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'The UK-Australia Relationship'

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Introduction

Thank you for inviting me to join you today. I'm honoured that my first public speech in this country should be at a distinguished institution like the AIIA. I'm delighted to be in Australia, where I arrived as High Commissioner about four weeks ago

Today I'm going to talk about the issues we discussed at AUKMIN, the recent Australia UK Ministerial meeting. Then say something about UK economy and our economic relationship with Australia. I'd like to touch on Climate change as it's an area where there seem to be a number of differences in our approach. Finally I'd like to say something about the Commonwealth, since Australia is hosting the CHOGM in Perth in October.

AUKMIN

Last month the 3rd Australia UK Ministerial meeting took place in Sydney, in the scenic setting of HMAS Watson. It was the most substantive high level visit to Australia for several decades. On the UK side, Foreign Sec William Hague, Defence Sec Liam Fox, our National Security Adviser, Chief of Defence Staff and other senior officials met their Australian counterparts, Kevin Rudd and Stephen Smith and attended a dinner hosted by PM Gillard. At AUKMIN we discussed four main areas Afghanistan; Counter Terrorism; the Asia Pacific region; Cyber security.

On Afghanistan, I think we are very much in the same place. The UK and Australia are both there because of our own national security, to prevent Al Qaeda from using Afghan territory again to plot and launch terrorist attacks. We are not trying to build a perfect Afghanistan, but one that can maintain its own security and prevent the return of AQ. As we all agreed at the NATO summit in Lisbon, the process of transition to Afghan control will begin in early 2011, and we envisage Afghan forces leading on security operations in all provinces by the end of 2014. So we are clear that there will not be British troops in a combat role, or in the numbers they now are, in Afghanistan by 2015. However, David Cameron, like Prime Minister Gillard has made clear that he expects British forces to continue providing support in non-combat roles beyond 2015. We think this is a realistic timeline for transition. Afghan National Security Forces are on course to meet their target of 170,000 army and 134,000 police by October 2011.

Counter Terrorism is an area where we work very closely together, exchanging intelligence and analysis. As you may know, the UK's approach is known as CONTEST, it includes four main elements. Pursue. Prevent. Protect and Prepare. At AUKMIN we talked about Al Qaida. We also talked about some of the other geographies where terrorism has reared its ugly head. Australia spoke about the success of its efforts in CT cooperation with the

Indonesian government in recent years. And we talked about some of the newer areas giving rise to increasing concern, such as the Horn of Africa and the Yemen.

Some of you may have seen reports of a keynote speech by PM David Cameron in Munich last week about terrorism and national identity. Although not all the press coverage made this clear, the PM was careful to say that terrorism is not linked exclusively to any one religion. But he noted that the threat comes overwhelmingly from young men linked to perverse interpretations of Islam. He distinguished between “Islamist extremism” and the Islam which is peacefully practiced by over a billion people.

Mr Cameron argued that a major reason so many young muslims are drawn to extremist ideology is because of questions about identity: they fail to identify either with traditional parents or with modern Britain. He suggested that governments had unwittingly, through their policies of multiculturalism, encouraged different cultures to live separate lives. He called for a clearer sense of national identity, to which everyone could belong. He argued that governments should be more robust in challenging the purveyors of extremist ideologies, and should place greater emphasis on building stronger societies and identities. I think much of the press coverage has focused on what he characterised as “less passive tolerance .. and more active, muscular liberalism”. He argued that countries should more actively promote their values. Values such as Freedom of Speech, Freedom of Worship. Democracy. The rule of law; equal rights regardless of race, sex or sexuality”.

At AUKMIN we also had a good conversation about Cyber Security which both sides recognised as an increasingly important challenge for all of us. Of course the internet has revolutionised our lives, bringing huge benefits to all of us as citizens and consumers. I’m regularly reminded of that as I sit in my Residence in Canberra, skypeing my son in Singapore and my daughter in England. In the last 15 years, the number of internet users has gone from 16m to 1.7 billion. Increasingly we depend on it to support our lifestyles and our livelihoods.

But there is a dark side to the web. Undemocratic governments use cyberspace to repress their citizens. Hostile governments probe our defences and try to steal our secrets and intellectual property. Terrorists use the internet to radicalise vulnerable individuals and plan atrocities. Criminal gangs steal our identities and defraud companies and individuals, costing the global economy \$1 trillion a year.

The UK government takes this threat very seriously. We have allocated £650m to a new national cyber security programme. We have a new ministerial group on cyber security. And we have established a Defence Cyber Operations Group, to incorporate cyber into our mainstream defence planning.

Just last week, Foreign Secretary William Hague called for new international agreements about norms in Cyberspace and offered to host a conference in the UK later this year to take this forward. In a keynote speech he talked about the need for a comprehensive, structured dialogue to begin to build consensus among like-minded countries, to lay the basis for agreement on a set of standards. He identified 7 key principles to underpin future international norms:

- Governments should act proportionately and in accordance with national and international law
- Everyone should have the ability to access cyberspace
- Users should show tolerance and respect for diversity

- Cyberspace should stay open to innovation and free flow of ideas, information and expression
- The need to respect individual privacy and intellectual property rights
- The need to work collectively to tackle internet criminals
- The promotion of a competitive environment for business

No-one thinks this is going to be easy. Not all countries share our views on the benefits of the internet. And some are actively working against us in a hostile way. But we believe that there are sufficient like-minded countries, and it was clear from AUKMIN that Australia is very much one of them, to begin taking this forward.

At AUKMIN we also talked about the Asian political and security environment, and the regional architecture which is evolving to take account of the rise of China, and other emerging powers. Kevin Rudd gave our ministers a very thoughtful presentation on this, with which they were very impressed. Of course the rise of China is a huge economic opportunity for all of us. That goes without saying in Australia where it is now such a vital trading partner. It has also enabled hundreds of millions of ordinary Chinese citizens to be lifted out of poverty, which must be a good thing. But the rapid rise of such an enormous power can also give rise to uncertainty and in some cases to concern. We all have a shared interest in the development of successful institutions like the East Asia Summit and its dialogue partners, with wide-ranging participation including the US, to enable confidence building and the development of mutual trust. Institutions which will encourage support for international norms, and international dispute resolution procedures to address differences over issues like maritime disputes in the South China Sea.

One thing we didn't talk about at AUKMIN was Egypt, although of course this is something all of our ministers have been heavily focused on over the last few days. It just shows how in international affairs you should always expect the unexpected. Or at least, you should expect that when things happen, they can sometimes happen remarkably quickly. Remember the collapse of the Berlin Wall in 1989. The scenes of bloody violence from Cairo have been dominating our TV screens for the last couple of weeks. In the first instance we both faced a consular crisis: both Britain and Australia had hundreds or thousands of tourists trapped there, who we had to help get out.

But we also have a wider interest in regional security in the middle east, and Egypt has played a key role in that over the last few decades. I know that both British and Australian foreign ministers have been talking to their Egyptian counterparts. Certainly my government has made clear to the Egyptian authorities that we deplore the violence being inflicted on Egyptian citizens, who should be allowed the freedom to demonstrate their views. We have called upon the administration to move quickly to a transition to a more broadly based government, with the proper building blocks of a free and democratic society.

Foreign Secretary William Hague was in Tunisia earlier this week, where he launched a new Arab Partnership Initiative. This involves a £5m fund, in partnership with governments in the region and international partners, to: strengthen rule of law, access to justice and freedom of expression; to help build strong institutions to broaden political space; and to support development and help build up educational links and develop professional skills amongst youth populations.

Economics

I'd now like to say something about international economic issues. The UK along with most advanced economies was heavily impacted by the Global Financial Crisis and the recession which followed it. A number of our banks had significant exposure. The government had to intervene heavily to protect the banking system and to stimulate the economy. The G20 Summit chaired by the UK in London in April 2009 was a key turning point in the international effort to combat the crisis.

As a consequence, the UK's level of public debt rose to levels which would be a significant constraint on the economy if the government did not take strong action to cut public spending and reduce the debt. Chancellor George Osborne put the public finances back on a sustainable footing with his Spending Review last October. This is helping to ensure long-term interest rates stay low, encouraging business to invest and grow. Returning the UK to sustainable economic growth is the Government's overriding priority. The government wants to see a rebalancing of the economy towards the private sector as the engine of growth and new jobs, and to adjust the balance back towards a greater focus on manufacturing and non-financial services. Our forthcoming Growth Review will explain in more detail how the Government will create the conditions for private sector growth. We are initially focusing on structural reform priorities, and removing the barriers faced by industry.

So clearly the economy is taking some tough medicine right now. But I wouldn't like to leave you with the impression that the UK economy is a basket case, or that it is in the same state as some of the weaker economies of the Eurozone. In December 2010, 250,000 more people were in employment than in January. Our newly created independent Office of Budgetary Responsibility predicts that growth in the UK will be over 2% each year from now to 2015, and that by 2015 we will have the fastest growth in the G7. Our approach has been endorsed by international economic organisations like the IMF and OECD.

We have a number of fundamental strengths that mean the UK will continue to be an excellent place to invest and do business. We have a hugely strong research base, and far more than our share of the world's top universities – four of the world's top ten. Innovation is where the jobs of the future are going to come from. Those who associate the UK primarily with financial services may be surprised to hear that we are the world's sixth largest manufacturing country. We have flexible business and labour laws, which mean that companies are much more ready to take on new workers. And the fact that we are not in the Eurozone, and the government have made clear that we won't be during the life of this parliament, gives us very valuable flexibility to maintain a competitive sterling. Our manufacturing exporters are already seeing the benefits of that.

So as we search for new markets or to build on existing ones, Australia is a key trading partner for British companies. Our two way trade is \$22bn a year. Britain is the 2nd largest investor in Australia, with stock of nearly half a trillion dollars, about a quarter of total fdi in Australia. And Australia is a major investor in the UK. Many Australian companies are increasingly significant players there. Just two weeks ago I was calling on the CEO of Westfield in the UK. Their £1.5bn mall in West London is Europe's largest. And their new mall in East London, adjoining the Olympic Stadium, will be opening this September.

As a major trading nation, like Australia, the UK will continue to argue in favour of open markets, and to oppose protectionism in all its forms. This week, the government is publishing a Trade White Paper. This will set out how we are working to make the UK an even more attractive environment for trade and inward investment, and to create the international conditions for UK business to thrive. It will set out our strategy for strengthening the multilateral system, including concluding the Doha Round of trade negotiations. We see 2011 as a make or break year for Doha. If we can succeed, it is estimated that at least \$360 Billion of new trade would be created.

Climate Change

In most of the policy areas I've talked about, there is a very large measure of consensus between the UK and Australia. But one area of policy where there seem to be some significant differences, is the whole debate around climate change. I'm very conscious that this is a matter of much controversy not just between political parties here, but even within parties. Far be it from me as a Diplomat to get involved in Australian domestic politics. But climate change cannot be considered a purely domestic matter. What each country does affects the rest, and, if we are to avoid the worst consequences of climate change, then every country will need to play its part.

I am struck by the fact that there is much more bipartisan consensus in my own country about the challenge of climate change. In the UK, there is broad political acceptance of the proposition that climate change is happening, that humans are contributing to it, and that unless we take urgent action the consequences could be very severe. Changing climatic patterns which disrupt agriculture, sea level rises with devastating impacts on low lying countries. And a much greater volatility in extreme weather patterns. The economist Nick Stern has warned of the massive impact which climate change would have on the global economy.

So the UK and its European partners have been at the forefront of the call for international consensus, on measures to significantly cut global emissions, and to provide funds and technical support to help the developing countries shift to a low carbon economy. We are also leading by example in our own domestic economy. The UK is the only country in the world to have passed binding legislation committing ourselves to cuts in emissions of 34% by 2020 and 80% by 2050. By 2020 we will be producing 30% of our electricity from renewables. After the disappointment of Copenhagen, we were pleased with the progress made at Cancun, in particular with agreement on the need to limited global warming to 2 degrees, and agreement to collate and assess information on what countries are doing on emissions reductions and how successfully they are implementing their commitments. Plus the establishment of the Green Climate Fund.

We have had an emissions trading scheme in Europe since 2005. It has driven measurable emissions reductions. Studies suggest that fears of carbon leakage and loss of competitiveness were exaggerated. And it appears that the impact on domestic electricity prices has been small and more than offset by improvements in energy efficiency. But a carbon price, while a key tool for reducing emissions, is not enough on its own. We take a comprehensive approach, in which a carbon price delivers reductions in certain sectors, but other tools are more appropriate for other sectors.

I know a lot of the climate change debate in Australia revolves around the impact of measures to cut carbon emissions on your domestic industries. I can appreciate that being a major resource producer brings a particular set of considerations. But in the UK, we actually see the shift to a low carbon economy as a source of considerable opportunity for British business. We are talking about a global market worth over £3 trillion for low carbon technologies, goods and services. And by being first movers, British and other European companies will have huge competitive advantages. The broad political consensus is important because it brings confidence – not least to investors - that our low carbon goals will be pursued through changes of government - and despite events such as the Global Financial Crisis

Commonwealth

We've had some interesting debates within the Commonwealth about climate change. The Commonwealth is an organisation that brings together countries with very different perspectives on the issue. Some of the world leading economies like the UK and Australia, the world's most populous nation, India, and a slew of small island states in the Pacific and Caribbean which will be the first to suffer from the devastating effects of sea level rise.

Some of you may have seen Foreign Secretary William Hague's speech at the Lowy Institute during his recent visit here, on the subject of "the Commonwealth in a networked world". He described this grouping of 54 countries as "one of the most enduring networks in the world." He pointed to the shared values which characterise the Commonwealth, and the growing trade and economic links between member countries. Mr Hague set out an aspiration for the Commonwealth to be reinvigorated. To become a leading voice in the global economy, working to liberalise trade, break down barriers for international business, resist protectionism and contribute to the Doha Development Agenda. He described how it could assert an even greater role in development, conflict prevention and building democratic institutions. And he expressed the hope that it would be able to make the leap to live up to its ideals fully, speaking out against those who violate democracy and human rights. He saw Australia's hosting of this year's CHOGM in Perth in October, as a major opportunity to achieve much needed rejuvenation of the organisation. And he looked forward to the recommendations of the Eminent Persons group in which Australian representative Michael Kirby is placing such an important role.

Mr Hague used that speech to characterise the UK's view of a "networked world" in which influence rests on a whole range of shifting economic and political connections between states, which have multiple ties and networks of their own. He said that the UK would pay much greater attention than previous governments to nurturing essential alliances and friendships, and to building new ones. Without detracting from the importance of multilateral organisations, Mr Hague stressed that the decisions they reach are the product of a myriad of bilateral relations, and require effective bilateral diplomacy as well.

He made clear that one of the most important bilateral relationships the UK has is that with Australia. But this was not just an assertion. As a participant in the AUKMIN discussions it was evident to me that Australia is not just a partner with whom we have a large convergence of views. It is also a partner with whom the level of confidence, trust and empathy is so close, for a whole variety of historical and contemporary reasons, that it is a natural partner of choice as we face the many challenges of the 21st century.

I guess that means I'm going to be busy over the next four years.