



10 January 2017

Foreign Policy White Paper Submission

Dear Committee Members.

I am responding to your request for submissions for the forthcoming White Paper on foreign policy. The rest of my comments offer some brief observations in line with your suggested key issues.

1. The National Interest

The 'national interest' is not a given, nor is it set in stone. A 'middle power' such as Australia, located on the edge of East Asia, will have a different conception of the national interest and its capacity to pursue it than 'great powers' like the United States or China. Even the way national security is conceived can change, as the abrupt shift from Britain to the US as its principal 'great and powerful friend' during World War 2 demonstrates. The election of Donald Trump and his more 'transactional' approach to friend and potential foe alike means that many of the assumptions about the regional security order, Australia's place in it, and America's willingness to continue playing its traditional role as the lynchpin of regional security are in doubt. So, too, is the way we define the national interest as a consequence.

The possibility that national interests are both hard to define and capable of change is even clearer in the context of the 'national economy'. Many informed observers think that the nature of complex, transnational production structures has made national trade figures literally meaningless. Creating a policy framework that unambiguously and exclusively advantages 'national champions' is impossible, as the incoming Trump administration will discover. Indeed, even if the Trump administration's attitude to security issues was not sufficient reason for rethinking Australia's overall approach to foreign policy, its attitude to trade relations ought to be. It is possible the Trump regime may trigger an entirely unnecessary and unproductive trade war with Australia's principal trade partner.

Strategies to enhance national productivity are beyond the scope of this inquiry and this submission, but it is important to recognize that more powerful economic actors can have major impacts on the 'domestic economy', and that foreign policy cannot be insulated from wider geoeconomic forces. Indeed, geopolitical and geoeconomic forces are increasingly interlinked. Foreign policy needs to recognize this and the fact that smaller economic and strategic actors like Australia are both more exposed to such forces (as our economic reliance on China demonstrates), and less capable of influencing the external environment on which it depends.

2. Australia's Global Interests.

As noted, Australia is especially susceptible to external forces over which it has very little control. Plainly, Australia has an interest in the conflict in Syria and its capacity to fuel international terrorism and/or poison relations between the US and Russia, for example.

This does not mean that Australia should necessarily get involved in attempting to resolve such conflicts, however. On the contrary, one of the most important things that any revised foreign policy ought to recognize and act on is the fact that Australia is simply *not* a global power. Australia's capacity to influence events and make a difference is regional at best.

There may be something to be said for Australia trying to play a constructive international role and influence debates about key international issues, but this needs to be accompanied by a clear understanding of the limits to our influence and the most appropriate ways it can occur. Few people would now claim that Australia's participation in the invasion of Iraq was wise or useful in retrospect; this is especially so since Australia was incapable of making a decisive difference to the outcome of that conflict, or any of the other major wars it has been involved in. Where Australia can make a difference - and arguably ought to - is in smaller scale regional security challenges of a sort that it was involved in in Timor and the Solomon Islands.

The key point to stress is that policy ought to respond to the specific challenges and context that distinguish different issue areas and geographical circumstances. Combating climate change, for example - arguably the main threat to Australia's future prosperity and security - necessitates hitherto unprecedented levels of international cooperation in which Australia can play a constructive role. Indeed, Australia could even play a modest and much-needed leadership role in demonstrating the merits of environmental 'best practice' and international good citizenship.

More generally, however, Australia's influence will be limited and most effective in its immediate region. The best way to have an influence in this context is to collaborate closely with other, similarly positioned, middle powers in the region. In this regard, Australia has potentially far more in common with the likes of South Korea, Japan, and Indonesia, than it does with China or the US for that matter. This was the case before Trump was elected; it is doubly so now. Establishing closer ties, and continuing, institutionalized relationships with other regional states is one potential way for middle powers to play a role in developing regional responses to regional problems, as well as having some sort of influence on the US and China.

We need to recognize that Australia's national interest is not served by a slavish and uncritical acquiescence to *any* other nation's foreign policies and strategic goals; even America's will not necessarily align with ours. A more independent, less compliant stance on Australia's part might have saved the US from embarking on its disastrous invasion of Iraq, too. If the Trump administration does decide to withdraw from the Asia-Pacific region, or even dramatically recalibrate its relations with China for reasons that make sense to at least some Americans, it would have been the height of folly to have placed all our geopolitical eggs in one basket.

3. Australia's Influence

As a middle power with a limited capacity to influence external events it is important to recognize where Australia's long-term interests are likely to be best served. Less powerful states such as Australia have an in principle interest in participating in and helping to develop effective multilateral institutions. The great advantage of multilateral institutions is that they potentially encourage - even force - great powers to behave in ways that they might not choose to do so otherwise. The much discussed 'rules based international order' is potentially a good and vital thing for states like Australia, which risk being bullied and blackmailed without such institutionalized constraints. The United Nations Conference on

the Law of the Sea is one potentially important example of a regime designed to influence the behavior of powerful states. Clearly this has not worked in the case of China and its rather improbable looking territorial claims in the South China Sea, but at least China has ratified the agreement. The US has not, and Australia ought to be exerting a major diplomatic effort to encourage it to do so.

It is all too easy to be deeply skeptical about the value and influence of multilateral institutions, and their record is mixed, to be sure. However, Australia could realistically expect to have some sort of impact in its immediate region working with like-minded powers. This is not to say that we should not maintain our membership of the UN, the G20, the WTO and others, but policymakers need to have a keen sense of where scarce diplomatic resources can have the biggest impact.

Importantly, regional powers do not have to start from scratch. There are already a number of existing organizations such as APEC and the ASEAN Regional Forum that are notionally well placed to deal with regional problems. The key challenge is to make them more effective. This will likely involve managing the sensitivities of the ASEAN states that jealously guard their supposed leadership role. In reality, however, it has become painfully clear that ASEAN is incapable of addressing key challenges like the rise of China. Working with other regional powers such as Japan, South Korea and even an increasingly internationally focused Indonesia may be one way of revitalizing extant institutions and their unrealized potential.

One important goal to which Australia could contribute is to encourage a rationalization of the existing institutional architecture. At present, there are simply too many initiatives and organizations with overlapping or competing mandates and purposes. Drastically reducing their number would save all regional states diplomatic resources and potentially make the remaining entities more effective and authoritative in the process.

4. Grasping Economic Opportunities

Economic development is largely a consequence of domestic circumstances and policies, but there are some economic issues that foreign policymakers ought to consider. First, the 'national economic interest' of a country like Australia may be contested and unclear as a consequence of transformations in global trade and investment strategies, but its still likely to be best served through multilateral institutions like the WTO in the long-term. Bilateral trade agreements are sub-optimal in that they absorb significant amounts of scarce diplomatic resources and expertise. Equally importantly, they may not deliver promised benefits anyway. The free trade agreement (FTA) with the US negotiated by the Howard government is clear example of this: the agreement significantly advantaged the US as the more powerful partner, and was driven by non-economic priorities.

The US FTA also illustrates the dangers of conflating economic and security issues. Such problems have not disappeared. There may be much to be said for carefully targeted industry policies, but they are less likely to be effective when they are driven by strategic and/or short-term electoral concerns. Both possibilities are evident in the plan to build a new generation of submarines in Adelaide. What is entirely absent in the discussion about the proposed submarine development, and the acquisition of a new F35 aircraft, for that matter, is whether they are necessary in the first place (see Point 5). Investing very significant amounts of scarce public capital represents a significant opportunity cost: if the money is invested in new military hardware it cannot be invested in education, training, or the development of other industries that might have both more immediate utility, and the

potential to provide the backbone of a manufacturing capability that has been dramatically diminished over recent years.

The other major point to consider when framing economic policy is that it cannot be done in isolation from a wider regional or even global context. In Australia's case this means recognizing that, absent a not unimaginable economic or strategic crisis, Australia's economic relationship and reliance on China is likely to intensify over time. The relative economic importance of Australia's economic relationship with the US must decline as a result. It would be foolish in the extreme not to recognize this or the possible implications it may have for other aspects of policy – however unpalatable this may be for some members of the policymaking community. Joining the AIIB and RCEP ought never to have been in question given the possible benefits they offer. The regional economy has to be the main focus of Australia's diplomatic attention, no matter which country happens to be its dominant force. The development of and participation in regional institutions offers the best way of influencing the future development of the region and Australia's place in it.

5. Strategic Challenges

Australia's strategic policy, like other aspects of broadly conceived foreign policy, should be based on what is necessary and affordable. This involves being 'realistic', but not the sort of realism that assumes that that conflict is inevitable. More importantly and practically, Australian policymakers need to recognize that it is simply not capable of making a decisive difference to any regional, much less global, conflict should it occur. Put differently, in the very unlikely event that any of the unaffordable replacement weapons systems that are currently under consideration were actually used in anger, they would not influence the outcome of any conflict involving the major powers. This raises – or should raise – major questions about their rationale and justification.

This is not to suggest that Australia should not have a modest – and more affordable – defensive capability, or the ability to help some of its immediate neighbors, in the way that it has in the Pacific and Timor. But it ought to mean that ruinously expensive, largely unproductive interventions in far-flung theaters of operation where Australia has no direct national interests are no longer undertaken. The entirely unproductive and unnecessary involvements in Vietnam, Iraq and Afghanistan demonstrates the merit of this proposition all too clearly. Strategic policy, like other aspects of foreign policy, ought to be preoccupied with security concerns that affect Australia directly, and over which it can have some reasonable expectation of making a difference.

This is not a recipe for isolationism. On the contrary, as a good international citizen it is vital that Australia remain involved in attempting to resolve major security threats like terrorism and climate change. The question is how best might a modestly credentialed middle power like Australia achieve this? The answer, once again, is through the development of more effective multilateral institutions. While there are reasons to be skeptical about the impact of the UN and other bodies, this is often because the great powers either ignore them, won't let them act, or deliberately undermine their efforts. Middle powers have the potential to apply pressure on the great powers to behave cooperatively and responsibly. This can be done most effectively by not uncritically aligning themselves with one great power or another no matter how counterproductive their policies may be.

The folly and wastefulness of existing policy settings is demonstrated in the accelerating arms race in Australia's region, to which it is one of the largest contributors. 'Security

dilemmas' are one of the great paradoxes of strategic policy and one that can never be resolved by ever-greater expenditure on military hardware. Not only are they an appalling waste of money at a time of supposed national stringency, but history also provides a stark reminder of how arms races end.

6. Assets and capabilities

Australia has a limited capacity to influence world events through its material assets. The futility of current policy will likely be revealed by the Trump administration's 'transactional' approach to allies. No matter how much military hardware Australia buys, this will not guarantee enhanced influence over or preferential treatment from our great and powerful friend. More importantly, it will not make Australia any more secure either, as key decisions and the drivers of possible conflict will happen beyond our shores.

Australia's most important and often neglected asset is its potential to provide new, innovative ways of thinking about a range of issues from climate change mitigation to combatting international terrorism. However, being an effective international actor and 'ideas broker' in this context means having the capacity to act – and be seen to act – independently. At present too much of the region and the world sees Australia as a very predictable extension of American foreign policy, rather than as an independent power with its own distinctive perspective on international affairs. In such circumstances, it is not surprising that some of the initiatives and ideas that have been generated here are not taken terribly seriously by our neighbors.

Recognizing that Australia's future remains inexorably bound up with the region, and that it is there that we can have the most impact is a good starting point for our future foreign policy priorities. Being a good international citizen ought to mean leading by example; something Australia's benign strategic geography ought to leave it uniquely well placed to do. Not spending more than we need to on new weapons systems might send a reassuring message to neighbors and allow them to follow suit. Working energetically and creatively to address profoundly interconnected regional security and development problems might also prove a much more effective use for scarce taxpayer dollars. Indeed, spending might usefully be redirected into spending more on the human side of our foreign and strategic policies, be it our impoverished diplomatic presence or intelligence gathering activities.

In short, the world desperately needs examples of states that are well run, stable, prosperous, and yet are determined to play a constructive international role, rather than simply pulling up the drawbridge. It was a strategy that didn't always work in mediaeval times; it's not desirable or possible in an era of globalization. An independent Australia with a foreign policy to match might offer the world very useful model of good international citizenship when such things are in short supply.

I am happy to discuss any of these issues in person should there be any interest in doing so.

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