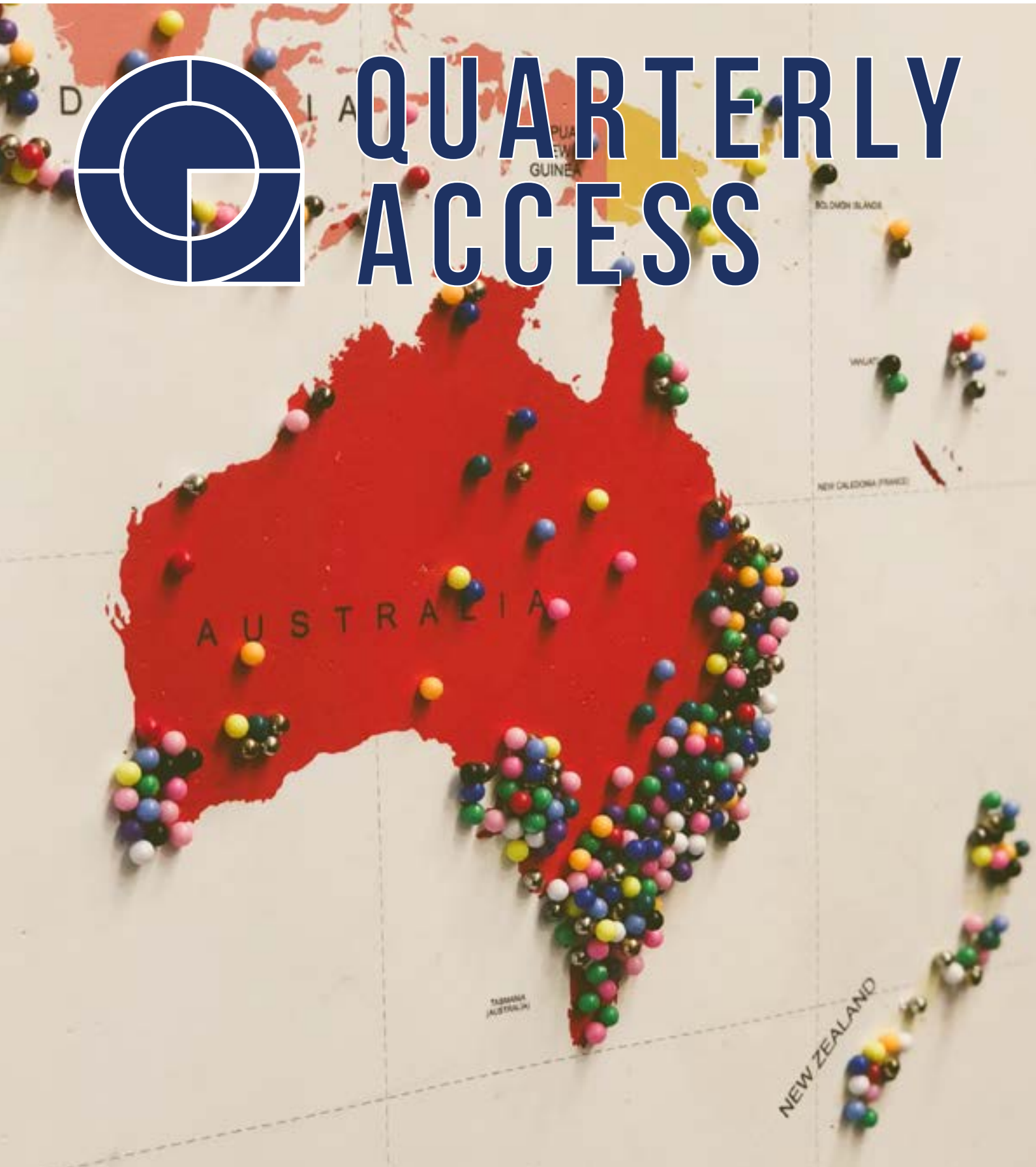


YOUR KEY TO INTERNATIONAL AFFAIRS IN AUSTRALIA & THE ASIA PACIFIC



QUARTERLY ACCESS



JULY 2018
Vol 11 Iss 2

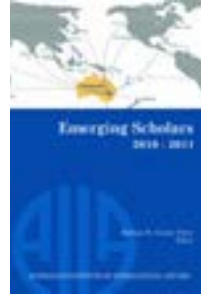


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QUARTERLY ACCESS

YOUR KEY TO INTERNATIONAL AFFAIRS IN AUSTRALIA & THE PACIFIC

Quarterly Access (QA) is the national quarterly publication of the young professionals' networks of the Australian Institute of International Affairs (AIIA).

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From the Editor-in-Chief

Dear readers,

Thank you for joining Quarterly Access for its second issue of what has already been a turbulent year for international politics.

President Trump's turn to unilateral foreign policy measures and isolationist trade policies signifies a concerning shift in great power politics. As a security guarantor in both the European and Asia-Pacific region and global hegemon in trade rules, the retreat of the US under President Trump leaves a vacuum for developing powers such as China and Russia to grasp at this opportunity for global and regional influence. In this context, what role can Australia play?

The second issue of Quarterly Access for the year focuses on the emerging opportunities for Australia to utilise its middle power capacities to position itself as a favourable trade, cultural and climate change partner.

James M. Carey opens the issue with an exploration of how Australia can better utilise its 'cultural diplomacy' to develop stronger partnerships with Pacific countries. In view of China's expanding influence through its aid and development funds, James recommends that Australia utilise the transformative power of cultural exchange to foster likeminded partners in the region.

Jake Kite assesses the benefits of the recent free trade agreement between Australia and Peru. Jake argues that the agreement needs to be recognised as an important development

in Australia's continued improvement of economic and cultural ties with Latin America, a region that Australia has historically overlooked.

Chris Smith contends that in the climate of uncertainty and suspicion toward China's regional influence, Australia should try to engage with China on climate change by focusing on critical projects such as the Belt and Road Initiative.

In the context of shifting power dynamics and the questioning of established world orders, Quarterly Access aims to contribute to the discussion by bringing unique and critical perspectives from young professionals and graduates in Australia.

Happy reading,

Tamara Tubakovic
Editor-in-Chief

Cultural Diplomacy: Australia's Chance in the Pacific



Article by **James M. Carey**

James M. Carey is a graduate student in the School of Social and Political Science at the University of Melbourne. He is an editor at Quarterly Access, a Risk Analyst for the Canberra-based online publication Foreign Brief, President of Melbourne Postgraduate International Relations Organisation, and Victorian Director of Young Australians in International Affairs.

Earlier this year, in response to a question about what keeps him awake at night, former Australian Foreign Minister Gareth Evans admitted to regularly pondering on whether Australia is using its 'middle power' status effectively.¹ But he's not the only one who should be concerned. The question of how Australia can better leverage its position in international affairs needs examining by many Australians, particularly in the context of aid distribution within the Pacific region.

The Lowy Institute reports that the Chinese aid system, which does not employ rigorous reporting and accountability systems like Western donors,² has injected more than US\$1.7 billion in aid into the Pacific region between 2006 and 2016 and is continuing to increase.³ This article argues that, in response to increased Chinese aid in the Pacific⁴ – which is distributed partly to influence how a state develops, how its economy is structured, and whom it trades with – 'cultural' diplomacy provides an opportunity for Australia to retain its important standing in the region. Cultural diplomacy involves deepening cultural connections between states through establishing inter-polity communication using cultural artefacts. For Australia, this deepening of relations with Pacific neighbours is not for immediate, reciprocal economic gain, but for greater cultural connection between the states. This could allow Australia to remain influential over normative behaviours – the accepted behaviours allowed in a society – that govern the Pacific region. Consequently, cultural diplomacy could help Australia secure like-minded partners

in the region that more closely share Australia's national values.

Competition in the Pacific: Australia's New Reality

Addressing the AIIA's national conference in 2015, Foreign Minister Julie Bishop outlined a plan to focus Australian diplomatic efforts on "economic diplomacy". This includes the mandate for Australia's "Heads of Mission [having] a KPI based on increased economic activity that they are able to generate with the host country."⁵ This means that Australian diplomats in the Pacific have been given a mandate – now described as "DFAT's role in trade and investment"⁶ – to increase bilateral investment and encourage greater consumption of Australian commodities. However, this focus on achieving greater economic cooperation between Australia and Pacific nations has been accompanied by an absolute decrease in Australia's Foreign Development Aid (FDA) budget. The budget will remain at AUD\$4.2 billion for another four years⁷ and has been described as "its lowest level since the 1970s".⁸

Although Australia's economic commitment to developing the Pacific region remains a priority through aid, development funding, and the aforementioned 'economic diplomacy',⁹ the decrease in aid and development funding has opened a vacuum for Chinese influence. Comparatively, China has increased aid and

- 1 ABC Radio National, 2018, 'Gareth Evans on Optimism and the Power of Diplomacy', Australian Broadcasting Corporation, 5 January, accessed 13 June 2018, < <http://www.abc.net.au/radionational/programs/whatkeepsmeawake/gareth-evans-on-optimism-and-the-power-of-diplomacy/9231890>>.
- 2 Larry Diamond, 2008, 'The Democratic Rollback - The Resurgence of the Predatory State', Foreign Affairs, March/April, [online], < <https://www.foreignaffairs.com/articles/2008-03-02/democratic-rollback>>; Jonathan Pryke, 2018, 'The bad – and good – of China's aid in the Pacific', [online], Lowy Institute, accessed 9 July 2018, < <https://www.loyyinstitute.org/the-interpretor/bad-and-good-china-aid-pacific>>.
- 3 Jonathan Pryke, 2018, 'The bad – and good – of China's aid in the Pacific', [online], Lowy Institute, accessed 9 July 2018, < <https://www.loyyinstitute.org/the-interpretor/bad-and-good-china-aid-pacific>>.
- 4 The 'Pacific' region is defined using the Australian Department of Foreign Affairs and Trade definition. A list of states that fall within this regional definition can be found at: <http://dfat.gov.au/geo/pacific/pages/the-pacific.aspx>.

- 5 Julie Bishop, 2015, 'Australian Institute of International Affairs National Conference', speech, [online], Minister for Foreign Affairs, 19 October, accessed 15 June 2018, < https://foreignminister.gov.au/speeches/Pages/2015/jb_sp_151019a.aspx?w=tb1CaGpkPX%2FISOK%2Bg9ZKEg%3D%3D>.
- 6 DFAT, 2017, 'Economic diplomacy: DFAT's role in trade and investment', [online], accessed 15 June 2018, <<http://dfat.gov.au/trade/engage/economic-diplomacy/pages/dfats-role-in-trade-investment.aspx>>.
- 7 Ben Doherty and Eleanor Ainge Roy, 'In Australia's historically low aid budget, Pacific gets lion's share', The Guardian, [online], accessed 15 June 2018, < <https://www.theguardian.com/australia-news/2018/may/09/in-australias-reduced-aid-budget-pacific-gets-lions-share>>.
- 8 Dr Nichole Georgeou and Dr Charles Hawksley, 2016, 'Australian Aid in the Pacific Islands', [online], Australian Institute of International Affairs Outlook, <<http://www.internationalaffairs.org.au/australianoutlook/australian-aid-in-the-pacific-islands/>>.
- 9 DFAT, 2018, 'Development assistance in the Pacific', [website], accessed 20 June 2018, <<http://dfat.gov.au/geo/pacific/development-assistance/Pages/development-assistance-in-the-pacific.aspx>>.

development spending in the region over the decade between 2006 and 2016.¹⁰ China has sought to use this development and aid funding as a means to promote Chinese national interests through the concentration of infrastructure projects into specific large-scale programs that favour Chinese investment.¹¹ One example includes China's acquisition of the short-band radio frequency previously employed by the ABC to broadcast in the region, expanding Chinese influence over broadcasting in the region.¹² This direct competition for aid and development influence is now Australia's main challenge in the region because, per capita, development and aid spending is higher in the Pacific region than anywhere else in the world.¹³ The Pacific region, too, is home to 10 of the top 25 states with the highest proportion of overseas development assistance (ODA) as a proportion of their national income.¹⁴ This is important, as international aid does not exist outside of foreign policy objectives. Foreign aid does increase human welfare globally but does so within the anarchical international system. As such, a state does not give aid to a foreign state without achieving foreign policy objectives.¹⁵ Therefore, when a region is as reliant upon aid as the Pacific is, foreign policy can be significantly advanced in the region through foreign aid.

Consequently, while Bishop claims that Australia's FDA reduction will ultimately be a good thing for the Pacific region,¹⁶ it is increasingly clear that Australia's relinquishing of certain regional aid and development projects has resulted in increased Chinese influence – a development that could restrict Australia's goals of ensuring that the Pacific region remains aligned with core Australian values. A region of likeminded countries would be in the direct interest of Australia, as shared values would undoubtedly facilitate better trade agreements and partnerships with Pacific states. In view of China's rivalry in the Pacific region and the decrease in Australia's FDA, how can Australia best leverage its place in the region to strengthen cooperation with Pacific states?

Cultural Diplomacy: Producing Sites for Deeper Understanding

One area where Australia could arguably develop its connection to Pacific states to create mutual understanding of shared goals and interests between populations is 'cultural diplomacy'. 'Cultural Diplomacy' involves governmental programs that allow populations to interact with each other through cultural artefacts. Those artefacts can reflect any aspect of the state's culture, and can involve food, visual art, literature, cultural exchange programs, academic exchange and overseas student programs, and language classes to name a few.

An important example of cultural diplomacy is the way in which the European Union (EU) conducts its foreign policy. The EU uses cultural diplomacy through external relations to produce situations in which it can achieve greater mediation of differences with foreign states, foreign populations, and allow EU citizens to better understand others.¹⁷ This form of diplomacy aims to transform patterns of state behaviour by introducing and reshaping existing values and state interests. Cultural diplomacy is different to public diplomacy as it aims to create inter-

10 Lowy Institute, 'Chinese aid in the Pacific', [website], accessed 18 June 2018, < <https://chineseaidmap.lowyinstitute.org/>>; Michael Safi, 2015, 'China increases its aid contribution to Pacific Island nations', *The Guardian*, [online], accessed 15 June 2018, < <https://www.theguardian.com/world/2015/mar/02/china-increases-aid-contribution-pacific>>.

11 Jonathan Pryke, 2018, 'The bad – and good – of China's aid in the Pacific', [online], Lowy Institute, accessed 9 July 2018, < <https://www.lowyinstitute.org/the-interpreter/bad-and-good-china-aid-pacific>>.

12 ABC News, 2018, 'China takes over Radio Australia frequencies after ABC drops shortwave', 22 June, [online], Australian Broadcasting Corporation, < <http://www.abc.net.au/news/2018-06-22/china-takes-over-radio-australias-old-shortwave-frequencies/9898754>>.

13 Matthew Dornan and Jonathan Pryke, 2017, 'Foreign Aid to the Pacific: Trends and Developments in the Twenty First Century', *Asia & the Pacific Policy Studies*, vol. 4, no. 3, pp. 386–404.

14 Ibid.

15 Clair Apodaca, 2006, *Understanding U.S. human rights policy: A paradoxical legacy*, New York, US: Routledge; Glenn Palmer and Clifton T. Morgan, 2006, *A theory of foreign policy*. Princeton, NJ: Princeton University Press.

16 Julie Bishop, 2018, 'The New Aid Paradigm', speech, [online], Minister for Foreign Affairs and Trade, 3 July, accessed 5 July 2018, < https://foreignminister.gov.au/speeches/Pages/2014/jb_sp_140618.aspx>.

17 European Union, 2016, 'New European cultural diplomacy platform launched', [online], accessed 30 June 2018, < http://ec.europa.eu/dgs/fpi/announcements/news/20160401_1_en.htm>.

public connection through cultural artifacts¹⁸ with the aim of improving intercultural relations for its own sake, and not as a means to a specific end.¹⁹ Where DFAT defines its public diplomacy projects as deliberately aiming to “inform, engage and influence audiences overseas”,²⁰ effective ‘cultural diplomacy’ aims to create shared cultural knowledge not to influence or produce immediate economic benefit, but to mediate differences between populations through culture – be it food, art, dance, literature – to shape the conditions within which significant advances in deepening inter-state relationships can be achieved.

Currently, cultural engagement in the region remains underdeveloped. Compared to the AUD\$206.6 million budget for regional aid spending in the Pacific for the 2018-19 financial year, only between “\$400,000 and \$500,000” was made available for the Australian Cultural Diplomacy Grants Program in 2018-19.²¹ While funding programs that may not deliver an immediate and quantifiable economic benefit for Australia may seem an unproductive use of resources, one must remember that the aim of diplomacy is not solely that of increasing economic gain: diplomacy’s role is to mediate between states. Professor Oran Young argues that diplomacy is a set of established, consistent practices with recognisable roles and fundamental norms that govern behaviour for the management of interstate relations.²² By adhering to these behavioural guidelines, diplomacy has the ability to “constrain activity, and shape expectations,”

which effectively control international systems.²³ When understood in this way, cultural diplomacy can provide Australia the chance to better understand Pacific nations through cultural exchanges. It also provides a means for Australia to persuade states to change priorities to align with Australia’s interests. This type of exchange in the form of ‘cultural diplomacy’ has shown promise in building shared cultural understanding, which makes mediating the differences between the societies easier. As sites for cultural exchange aim to allow for better understanding of foreign publics, and a more positive view of a foreign public amongst a domestic public,²⁴ this form of diplomacy allows states to seek common ground with foreign publics to identify where there are shared beliefs and goals.

Results of such exchange can dramatically increase connection between societies not normally considered as sharing common understanding. One such example of this connection between seemingly disparate polities is embodied in the 2008 New York Philharmonic’s Pyongyang concert that ended with a rendition of Korean folk song ‘Arirang’. This cultural olive branch, partly orchestrated by the US State Department, was met by applause “for more than five minutes... orchestra members, some of them crying, waved. [North Korean] people in the seats cheered and waved back, reluctant to let the visitors leave.”²⁵ This, too, came amidst what was described as a “low point in US–North Korean relations”²⁶ – a relationship not exactly famed for its amicability at the best of times. This is illustrative of cultural diplomacy’s ability to overcome political disagreements to open diplomatic sites for engagement where previously it would not have been possible.

18 Iver B. Neumann, 2013, *Diplomatic Sites: A Critical Enquiry*, New York, US: Columbia University Press, pp. 1-14.

19 Maurits Berger, 2008, ‘Introduction’, *Bridge the Gap, or Mind the Gap? Culture in Western-Arab Relations*, Netherlands Institute of International Relations ‘Clingendael’, [online], <https://www.clingendael.org/sites/default/files/pdfs/20080100_cdsp_paper_berger.pdf>, p. 3.

20 DFAT, ‘Public Diplomacy Strategy 2014–16’, [online], accessed 20 June 2018, <<http://dfat.gov.au/people-to-people/public-diplomacy/Pages/public-diplomacy-strategy.aspx>>.

21 DFAT, ‘International Relations Grants Program: Australian Cultural Diplomacy Grants Program 2018 Guidelines’, [document], accessed 20 June 2018, available at: <<http://dfat.gov.au/people-to-people/public-diplomacy/acdgp/Documents/acdgp-grant-guidelines-2018.pdf>>.

22 Oran R. Young, 1989, *International Cooperation: Building Regimes for Natural Resources and the Environment*, Ithaca, NY: Cornell University Press, p. 32.

23 Robert O. Keohane, 1988, ‘International Institutions: Two Approaches’, *International Studies Quarterly*, vol. 32, p. 383.

24 Cynthia P. Schneider, ‘Culture Communicates: US Diplomacy That Works’, in eds. Melissen, Jan, *The New Public Diplomacy: Soft Power in International Relations*, Basingstoke, UK: Palgrave Macmillan, pp. 147-168.

25 Daniel J. Wakin, 2008, ‘North Koreans Welcome Symphonic Diplomacy’, *New York Times*, [online], 27 February, accessed 27 April 2018, <<https://www.nytimes.com/2008/02/27/world/asia/27symphony.html>>.

26 Patricia M. Goff, ‘Cultural Diplomacy’, in Cooper, Andrew F., Heine, Jorge, Thakur, Ramesh (eds.), *The Oxford Handbook of Modern Diplomacy*, Oxford: Oxford University Press, p. 431.

By producing shared cultural knowledge without the need for specific and reciprocal financial gain, 'cultural diplomacy' can significantly improve the chances of allowing Australia to shape the Pacific region, and allow it to compete with growing Chinese influence not through a dollar-for-dollar spending model which may soon become impossible. As China increases aid and development spending in the Pacific, it may employ aid that comes with "no strings attached".²⁷ This has already been done in states like the Philippines, and has seen China recently become the biggest aid donor to Africa.²⁸ Given the region's reliance upon aid, this "opaque"²⁹ form of lending or spending may be attractive. However, by deepening the cultural connections that already exist between Australia and its Pacific neighbours – be those sport, artistic, or education – Australia could shape how further aid is spent by respective states. If aid is given without any stipulation on how a portion of it should be spent, Australia's ability to shape accepted domestic and international behaviours could ensure that money is spent in ways that ultimately benefit not just the recipient state, but also Australia. The argument, then, is that as 'cultural diplomacy' is a government-led action, the cultural artefacts shared or created or consumed are not as important as using that cultural object to genuinely engage in mediation between cultures. Genuine mediation between Australia and its Pacific neighbours could provide Australia with the ability to shape the Pacific not for any specific monetary gain, but to ensure that Australia can affect how our nearest neighbours see themselves, the region, and their relations with Australia and the rest of the world. This could help to ensure that even as the make-up of aid donors changes in a region defined by its need for that aid, states may look to Australian normative practices to model how they should construct institutions, laws, and their economic system.

Conclusion

By responding to the question of how Australia can more effectively leverage its place in international affairs to achieve national interest, this article has argued that greater funding for cultural diplomacy could give Australia a significant advantage in continuing to politically, economically, and culturally shape the Pacific region, not through aid or development spending, but through highlighting shared goals and interests between the Pacific states and Australia. By investing not just in actions that elicit an immediate economic benefit, Australia could retain influence in a region that is becoming the centre for Chinese primacy.

However, increasing the cultural diplomacy budget does not fit with Australia's current economically-driven diplomatic agenda. As mentioned previously, the shift towards 'economic diplomacy' has refocused Australian diplomacy in the Pacific region from mediation towards a focus on integrating the disparate economies with the intention of creating economic interdependency. This is evidenced even in DFAT's guidelines for what is required of a cultural diplomatic program, which state that it must "establish networks and exchanges... and international partners, to expand audiences and markets."³⁰ Although the focus on integrating Pacific economies will provide immediate economic benefit, the long term alignment with fundamental Australian goals, including democratic governance and human rights, will allow Australia to compete with far larger economies in the region and allow Australia to shape the region to best reflect its national interest. Cultural diplomacy could allow Australia to retain its ability to influence the region's long-term direction and, perhaps, allow a certain distinguished Australian to sleep at night.

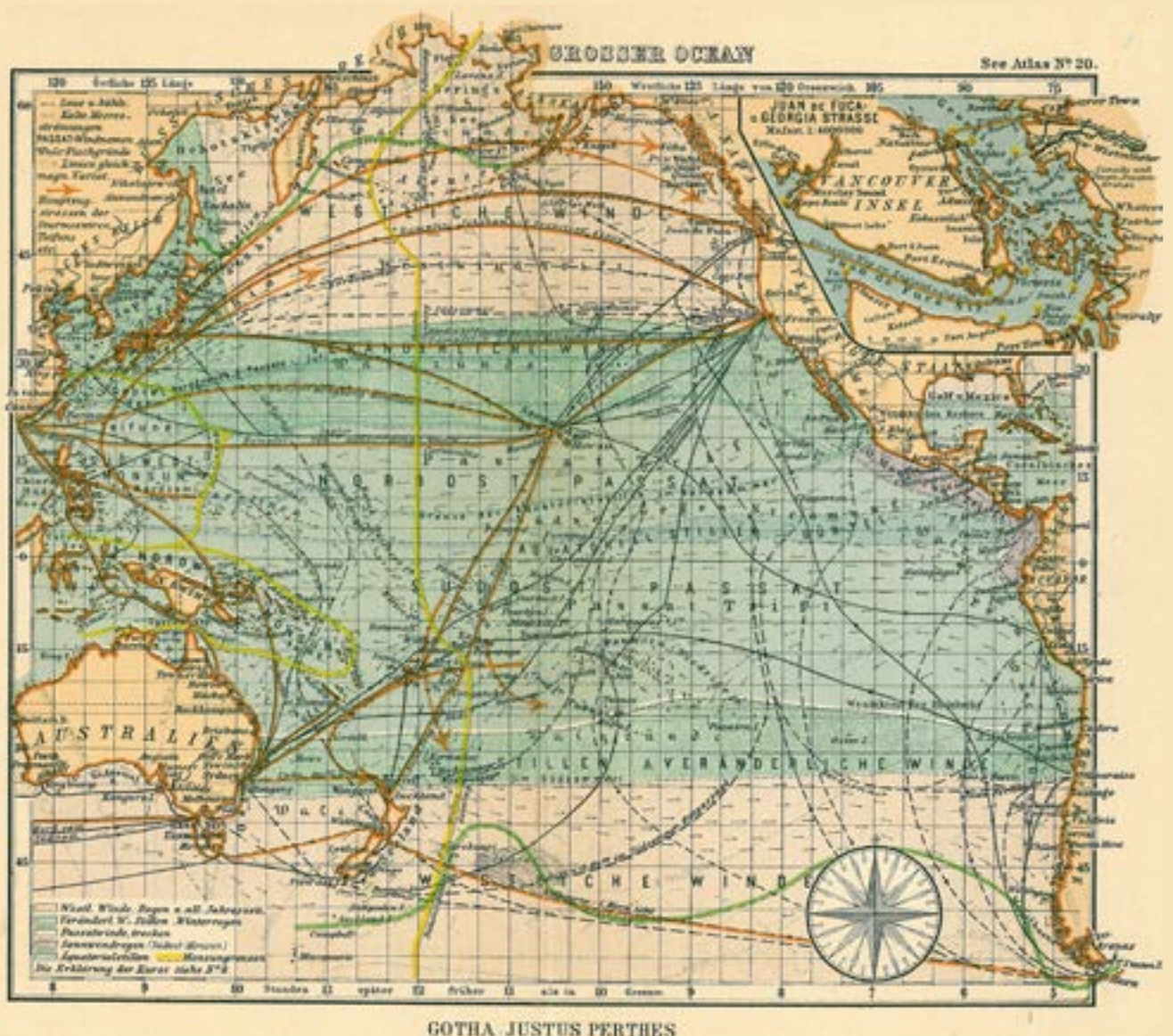
27 Xinhua, 2018, 'China's aid to Philippines has no strings attached: FM', [online], XinhuaNet, accessed 9 July 2018, < http://www.xinhuanet.com/english/2018-03/09/c_137027879.htm>.

28 Kafayat Amusa, Nara Monkam, and Nicola Viegi, 2016, 'How and why China became Africa's biggest aid donor', [online], accessed 9 July 2018, <<https://theconversation.com/how-and-why-china-became-africas-biggest-aid-donor-57992>>.

29 Jonathan Pryke, 2018, 'The bad – and good – of China's aid in the Pacific', [online], Lowy Institute, accessed 9 July 2018, < <https://www.loyyinstitute.org/the-interpretor/bad-and-good-china-aid-pacific>>.

30 DFAT, 'Australian Cultural Diplomacy Grants Program', [online], accessed 20 June 2018, < <http://dfat.gov.au/people-to-people/public-diplomacy/acdgp/Pages/australian-cultural-diplomacy-grants-program.aspx>>.

Wide, Wide Pacific: The Australia - Peru FTA signals a new era for Australia in Latin America



Article by **Jake Kite**

Jake Kite recently finished his Bachelor of Laws/Arts at La Trobe University, where he has since begun his Honours thesis. His primary areas of research are paradiplomacy, neo-regionalism and Catalan identity.

While the Peruvian Football Federation gets friendly with Australia ahead of their upcoming match at the 2018 World Cup, off-the-pitch relations between the two countries are also at an all-time high.¹ On the 12th of February 2018 Australia welcomed its distant pacific neighbour to Canberra for the signing of the Peru-Australia Free Trade Agreement (PAFTA). Although it may not attract as many headlines as the Australia-Peru World Cup clash, finalising the PAFTA should be recognised as one of many recent milestones for Australia in its continued improvement of economic and cultural ties with Latin America, a region that for decades has been overlooked by Australian foreign policy-makers.

Despite a long period of diplomatic indifference, the PAFTA is representative of a significant shift in Australia's stance towards not only Peru, but Latin America as a whole. By committing to the agreement in addition to signing the Trans-Pacific Partnership (TPP) and seeking entry into the Pacific Alliance, Australia has demonstrated that it is serious about expanding its relations with the continent. As such, Australia is increasingly in a position to benefit from the emergence of Latin American nations as economic players in the Pacific, acting as a conduit for trade between its economic partners in Asia and the newcomers from across the ocean.

An overview of the agreement: its outcomes and Peru

The PAFTA was announced by Prime Minister Malcolm Turnbull in Vietnam at the 2017 Asia-Pacific Economic Cooperation Summit. Prime Minister Turnbull stressed that "The region cannot close the door to the flow of goods, services, capital and ideas".² For Australia in particular, what lies behind this door looks promising.

In 2016, Australia's bilateral trade in goods and services with Peru totalled some AUD\$590 million. This figure marked a 51.2 per cent increase in

trade from 2015.³ In light of the PAFTA's broad range of outcomes, this trend can reasonably be expected to continue.

Highlights of the agreement include the opening of Peruvian markets to Australian dairy farmers, as well as the immediate removal of duty on a variety of Australian products, ranging from wine and wheat to pharmaceuticals and medical devices.⁴ Additionally, within five years Peru will eliminate tariffs (up to 17 per cent) on Australian beef, allowing Australian exporters to compete with their US counterparts.⁵ Educational links between the nations are also set to be strengthened, with the recognition of Australian degrees in Peru.⁶

The PAFTA, likewise, is good news for the Andean nation. Minister for Trade and Tourism, Enrique Ferreyros, stated that it was his nation's "most ambitious so far".⁷ He hailed the significance of the PAFTA for Peru in gaining access to "one of the most important markets in the Asia-Pacific region."⁸ This access, according to some estimates, translates to a doubling of Peruvian agro-exporter output to Australian markets.⁹

Peru was an obvious choice for a new long-term partner in Latin America. Experiencing a huge expansion during the 2000s commodities boom, Peru's economy has since stabilised and

1 Adams, David (2018), Peru Has Sent Australia A Bloody Lovely Message Before Our World Cup Clash, < <https://www.pedestrian.tv/sport/peru-australia-world-cup-video-message/>>, 25 May 2018

2 Murdoch, Lindsay (2017), APEC summit: Turnbull announces trade agreement with Peru, < <https://www.smh.com.au/politics/federal/apec-summit-turnbull-announces-trade-agreement-with-peru-20171110-gzifwj.html>>, 25 May 2018

3 Foong, David et al (2017), Potential Peru-Australia Free Trade Agreement: A step forward for exports into Latin America, < <https://www.claytonutz.com/knowledge/2017/june/potential-peru-australia-free-trade-agreement-a-step-forward-for-exports-into-latin-america>> para. 2, 25 May 2018

4 Department of Foreign Affairs and Trade (2017), Peru-Australia Free Trade Agreement: Outcomes at a glance, < <http://dfat.gov.au/trade/agreements/not-yet-in-force/pafta/pafta-outcomes/Documents/outcomes-at-a-glance.pdf>>, 25 May 2018

5 Fell, James (2018), Peru-Australia Free Trade Agreement in Agricultural Commodities, Vol. 6, No. 1, 18-19

6 Department of Foreign Affairs and Trade (2017), Peru-Australia Free Trade Agreement Outcomes: Education services, < <http://dfat.gov.au/trade/agreements/not-yet-in-force/pafta/pafta-outcomes/Documents/outcomes-education-services.pdf>>, 25 May 2018

7 Andean Airmail & Peruvian Times (2018), Peru-Australia Trade Agreement "Most Ambitious So Far", < <https://www.peruviantimes.com/17/peru-australia-trade-agreement-most-ambitious-so-far/30470/>>, 25 May 2018

8 Ibid

9 Ibid

continues to grow steadily.¹⁰ Unlike other boom and bust economies, the wealth that Peru amassed while enjoying the highest rates of growth in South America, was subsequently filtered back into broad economic reforms or used to bolster its foreign wealth reserves.¹¹

Since then, vast portions of the country have been lifted out of poverty: between 2005 and 2010 the rate of poverty in Peru fell sharply by 18.7 per cent.¹² Crucially, once the boom had subsided, this trend continued with poverty rates increasing for the first time only last year after almost two decades of improvement.¹³ Peru's government has begun to extend its influence further afield, securing free trade agreements with the European Union (EU), the United States (US), and China, among others.¹⁴ The country is now known, along with Chile, Colombia, Mexico, as one of the four Pacific Pumas; the collective of economically blossoming Latin American countries that have cooperated to sign the Pacific Alliance, a landmark trade pact which seeks to catapult these economies into the Asian century.¹⁵

It is plain to see why Australia would seek to capitalise on Peru's good fortunes, as it has done with its neighbours in the Asia-Pacific region. However, Australia has traditionally been hesitant to establish economic ties with Latin American countries. To properly appreciate the importance of the PAFTA, particular regard should be paid to the broader historical context of Australian-Latin American relations.

Australia's relationship with Latin America: from willful ignorance to a free trade agreement – the case of Chile

In recent years, a rich literature on Australia-Latin America diplomacy and trade has developed, highlighting a multitude of complex factors and misconceptions that have played a role in stunting the growth between Australia and Latin America.

The case of Chile reveals a series of stuttered attempts at trade, exacerbated by the country's 20th century instability. This contributed to the long-prevailing attitude that Latin America was closed for business, a key determinant in restricting later cross-pacific cooperation.

Of course, this belief was not the sole factor at play and, at times there existed very real barriers to trade. Australia and Latin America have shared a degree of comparative advantage in commodities, and there is no doubt that geopolitical alliances and slow trade liberalisation, coupled with the vast geographic distances between ports, have also had a hand in limiting exchanges.¹⁶ Nevertheless, it was ultimately this 'policy of benign neglect' that was the decisive element in limiting the scope of Australian trade with the continent even once these practical difficulties had been done away with.¹⁷

In the first decades of the 20th century, trade began in earnest between Australia and Latin America. In its nascent stages, economic exchange occurred primarily with these same two countries: Chile was hungry for Australian coal to feed to its copper smelting operations, while Peru imported Australian wheat.¹⁸ This was brought to a premature conclusion by World War I and the Great Depression.¹⁹ In the decades following, policies of protectionism in the form of high tariffs prevented trade between Australia and Chile from recovering.²⁰

10 Instituto Nacional de Estadística e Informática (2016), Panorama de la Economía Peruana 1950-2015, 13 < https://www.inei.gob.pe/media/MenuRecursivo/publicaciones_digitales/Est/Lib1359/index.html>, 25 May 2018

11 The Economist (2014), Oil and Trouble, < <https://www.economist.com/finance-and-economics/2014/10/04/oil-and-trouble>>, 25 May 2018

12 La República (2011), Pobreza se redujo a 30% en el 2010, <<https://larepublica.pe/economia/510296-pobreza-se-redujo-a-30-en-el-2010>>, 25 May 2018

13 Michael Krumholtz (2018), Peru poverty rate rises for first time in nearly two decades, <<https://perureports.com/2018/04/25/peru-poverty-rate-rises-for-first-time-in-nearly-two-decades/>>, 20 June 2018

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20 Ibid

After this period of inactivity, technological improvements that reduced the cost of shipping permitted Australia to restart its trade with Chile. The 1950s and 1960s started brightly for this enterprise, but it was brought to an abrupt end with the military coup that overthrew the Allende government in 1973, exactly when trade was at its highest.²¹ So damaging was this experience that Australia and Chile did not regain trade volumes equivalent to that of the late 1960s until the early 1990s.²²

These factors contributed to Latin America being regarded as too remote, too corrupt, and not worth considering for trade relations.²³ Australia's relationship with Chile is a telling example of the effect that this perception had on Australian foreign policy in the region. Despite Chile's eventual economic recovery, no significant measures were taken to re-establish links. The only thing holding the relationship together was mutual interests in the mining sector, which during the last two decades still made up 76 per cent of Australian investment in Chile.²⁴ Although Chile engaged in trade liberalisation under the Pinochet regime, relations were hamstrung by the military government's restriction on international cooperation initiatives.²⁵ It was following Chile's shift to democracy that the first official visit of a Chilean president, Patricio Aylwin, to Australia occurred in 1993.²⁶

Only during the 1990s did voices within Australia begin to raise concern at the lack of attention that was being afforded to Latin America. The Standing Committee on Foreign Affairs, Defence and Trade addressed the Commonwealth parliament, pointing out that, while Australia made the most of its opportunities in Asia, "... little thought is given to the far-away countries of Latin America"

and that this approach was "short sighted".²⁷ Unfortunately, the warning was not heeded and the general disregard for the continent continued.

Eight years later, another committee acknowledged that Australia firms had effectively "... missed the boat on a range of opportunities in South America, especially in Brazil...".²⁸ Other players in the Pacific did not, and China quickly overtook the US to become Brazil's chief partner in trade.

Slowly, Australia started to rebuild its trust in Latin America. Domestically, a watershed moment in the process of mending ties with the region was the establishment of the Council on Australia Latin America Relations in 2001.²⁹ The council has worked to make up for lost time, funding books on these relations and providing grants for projects, with the aim of expediting a change in Australia's dealings with Latin America.

Real diplomatic strides were taken following the visit of President Ricardo Lagos in 2003.³⁰ Lagos sought to dispel Australia's perception of Latin America as a competitor in trade and used governmental discourse to spur on the reimagining of the greater Pacific Ocean as an important new region for economic growth.³¹ In this sense, his visit was a key step in laying this nation's free trade agreement with Australia. Despite these efforts, it was not until 2008 that Australia signed its free trade agreement with the

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22 Ibid

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28 Joint Standing Committee on Foreign Affairs, Defence and Trade (2000), *Building Australia's Trade and Investment Relationship with South America*, Canberra: Commonwealth of Australia, 2. http://www.aph.gov.au/Parliamentary_Business/Committees/House_of_Representatives/Committees?url=jfadtsamer/samindex.htm. Emphasis added.

29 Esposito, Alexis & John Fien (2016) "Rediscovering El Dorado: Australia's Past and Future Trade Relations with Latin America" in Kath, Elizabeth (1st ed.) *Australian-Latin American Relations: New Links in a Changing Global Landscape*. Palgrave Macmillan: New York, 105-129

30 Irene Strodthoff (2014) *Chile and Australia: Contemporary Transpacific Connections from the South*. Palgrave Macmillan: United Kingdom

31 Ibid, 82

then star of Latin American economies, Chile.³² However, this was two years after Chile achieved the highest nominal GDP in Latin America.³³

Chile's trade agreement has had particular success insofar as it has permitted a number of Australian companies, beyond merely enjoying liberalised trade with Chile, to establish a base of operations in South America.³⁴ Upon the inception of the Chile-Australia free trade agreement, some commentators claimed that Australia had "finally discovered" Latin America.³⁵ Even so, it has taken another decade for a second agreement to be realised, suggesting how difficult it was to undo the damage caused by Australia's indifference towards Latin America.

This slow change in Australia's mindset is also observable in the asymmetrical links that persisted after agreement with Chile coming into effect.³⁶ For example, Lagos' visit to Australia was positively reported upon by Chilean media but, while crucial in the rekindling of Chile-Australia relations, was mostly overlooked by the Australian press. More telling still, three of the last five Chilean presidents have made the journey across the Pacific; however there has been no reciprocal state visit by an Australian prime minister to Santiago.³⁷

In contrast to the Chilean case, the PAFTA suggests that Australia has moved beyond testing the waters with Latin America. Concurrently to negotiating the PAFTA, Australia signed the TPP and continued working to join the Pacific Alliance. It is precisely through this paradigm that the

PAFTA's importance can be understood: not as another tentative step towards trade with the broader Pacific region, but rather a deliberate move to reinforce Australia's new role as a stepping stone for trade between Asia and Latin America.

The PAFTA and beyond: Australia's new role in the Pacific

This rethinking of Australia's Asia-centric orientation in the Pacific puts Australia in a unique position. The Asian Century: White Paper recognised that, if it aligns itself correctly, Australia should seize the chance to act as the "connecting rod" between both sides of the Pacific, particularly if it takes part in the Pacific Alliance.³⁸ Given that this is now within reach, Australia appears ready to embrace its new role in the Pacific and gain maximum benefit from its neighbours, both near and far.

In the lead up to signing the PAFTA, a new embassy was opened in Bogotá, to service Colombia and Venezuela and new flight routes between the continents were established.³⁹ In light of the great strides taken to overcome the diplomatic inertia of the past, these occurrences may now seem common place. However, together with the signing of the PAFTA, they add to the sensation that these last few years symbolise a turning point in Australian foreign policy strategy with Latin America

Projections for the future of Australia's trade with Latin America are overwhelmingly positive.⁴⁰ Now, having shed the misconceptions that stifled past attempts, Australia can realise its potential with one of the fastest growing regions in world and redefine itself within an increasingly wide Pacific.

32 Kenyon, Don & Pierre van der Eng, *From strangers to partners in the hemisphere: New Prospects in Australia's Economic Relations with Latin America*

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35 Kath, Elizabeth & Raul Sanchez Urribarri (2012), *Australia finally 'discovers' Latin America; time now to forge relationships*, < <https://theconversation.com/australia-finally-discovers-latin-america-time-now-to-forge-relationships-9481>>, 26 May 2018

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39 Department of Foreign Affairs and Trade (2017), *New Australian Embassy in Colombia*, < <http://dfat.gov.au/news/news/Pages/new-australian-embassy-in-colombia.aspx>>, 25 May 2018;

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Climate Change Cooperation: The Key to Better Australia-China Relations?



Article by **Chris Smith**

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Despite its importance as Australia's number one trading partner,¹ Australia still views China dichotomously: with both optimism and suspicion. The optimistic side of this relationship is centred on trade and the seemingly limitless potential for Australian business. The suspicion is concentrated on tensions in South China Sea and the extent of China's influence in Australian politics and civil society.² While the debate over China's place in Australian business, politics and society unfolds, cooperation on climate change is sometimes overlooked. In view of this gap, this article posits that Australia should expand its cooperation with China by focusing on critical projects, such as the Belt and Road Initiative (BRI).

Climate change is recognised by both countries as a significant threat to security and social and economic prosperity. Released in 2017, the Australian Foreign Policy White Paper recognises that 'climate change will sometimes impede economic development, drive additional displacement and, if left unchecked, add to global stresses on the supply of food and water'.³ Similarly, in China, climate change and environmental protection are considered priorities of the state government. Although China is still responsible for the majority of CO₂ emissions and faces an array of environmental challenges, including air pollution in China's major cities, it increasingly recognises and acts on climate change. China recently formed the Ministry for Ecology and the Environment to respond to climate change. This was previously the domain of the economically focused National Development and Reform Commission (NDRC).⁴ China is on track to surpass its Paris Climate Accords commitments before the mandated 2030 through positioning itself as the world's largest producer

of wind and solar energy.⁵ Finally, the importance of climate change was made clear in President Xi Jinping's speech to the 19th Communist Party Congress in 2017, where he mentioned the 'environment' more times than China's 'economy'.⁶ Indeed, President Xi has argued that action on climate change is necessary 'for the sake of human survival'.⁷

Collaboration on climate change is not a new area of cooperation between Australia and China. In 2004, Australia and China launched the Bilateral Climate Change Partnership. This agreement developed further under the Abbott Government to include an annual Ministerial Dialogue and 'practical, collaborative projects in areas of mutual interest'.⁸ Nonetheless, these partnerships so far have not translated into a deeper sense of cooperation on climate change. Although Chinese companies continue to invest in renewable energy sources in Australia,⁹ the drive to collaborate on climate action appears to have dissipated. This is captured by suggestions that the Turnbull Government rejected an offer from the Chinese government to issue a joint statement on climate change in 2017.¹⁰ Instead, the Australia–China relationship is increasingly dominated by accusations of foreign interference.¹¹

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Contemporaneously, China has sought cooperation with other regional and national partners on climate action. In the period following President Trump's election in November 2016, China has engaged with numerous sub-national and national actors to spur climate change action. China committed to enhanced action on climate change with California; formed partnerships with the European Union and Canada to champion the Paris Agreement; and has issued statements on climate change with France and Canada.¹² These partnerships and statements – however symbolic – are illustrative of China's desire to be in the 'driving seat in international cooperation to respond to climate action'.¹³ This ambition is epitomised by China's plans to spend US\$360 billion on clean energy by 2020.¹⁴ China's active approach to engaging with climate change action may be informed by the predicted consequences and challenges the region will face from climate change. The Asian Development Bank argues climate change will lead to 'dire consequences' for the Asia-Pacific, as modelling shows the region is 'likely to suffer more from climate change than the world average, if no action is taken'.¹⁵ This increases the potential for irregular migratory patterns, and poses a risk to food and human security.

Climate change also creates an opportunity for sustainable development. China – previously slow to make progress on climate action and environmental protection – has sought to harness the potential of renewable energy and sustainable design. It leads the world in solar and wind energy and in areas including electric

vehicle production.¹⁶ The Chinese government has sought to embrace that opportunity, despite facing challenges linked with the rapidity of its economic transformation and embrace of clean energy.¹⁷

Conversely, Australia's climate change record has been uneven. Australia has made progress at the sub-national level, where investment in renewable energy and energy storage technologies is strong.¹⁸ For example, the Australian Capital Territory is on track to supply its electricity grid with 100% renewable energy by 2020.¹⁹ But at the national level, studies show that Australia is not on track to meet its Paris targets.²⁰ Despite differing levels of ambition and action on climate change, Australia and China could benefit from a cooperative approach to climate change mitigation and adaptation. Fox has argued that it is in Australia's national interest to engage with China on climate change in relation to human and comprehensive security issues.²¹ Kwok identifies the potential for Australia and China to collaborate on low carbon cities and the research and development of renewable technology.²² These ideas suggest avenues for Australia–China

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14 United Nations Environment Programme & Bloomberg New Energy Finance 2017, 'Global Trends in Renewable Energy Investment in 2017,' 22.

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22 Jackson Kwok 2017, 'Climate Change and Green Energy: Australia Should Warm to China,' <http://chinamatters.org.au/stance/climate-change-green-energy-australia-warm-china/>,

cooperation on climate change and sustainable development.

Australia should consider expanding the scope of its cooperation by working with China on its Belt and Road Initiative (BRI), particularly in relation to sustainable development across the Indo-Pacific. An infrastructure investment project, the BRI is designed to improve and enhance trade and commerce links to meet a trillion-dollar shortfall in infrastructure funding.²³ However, at the moment the BRI has been viewed in Australia as the use of economic power for strategic ends.²⁴ The Australian Government has declined to join the BRI on the basis that there is not an economic case to do so. This decision may have been at least partly motivated by fears over China's strategic intentions.²⁵ Unless Australia shifts its position, it may miss the chance to expand the bilateral relationship and to work on an area of mutual interest: climate change and sustainable development.

Australia should engage with China on the BRI to ensure that the BRI is oriented not simply towards filling the infrastructure gap, but also aiding sustainable development. The BRI has already spurred AUD\$8 billion in exports of solar equipment from China, suggesting some positive environmental outcomes can be linked to the BRI.²⁶ This reflects President Xi's claim that the BRI will be 'green, low-carbon, circular and sustainable'.²⁷

However, the BRI has been criticised for its contributions to resource-intensive projects and its role in the development of new thermal coal power plants, both of which serve to exacerbate climate change.²⁸

The BRI is an enormous endeavour that could aggravate environmental concerns, especially as the BRI contains only voluntary guidelines for environmental protection.²⁹ Nonetheless, Australia's support in strengthening sustainable development through the BRI might provide some reassurance that the BRI will improve environmental outcomes in the Indo-Pacific. For example, Australia might join the BRI as a show of support for the Beijing-led initiative, while stressing the need for more attention to climate change mitigation and adaptation in the design of BRI-related projects.³⁰ In doing so, Australia and China could develop their relationship through the mutual interest of slowing carbon emissions. The BRI not only means more trade and commerce in the Indo-Pacific, which would be beneficial for China and Australia's economies, but would create opportunities for sustainable development. Australia still has work to do at the domestic level to ensure that it meets its own Paris targets, but it should also concentrate on climate change and the BRI as a way of improving Australia-China relations.

Australia could improve relations with China by expanding the scope of cooperation on climate change. Both states recognise climate change as a critical issue for their future security and prosperity, but the mechanisms and agreements in place have failed to generate significant cooperative efforts. For Australia, the BRI may be a way to stimulate deeper and more frequent cooperation with China while ensuring that the BRI produces positive environmental outcomes for the region.

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