Keramik] development. I would like to thank you for saying about the multilateralism in the foreign policy of Australia. But as a global player I would like to ask you about the relations with the European Union. Since I arrived here a couple of months ago and I'm not surprised that only one speaker mentioned the European Union of the morning session of this conference. I heard also Mrs. Julie Bishop in May when she was a shadow minister for foreign affairs saying that one of the main goals of the government could be economic pragmatic cooperation between Australia and the European Union in regard of her signing FTA with the European Union. I would like your comment on that and the main goals you would like to achieve in the relations with the European Union.

HON JOSH FRYDENBERG: Well, obviously the European Union is absolutely a critical set of relationships for Australia. We've had our historic differences with the European Union particularly around trade and what we have considered to be unfair subsidies, particularly the French farmers and the like which has always been a bit of an ointment of the eye of that bilateral relationship. But we work extremely closely with our European partners. There are some very important scientific exchanges, education exchanges and as you say economic exchanges. And where the European Union or the countries of the European Union have been very valuable to Australia is in investment, where it has been extremely valuable whether it's French, German, the United Kingdom or indeed other countries.

There are also extremely strong people to people links. Nine million of the 23 million Australians have at least one parent born overseas. My mother was born in Hungary. My grandparents were born in Poland. That is not an uncommon experience for Australia. So those people to people links are really important.

So we understand and you know Alexander Downer had a very good relationship with Chris Patent, for example, when he was the Minister for

External Affairs in the European Union. And we engage many different levels. As to a free trade agreement that is a more difficult, I would have thought a more difficult issue because you represent so many different countries, but due to the difficulties we had in the [Do Ha Round] and the failure of a real multilateral agenda. We can work very closely with the European Union to free up our trading relationships, our investment relationships, but also to build on our important people to people links.

PROFESSOR NICK BISLEY: Thank you, Josh. We're very grateful for you to make the time in what is normally a sitting week but also a week of not inconsiderable challenge to the government on foreign policies concerns, so join with me in thanking Josh for being part of the program.

Strengthening Australia's Security

CHAIR: EMERITUS PROFESSOR JAMES COTTON: Our session is devoted to strengthening Australia's security. My name is John Cotton and my job is to keep order, which given the imminence and excellence of this panel it may be quite difficult. Let me introduce them to you very briefly, although of course none of them need any particularly lengthy introduction. First of all Linda Jakobson, currently with the Lowy; we were lucky enough to attract her from SIPRI where she ran the program in China. I think one of our most distinguished commentators on contemporary China, somebody immensely familiar with the country having lived there for more than ten years. She's going to talk about her fears for Australia, China. We all have fears Australia or China, but the question is, are they the same fears or not? And she of course will address that question.

Then we have Professor Michael L'Estrange, who of course amongst his many roles was secretary at the Department of Foreign Affairs and Trade; and of course, currently heads the National Security College. There are rumors around the town that the sirens of public service are again singing to him, so maybe his career will further ascend, in which case we'll follow it with great interest. Anyway, Michael is going to be talking to us about the changing conceptual foundations of Australian security in a period that the institute has been in existence over its 80 years.

Then we have Ric Smith, who of course has been ambassador in both Indonesia and China. And for my money I think Ric's greatest accomplishment amongst his many is to have got the Department of Defence's budget and papers to a state where he could sign off on them, which is a pretty remarkable achievement when you consider the nature of that institution. And he's going

to be talking to us about the relationship between strategy and policy in the long term looking at Australia's security.

And finally, on my left, Professor Hugh White, who of course also spent time in the Defence Department as deputy secretary. And of course latterly has become one of our most prominent commentators on China, and in particular on the China/US relationship, and that will be the focus for his remarks.

Now, we're under quite strict instructions. We're aiming for each commentator to give us no less than ten minutes—sorry, no more than ten minutes. Well, it got them thinking anyway. No more than ten minutes, and I may throw in a few questions and then I'll hand it over to the audience. We have until 3:00 and I'm sure this is going to be a really interesting session. So let me start off by asking Linda to open the remarks.

LINDA JAKOBSON: Thank you very much, James, for that introduction. Good afternoon, everyone. I would like to join in the thank you to the Australian Institute of International Affairs for not only organizing this conference, but also for inviting me to speak.

I'm going to speak about Australia's relations with China. As our Chair mentioned, last April Prime Minister Gillard succeeded in establishing a strategic partnership with China. The term per se is rather an inflated one. China has a strategic partnership with scores of countries. What was important and less usual in this situation of a strategic partnership was that China has committed to engage with Australia annually at a high level across the spectrum of economic, political, and strategic issues.

So this locked-in senior level dialogue between Chinese and Australian leaders, why is it so important? It's important because it offers the opportunity to start building trust between the new Chinese leadership, the new Australian government, and also offers the opportunity to discuss issues which would not necessarily be a focus during short bilateral meetings on the sidelines of a summit.

But I stress the strategic partnership, the high level dialogue structure, they offer an opportunity. The dialogue is merely a tool and it needs to be utilized. The new government has said it wants to reach an agreement with China on an FTA within a year. But besides that, we have not heard about the substance of this new strategic partnership. I think now is the time to be ambitious. China has a new leadership. So does Australia. I have put forward a few initiatives on what the strategic dialogue could focus on. I'm happy to explain more about them in the Q&A.

This relationship Australia has with China is of course challenging. It's rather awkward in a democracy like Australia to say that the wellbeing and prosperity of Australians is to a large extent dependent on decisions; hopefully wise decisions made by seven men who are leaders of China's Communist Party. Seven men who are not elected; seven men who are not accountable to anyone except perhaps to each other; and seven men who profess to staunchly believe in Marxism, Leninism, and Mao Zedong thoughts to boot.

Officially if you look at any of the websites' documents, Australia's relationship with China is based on mutual interest and mutual respect. Now, this sounds very neat and tidy. But in reality these two countries do not necessarily strategically have mutual interests, and hence mutual respect is a genuine challenge. So while Australia's economic security is highly dependent on a construction relationship with Beijing, Australia is being pulled into strategic rivalries across the region, the rivalries which Michael Wesley spoke about this morning.

Can economic security be maintained? Can it be compartmentalized from Australia's strategic inclinations? Over the past two-and-a-half years, which I have spent in this country, I tried my best to learn, to understand Australia's national interests. Gillard, when she was Prime Minister, liked to say that we are a strong ally of the United States and we are a good friend of China and there is no contradiction. And at this point in time I think that this statement appears to be realistic thanks to the stable nature of the relationship between China and the United States, especially since the Sunnylands Summit, the China/US relationship seems to be on rather constructive footing.

But as one Chinese senior diplomat said to me back in the late 1980's when I first moved to China, China/US ties will never be as good as they appear to be, but thankfully they'll never be as terrible as they appear to be.

Now, I have the honor of going before my colleague, Hugh White. We've been doing a song and dance in three capitols of NE Asia several times. So I can say that I do not agree with my fellow panelist, Hugh White, that China is anywhere ready today to challenge US primacy. In fact, I presume that China will accept US primacy as long as possible because it's in China's interest to do so; but having said that, of course there will be ups and downs in this very important defining relationship of the region.

I think Canberra will be scrambling to deal with the first down unless a much stronger political relationship is built urgently between Tony Abbott, other key Australian ministers, and Xi Jinping, and other key Chinese leaders.

At the moment, in Beijing political and strategic thinkers perceive Australia as not pursuing an independent foreign policy from the United States. I echo a

point that John McCarthy made this morning; Australia is perceived as following the US lead without caveats. Now, of course China acknowledges the alliance between the United States and Australia. China accepts it. I repeat, China accepts the bilateral alliance. But China opposes the multilateralization of the bilateral alliance and it perceives that this is what Canberra is now doing on the basis of some elements of strengthened military cooperation between Australia and the United States.

However, far more concerning than the US/China relationship and how Australia is going to deal with that, is Australia's ability and skill to maintain a good and stable relationship with both China and Japan. It's not in Australia's interest in my view to get stuck in the middle of tensions between these two nations. I do not think that these tensions are going to decrease anytime soon. In my question to Mr. Downer this morning, I mentioned the trilateral security dialogue between the United States, Japan, and Australia, and the communique.

In this communique the three countries, quote "oppose any use of coercion to change the status quo in the East China Sea", end of quote. Now, of course Australia should, must oppose the use of coercion. But I ask why did not the sentence end there? Why did it include a mention of to change the status quo? From Beijing's point of view one could legitimately ask whose status quo. The definition of the status quo in the East China Sea is precisely what China and Japan and arguing about and why they're at loggerheads.

Beijing sees that Australia is part of a threesome that is starting to gang up on China. Beijing sees an Australian prime minister who calls Japan Australia's best friend in Asia. Where does that leave China? Beijing also sees, by the way, an Australian prime minister who has made it clear that values matter in foreign policy. Now, of course, in Beijing one could imagine that they ask does that mean that Australia will criticize Japan for not acknowledging the suffering of Korean and Chinese women who were forced into prostitution, into sex slavery during the Pacific War. Many, many questions. Unfortunately I don't have the answers and I'll stop there.

PROFESSOR JAMES COTTON: Well, thank you very much. Thank you very much. That was beautifully concise and leaves us lots of avenues to explore. Our next speaker is Michael L'Estrange

PROFESSOR MICHAEL L'ESTRANGE: Thank you very much, James. And thanks to the AIIA for the invitation to participate in what I think is a very important conference.

Anniversaries are about looking back, as well as about looking forward. And in that spirit I'd like to take the opportunity today to look back briefly at some of the phases in the evolution of Australia National Security policymaking over

the 80 years of the institute's existence. More importantly, I'd like to look forward to some of the implications of that evolution for the future of Australia National Security Policy.

Over the past 80 years this institute has witnessed and influenced what in my view have been six distinctive phases in the evolution of Australian National Security policymaking. In the earliest years of the institute's existence Australian National Security policymaking continued to be shaped decisively by the imperial connection. Then followed the era of global strategy, grand strategy in Australia during the Second World War; a period in which all the dimensions of Australian national power were intensively coordinated to meet an existential threat.

A third phase came in the period from the late 1940's to the 1960's when Australia's regional engagement broadened from forward defence in support of a favorable balance of global and regional power, to new dimensions of regional economic security, educational, and community cooperation, opened up by external affairs ministers such as Percy Spender and Richard Casey.

From the 1970's to the early 1990's Australian National Security Policy was characterized by the search for new directions to meet Australia's changing post-Vietnam strategic circumstances. Those new directions included policies promoting defence self-reliance, the defence of Australian, created middle power diplomacy in Asia, more intensive engagement in regional and international institutions, and greater international competitiveness in the Australian economy.

A fifth era was constituted in my view by the decade after the mid-1990's, a period in which Australian National Security policymaking was characterized by what I would describe as contemporary traditionalism. Traditional in its strong support for the US alliance and security cooperation in the region, and in the allocation of resourcing to defence, but also a contemporary in its specific policy responses to the Asian Economic Crisis, to the 9/11 attacks, and the realities of global terrorism, to the rise of India and China, and to the challenges to stability in the South Pacific.

A sixth phase was constituted by the period from 2007, in which national security policymaking in Australia was pursued in an expansivist way underpinned by a hall of government, hall of nation, all hazards approached encompassing a widening range of traditional and nontraditional issues, and coordinated by the Broadchurch of the National Security community.

These six eras in Australian National Security policymaking, eras of imperial connection, grand strategy, regional emphasis, new directions, contemporary traditionalism, and expansivism have all reflected the impact of deep changes

in Australia's strategic circumstances. Changes in the calibrations of power and influence among the major states, changes in the threats, opportunities, vulnerabilities, and risks confronting Australia; and changes in the interaction between Australia's domestic and foreign policy priorities.

But for all these reflections of change, Australian National Security policymaking over the past 80 years has also reflected rhyming patterns, patterns that are highlighted in the conceptual debates over national security that have characterized those decades, and that in their different ways reverberate still today. Debates engaging continental and expeditionary mindsets on defence strategies and capabilities; debates in a broader strategic sense between realists and liberal internationalists, between bilateralists and multilateralists, between those who see a preponderance of power on the part of Australia's allies and partners as being of ongoing relevance and importance to Australia's National Security interests. And those who see such interests as better served by a balance of power or a concert of particular powers.

Of course, none of these national security debates over the past 80 years have necessitated exclusive policy choices. The real choice in Australian National Security policymaking has always been about the balance in relation to these priorities. The real policy challenge has been how to advance our national security interests through effective independent Australian policy, and through alliance management, and through economic and security partnerships, and through wider associations of interests.

I think it's important for us to remember particularly at a conference like this that we are part of this ongoing national security debate. Rather than to see ourselves as pioneers carving out entirely new strategic pathways for Australia in territory where there are no footsteps, we are living through a period of significant and ongoing strategic change, but not change without signposts.

Today in my view Australia is on the verge of a new seventh phase in our national security policymaking; distinguishable from the period preceding it, not so much in its major priorities, but in the conceptual framework that it brings to national security policymaking. What should be avoided and what should be pursued in this coming period? Many things of course, but in the very limited time I have left I want to highlight a few key ones.

First, we need to recognize the artificiality of binary strategic choices for Australia in an era that will be characterized by the strategic complexities of relationships among the states that increasingly encompass competition and cooperation, independence and interdependence, hedging and engaging. Second, we need to avoid hollow nationalism, especially of the kind which

loudly proclaims aspirations to independent, self-reliant defence strategies and capabilities, but fails to fund them adequately or sustainably.

Third, we need to maximize the increasing synergies between our alliance relationship with US and their attention with the comparative technological advantages of Australia's independent defence assets that also enhance our own self-reliance. Fourth, we need to recognize the centrality for Australia of engaging creatively and expansively with China in ways that advance our overall national interests. But in my view we also need to recognize that that engagement does not necessitate the promotion of a fundamentally different kind of strategic order in the Asia Pacific Region to accommodate China's legitimate and growing interests. That accommodation has been carrying on for over 30 years, and it will continue in ways that do not presume or necessitate systemic strategic change.

Fifth, we need to pursue significantly enhanced security cooperation with the countries of our region, including a fully-fledged strategic partnership with Indonesia. An objective that despite the events of recent days remains clearly in the longer term interests of both countries. Sixth, we need to understand that the strategic and economic contours of the so-called Asian Century will not be determined in Asia alone, but will be critically reflected by what happens outside Asia; in the US, in Europe, in the Middle East, and the global commons and elsewhere.

And finally, we need to separate the baby and the bathwater if it seems likely the comprehensive seamlessness of the most recent phase of Australian National Security policymaking is to give way to the pursuit of more specific priorities in a less-overarching way. There is scope in my view for such refinement, but not for a wholesale reversion to the old siloed national security policymaking processes that in my view would be both unrealistic and undesirable.

PROFESSOR JAMES COTTON: Well thank you very much, Michael. Seven really interesting questions at least I think come out of that. If I could next pass it over to Ric Smith; please.

RIC SMITH: Thanks, James, and thanks for remembering me for at least one thing in the defence. I was an accountant. Linda and Michael have traversed some pretty lofty territory here and I'm sure that when Hugh speaks after me he will return you to those heights. But in the meantime, I want to descend to some lower fields and address in the five minutes. I have five fairly prosaic and practical points addressed specifically to the matter strengthening Australia's National Security.

And the first of them is simply this; defence and security policy are tightly focused on Australia's National Security interests, but foreign policy, the interest of the AIIA, whose anniversary we celebrate, naturally ranges much more widely to include not just aspects of national security, but also a long agenda of other interests. International relationships, economic interests, the interests of Australians abroad, legal and reputational matters, and so on; it's crucially important that foreign policy and national security policy be closely in step if not self-embracing, that one doesn't see itself existing separately from, let alone above the other, but is just as important to get the balance of inputs right.

To put it another way, security at an international level is not ensured by military power or intelligence reach alone. It requires as well international norms of behavior, legal regimes, the management of bilateral relationships and interests, and of course at the harder end of the management of alliances and working arrangements with countries of similar interests. It requires, in other words, the input of foreign policy practitioners. It was, remember, the foreign ministry of the day, Percy Spender, who signed the Anzus Treaty, and that was not just because he alone had the power to put the signature there.

I'd like to turn to three points quickly about what I'd like to see in the government's next white paper foreshadowed in 2015. I've had my go at white papers over the years in small way or part, and you might wonder what else you could say, but as time goes on you learn from experience and there's always something else to address. I could of course talk about the need to get capability balances right, you know, how much BMD versus how much ASW in the maritime domain. I could talk about the urgency of addressing defence industry issues, particularly in the naval shipbuilding and repair area and the future of the ASC and so on, but I'll let those past.

The first of the three points I want to make is this, that is that there is a need to see defence in the ADF and their capabilities in a wider sense than just a transactional sense. The need that is to appreciate that our military credibility is a key part of Australia's strategic weight, which serves much more than just our security interests; that's a concept that embraces several components of national capacity, economy, population, our education base, our diplomatic presence and influence, the quality of government, and so on. They all add up to strategic weight.

Some countries understand this very well. In Australian utilitarian as we are, we don't fully appreciate it simply to calculate the needs of defence in accordance with formula about the numbers of personnel, the types of weapons or systems needed in this possible situation or that doesn't meet the strategic weight need. The ADF needs to be a Swiss army knife. But it also

needs to be, or at least to be seen as a bowie knife, the most familial on the block.

The second point is that I'd like to see the next white paper and indeed the debate that should happen between now and then get away from talking about defence spending as a percentage of GDP and move instead to consideration of defence spending as a percentage of government outlays. The Abbott government's commitment to rebuild the defence budget to 2% of GDP is very welcome, but frankly expressing spending in this way is not very meaningful. There is no science that relates percentage of GDP to the needs of national security or defence capability. More importantly, it's not a meaningful statement of commitment from a government. With due respect, the series of world's best treasures we've been privileged to have, governments don't own or have all that much control over GDP. Many factors affect them, some of the exogenous as the GFC reminds us. Even as a comparator, the idea of percentage of DDP has limited value because ways of measuring GDP change from time to time. We've even changed its name and the ways it's measured vary from country to country.

So percentage of GDP does not veer with government's commitment to defence or security or anything else. The only real measure of a government's commitment is the measure of the choice it is making, the choices to consider expenditure as a percentage of government outlays. And on this the picture of the last five years has not been a pretty one. Defence's share of government outlays has shrunk from 5.8% to 4.9%. The recent Lowy report decided the dotter on that, but the move is for greater spending in what I'll broadly call areas of welfare, healthcare, and so on, and away from national security. It's that set of choices that we need to focus the debate on.

And a third thing I'd like to see in the white paper is evidence that the government is taking seriously the need to get the backend of the defence organization right, focusing that is not just on the new big ticket platforms weapons systems and so on, but also getting the enablers and the facilities right. Every generation of ships and aircraft and land vehicles is bigger and heavier than the last. Airfields and ports established forty years ago are likely to meet today's needs, let alone tomorrow's. Alan Hawk and I put together some work on this for the last government in 2011-2012. It showed up some quite serious deficiencies in the facilities and enablers; the government addressed that but in the event in the last white paper are quoted at little more than lip service.

And that does bring me to my final point, a different one, and it's on the domestic side of national security. When I did the Homeland and Border Security Review in 2008 I recommended then a more coherent approach to

domestic security, bringing our agents together not, as I said, in one department because the evidence of the US is that that doesn't work. But rather bringing together as one community. This required the qualities and the best of the cultures of the individual agencies, the many of them, but keeping them small and nimble and versatile and accountable, and giving them greater strategic direction; above all, knocking down any needless or outmoded legislative barriers eroding the cultural barriers; above all, improving the technological connectivity between them to make sure they can communicate and that they are, and that they can share databases. It would be timely I think to audit where this endeavor has gotten to five years down the track. Thank you, James.

PROFESSOR JAMES COTTON: Well, thank you very much, Ric. And to be able to sign off a \$12 billion business I think is no small achievement. Don't misunderstand me. But there's \$60 billion worth of assets, we think, depending on how you price it.

And finally, our comments will come from Hugh White, who of course will be focusing on the US/China relationship.

PROFESSOR HUGH WHITE: Yes. Thanks very much, James. It's a great pleasure to be here and it's a great pleasure to share the platform with such distinguished electioneer, friends, and colleagues.

When we think about Australia's security over the next few decades, our starting point of course is the last few decades, and the last few decades have been exceptionally secure ones for Australia. The last 40 years have been the most secure ones for Australia since the collapse or at least the fraying, shall I say, of Pax Britannica from about the 1880's.

The question for us today is how do we stay secure? And in order to address that question carefully we need to understand the circumstances which have made the last 40 years so secure. And we also need to recognize how much of those circumstances are now changing.

I'm going to differ from the remarks of some of my colleagues on the panel. I do think we are at a moment of big change. We are at the moment living through the biggest shift in the distribution of wealth and power around the world since Australia was settled by Europeans in 1788. And it's certainly the biggest shift in the distribution of wealth and power in Asia in our history. And that distribution of wealth brings a commensurate distribution of power and I'm sufficiently old fashioned in my thinking about it in national affairs to think that as power changes relationship changes, and as relationships change the order changes.

We are going to be trying to secure Australia's future in a region which is going to work very differently in the future than it has in the past because power is distributed very differently in Asia than it has been in the past. And although there's a lot in that, I'll just try and summarize it in one sentence; our great and powerful friends aren't going to be as powerful as they used to be. It's as simple as that.

Now, this is not welcome news. But foreign policy is not about what we want. It's about making the best—doing the best we can in the circumstances that history deals us. That's what realism is. And it's a measure of our maturity as a country. And I might say it's a measure of our maturity as a foreign policy and strategic policy community within that country how well we respond to this.

Now, I believe the core question, far from the other question, but the core question for us in thinking about the future of the Asian order, which will determine our security over coming decades, is the future of the US/China relationship. It's worth making the point I don't think Australia's relationship with the US is very hard to manage. And I don't actually think our relationship with China is very hard to manage. A problem for us is the relationship between the US and China. If they get on well, we can get on fine with both of them. But if they get on badly, we have a problem.

Now, so far the response of a successive Australian government, and I think if I'm not being too unfair, of the broad consensus in the wider foreign policy community is that we don't have to choose. That is of course an expression of hope; we don't want to choose and we're right about that. If we find ourselves in a situation where Australia has to make any kind of stark binary choice between the US and China, then our future is automatically going to be much darker than the last few decades, and much darker than we hope it will be.

But whether or not we have to choose, whether or not we have to make that kind of choice, depends entirely on the trajectory of the US/China relationship; and the more adversarial that relationship becomes, the starker the choices we have to make. And I think it would be very unrealistic to imagine that that relationship could not, will not develop in ways, might not develop in ways which would force Australia to very stark choices indeed.

Now, the government of course is optimistic about that, successive governments have been optimistic about that. Successive governments have taken the view of understanding the issues that are there and the relationship; they're confident the US and China are going to get on fine. And actually that view is shared by lots of people in Washington and by lots of people in Beijing. There is a post-Sunnylands optimism about the trajectory of the US/China relationship in both of those countries. But if we were to look at it a bit more

closely and see what the basis for that optimism is, the first question is, what are they trying to achieve? What is America's principle aim in its relationship with China? I think those are easily stated. The United States' objective is to preserve US promises of foundation for the Asian order indefinitely into the future.

What's China's objective in its relationship with the United States? Very easily stated, it wants a new model of great power relations. It's a very simple sentence. It doesn't require a lot of analysis. They want a new model. They don't like the old one. And the old one is based on US primacy. So the fundamental objective of the United States and Asia to preserve the status quo and the fundamental objective of China is to change the status quo. That's a problem.

So why are they all optimistic? Because they both think they're going to win. In China they're pretty confident that they're going to get their new model of great power relations because they think they've got America where they want them. And although I think they're wrong, I can understand why they might think that. And in the United States they're pretty confident that China is going to accept American primacy as a foundation for the Asian order indefinitely into the future. I'm less clear why Americans are confident about that, but I'm sure they're wrong too. And if you want to get a more realistic view, I recommend a trip to Tokyo because nobody in Tokyo is optimistic about the trajectory of the US/China relationship because they live on the frontline of this.

Japan's predicament at the moment is at the heart of the questions about the future of the Asian order. As China's power grows Japan feels less and less confident about its future relationship with China and it depends more and more on the United States for protection from China and is less and less confident that the United States will be there to provide that protection; and that is a dilemma which makes the Senkaku/Diaoyu Islands issue for Japan so serious.

This is a big issue, but I'll just put it in a sentence. Without making any judgment at all on the merits of the case, China's approach to its dispute with Japan over the Senkaku/Diaoyu Islands directly challenges America's position in the Western Pacific because it directly accepts a risk of a clash between Japan and China militarily, which would draw the United States in. And if the United States failed to support Japan it would very significantly undermine the US position in the whole Western Pacific. These are not issues for the remote future. This is an issue which is on the table in the East China Sea right now.

So how do we get out of this? That's a big subject. I'll be brief. The key to understanding the future of Asia is that there not two options, but three. It's

not a question of Asia being either dominated by the United States or dominated by China because neither are going to be strong enough to dominate the region in the face of the other. There is a third option in which neither party dominates. The only way to build stability in Asia and the only way for Australia to avoid a choice between the United States and China is for the United States and China to undertake a quite deep accommodation of one another to reconcile those conflicting objectives that I mentioned before; and that won't happen easily because it would require both countries, big, proud, self-conscious countries, to do things they don't want to do. It's going to require real stay-craft. But it can happen.

The good news is that [Mia Shimer] is wrong; and for that matter, [Facitites] was wrong. It's not inevitable that these guys are going to be drawn into a terrible hegemonic conflict, but it's a real risk and it's going to take real work to avoid it. And if it's not avoided, Australia's future is very dark. So what can Australia do? This is our real choice. We don't today face a choice between the United States and China, but we do face a choice as to whether we as a country and we as a foreign policy community choose to do anything to try and shake the international order in which we are living, and in particular shape the US/China relationship.

This is the most important diplomatic issue Australia has ever faced. That seems a little melodramatic, but I'm prepared to defend the proposition. Many people assume that Australia can't do anything. Well, I'm sure we can't if we don't try. But I think if we are a middle power, and we claim to be, if we are America's closest and oldest and best friend on this side of the Pacific as we claim to be, as I think we are, if we are a serious player, I think we have a chance of influencing this and we don't have to do it alone because our interests coincide with those of every other country in Asia. But this will involve us in a new approach to our foreign policy and a new approach to thinking about the US alliance in particular. We cannot afford to assume that the United States will continue to play the same role in Asia and the same role in our security as it's played in the past.

That doesn't mean we abandon the US alliance, far from it. But it does mean that we need to think very carefully about what objectives American has in Asia, whether they're really working for us, whether the alliance we have with the United States is really working for us to do what we can to influence the United States and China so that US policy, China policy, and Australia interests converge. Thank you.

PROFESSOR JAMES COTTON: Well, thank you very much, Hugh. Well, I think you'll agree that was a very stimulating set of presentations. I wanted to take up the question which is really hovering over every one of them. Ric Smith

talked about the importance of maintaining our defence credibility of being the most important player in the region. Michael L'Estrange talked about this being a new era. Linda very provocatively said no, the Chinese don't want for the time being anyway primacy because actually US primacy is convenient for them. Hugh says no, they're in competition; they want a new model.

The China question hovers over the whole set of presentations. Mr. Downer said this morning that one of the singular contributions of the Chinese regime in the last couple of decades was to see 600,000,000 people rise from poverty to relative affluence. Well, you could say actually all they did was get out of the way. The Chinese people would have been very prosperous many generations before if it hadn't been for the Chinese Communist Party. I'm old enough to remember the Cultural Revolution where people used to say in China with increasing sense of irony, "without the Communist Party there would be no new China."

I'm wondering whether the Chinese Communist Party really wants to have a situation where they are the dominate players in the region for the following reason: If the Chinese people have become prosperous because the Chinese Communist Party has got out of the way, the Chinese Communist Party has also had the very difficult problem of inventing reasons for it to be in existence despite the fact that it doesn't dominate the society in the ways that it used to do. And I'm wondering whether the presence of the United States, and particularly American sponsorship, for example, of the government in Taiwan isn't actually enormously useful to them because they can always say to their fellow citizens look, you need to have a strong government because after all the Americans are still perpetuating the unequal relationship that used to exist with the outside world for all those years when China was a humiliated country.

I'm wondering then, perhaps I'll ask each of the panelist in turn, quite whether they think China is ready for this new transition that Hugh is suggesting, bearing in mind the domestic problems, conundrums that they face, and then maybe I can finish by asking Hugh has he not neglected this domestic aspect. In fact, foreign policy for the Chinese is very much also a domestic policy and has this particular dimension; so perhaps Linda first.

LINDA JAKOBSON: Thank you, James, and thank you to my fellow panelists for these thought provoking remarks. But to the question, first of all, as I already said in my own remarks, China will prolong the day that it has to even consider primacy for the simple reason that it benefits so much from the US being the prime power.

Without globalization China would not have been able to be as successful economically, and in a sense on the societal level as it has been, and it will

continue to be “a free rider” as long as it can. It’s not going to challenge the United States. And if I may, I’ll just make a few more comments about Hugh’s thoughts, and as I already mentioned in my own remarks, we now know each other’s thoughts rather well having been on several panels over the last couple of weeks.

I think it’s too stark to put forward a question of the United States giving up its primacy and China deciding to take the primacy. I think that accommodation or the accommodating processes, which Hugh refers to, which I agree with, is already taking place; that’s exactly what these two powers are doing. They are trying to get on with each other. Hilary Clinton in her speech, which was very little publicized, said that we are in a new situation and we have to find a way to live with this new rising power. That was a couple of years ago. They have moved forward. And China, for its part, says that it wants a new type of major country relationship. It does. It wants equality. It wants to be respected. It’s wanted to be respected ever since its founding and especially since Deng Xiaoping’s reforms took off in a modern new way. But I don’t see that it wants the United States out of Asia.

I think it is willing to put up with the United States. It will poke. It will push. It will prod. So will the United States back, but they are learning to accommodate each other, is my point. That is not as stark. It’s not as urgent. During my lifetime we’re not going to be faced with this terrible reality, which I think Hugh paints.

PROFESSOR JAMES COTTON: Thank you. Michael, what do you think?

PROFESSOR MICHAEL L’ESTRANGE: James, I think if you accept Hugh’s premises, there is an alluring logic that follows. It’s just the question of whether you accept the premise. And I don’t accept the premise for three reasons really. One is that I don’t believe that China’s objective at the moment is to challenge the strategic status quo, let alone American preponderance or primacy or however it’s described. China’s objectives are economic growth, domestic stability, and the political control of the Communist Party. That essentially is what they are on about and what they will be on about for the foreseeable future.

As Linda says, of course, where there are vacuums they will exert influence. But it’s not their main agenda. Secondly, it’s not in the self-interest of United States or China for a situation of containment, conflict, crisis, confrontation. If you look at the pattern that I spoke of in relation to competition and cooperation, independence and interdependence, there is no logic in that path for either the United States or China. It’s not to say that this could happen by accident. It’s always possible, but it’s not by design. And the third is that I do think that for all of China’s extraordinary growth and continuing growth, it is

both a rising and a fragile power. Its rise is obvious, but it is a rising power with fragilities; fragilities of economic adjustment, which are structural and significant, ethnic issues, social issues, resource issues, many other dimensions of China as a rising and stable country, which the regime is focused on.

So I think one of the dangers is that we can see too much strategically, not that we can see too little. And I've never been quite sure what the grand bargain or the accommodation of power between the United States and China actually would mean in practice. So I think for those reasons I think we do need new forms of accommodation, but I think this process has been going on since the early 1970's and it will continue. I just don't believe that the premise is focused on a fundamental systemic change in the strategic order. I think China's priorities certainly for the foreseeable future are different.

PROFESSOR JAMES COTTON: Okay. Thank you, Michael. Ric?

RIC SMITH: Thanks, James. The question as I understood you put it first, was is China ready for this transition to either the primacy or at least to a new defined place in the world. My short answer is no, and the further answer is that they know they're not ready.

I very firmly believe that there is much less certainty, certitude, confidence in the Chinese leadership about where it's all going and what it will be like when they get there than we sometimes think it is. And I think that there's much more anxiety, much less sense of controlling their direction than we might be thinking of, and that then leads I think to the proposition that pending the emergence of any new clarity or pending the removal of the uncertainties that are going to be more or less comfortable with the status quo.

On Hugh's point which has become a subset of our discussion here that is something that he and I have talked about; about the need for deep accommodation, as you put it, Hugh, in the future. I don't rule that out some time, but the main point I make is we're not there yet. We're not there yet and given the uncertainties, we might get there. And so the US will prudently not play the big cards until it's sure that we do get there. And when it does, if it does start to play them, it will play them very incrementally because that is our government's work.

PROFESSOR JAMES COTTON: Okay, yes. Thanks, Ric. Hugh?

PROFESSOR HUGH WHITE: Yes, thanks; a very interesting set of comments. Let me start with a point about—well, there's a nest of issues here. The first is how strong is China? The second is, what does it want? And the third is, what's it ready for, which are three separate propositions; how strong is

China? And both Ric and Michael have made the point that China is not strong enough yet to challenge the United States' primacy.

Okay. At the heart of the Cold War when the Soviet Union was at its strongest relative to the United States, it had a GDP about half the size of America's. Today China's GDP on PPP terms is three-quarters the size of America's. So China is already significantly stronger relative to the United States than the Soviet Union ever was. And wealth is power; that's the foundation.

So I think just on that very crude basis, the proposition that China is not yet strong enough to challenge American primacy in Asia I think is hard to sustain. Now, of course, China I don't believe can challenge the United States globally. I don't think it wants to. There's a separate point about military power, but I won't defer to that. Suffice to say, I think China's capability developments have already significantly enhanced its capacity to erode the essential military foundation of US primacy in Asia, which is very specifically focused on power projection by sea.

The second question is, what does China want? Well, when we look at a rising power, and our only textbook here is history, we know a few rising powers. We have lived with a few over the last, so to speak, historical memory; Napoleonic France, Nazi Germany, Imperial Japan, Stalinist Russia; and we know what they're after. All of those countries had extraordinary radical objectives. They wanted to completely change the international system. They wanted to change it economically, territorially, politically, ideologically, you name it. China is not like that. China is quite conservative. It lacks most aspects of the international system. So would we if we'd run a 10% per annum for thirty years.

China doesn't want to change the economic structure in Asia. It doesn't want to change the territorial distribution, capitalist special cases to one side. It has not the least interest in ideology or politics; it doesn't care how we're governed. The only thing about the regional order China wants to change is the leadership. But it does want to change the leadership, so third point. How does that fit and what's it really for?

The argument that some of my colleagues have made, and many other people make them, is that China can't afford to challenge the US leadership in Asia because it needs US leadership in order to provide the stability which is essential to China's own prosperity. And I buy the second part of that argument; China wants stability because it recognizes stability as necessary for its prosperity, absolutely. China is very committed to stability. But is not, I think, at least I think there is significant question, as to whether it's prepared to accept the first leg of the argument; that is because it wants stability, it supports US primacy.

We might believe, Americans might believe, that US primacy is the only conceivable foundation for stability in Asia. But we shouldn't expect the Chinese to see it that way. I don't find it at all difficult to imagine a different foundation for stability in Asia; Chinese primacy, for example. Or maybe something else. The other point of course is that US primacy has served China's interest very well since 1972 precisely because in 1972, in an action for which we all including China be grateful, the United States has been willing to use its power to foster China's growth. But that's because since 1972 until very recently the historians will probably judge about two years ago this week when Barack Obama gave a big speech up the hill here; the United States did not see China as a threat. And it therefore saw no reason to try and constrain China's rise. The Chinese, I believe, now believe that the United States is likely to use its power to constrain China's rising future. And if that's true, then preserving US primacy doesn't support China's interest in growth, but actually acts against them.

The third point, of course, is that China would be crazy to push for a change in the fundamental change in the order in the light of its own need and desire for stability if it believed that that change was likely to be violent; if it believed that it was going to have to fight the United States in order to do it. So it seems to me that China's willingness, as I see it, to push for a significant change in the regional order does suggest that the Chinese believe that the United States will concede.

Now, a lot of people on our side of the fence, if I can put it that way, find this almost impossible to believe. How could the Chinese possibly imagine that the Americans are going to give way to them? But I think if you look at it from China's point of view that is a less implausible outcome than one might think. I think they're probably misreading a lot of data; I'm not as confident as they are. But let's just focus on one issue in particular, and that's interdependence. It's a big issue.

Most people believe that one of the key constraints to escalating strategic rivalry between the United States and China, and therefore a key preserver of the status quo is a depth of interdependence, economic interdependence between the US and China. But that depends on how that's read. In America people say to you look, the Chinese are not going to challenge us because they know that we're important to them than they are to us; they can't afford to muck us around. And in China people say the Americans in the end depend on us so much economically that they can't afford to get in our way. The Chinese and the Americans both believe that interdependence constrains the other guy's options. That makes the situation more dangerous.

PROFESSOR JAMES COTTON: Okay, everybody. We've got about fifteen minutes for question. Could you indicate—we've got one, we've got two. We'll start with those down here. Please keep it concise and make sure it's a question. Thank you.

QUESTION: Well, Hugh, I was going to ask you a question but I have decided not to because since you're a sometime member of the—fellow member of the Fourth Estate, I don't want to appear to be ganging up on you. I'd like to ask Michael L'Estrange a question. Thanks very much for your presentation, thoughtful presentation, Michael, which I listened to carefully and I hope I heard the component that I'm going to address clearly. I think you referred to the Howard-Downer Foreign Policy by describing it as contemporary traditionalism. Is that correct?

I wonder what we can expect then of the Abbott-Bishop Foreign Policy. Will we return to a policy of contemporary traditionalism or something else bearing in the mind the world has changed somewhat?

PROFESSOR MICHAEL L'ESTRANGE: Well the answer, Tony, is I don't know. I mean I'm sort of looking into a crystal ball like you. My guess would be that it would take with it many perspectives from that fifth period that I spoke about, but obviously it would be operating in quite a different context. And many of the issues that we've spoke about here today, even six years on are entirely different. But I think in terms of some of the priorities that Josh was talking about and the connections they've had with the period of the late 90's and afterwards, I think there is—they want to establish a connection with that and I think there's a logic for them in doing that, and I think that those anchors will be there.

But as we've seen this week, you know, you can be hit from the side in ways that you can never predict. And I think that's what happened with 9/11. That's what happened with Asian Economic Crisis. That's what happened in South Pacific. That's what happened in East Timor and on it goes. So I don't think there is a formulaic blueprint and I'd like to think because the circumstances are different, the policies will be adjusted accordingly. But I think in terms of the magnetic forces there will be, I think, some pretty clear similarities on the big issues. But I think when we write the history of this in ten years' time there will be the contemporary part of the traditionalism will be quite different to the period of the Howard Government.

PROFESSOR JAMES COTTON: Next question over here, please?

QUESTION: Hi, my name is Anita and I'm just about to graduate from International Relations Studies at the University of New South Wales. My question if you don't mind is sort of a duo question which is very related to each

other. I believe that China has started showing signs of interest in regional [inaudible] with some of its offenses, actions, towards some of the Asian countries, such as Philippines, Taiwan, Vietnam, and so on. Neither the US nor any other Asian countries opposed these actions and did not support any of those offended countries against China's actions. Doesn't that mean that in case it comes to Australia's choice between China and the US, China should be applying more towards Australia? The other question that relates to this is A, yeah, there were mentions of the relations of Australia towards Israel and Palestine, and that regardless of the issues Israel and Palestine in trying to have equal relations that borders those countries. If that's the case, then why Australia cannot have the same [inaudible] with US and China?

PROFESSOR JAMES COTTON: Well, thank you very much. Gosh, I think managing the China/US relationship might be easier than managing the Israel/Palestine relationship. Is that a question for everybody? Is it a question for Linda? Have you got a particular person in mind?

QUESTION: No.

LINDA JAKOBSON: Just on the first question; thank you very much for it. It depends how you define support. I mean the United States from a Chinese point of view has rendered support for the Philippines and the Vietnam situation in the South China Sea, and certainly for the Japanese position in the East China Sea. So there's been a lot of support. The United States has strengthened its military ties to both the Philippines and Vietnam, and publicly said that the treaty between the United States and Japan would be evoked if Japan was attacked. Though, of course, the United States does not take a stance on the sovereignty of the Islands. So there has been a lot of support.

And just on the question of regional hegemony, it is true that China has been very assertive in the last three to three-and-a-half years on the questions of the Islands and on maritime territorial sovereignty. But if you define regional hegemony that they're going to go out and dominate the region, they do that economically. They don't do that militarily. I fully agree with what Mr. Downer said this morning; China is not an expansionist power and its naysayers are going to see assertiveness. But it's not going to go out and take over the world, or the region for that matter, militarily.

QUESTION: As the point has already been made, none of us can judge the future. So rather than do that I'd like to imagine that we woke up one morning and found that China's two-systems policy had finally went over the Taiwanese and they accepted to come under the umbrella of the government in Beijing. That Japan and China had come to some sort of settlement on the Senkakus; and taking Hugh's point, that the Chinese don't want to necessarily change the global economic system in any significant way because it's worked to their advantage

for the last 30 years. What would be the difference in our response to China? What concrete things would they want to change and how would they convince the rest of the nations in Southeast Asia that they should change?

PROFESSOR HUGH WHITE: I agree it's quite a hopeful way to think about these things, doing those sorts of thought experiments. And just for the record, I find the first leg of your hypothesis quite easy to imagine. And I find the second one very hard to imagine. It's not out of the question. And what we're talking about is an outcome in which China ends up with what you might broadly call consensual primacy in Asia. The model would be a little bit like the US' role in the Western Hemisphere. How consensual it is a different question as to whether you talk to Americans or Mexicans or whoever, but broadly speaking, a kind of a minor adoption in the Western Pacific. What would it be like for Australia? Well, that would depend entirely on how China chose to use its power. And if it chose to do the US/ Monroe Doctrine type thing, maybe it wouldn't make that much difference.

It would be very different for us because a newer hypothesis, United States is no longer a major power in the Western Pacific because it's lost Japan; and if China behaves itself, if China turns out to be the kind of wonderfully responsible, congenial, helpful, constructive, dominant power that the United States has been, our future will be sweet. And the question for us is whether we'd rather gamble on that or whether we'd rather say, no, we'd rather if you were kind of constrained a little; constrained to be nice, by continuing strong US role in Asia. And I personally would feel more secure in an Asia in which the United States continued to play a strong role to balance and moderate China's use of its power rather than go to so to speak the Monroe Doctrine way and essentially say we're going to trust you, Beijing, to do whatever you want to do with this.

PROFESSOR JAMES COTTON: Now, we've got three more questions.

QUESTION: My name is [inaudible] I'm a national officer at the AIIA. My question is to Professor Michael L'Estrange. I think you spoke about the seven phases of defence strategy and the meaning of the new phase in Australia's defence strategy. The 2013 [Inaudible] gives an indication towards the adoption of a [inaudible] outlook to Australia's defence. I just wanted to ask you if the Indo-Pacific is part of this defence strategy that you spoke about? And also because Mr. Bishop has been quite hesitant to put it in those words and she's been speaking about the Indian Ocean Pacific on a few occasions. Is that still all true with the coalition?

PROFESSOR MICHAEL L'ESTRANGE: I've got no idea whether it holds with coalition or not. But let me say, I think the Indo-Pacific construct is a very relevant one for our foreign policy interests and our strategic interests. I've

got some doubts whether we've got the capacity in terms of our defence capabilities to genuinely pursue an Indo-Pacific defence strategy. In terms of the capabilities available to us, it doesn't seem to me clear that an Indo-Pacific defence strategy is one that's actually a practical one in the foreseeable future. There are things we can do. There are cooperative arrangements we can have. I think some of things that Ric pointed to in his 2011 review are very sensible in terms of the North West Shelf and other areas, but we will need a significantly greater investment in capability to genuinely conduct an Indo-Pacific defence strategy, which doesn't mean we should not pursue an Indo-Pacific foreign policy.

RIC SMITH: I'd like to add to that and really endorse what Michael has said. Indo-Pacific or Indo-Pacific Asia, whatever formula you want to use, is not intended to be a four structured determinant. The policy framework, strategic framework, but it was never intended in usage in the white paper to be effected at turning the structure of our defence force for the simple reason we could never afford that.

QUESTION: I'm with the Institute. In the not impossibility that North Korea succeeds in militarizing a nuclear warhead and puts it on the top of a missile capable of striking Japan, or for that matter Guam, one gets the impression that I can do that, which is just as potent. How long before we start seeing a very strong Japanese population for weapon [inaudible]? What would be the implications for the China/Japan relationship, and indeed for the Japan/America relationship? It doesn't have to be true if you want to be permanent.

PROFESSOR JAMES COTTON: So who is that for, please?

QUESTION: That would be for Hugh and Ric.

PROFESSOR HUGH WHITE: Yes, a very pertinent question. As long as North Korea has no capacity to strike high-value US assets, that's a pretentious way of saying US cities or bases so big that there are lots and lots of Americans in them; in other words, as long as it has no so to speak counter-value capability against the United States, then Japan can remain very confident of US extended nuclear deterrence deterring North Korea. If the bad guy can't hit back, it's not a very high cost option if President Obama or his successors say don't do that or we'll nuke you. As soon as they can nuke back, then it becomes a much more complicated calculation because they can say don't nuke us or we'll nuke you back. So if North Korea builds an intercontinental range system, or if it finds targets within the range of its present systems which are so valuable to the United States, and maybe Guam would fall into that category, though I'm not sure about that myself; to the extent that North Korea doesn't have high value US targets within range, I think the Japanese can and will remain confident of US extended nuclear adherence.

But nonetheless, I believe the issue of race is absolutely central because for Japan what will erode their confidence in US alliance is not North Korea's nuclear capability, but China's. And this is a central issue. One of the—Linda knows so much more about China than I do that I'm ashamed even to say the word China in her presence. But one of the ways, though I'm very hesitant to say, but one of the ways in which I differ from her on this is that I think—this going to come out a bit melodramatic, but I think we're closer to a precipice than she does. And I look at the East China Sea and I ask, what is the risk that a clash between Chinese and Japanese forces produces a situation in which the United States is forced to ask itself the question, do we go to war with China over the Senkakus? Or you might say over our support for Japan and the viability of our alliance with Japan. And that calculation, when the President—if and when the President faces that choice in the situation room, the fact that China has the capacity to put nuclear weapons on the continental United States will be a major factor in his calculation.

Those of us of a certain age are familiar with this problem. We called it the coupling in the old days and it's for real. And I think if I was a Japanese strategic policymaker I would begin to ask myself now whether as China's challenge to Japan gets stronger, and I believe the Japanese believe that that challenge is stark. I think—the Japanese have no sense at all of a stable status quo in Asia. They feel intensely that China's pressure on them is quantitatively different from anything they've faced since the end of the Second World War, and I believe they're right.

It's one of the reasons why I'm more pessimistic about the present trajectory. And for them to work through the ENDD coupling calculation and come to the answer that they've got a shed full of plutonium there and I'm sure plenty of capacity to machine it into needle and spears, that would come very—well, it comes closer to their mind because in the end what's critical is resolve. What prevented America's allies in Europe from doing that during the Cold War was their absolute confidence that the United States regarded defending Western Europe from the Soviet Union as absolutely vital to its interests, and the question is does anything in the Western Pacific today matter enough for the United States to take a nuke on Los Angeles? And in the grand sweep of things, that is a really critical central question. If I was Japanese, I'm not sure I'd be confident of the answer.

RIC SMITH: Well, I think you're right. And as Hugh as elaborated, it's a very complicated equation. The United States can by constantly reassuring the Japanese about its nuclear deterrent handle the matter of a North Korean nuclear strike capacity, but as the Chinese would see it that in reassuring the Japanese on this, the US would be encouraging the Japanese to adventurism; that's the triangle. So the US has to be then on the one hand assuring the

Japanese the deterrent stands, etcetera, and at the same time talking to Beijing and saying and this is all about your little cousins up there, not you. Now, whether that's a realistic dialogue to maintain, I don't know. But I think that's the formula.

PROFESSOR JAMES COTTON: So last question down here. Just very briefly, please.

QUESTION: I'm Philip Peters from the Canberra Branch. All our discussion so far has been predicated on one thing; that China remains together as a united nation. In its very long history, China has blown apart more than once. Even in the last hundred years the fall of the Qing Dynasty, the fall of the successor to the Communists. Will it fall apart? What's the risk? Already we see a division between Taiwan and the mainland. We also see an immensely growing apart between the rich in China benefiting from the economic development, and the poor who are not benefiting. There's also regional differences; many, many dialects. And also, with the fall of communism in Eastern Europe, could this also be a factor in driving China into divisions?

PROFESSOR JAMES COTTON: So, Linda, you've got the last word.

LINDA JAKOBSON: Thank you. Thank you for the question. I'd like to say that the Chinese Communist Party leadership lives in a state of existential anxiety. And a few of my panelists have mentioned the word anxiety. But despite that and despite the enormous problems that China faces, I do not see China in my lifetime, I am fifty-three and plan to live a long time, falling apart. And the reasons are the following: It's a myth to say that the poor are not benefiting. The Communist Party stays in power because everyone is benefiting. Bitterness arises from the fact that the middle class and the rich have A, benefitted first. And B, are benefiting more rapidly than the poor. But even the poor will say that the lives of our children appear to be better than our lives today. So even if it's very slow, the improvement of the poor, the country is moving forward by and large. Even the poor regions are getting slightly better off. It's just a question of the pace and the depth of who is benefiting.

The present leader who will be in power, we think at least, and there's nothing to show that he wouldn't be for ten years, has consolidated power in a way that there's optimism about China facing some of those huge challenges. The ethnic question will be suppressed with fewer brutality, as far as I'm concerned, if any of them try and split up the country. So to answer your precise question, is China going to fall apart; I don't think so.

PROFESSOR JAMES COTTON: Well, I think we've had an exceptionally stimulating session and one's only regret is we couldn't prolong it even

further. But I would like you to join me in congratulating our speakers for some really thoughtful presentation.

Contributing to Global Issues

CHAIR: GRAEME DOBELL: Good afternoon, everyone. I am a journalist and I'm here to help you. I have always worked on the belief that in journalism ignorance is absolutely no barrier to success. I've built a long career on that very thought because, of course, the whole point of being ignorant is being smart enough to go and find smart people who will illuminate for you your ignorance. And we have here four very smart people who are going to do that for us.

More than that, you are also part of the show. After we've had four opening statements, this is going to become a very quick, short version of Q&A and you, the audience, are going to make the running. So as you are hearing these four opening statements I would like you to be thinking about what you're hearing. I want you to thinking not necessarily about what you're hearing, but you'd like to ask, and you can ask it. And as long as it is short, sharp, and interesting, you will get a hearing. And if it is not short, sharp, and interesting, you will be told that we will take that as a comment and move on to the next questioner. So late in the afternoon you have all got to wake up and then we'll have some fun.

Now, we are doing the presentations in the order that they appear in the program. So my three female panelists were of the view that they are here because we are getting the quality towards the end of today's program. And in that sense, Russell Trood will speak first.

DR. RUSSELL TROOD: Thank you very much, Graeme. Well, global issues, ladies and gentlemen, is a kind of cornucopia opportunities to come to the thing that gives you an opportunity for conference libertarianism in a way in terms of choosing the subject that you might like to address. And of course, there are many things on the agenda. I know some of my other panelists will speak to them.

I actually decided to avoid the temptation to weigh into any of these issues. I thought it might be constructive if I said a few things about the actual conduct of foreign policy on the basis that whichever of these global issues we happen to have an interest in, and whichever of them we wish to prosecute in our relation to our broader national interests, or indeed in the wider international interest. Then we're not going to be particularly effective in any event unless

we have some clear idea about how we might go about that and what particular instruments of policy we might use to do so.

So I wanted to say a few quick words about three things, and there are many others one could choose of course; multilateralism, public diplomacy, and the resourcing of the Department of Foreign Affairs and Trade. And my default position here I suppose is that from my personal perspective a foundation of a strong and effective foreign policy generally depends on very strong bilateral relationships. But that said, there are opportunities and indeed a requirement to pay attention to these other mechanisms by which we pursue our interest; the toolbox of the statesman, as Roger Fisher once said.

Let me say a word about multilateralism first. And I'll begin with a proposition that multilateralism is part of Australia's foreign policy DNA. We don't do it to be just good international citizens, or at least I don't think that's taken alone is a good reason to do very much in international affairs. We use multilateralism of course because it's in our national interest to do so. And generally speaking, I think we're pretty good at it. We're effective at coalition building and we are good at cutting our way through complex issues in international negotiations, and when the international community comes to an impasse in relation to certain things. So we have some skills in this which we can effectively build on relation to the 21st Century.

There tends to be a bit of a stereotypical image about governments in this respect I think. Labor is generally thought to be good liberal internationalists and the coalition of course not so good. And I acknowledge the rhetoric on this issue can often be quite different from one another. But I would draw your attention to the new Cotton and Lee Volume in relation to Australia and the United Nations for an indication of the way in which governments of both persuasion over a long period of time have been effectively multilateralists, particularly in relation to the United Nations.

So what will the Abbott Government do here? Well, I was interested of course in Josh Frydenberg's remarks earlier in the day when he talked about pragmatic practical multilateralism. That was an encouraging reassurance in some respects. But whatever its instincts might be, I think there are some realities. There are some constraints in international realities with which any government is confronted, and this government will be confronted. The first, of course, is the reality of globalization and that security and economic interdependence that Michael Wesley spoke about in his remarks today, which demand at least in relation to some issues, a high degree of institutional attention.

The second is that if our foreign policy is in fact Jakarta, not Geneva, then of course the reality is that increasingly our region is highly institutionalized and

that for many of friends and many of our neighbors institutionalized dimensions of the region are important parts of their foreign policy in a way in which they pursue their national interests. So we are obliged, I think, to engage through that mechanism.

The third proposition is, in the short term we have, of course, the government is constrained by two very clear realities. That is to say we already tied into two very important T multilateral institutions, which have always been mentioned; the United Nations Security Council, and of course the G20. I'm happy to talk about the Security Council, but I don't want to say anything further about that now. But I did want to say a word about the G20 because it seems to me this is an enormous challenge and a great opportunity. It's a challenge because hosting a summit it seems to me is a relatively straightforward proposition. Ensuring that it is a success is a far more demanding exercise. It's an opportunity because the G20 needs reenergizing. It needs refocusing. It needs to get back to its core mandate. I think Innes Willox mentioned these sorts of things this morning.

Now to focus on economic growth and financial management, practical outcomes rather than an eleven-page statement at the end of every summit, and greater degrees of accountability; if we were able to achieve that as a result of the Brisbane Summit next year, then the benefits seem to me to be manifold. It will advance Australia's broader national interests. It will reinforce the G20's legitimacy as a part of the international financial architecture, and it will enhance G20's own effectiveness.

On public diplomacy, few countries I think can afford not to employ public diplomacy as an organic part of their foreign policy. We shouldn't have overinflated expectations about the kinds of things that might be achieved through that mechanism. But a country's capacity to be able to shape or to try and influence some of the public perceptions that other countries have of their interests and the way in which they behave seems to me to be a very important foundation of pursuing our international affairs, and it's interesting to reflect on whether or not had we had a more effective public diplomacy our issues with the Indonesia might not be so difficult. And I also reflect on the fact that we use public diplomacy very effectively in India. I think it was 2009 when we had those difficulties over the murder of that student in Melbourne.

But the reality is that we in Australia strikes me—we barely understand the concept and the ways in which it might serve our interests. In 2007 I chaired a senate committee inquiry into public diplomacy, which found that it was underfunded; it was poorly focused and it was ineffectively coordinated between the agencies of government. And sadly I think not much has changed in the interim. There's a nice handbook that the Department of Foreign Affairs

produces on public diplomacy, which I think is actually on the web and you can look at it. But there's little capacity either institutionally or financially to implement many of the good ideas that are actually contained in the handbook.

So in an era of communications revolution where social media is used much more widely, where there are new platforms of getting messages out to the international communities when we've got new technologies, Australia I think is way behind, is lagging seriously in relation to this dimension using this particular tool in the toolbox and we're lacking creativity and we ought to be paying more attention to it.

Finally, DFAT resources, and of course as I speak DFAT is undergoing quite an upheaval as it seeks to consume the AusAID agency, an agency which with a budget of approximately three times the largest of DFAT's and as many again staff; this of course is a substantial undertaking and no one is quite sure where it will end up. I noticed the aid sector has engaged in a lot of gnashing of teeth about this and the fact that as AusAID disappears, Australia's capacity, it is alleged, to deliver an effective aid policy will be diminished if not completely undermined.

I must say, I'm of the school that says you can do good abroad while you also serve the wider national interest, and it seems to me that the merger of these two agencies might actually achieve that. There are two, I think, advantageous outcomes. One is that, apart from the fact that we'll focus foreign policy more clearly; the first is that it will recapitalize DFAT's personnel deficit. And secondly, it will recapitalize DFAT's palace budget. And they strike me as valuable developments. Both are vital because over the last fifteen years DFAT has been on a hiding to nothing in relation to its resourcing. There's been a kind of systematic starving of its budget, but an expectation that it will continue to do much the same things that it has always done through its programs.

Peter Varghese, the secretary who took over last year; he called it not quite accurately in his message to staff when he said we've reached the end of line in relation to that particular magic pudding; if we get less, we do less. That of course is absolutely right. Julie Bishop as foreign minister has encouragingly said made some remarks about DFAT returning to a place of preeminence and that's a very encouraging set of signs. But in the meantime, the cost of these budget cutbacks seem to me—or the budget's austerity has been quite severe. A contraction of our representation abroad, we have the smallest diplomatic network of any of the countries of the G20, and there are some other statistics, which Ric Smith in particular knows. They've secondly downgraded or degraded our ability to provide sustained high level policy advice assessment. And thirdly, it has had a profound impact on the very fine people who staff our

foreign service in relation to morale, promotion, promotion posting; things of that kind.

Now, the merger might fix all of that and that would be a welcome development. But we've got to see how that will all work out. But I have to say that if the result of the merger is just at these two agencies, that AusAID and DFAT will be effectively merged together, that from my perspective will be not enough. I actually think DFAT needs to undergo rather more fundamental management changes. Its business model needs to be reviewed and reformed if it's going to be fit for business in relation to the challenges of the 21st Century, and that may be one of the consequences of this merger, but it's not clear to me at least that it will be.

And finally, I think that if we're going to do a defence white paper, we all certainly ought to be thinking about a new foreign policy white paper, the last of which was in 2003. And if anybody is interested in that I can talk about that later on.

PROFESSOR HILARY CHARLESWORTH: Thanks very much, Graham, and thanks to the Australian Institute of International Affairs for inviting me to speak. I wanted to take international law as my focus for my brief remarks because I think this is—it's not only just because it's my discipline, but also because I think it's so often disregarded in discussions of international affairs. And I think a lot of the discussion today perhaps is illustrative of that.

Australia of course has a long history of involvement in international affairs, going right back to Doc Abbott's engagement, very active engagement, of the Australian Delegation in the San Francisco conference that shaped the UN Charter. And more recently since that time Australian delegations have played really significant roles in shaping major multilateral treaties from areas as diverse as the UN Convention on the Northern Sea to the Statute of the International Criminal Court.

But Australia hasn't often been at the forefront of developing international law. More often I think in discussions it's been seen as the hurdle for our international affairs strategies and we saw this perhaps most memorably ten years ago in the context of the invasion of Iraq when I was very struck as an international lawyer by talk of international law just being seen as an annoying thing that had to be set aside, but was constantly being raised.

I was also struck by the fact that Prime Minister Abbott's statements last week hinted about torture in Sri Lanka when he said difficult things happen in difficult times. I was very struck by the fact that that significant and scripted statement made no reference to the well-established international legal framework about torture to which Australia has subscribed. So over all I think

there's a skepticism about international law within the Australian International Affairs community, and we also see this in Australian politics.

International law is all too often seen through a very realist lens and it's most often—it's really dismissed I think as a potentially valuable arena for diplomacy. So in the spirit, as we've been asked to do, of identifying priorities for new government, I'd like to propose a much more active engagement in international law in its institutions. I have two different suggestions.

I think one step that was taken by the previous government, but I understand to be supported by this government, that's going to turn out to be really significant for Australia's role in international affairs is the nomination of Professor James Crawford, the distinguished Australian international lawyer, for election to the International Court of Justice. Elections are to be held next year and if he were elected he'd take his seat in 2015. This would make James Crawford the first Australian since Sir Percy Spender, who's been mentioned quite a bit today, to actually be elected as a member of the International Court of Justice. And I think that that would have both—that would have a lot of effects, both for the court. I think it would bring a very powerful intellect to the court, but I think that would also perhaps galvanize interests in international or in Australia.

But of course, there are many other institutions to which Australia could nominate candidates and I think governments of both sides of politics have been very, very slow about proposing Australian's to these elections. I'm thinking of all the positions, the special procedures of the Human Rights Council, the special repertoires where there are many distinguished Australians that could be nominated. And also for membership of the UN Human Rights Treaty Bodies; currently there is just one Australian, Professor Ron McCallum, who is playing a wonderful role on the UN Committee on the Rights of Persons with Disabilities. That one idea is simply to make sure that there are more Australians involved in international legal institutions.

But another one, my second one, is a proposal to take advantage of our membership of the Security Council, and of course there's just one more year to run on that, to remote the idea of an international rule of law, to counter the sense of arbitrary and inconsistent action by the Security Council. Now this issue of the rule of law in the Security Council has been given increasing prominence, particularly in the area of targeted sanctions where there have been very serious questions of due process raised; whether it's the Security Council itself is observing the human rights guarantees that are embedded in the UN Charter and then elaborated in a series of treaties. I think Australia is in a terrific position to take such an initiative. There have been moves already, but they haven't really resulted in much. So the idea of really pushing a

statement on the international rule of law rejects the idea of the Security Council as a purely political body and connects it to the UN Charter framework and to international law more generally, particularly international human rights law.

So though we see in recent statements in the Security Council there is a lot of reference to the rule of law. There's been no serious attempt to give it any definition. And I would suggest something that Australia could take on especially for our presidency next year, is the adoption of a presidential statement on the international rule of law, which I think would be a really important step. Presidential statements have become fairly standard practice in the Security Council in the context of improving the council's working methods.

Now, there are some really interesting models for such a statement and I'm thinking here particularly of the UN Secretary-General's '99 Bulletin on the need for UN forces to observe international humanitarian law, and that document offers quite an interesting model. So such a statement I think could provide details of the international obligations that apply to Security Council actions, particularly human rights obligations. Now, of course such a statement doesn't have any firm legal status in itself; it can be easily amended or replaced. But I think it would have a very valuable symbolic and indeed practical value. So I offer these as two very low-cost, high-yield steps that Australia could take to enhance our contribution to global issues generally.

PROFESSOR ROBYN ECKERSLEY: Thank you very much to the Australian Institute of International Affairs for convening this event; there should be more of this kind. Well, I'm going to mention something that so far surprisingly has not been mentioned and I would wager it will emerge as the biggest security challenge of this century and beyond, and that of course is climate change.

Now, at the moment if you add up all the pledges that have been made, we're heading towards a warming of around three-and-a-half to four degrees by century's end. That's not just dangerous climate change; that's catastrophic climate change. We'll be looking at temperatures that have never been experienced in human history. Australia is the twelfth largest economy in the world. In GDP terms, it's part of the G20. We're also in the top twenty of emitters.

In the last couple of decades Australian governments have often emphasized how small our aggregate emissions are, but most countries in the world can say that unless you're China, Russia, US, Germany, India. But Australia is either 14th, 15th, or 16th depending on which gases are measured. So we are a significant emitter in aggregate terms, and of course we're one of the highest

per capita emitters in the world. The UNFCCC's website has recently posted the latest data on emissions growth, and if you don't count land use change and forestry change our emissions have grown approximately 30% since 1990 up until 2012.

So well over two decades of climate negotiations our emissions are growing. Not only that, our dependence on fossil fuels, particularly coal, has grown significantly and we're stepping up exports. One study a year or so back estimated that the emissions associated with our fossil fuel exports are greater than the entire direct emissions of Germany. So clearly Australia has some significant responsibility to discharge. So the question is, how has Australia been tracking in its foreign policy and where is it likely to head in the near future under the change of government?

Well, I'll briefly say something about the previous government, and I'll also say something about the present one because although it's fairly soon in its office I think the signs are fairly clear. There has been—this is one of the most polarized domestic debates that we've seen for a long time, but underlying all of that has been a bipartisan consensus on our unilateral target, which is a -15% cut by 2020 from a 2000 base. Now that's a conditional target. It ramps up to 15% and then to 25% depending on if certain conditions emit. And the Climate Change Authority, which has got a gun at its head, and will probably be abolished before it can discharge its duties, has said the conditions for satisfying a higher ambition have already been met. That said, there is significant variation in both diplomacy and national policy because this is an area where foreign policy and domestic policy are very tightly integrated; and you see that variation between the major parties on fairly predictable lines.

If you look at the Rudd Gillard run government, we saw a significant shift in domestic policy and international diplomacy. We all know Rudd's first act of government was to ratify the Kyoto Protocol. He attended the Copenhagen Meeting in 2009, played a very active role, and particularly pushed hard for climate finance. Australia has also played a significant role in the Cartagena Dialogue for Progressive Action. That's a dialogue of middle and smaller countries reaching across the boundary in developing countries, which really helped to generate the agreement that was reached in Durbin at the end of 2011 to start a new roadmap for a new treaty, legal agreement, or protocol, or agreement with legal force, whatever that means, by 2015 to include all major emitters and to come into force by 2020.

And so the Cartagena Dialogue was something that the EU, which kind of led the diplomacy at that meeting, really helped to build support around that particular platform.

The Gillard Government agreed to ratify the second commitment period of Kyoto. Now that was a crucial decision that was led by the EU, but Australia followed to its credit, because that ratification or that agreement, that commitment to that second commitment period is absolutely crucial for China, the other members of the basic group, and most of the developing world; an absolutely crucial condition precedent for their participating in the 2015 treaty. So although the second commitment period will only cover about 13% of global emissions, one should never underestimate its symbolic importance in removing an obstacle to developing country participation, and no one would disagree with the proposition that China and India and the other major emerging economies have to be part of this agreement.

But as the US Special Envoy, Todd Stern says, it's about math not morality. You can never say that to developing countries. It's clearly about morality and fairness and this is where the biggest stalemate has been. You have the G2 standing before an open door saying, after you; and Australia has largely hid behind that particular standoff. The negatives of the previous government have been what is a very weak target? If you look at—although we've moved forward, the rest of the world has also moved forward. So we stay in a relative lagged position in terms of ambition, which it looks bad because we're in the G20 and for all those reasons I opened with, biggest carbon footprint and very significant aggregate emissions. We can't afford to be seen to have emissions—emission ambition that is that low.

The energy white paper seemed to be considerably at odds with the clean energy future package and all that was promised with that, and that's another area where there's bipartisan support. Energy policy and climate policy are joined at the hip in the European Union and increasingly in other countries, but they're strangely not connected in this country. I think that's a serious problem as well; we continue to provide fossil fuel subsidies.

So where things are at the moment, the negotiations are taking place in Warsaw at the moment and I normally go to these negotiations, but the people that are sending me Tweets and so forth have said how dismayed they are, and some are quite are stunned in disbelief at the backwards steps that are being promised to be taken here in Australia at the moment.

The current government wants to dismantle the mandatory renewable energy target, or rather weaken it. And it wants to dis-enact, if that's a word, pretty much every element of the clean energy future package, which doesn't just mean abolishing the carbon tax, but the entire emissions trading scheme that it was a stepping stone towards, as well as the Climate Change Authority, which is delivering independent advice, as well as the Clean Energy Finance Corporation, which has been quite successful. And its direct action plan

guarantees that it cannot play a role in increasing ambition. Two of the big agenda items in the negotiations leading up to 2015 are to close the ambition gap, to raise pre-2020 ambition, and to step up post-2020 ambition for the new 2015 agreement, which won't come into effect until 2020. But this government has largely ruled itself out in doing that. It didn't attend, there's no minister or representation in Warsaw. Ban Ki-moon has set up a high level summit for around September next year, which is really trying to galvanize negotiations for the next meeting in Lima and Peru, leading up to Paris in 2015 where the treaty or agreement, legal force, or protocol will hopefully be signed.

So what will this do for Australia's reputation in the region? And also for Australia, we're one of the most vulnerable to climate change of all the OECD countries and we're living in one of the most vulnerable regions. Typhoon Haiyan was an issue of huge attention in the first week of the climate negotiations last week where the Filipino broke down in tears and it was the big news story. We worry about stopping the boats, but climate change is expected to unleash the biggest movement of people in human history by century's end. It doesn't seem that Australia has a very farsighted view in this particular area, so I really wonder what will people think of Australia's reputation?

ERIKA FELLER: Well, thank you very much for giving me the floor, and thank you also to the Australian Institution of International Affairs for having invited me to participate in this panel. I have found this meeting throughout from the beginning of the day to now a fascinating learning experience for me. It's been a re-acquaintance with the sorts of issues that are high on the Australian Foreign Policy Agenda. These are issues which I must say have for me taken on over the last twenty-six years or so that I've been working with the United Nations in Geneva a certain relativity and coming back to them and seeing the focuses that I remember of old and being reacquainted with these focuses; it's interesting to me that they are still some of the central considerations for Australia as it develops its foreign policy.

I was rather surprised, I must say, in the course of this discussion and it's leading me to deviate a little bit from the notes that I jotted down last night as to where I wanted to go with this discussion. Of course, I will return to refugees because I'm sure that's what you all expect me to talk about and the boat people issue in particular for Australia. But before I get there I just want to say one thing that has really struck me about the debate from now until— from the morning until now, and that is the almost absence of reference to countries which are of very, very high concern when it comes to the movement of people, when it comes to refugee generating issues, and when it comes to source countries for people who are actually turning up here on Australia's shores, with one or two exceptions. Sri Lanka is one. There has been quite an

absence of reference to countries that have been the absolute central focus on the international refugee agenda for many years. Countries like Afghanistan, like Pakistan, like Iraq, like Iran, and very, very centrally, Syria as well. And I was prompted to, but didn't, to ask questions of earlier speakers about the extent to which what is happening in the Middle East. For example, what is happening in Syria today; what that region has gone through in terms of the Arab Spring. What implications that has had for directions in Australia Foreign Policy changing direction.

If I just look at a document, which was very recently released, in fact a day or so ago by UNHCR, the high commissioner for refugees; looking at asylum trends, it suggests that the number of asylum claims that are going to be submitted in the 44 industrialized countries for the whole of 2013 may reach more than 550,000 claims and that would be the highest number in more than a decade, and Australia is one of the countries that is very directly implicated in this. If I look at the source countries, and this goes back to my point that I was just making, the Russian Federation was the most important source country of asylum seekers in the 44 industrialized countries, followed by the Syrian Arab Republic, Afghanistan, Serbia, and Pakistan. There is also a reference here to Burma as also generating large numbers of people on the move, displacement, and asylum claims.

I think very few of these countries have actually been mentioned in the discussions today and I would put that back to you provocatively since this is supposed to be an interactive provocative discussion as to why that is that in this country the boat people issue, the asylum issue is such a divisive one. It has such a high profile and yet when it comes to making a priority for our foreign policy, our defence policies, our strategic directions, countries which generate refugee flows, generate asylum seekers, are very low actually it seems from the discussion to this point on the foreign policy objective. So that was a deviation for what I wanted to say.

I wanted to begin by apologizing. Being the last speaker, you really have had a full day of discussions and you don't want people talking at you too much longer. So I will try and stick very much to the deal that we only talk for sort of five plus—I take the plus a bit liberally, five plus minutes. I also want to confess my bias, as I said, as somebody who has been working with issues related to boat arrivals, which I want to talk about in varying context in a number of countries over many years, but always from the global and the humanitarian standpoint rather than from the standpoint of any particular national interest. I acknowledge my newcomer status here when it comes to fully understanding or being on top of all the recent twists and turns in the Australian policy, policy of previous government, and the policy of the current government.

I was tempted actually to try and categorize these twists and turns so that I could understand them better and respond to them. And the best I could come up with, and this shouldn't be taken amiss by any of you, was to equate them at least superficially with that game of my childhood, Snakes and Ladders, which some of you I'm sure will remember. There have been ladders in Australian asylum policy over many years. It's gone up to a number of very important heights. Australia has of course been one of the earlier signatories to the 1951 Refugee Convention. It's been a major donor to international efforts in spite of the Jakarta not Geneva phrase. It has been a major donor to UNHCR. Some \$48 million were contributed to that organization in 2012, and additional millions have come actually out of the pocket of civil society in Australia. So that's been an extremely welcome support for refugee protection globally. And of course it is one of the big three resettlement countries with excellent standards of settlement services in this country.

So these are some of the ladders that policy has risen to over a number of years. But there's also been a lot of slides backwards down the snakes, if I can stick to that analogy; declared intent to roll back again the resettlement intake, the heightened focus on stopping the boats. I guess that's what S the Boats mean; it took us a long time in Geneva to try and understand what that S without any other letters attached meant, but I guess it means stopping the boats; and reversion to offshore solutions, which are not really solutions at all at least for the people. And I hear—the men, the women, and the children, and the families who are confined to what has become sort of indefinite detention-like situation on remote islands without really access to processes their situation might warrant or might deserve. So these are some of the ladders in this game of Snakes and Ladders.

I was recently asked to prepare a written piece about the asylum policy, and it will shortly be published. I won't bore by going into all the ins and outs of what I have written in that piece, but it did help me consolidate my thinking about asylum policy in Australia against this sort of background of ups and downs and Australia's very, very solid reputation over many years as a refugee protection supporter. In short, what I have said in the piece, and maybe this is one way to round a lot of this up, is that I suggest that investment in policies of deterrents, keeping out the boats, as the preferred solution. Not one of many, but is the preferred solution to the real challenges, which irregular boat arrivals do pose for a state. And Australia does have a problem like many other states who have to deal with irregular boat arrivals, but this investment in deterrents in my view is doomed to failure. I do not believe it will resolve the issue and this is because the boat problem is a complex, it's a multifaceted problem with a context internationally and regionally, not just locally, which renders solving this problem now, an over ambitious goal.

There's been a lot of talk about solutions and a lot of talk about deterrents as the solution. I suggest in this piece that more realistically states should be developing better management strategies. They shouldn't be trying to solve a problem which is not really soluble at this point, but they should be looking to better manage it in a more robust and more holistic and a more compassionate way. I say states because other states of course are confronted by a similar sort of problem as Australia and have gone through the ups and downs of thinking, and have turned much more to management rather than solutions of the problem as the current way to go.

I would suggest that managing the problem will only work if it takes into account the very different facets of this problem. And I would suggest these facets might resolve down to the following: Firstly, boat arrivals, whatever else they may be, are a serious humanitarian concern. Many people are on these boats. Some of them are asylum seekers and some of them are not. Some of them are refugees. Some of them are not. Some of them are desperate migrants and some of them are not. These boats carry a multiplicity of people leaving for a great variety of reasons; but whatever they are, they're people. They're people with rights. They're people in humanitarian distress. And they're people who are deserving of a response which is fully conditioned on the humanitarian needs, not only as definitions as to who or who not they might be. That's one thing that I think any management strategy has to fully reflect; the humanitarian element of this problem.

Secondly, I would suggest that the boat problem has a very important international dimension which connects many states, both to the problem and to the search for solutions. It is not a problem which belongs to any one country alone or any one region alone. And it calls absolutely for greater international cooperation around search and rescue, but around sharing the burdens and responsibilities that this issue gives rise to. So the fact that it is an international problem deserving of a coordinated international response is another feature which has to be built in, I would suggest, into the management strategy.

Thirdly, and this is sometimes overlooked, the forces that drive people onto the boats lay as much in the conditions in the countries of first asylum or first stopover as they do in the countries of origin. People will stop in countries and they will be very largely countries in the developing world which have their own difficulties, their own security concerns, their own inability to respond fully to the needs of these people who present themselves on their territory. And therefore, I have to say this, there is no wonder that there is no orderly queuing for departure when you see the kind of circumstances that exist in the first countries of arrival.

Fourthly, the problem is undeniably a law and order issue. Clearly it has this transnational crime element, its people smuggling element, which is a very serious one and it needs to be resolutely dealt with. But this transnational crime issue is also a very deeply rooted problem with diverse tentacles everywhere. It's not just the people smugglers. There's a huge enterprise built on people smuggling and this enterprise implicates not just the organizers of the boats, and not just the people on the boats, but their family members. It implicates a whole range of middle men or middle people in this process; from those who forge the passports, to those who bribe the border guards, etcetera. So that destroying a business model of this sort, which is one of the clearly stated objectives I think of the current government, is really a very tall order given the diversity of tentacles that are there deeply embedded in this people smuggling problem.

Fifthly, the boat arrivals is a very vexing and contested legal issue and I'm very glad that Hilary put on the agenda international law and the role it plays. But I want to say this, there are many things one could talk about here of human rights instruments and how they link, etcetera, but I don't want to go into that. I do want to say, however, I have read a number of articles by so-called experts, people who say that the root of the legal problem lies in the terms of the 1951 Refugee Convention. I want to say that is patently false. That is incorrect. It rests on a wrong understanding both of the text of the 1951 Refugee Convention, and of its objects and purposes. That convention was never drafted as a migration control instrument. It does not have in it the sorts of provisions that have stated it does. It doesn't deal per say and specifically with a group of people called asylum seekers. It doesn't require solutions to be offered in a particular country according to particular rules, etcetera. It's a very flexible instrument and it is wrong to hold—to put at the door of the convention policy failures in any one country to deal with this mixed asylum and migration problem.

Finally, boat departures have always been a safety valve for the persecuted; always been a safety valve for the downtrodden in the world. They are symptomatic of a much deeper malaise, which variously afflicts the societies from which the people come and the societies through which they pass. The root problem is the malaise and the boats will continue as long as the root causes of departures remain unaddressed. And that brings me back to where I began all of this. The root causes of departures lie in these sorts of countries and—that I mentioned earlier, that's come out in this asylum trans-issue and to really effectively address this boat problem, one has to look at these countries and make them a priority as well; a foreign policy priority, a development aid priority, a humanitarian and human rights promotion and protection priority.

There are a number of other things that I could say. I won't at this point because I'm sure I've already exceeded my time. But I also want to just draw attention to the fact that it's not about reinventing the wheel addressing this problem; there's no need to reinvent the wheel. There's been a lot of thought given to it in many countries around the world and a lot of thought given to it in Geneva as well. There are tools out there and those tools if they were more resolutely applied, those tools if they were more seriously put into effect in a broader burden-sharing/responsibility-sharing context would have as much chance of really making an important dent on this problem as a policy, in fact more chance of a policy of deterrence. And so I really counsel the Australia authorities very strongly to look at what's out there, make more use of it, and do it in a cooperative and burden-sharing framework.

I won't talk about the Barley Process, but it comes up a lot. And for those who are interested in it, we can. I've been to all of the Barley meetings at ministerial level bar one, and I have seen the evolution of that process. I've seen the promises of that process as a forum for really making a difference on the boat people issue. And my final comment is that that process is waiting to be more effectively used. There is a lot of promise out there, but there has not been so much follow-up on the promise.

GRAEME DOBELL: Okay. We're going to take a series of questions. Partly this is going to be laissez faire; if you can lay your hands on the microphone, you'll get a chance. Now, I'm going try and kick it off with Gavin over there, and then in front of him it will be Allan Gyngell and on this side here, and then you can start leaping on the microphone as it passes you. So, Gavin, your time starts now.

QUESTION: Gavin Mount, UNSW Canberra. The common theme that has emerged out of the day, but also at some of the recommendations at the end of here, is that we are looking at levels of strategic ambiguity. It's a challenge for a lot of the speakers that have stated priorities. But we haven't spoken a great deal about personnel. I think about the defence personnel, for example, who are out there doing this difficult management task and the people who are out there negotiating on climate change, and so on. The question specific is, what do we do in universities and in our bureaucracy to train our personnel to have these skills? What are we doing right? And what could we do better?

GRAEME DOBELL: Good question. Okay, Allan Gyngell in front there?

QUESTION: Really listening to the other three speakers describing what I think Erika said was sort of complex and multi functioned elements of the issues they were talking about, draws me back to Russell. Russell made a proposal that Australia should have a new foreign policy white paper. I'm all in favor of foreign policy, as you'll hear when I speak next. But I'm hugely skeptical that

that would go anywhere near addressing all the issues that were raised by the other panelists. I can see reasons for a defence white paper. Governments need to sit out for structure and all of that, but foreign policy is such a nuanced iterate of prices that I'm hard pressed to see what can come out of other than statements of the bleeding obviously or hostages to fortune. The best example of this of course was the Howard Government's first foreign policy white paper, which was issued months before the Asian Financial Crisis rendered it largely irrelevant.

JUNE: [inaudible-off mic]

GRAEME DOBELL: Thank you, June. Back here?

QUESTION: Stewart. I'm a law student at ANU. My question is primarily for Professor Charlesworth. Do you think that Australia or any nation for that matter could be liable under international law or perhaps James Crawford's version of the rules of state responsibility for trans-boundary harm caused by climate change? And secondly, does that really matter for Australia foreign policy?

GRAEME DOBELL: And then down to Ian down in the front. Because of the Abbott Government, I think we're getting a lot from the right. So you on the left are going to have to lift your game.

QUESTION: Ian, Australian Institution of International Affairs. We're talking about future foreign policy priorities. Can the panel address the issue of what do you see as the major vulnerabilities that we face given current priorities and what those changes should be in the future so we can retain our influence globally and regionally?

GRAEME DOBELL: And one of my bosses, Anthony Bergen. Come on, Anthony. You've got a strong voice, come on.

QUESTION: [off mic] Anthony Bergen from [inaudible] to Russell. If you were writing out a strategy for [inaudible] former colleagues, what areas and what issues would you stress since it's the respective for a multilateral strategy for our foreign policy?

GRAEME DOBELL: There we are; there's a good start. Hilary, one specifically for you, and then --

PROFESSOR HILARY CHARLESWORTH: Thanks for that question. As you're probably aware, being a good law student. The question of liability for transnational boundary harm is a very contentious one. In fact, there was a case before the International Court of Justice which we thought might shed some light on this, but it was actually settled between Ecuador and Columbia,

so we're all waiting for that but then the parties actually agreed on it. I mean the short answer is yes. I mean it's a technical issue and it depends on the circumstances, but I think that there certainly are—I think there are certainly international legal principles that would make this possible to formulate a claim in terms of state responsibility; so, yes. I do think that, but it's a complicated answer that I won't try now.

GRAEME DOBELL: Now, Russell, a couple of curly ones for you. Defend yourself.

DR. RUSSELL TROOD: Yes, Alan's good point. Alan, I wasn't unconscious of the fact that the 1997, I think it was, white paper had precisely that consequence that it came out and I think three months later the Asian Financial Crisis occurred, and of course these are the hazards, but similar things could have happened with a defence white paper at any single time I would have thought. But I think the arguments, to my mind, they're reasonably straightforward. I don't see why you should be any less clear about the statements of your foreign policy than you should be about your defence policy. And the point that Ric Smith made earlier about the fact that foreign policy and defence policy ought to be connected is an important one. So if we're going to do a new defence policy, a new defence white paper, then I think we should be thinking about the foreign policy dimensions of that.

I also think that this is clearly a new government with new kinds of priorities and frankly during the course of the election campaign there weren't many statements about the direction of Australian foreign policy during that period of time. So I think there is a necessity for clarity. Particularly, is there a necessity for clarity in the context of this merger that's taking place and precisely what that's going to mean for the direction of our foreign policy. Now, we can all speculate about those kinds of things and what it's going to need for aid policy, for example, but I think the government needs to spell out more clearly what the consequences of that merger are going to be for the way in which we deliver aid and indeed which particular regions of the world are going to be the primary recipients of aid.

I also think—someone made the point earlier; it might have been Alexander, about you need a broad strategy in which events take place. And I acknowledge the dangers of having strategies, but I actually think it's an important thing to have a plan about how you look at the world, etcetera. And finally, I'd make the point that this is a personal but slightly partisan, but I actually think there are a lot of conceptual confusions from the documents that were produced, and I don't mean any personal disrespect for you because I know you had no help with those, but some conceptual confusions about some of the documents that the previous government produced in relation to it;

regions of focus whether we're talking Indo-Pacific or Asia-Pacific, for example, and what the consequence of those focuses are, or foci are, in relation to our foreign policy focus. This seems to me a long list of reasons why you might want to do this, allowing that there are dangers and this can be a fraught kind of exercise.

And maybe I can just take up this point in relation to aid. Look, aid has been growing we've been trying to reach that point seven international norm, although there was a general agreement across parties that we are going to reach point five of our GDP. But the greater danger to the development policy to my mind is not so much the merger of the two agencies. It's the fact that we've made decisions about cutting back the level of our aid, so the quantum of aid before the merger was even contemplated. The previous government cutback I think in two steps, the level of its developmental aid, and of course there was a decision in relation to cutting back the developmental aid in the first place. So they were already in the system. There was already in a system a determination to cut back the quantity of aid and that seems to me to be almost as important a factor in relation to merger. But I actually don't think it's a bad idea for us to be clear and I don't think it's an inconsistent idea with conducting a developmental aid policy, and that you also do it consistent with your foreign policy.

As I said during my remarks, I actually think you can pursue your national interests while doing good things abroad. And I'd also say I think that in relation to the idea of aid; the idea that aid is just about giving money to places to developing countries or to appropriately recipient countries is an idea which is an old idea about aid now. But more important ideas about aid I think revolve around the way in which aid is delivered in relation to contributing to economic growth through partnerships and things of that kind, building into trade structures. I'm not an expert on aid by any means, but I do know that the world of aid and the world of aid delivery is changing quite significantly and it doesn't necessarily depend on the quantum of aid.

PROFESSOR ROBYN ECKERSLEY: I'd just like to quickly comment to the legal question. One of the new negotiations that started last year at Doha and Qatar in the International Climate Negotiations were negotiations on loss and damage. And the agreement there was to set up an international mechanism for loss and damage. Now that's being beaten out at the moment and the lines are already—different states are lining up around different positions. The US is very clear about not wanting the word liability to appear anywhere. But the most vulnerable states are clearly wanting something like that, so it will be interesting to see how that cashes out.

Regarding the more general question about vulnerability, whatever vulnerabilities we face in the world today, many of those are going to be exacerbated with global warming, and that's why security experts describe climate change as a threat multiplier. The biggest issues are the most basic ones; food and water. The bread baskets of the world will shrink and move. And the net effect of the growing population is escalating food prices. Now, we know that the French Revolution was set off with the price of bread, and there's now a number of articles out there saying that the Arab Spring was related, you can say caused, related, linked to massive drop in the Russian grain harvest due to temperature changes, and that led to the increase in the price of bread and that was one of the things that triggered the Arab Springs. So again, you would never say it caused, but it just exacerbates preexisting problems.

Massive loss of biodiversity, fisheries, considerable threats to human mortality and mobility; all sorts of issues to do with—well, damage to coasts and critical infrastructure. The list is huge and so whatever your environmental problem, it's a lost cause if you don't deal with the environment with global warming. So they are the big multiplying vulnerabilities that are shaping up over this century and beyond. Sea level rise is expected to be only around 80 centimeters by century's end. But it will continue to go up to 7 meters, up to 7 meters on current—the current trajectory of three-and-a-half to four degrees. So I'm surprised why our government doesn't take these very seriously in its recent white papers, although the UK white papers, the Pentagon; they're all taking this very seriously. The Pentagon is extremely risk-averse and is factoring all this in now. The Department of Defence in the US is seeing addressing climate change as a force multiplier. It's the biggest single user of electricity in the US. It's got the biggest single carbon boot print of military in the world and it's rapidly addressing that. New aircraft are now flying on biofuel. It's actually moving really fast, way ahead of Congress, which is really interesting. Our defence forces are catching up with this though, which is encouraging.

GRAEME DOBELL: Erika, welcome back to Canberra, which is claiming, which is claiming that it is going to be more Jakarta than Geneva. I was actually tempted to ask you whether you've --

ERIKA FELLER: Well, I mean Geneva has come to you, I'm afraid.

GRAEME DOBELL: I was going to ask you whether you read any of Frank [inaudible] on either theory, but perhaps that's something for another day. Your perspective, please?

ERIKA FELLER: I think there's a couple of questions I'd like to comment on. The first is the question that was raised about what are the major

vulnerabilities with regard to current foreign policy priorities. Obviously I can't comment on that in any holistic way; it's not my area of expertise or experience. But I can suggest in my view that a major vulnerability is to take too limited a view on the nature of this asylum issue and try and address it in a two-national unilateral manner. I mean if you just look at the statistics, they are overwhelming. There are some forty-three million or close to forty-four million people out there now who are displaced in one way or another, either as refugees or internally, increasingly internally inside their own countries and/or have the additional vulnerability of being people who are stateless without any effective nationality at all. That's a very large pool of people who potentially will be looking to better their lot in life by moving on from very unsatisfactory circumstances where they currently are.

I think that in itself, this whole sort of potential for major people movement, is very, very much there and needs to have a certain heightened focus, I would suggest, in the priorities of any—and foreign policy priorities of any government. Certainly it's an appreciation which has grown very much in Europe over recent times and is being responded to in a number of policy response manners. And when you think that that's the current situation, but what you see or what you see if you look at it from the perspective of an organization like UNHCR Worldwide, is you see violence, persecution multiplying. You see large displacement crisis of recent years, which have far exceeded the capacity of the international community to respond to; Somalia, Sudan, Syria, or even closer to home, Myanmar is one. You see that old crises don't die unfortunately. They just become very protracted. I'm talking about Afghanistan, Iraq, or the Democratic Republic of the Congo, for example.

You see the new drivers of displacement, climate change or the associated elements, elements associated with it such as slow onslaught, drought, desertification, etcetera, which all have the capacity to move even more people. You see as a general rule currently more than 80% of those displaced are hosted in regions close to where they have been displaced in increasingly unsatisfactory situations in countries struggling to meet the needs of their own citizens. Again, it's no wonder that people move on. You see the number of orderly places available for resettlement around the world very, very limited in spite of this concept that resettlement or this preference in some places for resettlement as the place of arrival. You see the resettlement places today accommodate less than or just around about 1% of the needs out there. If we were to go down the resettlement line as the way that people should be allowed into their countries, that's a very alarming inadequacy in that regard.

You see the fact that many refugees or people displaced are living displacement situations now for five years is a classic definition of what is a protracted situation, but you see people living them in decades, you see;

children born in displacement, children's children born in displacement. And the fact that donor governments or the international community has not placed a priority on dealing with protracted refugee situations; it's just not high on the international agenda. It doesn't capture the attention of the international media in the same way as sort of immediate emergency crisis do and this just perpetuates the problem and has led to a large amount of what's called irregular secondary movement. So these are the sorts of things that I would suggest need to be factored in very much into the policies of any government concerned about the impact of people movement on the security and the stability of their particular countries.

And finally, I'd like to say on that one thing that's become patently clear over recent years, if it wasn't clear earlier, is that refugee status is a much sought after status. It's become a big business. Not just for the people smugglers, but for many others as well. And that's one of the reasons why an organization like UNHCR has become actively albeit rather cautiously involved in counterterrorism discussions. I addressed, for example, a counterterrorism committee in New York precisely to understand better some with states some of the dangers in not managing properly the people movement issue through procedures which are responsive not only to refugee status, but also to other elements inherent in quite often some status claims.

So it is a big issue. It's a big foreign policy issue. It's a peace and security issue, people movement, and I believe it needs a much more intensified focus. So that's what I would suggest in terms of major vulnerability would be a too parochial approach to the potential for people movement and the way people movement needs to be responded to.

Another question was raised about universities and how to make universities more directly relevant, as I'm paraphrasing the question a little bit; more directly relevant to issues on the foreign policy agenda. What to do, how to train students. One of the things that I have noticed in my years in the United Nations is that Australia is not as engaged as many other countries increasingly are in trying to bring their staff. And I think you mentioned this, Hilary, trying to bring their staff into United Nations bodies—not their staff; trying to bring their people, trying to get more Australians in the system. And when I think about universities and I give you an example of UNHCR, UNHCR has memoranda of understandings with a number of universities in the United States and elsewhere in Europe, for example, which provides specific placement opportunities for students for periods of time, which brings students into the workforce with some subsidization from the universities over summer vacations, etcetera. And I think this exchange or this exposure of students to international issues that organizations and agencies like UNHCR work with is an extremely valuable hands-on evidence-based training, which

should be actually more actively pursued by universities in this part of the world.

GRAEME DOBELL: Final thoughts.

DR. RUSSELL TROOD: I wanted to answer Anthony's question. There were a couple of others that I didn't get to. I don't actually think you develop a multilateral strategy because multilateralism is an instrument of policy of course, so the important thing is that you identify policy priorities whatever they might be, and then make decisions about the best way to pursue those policy priorities. The case I'm making in relation to multilateralism is that it ought to be part of the mix of the way in which you might achieve particular policy objectives rather than saying about the multilateralism in a white paper, for example.

And on the matter of vulnerabilities, I guess I have a list of four, two of which are global and two of which are local. The global one really focuses around the global economy and whether or not we can actually reenergize the global economy effectively and the inability of the European Union or Europe generally to kick-start its economy and recover from the consequences. The global financial crisis seems to me a vulnerability for all of us. The second wider global issue is the issue in relation to the fallout of the way in which the Muslim world is tearing itself apart at the moment, and the way in which that's affect—have wider consequences around the globe. And locally or regionally, the point that Hugh White made and others have made during the day about the relationship between China and United States seems to me fundamentally important to Australia and could create vulnerabilities for us.

And the second one in the regional area is the outcomes of the Indonesian election next year. We have been very fortunate in my mind having a president of Indonesia in SBY who has been very sympathetic to Australia's interests in a way in which perhaps has been unusual. There is potential that the results of the election next year will not deliver that kind of individual in the presidential palace in Jakarta and that could be a real issue for us, a real challenge and a real vulnerability.

PROFESSOR HILARY CHARLESWORTH: Well, I'd just like to end with some thoughts. I think the discussion today, which has been intensely interesting over all the panels and discussions I've listened to. I think that we've conceived our engagement with international affairs generally with some major exceptions, but in very limited ways. And what I've heard would make me say that one thing is we're thinking about the next twenty years leading up to this centenary of this very august institution.

I think it's really important for all of us in our different arenas to try to face I think the narrowness of our engagement with particular areas; so we're very good at the moment on bilateral trade agreements, for example, but I think other areas are being forsaken, so to face our ambivalence in this area. And my wish I suppose is that the institute can encourage Australia and the Australian government to be a lot more ambitious in the range of activities it engages with.

PROFESSOR ROBYN ECKERSLEY: I'd actually like to follow in that vein. We've heard a lot about the national interests today, but we know that national interest is an empty signifier. It's a question-begging term. It's a vessel into which you pour certain interests. They can be narrow. They can be enlarged. And the virtues of multilateralism is it constrains the powerful, it empowers the weak, it's rule-based, it provides consistency and predictability. And that's why we have a process, a multilateral process in climate change. So I just wanted to finish briefly by talking about different types of conditional cooperation. I think this might be generalizable beyond the climate change case, which I'm obviously obsessed with. At one end of the spectrum you can have very low weekly ambitious unilateral targets with conditional cooperation based on the satisfaction of very stringent criteria. That's pretty much where Australia sits.

At the end of the spectrum you can have quite ambitious unilateral action with more reasonable conditions for others to follow where you'll increase that ambition, and that's been generally the EU. Now when you have a massive collective action problem like climate change, the only way you can break that classic impasse is through leadership. And so the type of conditional cooperation that's most likely to do that, which has a small element of risk, is the EU diplomacy type; whereas the other end of the spectrum, a kind of laggard's approach, is in fact a much higher risk game because you will then make climate change a fait de complet.

GRAEME DOBELL: Laggards to finally Snakes and Ladders. Erika? You get the ladder at the end. You get the final word.

ERIKA FELLER: Oh, the absolute last word. I thought you must be bored listening to me.

GRAEME DOBELL: I'm using your metaphor against you.

ERIKA FELLER: Well, I don't think I have very much more to add to what I have had to say. I tend to agree with the comment that was just made by the last two panelists about the need to think more broadly about the sorts of issues that should be on our current agenda. I was asking myself rather esoteric questions earlier on today about the Westphalian system of

government and whether we're still locked in this Westphalian approach where sovereignty is fundamental and the ultimate determinant of our foreign policy objectives.

I've been living in a world where people talk now about global spaces. They talk global commons. They talk about space. They talk about the seas. They talk about issues which are on the common agenda of a multiplicity of states, and they talk about them as issues which are increasingly overtaking the more unilateral or bilateral issues, which have traditionally dominated foreign policy consideration. And I do believe that we need to be sure as a nation, as people who contribute to the thinking of this country as to where its direction should go. We need to be sure that we are not looking too parochially at things. That we've really into not necessarily the post-Westphalian Age; I don't want to get into this international relations debate. But that we are really looking at the kind of challenges that should be challenges that we are prepared to engaged with not only for the benefit of mankind, but very seriously also for the benefit of a country like Australia which has an important role to play and a place in a more globalized world.

GRAEME DOBELL: Thank you to our four speakers.

AIIA Fellowship Awards 2013

MELISSA CONLEY TYLER: So my name is Melissa Conley Tyler. I'm the National Executive Director of the Australian Institute of International Affairs, and we've come to the final session of the day of what have been, I think, an intellectually rich day. To draw together the threads of what we've heard about today, we have as a final speaker Allan Gyngell, former director general of the Office of National Assessments and founding director of the Lowy Institute for International Policy. But before I ask him to speak, I'm going to ask the AIIA's Tasmania President, Emeritus Professor Peter Boyce, to celebrate something that we have today.

So in the speakers and chairs you've had today, three of the AIIA's newly appointed fellows; Erika Feller, James Cotton, and Tony Walker. So, Erika, don't go very far. We're going to need you in a second. Thank you, Peter.

PETER BOYCE: Thank you, Melissa. It's a very short but quite important ceremony. It won't take more than a minute or two. But its significance far outweighs the time that it will take to complete the proceedings.

In 2008, five years ago, the Australian Institute of International Affairs launched a fellows program to honor distinguished contributors to Australian involvement in international affairs not simply for service to the institute itself,

but for service to Australian foreign policy more generally and indeed to international affairs more generally.

Each year since then the institute has selected, I think, eight fellows. And we are lucky today in that for this year's awards we happen to have three who have just been selected. So as Melissa already signaled, we need to have on the stage for the moment James Cotton, Erika Feller, and Tony Walker. I hope they're all here. I don't really need to highlight their biographical distinction because you have the information that you'll need I think in your folders and we've already heard from all three of these distinguished inductable fellows

So yeah, I guess that in a legal sense they've now been installed; is that correct? If they don't come forward then they can't really regard themselves as legitimate. So in no particular order, but I think perhaps ladies first, Erika, for your distinguished service through United Nations High Commissioner for Refugees as the [inaudible]. We do install you as a fellow of the Australian Institute of International Affairs.

ERIKA FELLER: Thank you very much. I'm very honored.

PETER BOYCE: Not only for your great contribution to international journalism, and particularly to Australia's interest within the newspaper that you've been writing with such distinction, the AFR, we install you as a fellow of the Australian Institute of International Affairs.

TONY WALKER: Like Erika, I'm greatly honored. Thank you.

PETER BOYCE: And my old friend, James, who I've seen a bit of today. Thank you very much for your contribution. I'm more familiar I suppose with James' contributions because he's a fellow academic and he's been writing with great distinction and with great productivity actually over the past twenty-odd years. And I've had the honor of reading almost everything he's published in those years, so I can say with some conviction that he's a very deserving candidate. James, we install you as a fellow of the Australian Institute of International Affairs.

JAMES COTTON: Thank you so much.

MELISSA CONLEY TYLER: Thank you very much. And if I can thank Peter very much not just for this, but for his revitalization of AIIA in Tasmania; thank you. So if I can now call on Allan for his closing remarks.

Concluding Remarks

ALLAN GYNGELL: Well, thank you very much, Melissa. It's a really great pleasure to be here for the 80th Anniversary Conference of the AIIA. As a high school student Melbourne in the early 1960's, I used to go along to meetings of the institute at the dusty old offices in Swanson Street and hear people talk about the world and that was really important in my growing conviction that this was the issue on which I wanted to spend my career. And then a year or so later I turned up at Melbourne University where one of the founders of the institute, William Macmahon Ball was my first teacher of international relations, so thank you to the AIIA and Happy Birthday.

I want to use this last slot to return to the broad theme of the conference, foreign policy priorities for Australia. I want to argue first that foreign policy in Australia has traditionally taken the second place as a way of thinking about the world to security and defence policy and that that will need to change. And secondly, that the three elements that have provided the core of a broadly bipartisan foreign policy consensus in Australia are about to become much more difficult to manage.

I should begin by saying that by foreign policy I don't mean grand strategy whether or not it's formally articulated or by the way in which states determine their broad aims in the world; I don't mean that. And I don't mean the diplomacy, which is the method by which policy is implemented. I mean the thing in between; the policy decisions made by governments to advance their interests and to protect their values in the messy contingent environment of the international system. It's the way we respond to and shape particular outcomes in the world.

There's something about foreign policy that has always made Australians slightly uncomfortable, I think. That's not to say that we don't have a very good foreign ministry and a long and distinctive tradition of diplomacy, which I've spoken about before. It's not to say that we haven't had creative foreign ministers or made our mark on the world. But the ceaselessly interactive process of foreign policy, the adjustments and compromises it requires, the close attention it demands, its backroom dimensions, its unheroic nature don't sit easily with us. Defence and security policy has been much more central to Australians sense of ourselves in the world. History of course has had a lot to do with that.

Australia was late coming to foreign policy for most of the tens of thousands of years of human settlement on this continent; rising sea levels cut us off from our neighbors, and that's important because it meant that the gradual growth of a process for dealing with and managing strangers, adversaries, traders, that was necessary if you found yourself plumped in the middle of the Yellow River

Valley or Ancient Greece was largely irrelevant here. The post 18th Century [inaudible] trade with McKessa was our first real engagement with our neighbors. Then with the arrival of the British quite late in the process of European colonization, Australia became a relatively small part of a much broader imperial policy whose outlines were determined in London.

Throughout our modern history the central question facing Australians has been how to secure this audacious claim by a small population to a large continent many thousands of kilometers from the societies from which most of us had come and the markets for our products. It's always seemed to me that the primal Australian fear has never been the fear of foreign entanglements that preoccupied the American founding fathers. For us the primal fear has been the fear of abandonment. There's something remarkable about the overwhelming absence of any lasting tradition of isolationism in Australia, and in some ways it would be a very sensible view for people located where we are to take. But in contrast, for example, to neighboring New Zealand, which is also interesting, we've always seen our securities linked to the global balance of power. That's meant that the main means by which we address the fear of abandonment was by integrating ourselves as closely as we could into the broader fabric of imperial policy and later into the US Alliance, of course.

Alliance management has been a central tool, policy tool of all Australian governments. We had in this sense a security policy well before we had a foreign policy. Even compared with the other dominions of the empire, we were late in permitting ourselves to take responsibility for our own future. We'd engage with the world of course; the huge national sacrifice of the First World War was evidence of that. But as John Legge in his history of the AIIA, the period in which the institute was formed was one in which questions of foreign policy as far as Australian was concerned were entirely subordinated to questions about the evolving nature of the imperial relationship.

It was really only with the ratification of the statute of Westminster in 1941, eleven years after it was passed in London, that Australia could formally make a claim to a sovereign foreign policy. It was the trauma of World War II, the fall of Singapore, the Japanese threat that propelled Australia into the world on its own terms. Now all of that is not much longer ago than my lifetime. To some in the room that will seem a very long period, but to me it seems very short.

Sensibly enough, most Australians don't give much thought to foreign policy, but they do have broad feelings about the world. And as in any modern democracy, no policy that's out of quarter with the instincts of the voting public can survive long. So a general bipartisan approach to Australian foreign policy has coalesced around three broad outcomes. Australians want their

governments first to show that they can successfully manage the alliance with the United States. As successive Lowy polls have shown, this is deeply ingrained; 88.5% of the population. The insurance premium is the most powerful metaphor in Australian public policy.

Secondly, the voters want the government to show that it can sustain broadly positive relations with our major Asian neighbors. And finally, they want Australia's position in a rural spaced international system to be preserved. Now if any one of these three things is mishandled, the public will eventually notice and react. So when the Howard Government rattled Asian sensitivities during the Hanson Debate, or Mark Latham worried the public with the tone of his attacks on the Bush Administration, there was a political backlash.

It's harder to demonstrate the public support for the rules-based order because most Australians obviously don't think about it in those terms. But they do I think have a realistic sense that middle sized powers like Australia can't impose our will on the world and are therefore best served by an order in which clear negotiated rules provide predictable outcomes. That's why Australia has been such an active supporter of the WTO and its predecessors. I've been thinking about how you see evidence of this and I think the best evidence is seen through a proxy, which is the high levels of support for the United Nations in public opinion polling.

Each government will bring its own philosophy to bear on foreign policy of course, and the creativity of its design and the effective of its implementation will always vary. But all Australian governments have to keep an eye on these three outcomes if they want to avoid foreign policy turning into a political liability. Josh Frydenberg couldn't have illustrated my point better this morning. He outlined the government's policy in exactly those three terms. Bob Carr and Alexander Downer also came back to those three things.

Now the point is that for most of the last fifty years this has been really quite easy to achieve. Our most important Asian partners were broadly aligned with the United States; so there were few crosscutting complications in managing the alliance while building relations in Asia. And the whole rules-based order was one that was established by and maintained by us and their partners. As inveterate joiners in the inveterate joining things and other manifestation of our fear of abandonment, Australia has always been willing to be in any organization around, and that's why you still find us in bodies as comprehensively pointless as ACM and The Commonwealth. Let me repeat that, as comprehensively pointless as ACM and the Commonwealth. But all three elements—sorry, that was a throwaway line, but I was traumatized as a young man by engagement with the Commonwealth.

All three elements, the alliance, Asian relations, and the rules-based order, and now more entangled and much harder to keep in alignment; China's rise is the most important shift here, but it's not the only one. The emergence of other large developing countries in the post-Cold War drift in multilateral organizations also plays its part. As we've often heard, the changing sign of American relationship is the one which will most complicate our ability to manage all three strands. That was covered I think really well in the debate between Hugh and Linda, Michael and Ric. I don't myself think that Australia will ever have to make the big choice that some speculate about between abandoning our main trading partner and our principle ally because any world in which we're required to choose between ANZUS and our economic and political ties to China is one in which so much has already gone wrong that that's the least of our problems.

I don't find the historical parallels of Germany and Britain in the late 19th Century, for example, persuasive. I don't know if anyone else has read, but I'm reading it now, a wonderful devastating diplomatic history of the break of World War I, the Sleepwalkers by Christopher Clark. It's a book in which there are plenty of lessons for everyone, but few of them seem to me to apply to contemporary Asia. And Washington through our Republic and Democratic Administrations in Beijing through leaders dating back to Jing Li have shown skill in managing their relationships and an understanding of the consequences of its mishandling, but there is no doubt that competition between the two will get more intense and sometimes more abrasive.

This year a momentum of Chinese growth will generate a growing number of economic security and foreign policy issues in which both countries will have significant and sometimes diverging interests. So in contrast to what some have been saying, it's inconceivable to me that Australia doesn't have choices to make in dealing with China and the United States. We do have choices to make. We have those choices to make every day. And the impact of those choices, indeed the very nature of those choices will be determined in part by the effectiveness of our foreign policymaking.

As a result of the Communist Party Plenum trickle out, for example, we're seeing further evidence that China is moving beyond the low key foreign policy of Deng Xiaoping, larger capabilities and bide your time, towards greater acceptance of the implications of its major power status. In my last job I worried much more about badly coordinated Chinese national security policy than about well-coordinated policy. So the creation of a new national security council in Beijing is certainly a good thing. But it's also likely to add confidence to China's behavior, wherever that may lead us.

Southeast Asia has always been important to Australian foreign policy, but the stakes for our engagement are becoming higher as the ASEAN economies grow and as the region becomes one of the principle forums in which competition between China and the US will play itself out. Without going into details we can see in the difficult issues facing Australia/Indonesia relations at present. One of those alliances versus Asia complications I will talk about—I was talking about. There will be plenty more.

And the third strand of the foreign policy consensus, the support for rules-based order is also going to be harder to keep in alignment. That order established after the Second World War, as I said before, is one in which the rules were set by us and our mates. Australian foreign policy has known no other. But the increasing multi-polarity of the global environment as developing countries become systemically more important is changing all that. Multilateralism is in a state of flux. I don't think that came through as strongly as it might have in the last panel. The importance of the issues did, but not the capacity of the system to deal with them.

We don't yet know which institutions will prove valuable in this evolving system and which atrophy. Certainly the age of developed world control of institutions like the World Bank and the IMF is over. But it's very unclear what new forums will emerge, and that's why Australia's chairing of the G20 Summit next year, which was noted by Tony Walker, Russell Trood, Innis Willox, among others, will be such an important test. Climate change negotiations are in serious trouble. It's much harder to see how the rules will be set for global trade. Some in the room may remember the role of the quad, the US, Japan, and Canada in steering the Uruguay round to a final conclusion; how much simpler life was then. And in emerging areas like Cyprus, it's impossible to know whether and how new norms will be set, by whom, and in what forums.

So for Australia to maintain its support foreign position in the rules-based order, Washington and London and Brussels can't sort things out for us. We need to be lobbying and influencing a much wider set of powers. The only way we can navigate this maze of countervailing interests is through effective foreign policy; our responding to, interacting with, and shaping a moving international environment. There are plenty of past examples for us to draw on. The School for Management of the Indonesia Relationship during confrontation in the 1960's, the Howard Government's response to the Boxing Day Tsunami, which was noted earlier, also noted by Russell Trood; I agree with him, the careful rebuilding of our relations with India after the student problems of 2009. So in my view this is time to focus on craft as much as design, process as much as strategy, and execution as much as architecture.

It's not particularly romantic or heroic or simple. But it's the only way in which Australia will be able to work successfully through the complexities ahead. And as always, our foreign policy will be stronger if we can draw on the engaged interests of an informed public through think tanks and advocacy groups and civil society organizations; and that's why the AIIA's role over the next 80 years is going to be known as important. Thanks very much.

MELISSA CONLEY TYLER: Now, one thing that Allan said particularly struck in my position, which is that Australians on the whole don't give that much thought to foreign policy, although they do have those three clear preferences that governments deviate from at their peril. This gives me the question, well should Australians care about foreign policy? I know Allan cares. I know the members of the Diplomatic Core who have very kindly come along today care; it's part of their job. But what about the rest of us? What about media? What about business? What about academics, students? What about members of the public? Should they care about international affairs?

Now, from the Australia Institute of International Affairs you might guess my answer. Our mission has been to show what happens in the world, how that affects Australia and Australia's interests. And to illustrate what I think it is we're trying to do, I'm going to tell you about the mindset of Brett. And in this I'm riffing off Michael Wesley, our jazz fan from this morning, who last week in Queensland gave a great parable to try to explain the power shifts in the region. So if I'm talking about the mindset of Brett, I better tell you about Brett. Brett lives in Melbourne with some of his mates. He's a strong young man. He works as a mover. He works a long hard day, gets paid a decent wage, and I think he parties quite hard at night.

Now I met Brett or someone rather like Brett a few weeks ago when I was moving house. And Brett said to me at some point, I think it was about when he walked into the study and saw all of the books that he was going to have to lug into a truck. He said to me, gosh, what do you do? I said international affairs. Brett's response, he thought about for a second; ah, you mean boats and stuff? And I thought it was interesting. His mindset, which is probably gleaned from the *Herald Sun*, from TV and news, is that the international broadly understood can be boiled down to that little phrase, boats and stuff. That's what it's about.

Now, I'm not saying boats is not an issue and we've been very fortunate today to have Erika Feller, a senior Australian who spent decades at the UNHCR to talk to us about this. But we'd be saying that international, the international affairs means so much more. The question is how do we help Brett change mindset? And I think the speakers we've had today give us a very good start. So Innes Willox might be asking him, Brett, where did your truck come from;

what's the impact of free trade agreements; what's the impact of global supply change on what you can get in your truck? Maarten Letsch might be saying, Brett, do you know how much more you can buy with your wage because of our trade with China? Tony Walker might be saying, Brett, look at those Asian entrepreneurs; have you been thinking about immolating them and setting up your own trucking empire? And overall you'd be hearing that this idea of prosperity in Maarten Letsch's words, our future is intrinsically linked to the outside.

Linda Jakobson might shock Brett somewhat to hear that he's wellbeing depends on seven unelected men in China. Hugh White might be happy to hear that he's feeling secure. But he'd ask, how do you stay secure? I think Ric Smith would tell him that defence, whether Brett thinks about it or not, is a key part of Australia's strategic weight. And looking at the threats that affect everybody, including Brett, Robyn Eckersley would probably tell Brett that climate change will affect you whether you believe in it or not. Hilary Charlesworth would tell him that if Australia can be active in shaping international lower responses; and Russell Trood might tell him about how you can work together with other countries multilaterally to deal with 21st Century issues. I think all of our speakers throughout today would tell Brett that international issues are not removed from his life.

So my argument is that our Bretts all around the country need a new mindset. And one of the things that the AIIA tries to do is give that new mindset. Our mission for 80 years has been promoting understanding and interest in international affairs, to try to explain why international affairs matters, to provide platforms for debate whether that's through the 180 events we organize across the year in seven states and territories, whether it's through our publications including the highly internationally ranked Australia Journal of International Affairs, whether it's through the dialogues that we run with other institutes like us around the world, or whether it's through our range of outreach to young members so the career fairs, the schools programs, the youth publications, the internships, the high percentage of student members we have now all across the country.

What the AIIA wants to do is to do more to reach out to new audiences. And I'm pleased that all of the proceedings today have been recorded by Australia's Public Affairs Channel. Much of it went live to air this morning. All the footage will also be put up on the AIIA's YouTube channel, AIIA Vision, where it will be a long-term record of discussions we had today. And I'll be getting any of our speakers who did have repaired remarks to give those to me so we can put them up on the website and you can continue that discussion.

An event like today takes a lot of partnerships and I want to thank every single one of the speakers and moderators that we've had all throughout the day. I'd like to thank our major partners; to thank the Department of Foreign Affairs and Trade; to thank Routledge, Taylor, and Francis, our long-term partners, very old and good friends, and they are absolutely key to the success and the future of the AIIA. I'd also like to welcome a newer partner, Odyssey Travel, who has been involved today and we're looking forward to working with more. I'd also like to thank our organizing team, that's everyone with an orange badge; you know who you are. They've done a magnificent job. And I'd particularly like to single out Sophia Brook and Daniel Nichola; can you please come up? And we'd just like to thank them for the amazing work that went into this.