SPEECH

A Larger Australia

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LOWY INSTITUTE
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The Lowy Institute for International Policy is an independent policy think tank. Its mandate ranges across all the dimensions of international policy debate in Australia – economic, political and strategic – and it is not limited to a particular geographic region. Its two core tasks are to:

- produce distinctive research and fresh policy options for Australia's international policy and to contribute to the wider international debate.
- promote discussion of Australia's role in the world by providing an accessible and high quality forum for discussion of Australian international relations through debates, seminars, lectures, dialogues and conferences.

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A LARGER AUSTRALIA

CHECK AGAINST DELIVERY

One of the most pernicious clichés in my field is the claim that "Australia punches above its weight." It's meant to be a compliment, but it's inaccurate and demeaning.

The truth is most Australians underestimate our country's weight class.

Australia has the 12th largest economy in the world and the 5th richest people.

We have a continent to ourselves. We are the 6th largest country in the world, with responsibility for ten per cent of the earth's surface.

We have good diplomats and a capable military. We belong to the world's most effective intelligence network, the Five Eyes community. We are the president of the G20 and an elected member of the UN Security Council.

Australia is not a super heavyweight, but we are certainly not a flyweight. People say we're a middle power. But there's nothing middling about Australia. We are a significant power with regional and global interests.

We don't punch above our weight; we punch at our weight. Sometimes, I'm afraid, we punch below our weight.

The phrase is not just wrong, however. It's also debilitating. It breeds complacency – because if we're already punching above our weight, then there's no need for us to do anything more.

In fact, the reverse is true. We should brace ourselves, because in the next decade, we will need to move up a weight division.

We are facing unprecedented changes that will test us as a people. To pass this test, we need to muscle up. We will need to be a larger country, with a larger tool chest, a larger debate and a larger foreign policy – in short, a larger Australia.

THE PREDICAMENT OF PROXIMITY

For most of our history, the world was run by countries like our own. When the world map was painted pink, we were a member of the British empire. Throughout the Pax Americana, Australia has been a treaty ally of the United States.

The order that has prevailed since the Second World War has served our interests. Western countries ran the international economy.

American predominance was embedded in international institutions and reinforced by the US military.

But now two things are happening. Our great and powerful friends are becoming, in relative terms, less great and powerful. And wealth and power are moving eastwards, towards us.

China's economy should be the world's biggest within the next decade. Other rising Asian economies are also powering world growth.

The Asian Development Bank predicts that Asia will nearly double its share of global GDP by 2050, thereby regaining the dominant economic position it held some 300 years ago, before the industrial revolution.

If the economic outlook in Asia is positive, however, the security outlook is unpredictable. Economic growth is magnifying interstate competition. A number of regional powers, including Japan, South Korea, India, Indonesia and Vietnam, are jostling for advantage. There are worrying tensions on the Korean peninsula and in the East and South China Seas.

And the contours of the relationship between the United States and China are unclear.

The United States is the world's leading power – the only country capable of projecting military power anywhere on Earth.

Our alliance with Washington is overwhelmingly in our national interest. Any argument that we should downgrade the alliance in order to please China is wrong-headed. Unsolicited gifts to rising powers are not reciprocated, they are pocketed.

It is true, though, that the challenge posed by China is unlike anything the United States has faced before. And there are worrying signs about Americans' readiness for the contest.

Bloodied by its adventures in Iraq and Afghanistan, and hungry for nation-building at home, the United States is turning inward. President Obama has little taste for forceful action, as we have seen in the cases of Syria and Crimea – and neither do most Americans.

Mr Obama's most important foreign policy initiative is the pivot to Asia, which he outlined in Canberra in 2011. The pivot makes powerful strategic sense, but I'm concerned that America's heart isn't in it.

The military elements of the pivot are hardly overwhelming, even if they all proceed.

Politically, the pivot has gone off the boil. Last year, John Kerry made only four brief trips to Asia and thirteen trips to the Middle East. President Obama, too, has been distracted by troubles abroad and

political dysfunction at home. It's important that his trip to the region next month is not cancelled like the last one.

Finally, the economic element of the rebalance is in trouble. Even if Asian states agree on the Trans-Pacific Partnership, the Congress may not. Asia will be watching carefully to see how hard the president fights for TPP – because if TPP fails, it will prove the pivot has run out of puff.

Meanwhile, China has plenty of puff. In the past three decades, China has remade its economy and lifted hundreds of millions of people out of poverty. Increasingly its economic success is mirrored in its growing military strength.

The US National Intelligence Council argues that the Indo-Pacific will be the dominant international waterway of the twenty-first century, as the Mediterranean was in the ancient world and the Atlantic was in the twentieth century.

China wants to win the naval competition in the Indo-Pacific. Last month, three Chinese warships did a lap of Java. As one of my colleagues has suggested, that voyage will be more consequential to Australia's future than any number of asylum seeker passages over the past decade.

China's façade conceals frailties, of course. Still, even if we don't credit straight-line projections, it's clear that China has arrived as a global player.

There is an uneven quality to China's international stance: usually quiet but occasionally strident; usually cautious but occasionally combative; always prickly; never predictable. Sometimes Beijing's assertiveness spills over into bluster, as with its recent unilateral declaration of an air defence identification zone over disputed territory in the East China Sea.

I hope the United States recovers its confidence and reaffirms its Pacific presence. I hope China's foreign-policy behaviour becomes more measured and predictable. But what if these hoped-for developments do not occur? What if the two countries face off in a new cold war?

Even more alarming, what if America retreats while China advances? What if Australia confronts the worst possible combination: a feckless America and a reckless China?

I hope we avoid this outcome. But nation-states must follow Disraeli's lead, hoping for the best but preparing for the worst. Crimea shows that we can quickly find ourselves in worst-case scenarios.

For many years, Australians complained about the tyranny of distance. Now the tyranny of distance has been replaced by the predicament of proximity. Our new economic opportunities come with new political risks. We are closer to the world's booming markets – and closer to the world's developing crises. We are less isolated – and less insulated.

Australians understand the predicament of proximity. Let me give you a sneak preview of a couple of results from the 2014 Lowy Institute Poll, which will be released in full this May. On the one hand, sentiments towards China have warmed six points this year, the equal highest level since 2006. On the other hand, nearly half of Australians think it's likely that China will be a military threat to Australia in the next twenty years, up seven points since last year.

How should we approach the predicament of proximity? How can we maximise our opportunities and minimise our risks?

The usual answer is that we need be smarter and shrewder than ever before. That's true. But we also need to be larger.

A LARGER COUNTRY

First, we need to be a larger country. The single biggest contributor to a nation's power and influence is its economy. Economic success allows us to afford the diplomatic and military capacities we require. It makes us more attractive as a country. It ensures that our leaders are listened to in the councils of the world. There are good grounds for optimism about Australia's economic growth in the future, so long as we maintain the pace of economic reform.

Both our economy and our strategic weight would benefit from a larger population. Managed properly, skilled migration grows our workforce, closes skill gaps, improves our demographics, and thickens our connections to the economies around us. It provides a daily infusion of ambition and imagination.

Those who say we cannot manage the social and environmental consequences of immigration underestimate Australia. In 1945, we established the world's first immigration department. In the thirty-five years after the Second World War, we doubled our population, from 7 million to 14 million, without serious controversy or disharmony. Does anyone think we are not a stronger, wealthier, more interesting country for it?

We can grow our population by settling more migrants and boosting our birth rate. We can also get larger by embracing the one-million-strong Australian diaspora. This group is well-educated, well-connected and well-disposed to Australia. In business, academia and arts, the Australian diaspora is distinguished. It is a world-wide web of ideas and influence.

Our large expatriate community should be a source of strength and confidence for us. Yet sometimes I detect a new strain of the tall poppy syndrome – let's call it "foreign poppy syndrome" – in which we bristle whenever expatriates express an opinion on our country. This is infantile. We should celebrate the successes of Australians wherever

they live. We should use our expats as instruments of our soft power. We should draw them more fully into the mainstream of our national life. Creating a global community of Australians would help to make us a larger country.

A LARGER TOOL CHEST

A large country needs a big tool chest, including an extensive diplomatic network and a capable military.

However Australia suffers from what we have called a "diplomatic deficit." Over the past two decades, DFAT has been run down and hollowed out. In the late 1980s, the Australian foreign service fielded more than 900 highly trained diplomats overseas. Today, the number is one-third less.

Now more than ever, we need a first-rate foreign service. Our economy relies on trade and foreign investment. Our region is changing before our eyes. And the demands for consular assistance are multiplying.

All this requires energetic and creative diplomacy. Yet Australia has the smallest diplomatic network of all the G20 nations, and close to the smallest in the developed world. Our network of 95 diplomatic posts looks puny compared with the OECD average of around 133. We have fewer posts than Norway, Sweden and Belgium, even though these countries are smaller and located more securely than we are.

It is madness for Australia to starve its diplomatic service. For the past five years, the Lowy Institute's arguments that Australia needs a larger and better-resourced foreign service have met with vigorous and bipartisan nodding. Now we need action from the Government.

Let me make one suggestion. The Government's decision to merge AusAID into DFAT and align our foreign-policy and development interests more closely has much to recommend it. The resource split between the two organisations had become unbalanced. The Government should preserve some of the savings generated by the merger and the aid reductions within the foreign affairs portfolio – so that it makes our diplomatic tool chest larger, not smaller.

Australia also needs a more capable military. Australian defence spending is too low given our strategic circumstances. Indeed, our defence spending has scaled down at exactly the moment when other countries in the region are scaling up.

In the past few years, defence expenditure slipped way below 2 per cent of GDP, reaching a level not seen since before the Second World War.

This did not reflect a view that our neighbourhood is getting any safer. It was not accompanied by any reduction of the expectations placed on our defence force. Both the 2009 and 2013 Defence White Papers

sketched out ambitious goals for the ADF, but as the Government reduced spending and deferred acquisitions, a gap opened up between Australia's ambitions and our capacities. This signaled a lack of seriousness – a dangerous signal for a nation to send.

A more capable defence force would better enable us to protect our territory and our citizens and hedge against the alarming scenarios I mentioned earlier.

It would lend us weight in the eyes of potential adversaries and earn us influence in the minds of friends and allies. It would allow us to contribute effectively to the stability of the South Pacific.

Two per cent is not a magic number. Apart from everything else, the money needs to be well spent – outputs matter as well as inputs. However, both political parties recognise that the current inputs are too low and promise to increase spending to the 2 per cent mark.

What matters here is numbers, not words. If the Abbott Government is to live up to its promise of achieving 2 per cent within a decade, it will have to make hard choices. The sooner the journey back to 2 per cent starts, the more likely it is that we will reach our destination. If the Government starts to bend the trend line upwards now, then the slope of that trend line will be realistic. If it waits for more propitious financial circumstances a few years down the track, then the trend line will look unrealistic and unbelievable.

A LARGER DEBATE

In addition to a larger tool chest, we also need a larger debate about our country's role in the world.

Let's start with the media. The coming changes will affect all Australians. They're not just for policy wonks. Yet the quality of Australian media coverage of international issues is drooping.

Just as it is important for Australia to have a voice in world affairs, it is important to have Australian eyes on the world. Unfortunately, Australian eyes are closing. Australian news organisations are shutting foreign bureaux, including in Asia. The number of Australian foreign correspondents is small and shrinking. All the commercial TV networks cover the British royal family slavishly, for example, but none of them has a full-time correspondent in Beijing.

If foreign coverage is getting thinner, the debate at home is getting flatter. Much of our international debate is deeply unserious.

For example, the routine criticism of overseas travel by senior ministers is an epic example of small-country thinking. I know that some politicians have poisoned the well with pleasure trips. But it's a sign of our immaturity that we assume that senior ministers travelling abroad are

either big-noters or rorters. It reveals a depressingly shrunken opinion of Australia's possibilities.

Other countries do not distract themselves with this kind of nonsense. Hillary Clinton was celebrated for the fact that she travelled a million miles as Secretary of State.

If this remains the standard of our debate, then we are in trouble as a country. But we can do better. In the 1980s, Australians conducted a lively and intelligent debate on economic reform. We can have a similar conversation this decade on Australia's place in the world. As a small contribution to the debate, the Lowy Institute established a new Media Award last year to recognise excellence in Australian coverage of international affairs.

It's time to put aside childish things. Let's focus Australians' minds on the world and tilt the national mood toward a larger foreign policy.

A LARGER FOREIGN POLICY

A larger foreign policy is one that combines two qualities: ambition and coherence.

Ambition indicates a willingness to see ourselves as players not commentators and to take aim at the really big issues. Coherence indicates an ability to match ends and means, to use our limited resources in ways that can really make a difference.

Ambition is about imagination; coherence is about execution.

Achieving both ambition and coherence is difficult. There have been hyperactive periods when Australian foreign policy was ambitious but incoherent, when we had big ideas but little ability to bring them off. During these periods, we were quick to urge countries to do things we were unprepared to do ourselves. Teddy Roosevelt spoke softly and carried a big stick. We spoke loudly and carried a small stick.

But perhaps the default mode for Australian foreign policy is the opposite – periods characterised by policy laziness, in which we rested on our laurels, fell back on old relationships and old slogans and pursued a small-target strategy.

There are, of course, outstanding examples of ambition meeting coherence: the initiatives of Bob Hawke and Paul Keating to stand up APEC and then upgrade it to a leaders' summit; John Howard's crucial intervention to help East Timor on the path to independence; Kevin Rudd's contribution to the G20 during the global financial crisis; and the new ballast Julia Gillard brought to the China relationship. These initiatives were both creative and credible. They required policy creativity and flair along with hard work, persistence, focus, pragmatism and attention to detail.

Most importantly, they took leadership. In foreign policy, as in life, the tone is set at the top.

Prime Minister Tony Abbott and Foreign Minister Julie Bishop have established between themselves an effective working rhythm. The PM is fortunate to have a foreign minister who is hard-working and energetic and prepared to depart from outdated policy, as she did on Fiji. It remains for Mr Abbott to decide on the couple of issues or countries he wishes to focus on himself. My suggestion to the prime minister is that one of these – although certainly not the only one – should be Indonesia.

Our relationship with Indonesia will always be difficult – we are so close and yet so different. Often it seems transactional and fragile, hostage even to the whims of the Corby family. In recent months, it has foundered under the weight of spies and people smugglers.

Yet both nations have an interest in refloating the relationship. And Mr Abbott has a few advantages on this score. In opposition, he put Jakarta at the centre of his foreign policies; in office, it was his first port of call. If his government can stop the boats, it will earn him credibility in Indonesia. And focusing on Jakarta rather than the Anglospheric capitals of Washington or London would give the PM the advantage of surprise.

Two of Mr Abbott's recent predecessors, Paul Keating and John Howard, thickened the relationship with Jakarta by adroitly building personal relationships with Indonesian presidents. Who knows what opportunities this year's election will create? As Bismarck observed, leaders must listen for the rustle of God's mantle through history, and try to catch his hem for a few steps. The PM should listen for the rustle.

CONCLUSION

Australia has a choice. Do we want to be a little nation, with a small population, a restricted diplomatic network, a modest defence force, and a cramped vision of our future? Or do we want to be larger – a big, confident country with an ability to influence the balance of power in Asia, a constructive public debate, and a foreign policy that is both ambitious and coherent? Are we content to languish in the lower divisions or do we want to move up in weight?

We need a national conversation about this choice. I hope we decide to think big.

ABOUT THE SPEAKER

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Dr Michael Fullilove is the Executive Director of the Lowy Institute for International Policy.

He has been associated with the Lowy Institute since its establishment. He wrote the feasibility study for the Institute in 2002 and served as the Director of its Global Issues Program from 2003 to 2012. He has also worked as a Visiting Fellow in Foreign Policy at the Brookings Institution in Washington, DC, an adviser to Prime Minister Paul Keating, and a lawyer. He remains a Nonresident Senior Fellow at Brookings.

Dr Fullilove writes widely on Australian foreign policy, US foreign policy and global issues in publications including *The New York Times*, *Financial Times*, *The Washington Post*, *The Daily Beast*, *The Washington Quarterly*, *The National Interest* and *Foreign Affairs*, as well as the Australian press. He is a sought-after media commentator and speaker in Australia and abroad, appearing on programs such as Radio National Breakfast, Lateline and the Charlie Rose Show. He graduated in arts and law from the Universities of Sydney and New South Wales, with dual university medals. He also studied as a Rhodes Scholar at the University of Oxford, where he took a master's degree and a doctorate in international relations.

Dr Fullilove's first book, *'Men and Women of Australia!' Our Greatest Modern Speeches*, was published by Vintage. He is the co-editor, with Anthony Bubalo, of *Reports from a Turbulent Decade* (Viking), an anthology of the Lowy Institute's best work. His new book, *Rendezvous with Destiny: How Franklin D. Roosevelt and Five Extraordinary Men Took America into the War and into the World*, was published in Australia and the United States in 2013 by Penguin.

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