

Australian Foreign Policy and a Region in Transition

**Speech by HE Rod Smith PSM
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At the outset, I would like to thank ASLI and Tan Sri Michael Yeoh for partnering with the Australian High Commission in organising this morning's event. I would also like to acknowledge the important work that ASLI does to promote the development of Asian leadership and strategic thinking in Malaysia and the region.

I am delighted to have this opportunity to talk to you about Australian Foreign Policy and a Region in Transition.

Any country's foreign policy is a reflection not just of its external interests, but also of its character, its national assets, its values and its aspirations.

So I want to start by offering a few observations about what contemporary Australia looks like.

Australia today

In the 1960s and 1970s, even the early 1980s, Australia had an insular, highly regulated economy, inefficient public sector monopolies, low productivity and growth and poor comparative economic performance.

As a society, Australia pre-1970s was similarly insular, comfortable but complacent, overwhelmingly European and anxious about its neighbourhood.

We've come a long way since then. From the 1980s and 1990s the economy was transformed by a broad and aggressive reform agenda into an open, dynamic, flexible and high-productivity economy.

Australia today is globally engaged, economically open and competitive, focused on Asia, enmeshed in the forums of the region, proudly multicultural and confident of its place in our neighbourhood.

Demographically, we're very different. Around one in four Australians (24.6%) was born overseas. More than 40 per cent (43.1%) have a parent or parents who were born outside Australia.

Our population of 23 million includes 1.7 million Australians who were born in Asia. Our largest source countries for migration are China and India, and seven of our top 10 migration source countries are in Asia, the others being the Philippines, Sri Lanka, Malaysia, South Korea and Vietnam. Nearly 1.5 million Australians are fluent in one or more Asian languages, including Mandarin, Cantonese, Vietnamese, Hindi, Punjabi, Bahasa, Korean, Tagalog and Japanese.

So while our cultural heritage is largely rooted in the West, and English is the dominant language, Australia's economic, demographic and social links now extend to all parts of the world.

We bring a significant set of assets to the pursuit of our economic, political and strategic diplomacy. Australia is a G20 country, with the world's 12th largest GDP, and the fifth highest GDP per capita.

We were the only developed country to avoid recession during the global financial crisis and are now entering our 23rd consecutive quarter of growth. Australia is forecast to realise average annual real GDP growth of 3% between 2012 and 2018, the highest forecast among major advanced economies.

The Australian dollar is the world's 5th most traded currency. We're ranked third for economic freedom and 11th for ease of doing business. Australian cities are often rated amongst the world's most livable.

The economy has been given a 'AAA' rating by the three main global ratings agencies, one of a very small number of countries so recognised. Australia has the lowest financial risk factor in the world and the second most stable financial regulatory system.

Australia's economy is popularly seen as one dominated by mineral resources and agriculture. And it is the case that we are the world's largest exporter of coal, iron ore, aluminum ores, zinc, and beef; we're the fourth largest exporter of LNG; and we're a major exporter of wheat and many other food products.

But our economy is about much more than just mining, resources and high quality food produce. 80% of Australia's economic output is in fact generated by the services sector, a function of Australia's highly skilled, well-educated and innovative workforce. The financial services sector has assets of more than A\$5.8 trillion, nearly 4 times nominal GDP. And we have the third largest pool of investment funds under management anywhere in the world.

Australia and the region...

These achievements have been made possible by successive Australian Governments recognising the need continually to reform the economy, and to find our home in our own neighbourhood.

The drive towards our own region has gathered pace through the past half century. The rise of China is the most significant strategic realignment of our time, but it isn't the only one. The truth is, the Asia-Pacific region is undergoing a series of significant economic, social and political transformations.

There can be no doubt that in the past thirty years the world's economic centres of gravity have shifted to Asia – driven largely by the economic transformations of first, Japan, then Taiwan, South Korea, now China and, increasingly, the nations of South-East Asia.

Australia has been an undoubted beneficiary of this phenomenon. Eight of our top 10 trading partners now are in the Asia Pacific. Malaysia is one of them. What was once described as the tyranny of distance has given way to the advantage of proximity.

For decades, Japan was our largest trading partner, and remains, to this day, our second largest. But our prosperity over the past decade has greatly benefited from China's industrialisation and urbanisation. Chinese demand for Australian resources -- iron ore, LNG, coal -- and services including financial services and higher education has supported an extraordinary period of economic growth and increased prosperity.

And while China often dominates the headlines, and even boardroom thinking, ASEAN has been something of a quiet achiever. Taken as a group, ASEAN is Australia's second largest trading partner after China. Australia-ASEAN two-way trade has more than doubled in the past decade from A\$45 billion to A\$92 billion. What's more, that trade is broadly based and soundly positioned for the future.

South-East Asia remains fundamental to Australia's strategic as well as economic interests, occupying a pivotal position between the Pacific and Indian Oceans and acting as a fulcrum for the rapidly intensifying exchange of goods, people and knowledge between East, West and South Asia.

Australia's future security and prosperity will depend heavily on the region remaining peaceful, secure, stable and prosperous.

Australian interests are best served by a stable balance of power in Asia which encourages economic integration, is inclusive in membership and looks outward.

There is today not just a sharper sense of the opportunities for Australia in Asia but also of the urgency that we build a comprehensive relationship with Asia. And that we use this window of transition in the region -- as the shifts in economic weight reshape the strategic landscape -- to entrench habits of cooperation and inclusive regional institutions which can help ensure that the transition is a stable one.

This conviction lies behind Australian efforts -- articulated through APEC and our regional engagement with ASEAN -- to build economic prosperity in our region. It lies behind our support for and engagement with the ASEAN Regional Forum, the first security component of our broader regional architecture, and the ASEAN Defence Ministers Plus process. And it lies behind our strong support for the East Asia Summit, and later, for the inclusion in the EAS of the United States and Russia, to ensure that we have the right membership for a forum which is now widely accepted as important for managing challenges to the security, stability, prosperity and well-being of the region.

It will be important in coming years that ASEAN countries work closely with non-ASEAN members of the EAS to strengthen the EAS's role in the interests of all. The EAS will not be Asia's NATO. Nor can it replace the major power relationships which will set the strategic tone of the region. But it can help manage some of the inevitable tensions among those major power relationships.

Australia sees ASEAN as a vital institution that plays a cohesive, positive role in regional economic and social integration. This year marks the 40th anniversary of Australia's formal dialogue partnership with ASEAN. Australia is proud to be ASEAN's first dialogue partner and to support ASEAN's role at the centre of regional institutions.

Our links with ASEAN are varied and deep.

The ASEAN-Australia-New Zealand Free Trade Agreement brings together economies of more than USD 4 trillion (2012) and around 650 million people. And now we are taking regional economic integration further with the Regional Comprehensive Economic Partnership negotiations.

Australia's development assistance to ASEAN remains a strong feature of our joint efforts. Australian aid projects have funded a wide variety of activities: from constructing bridges in the Mekong, to providing clean water systems in Indonesia, and supporting governance and public financial management programs in the Philippines.

Australia signed a comprehensive partnership with ASEAN in 2007 and will be updating its Plan of Action this year during the 40th anniversary. A central element of this partnership has been Australia's support to ASEAN's economic community goal and the Master Plan on ASEAN Connectivity, including through extensive funding support for infrastructure, education and governance. Total Australian Official Development Assistance to ASEAN countries in fy 2013-14 is estimated at A\$1.3 billion.

At the heart of our partnership with ASEAN are the ties, the friendships, between people.

Education has always been an important driver of this. Australia is the leading provider of overseas education to students from South-East Asia; since 2002, for example, there have been over 500,000 enrolments by students from ASEAN countries in higher education in Australia. Going as far back as the 1950s, many thousands of students from the region studied in Australia under the Colombo Plan. Many now occupy senior positions in government and other sectors across the region, including here in Malaysia.

The Australian Government is committed to building on this success not only by continuing to provide scholarships for study at Australian universities, but also by encouraging greater Asia literacy amongst Australian students.

The New Colombo Plan – the signature initiative of Foreign Minister Julie Bishop – aims to build Asia literacy, foster closer ties with the region and develop stronger people-to-people links by supporting young Australians to study and undertake internships in our region. The Government has committed \$100 million over five years to implement the New Colombo Plan which will be rolled out across the region from 2015.

... and beyond

Australian foreign policy has a very clear focus on our region, but not to the exclusion of the world beyond. We are also a country with global interests. We have long-established links to other parts of the world and a strong commitment to global institutions and international law.

For the last year and a half, Australia has sat at the apex of the multilateral system: on the UN Security Council. Our term on the Council gives us the opportunity to participate in and shape decisions on how the international community responds to threats to international peace and security. Australia was in fact the first ever President of the Security Council, way back in 1948, and we continue our tradition of support for the UN today. And we're pleased to be supporting Malaysia's candidacy for membership of the Security Council for the next term.

Australia this year is also Chair of the G20, giving us a role in shaping the world's collective decision-making on global economic and financial challenges in the post-GFC environment.

The G20 stands out as the most significant change to the architecture of global institutions since the creation of the Bretton Woods system after the Second World War. It has proved its worth in crisis but must now embed its standing as the premier global economic forum. This has been a key objective of our term as chair of the G20 in 2014: to ensure the G20 works effectively in forging global cooperation to get the world economy growing, make it more resilient to future shocks, and continue to build sustainable prosperity for all the citizens of the world.

Australia is also strongly committed to the other multilateral forums that help to modernise and liberalise our global and regional economy. The World Trade Organization remains at the centre of those efforts, and newer groupings like the Trans-Pacific Partnership and the Regional Comprehensive Economic Partnership offer strong potential paths to new economic growth and reform – which will be a vital driver for Australia's economy in the 21st Century.

Australia's commitment to working with the international community in responding to crises is given expression in our response to humanitarian disasters like last year's catastrophic typhoon in the Philippines. And it is given expression in a different way in the tragic circumstances surrounding the disappearance of Malaysia Airlines flight 370.

This tragedy of course has a profound human dimension. But as Malaysia's leaders have said, it has also been an uplifting demonstration of international cooperation, with many countries in the region and beyond offering military and civilian assets, expertise and resources in a collaboration to address one of the most perplexing aviation disasters in history.

Considerable effort has gone in to the search. The Malaysian and Australian Prime Ministers, ministerial counterparts, senior officials and civilian and defence experts have spoken regularly as we work together to find MH370. Australia has given an assurance that we will do everything we can to see this process through, to bring

closure to the grieving families and learn what can be learnt from the disaster for the benefit of international aviation.

This joint effort builds on the habits of cooperation that countries in our region have long worked to foster, through regional institutions as well as our broad-based bilateral ties.

Australia and Malaysia

Australia's ties with Malaysia are strong and positive.

In the 59 years that Australia has had a diplomatic presence in Kuala Lumpur, our countries have developed a close partnership across many areas of endeavour, to our mutual benefit.

Our relations are based on our many common values and our shared interest in the prosperity, stability and development of South-East Asia and the Asia-Pacific region.

They have been nurtured through close and practical cooperation in key fields including trade and investment, defence, education, law enforcement, tourism and aviation, as well as through excellent people-to-people ties.

The official visits to Australia by Prime Minister Najib in March 2011, December 2012 and April 2014 helped to take our long-standing and cooperative links to a new level, particularly in trade, education and national security. These visits in turn built on the visits to Malaysia by Prime Minister Rudd in 2009 and Prime Minister Gillard in 2010.

Bilateral trade and investment is strong, again to our mutual benefit. Malaysia is Australia's ninth largest trading partner, with two-way trade in goods and services of almost \$A18 billion in 2013. Two-way investment stands at around A\$23 billion.

More than 3,500 Australian companies export to Malaysia and some 250 companies have representation in Malaysia. The entry into force of the Malaysia-Australia Free Trade Agreement on 1 January 2013 was a significant step forward and built on earlier gains achieved from the implementation of the ASEAN-Australia-New Zealand Free Trade Agreement in 2010.

Our nations have long-standing defence ties, which stretch back well before Malaysia's independence in 1957. Australian soldiers fought in defence of Malaya during the Second World War and saw service in Malaysia during the Emergency and "Confrontation".

We are partners in the Five Power Defence Arrangements, which continue over forty years on to be a relevant and practical mechanism for defence cooperation. Indeed the enduring relevance of the FPDA was reaffirmed as recently as a couple of weeks ago at the FPDA Defence Ministers meeting in Johor Bahru, chaired by Malaysian Defence Minister Hishammuddin.

Bilateral defence ties, including through the Malaysia-Australia Joint Defence Program, continue to ensure that Australia's defence partnership with Malaysia is one of our strongest in Asia.

Australia and Malaysia have also made substantial progress bilaterally in countering common national security threats, including people-smuggling and human trafficking, terrorism and the proliferation of weapons of mass destruction. Cooperation between our national security agencies, including in law enforcement, immigration, customs and border protection has intensified in recent times. We have a long list of well-established agency-to-agency and whole-of-government collaborative activities in these fields, demonstrating a great capacity to work together on common cross-border challenges.

As with Australia and the wider Asia region, a key bond between Australia and Malaysia has always been our people-to-people ties. Education again has been a big part of this. More than 300,000 Malaysians have an Australian university education. 21,000 Malaysians are currently studying in Australia and another 20,000 students are enrolled in Australian university campuses in Malaysia.

Every year, the number of visits in both directions increases. Over 500,000 Australians visited Malaysia in 2013, and almost 300,000 Malaysians visited Australia. The Australia-Malaysia Institute, established in 2005, has increased mutual awareness and understanding of each country's culture, values and traditions through a variety of exchange programs. There is of course much more we can do together to share the cultural richness and diversity that are defining features of both our countries.

Conclusion

I want to conclude my remarks – in the great tradition of loyal diplomats – by quoting my Foreign Minister.

Julie Bishop describes the “meta challenge” of Australian foreign and trade policy as maximising economic opportunity and minimising strategic risk at a time of transition in the geo-politics of our region.

Maximising economic opportunity means maximising our economic diplomacy: concluding free trade agreements, pushing regional trade arrangements such as the TPP and RCEP; resisting protectionism and reinforcing the trade liberalisation which has been so crucial to the Asia Pacific success story; and encouraging the economic reforms upon which the sustainability of Asian growth ultimately depends.

Minimising strategic risk means building strong relationships among the major powers of the region; shaping strategic behaviour through forging consensus on core principles including resolving disputes peacefully and consistent with international law; and building regional institutions which reinforce the value of dialogue and the careful management of disputes.

These are the big challenges for Australian foreign policy. They are also, in many respects, the key foreign policy challenges facing other countries of this region – though they may articulate them in slightly different terms or with different emphases.

But the key point is that these are shared challenges. And ultimately the security and prosperity of our region will depend on our collective capacity to address them.
