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Introduction

Young Australians in International Affairs (YAIA) is pleased to provide a submission to aid in the development of the Department of Foreign Affairs and Trade's (DFAT's) 2017 Foreign Policy White Paper. As a not-for-profit organisation committed to engaging young Australians in international affairs and foreign policy, and to building the high calibre leaders necessary to navigate Australia's future in the Indo-Pacific Asian century, YAIA is well-placed to provide insights on majority of the focus questions.

Launched in April 2014, today YAIA is an active member of Australia's international affairs community and provides a platform for young Australians (aged 18-30) to contribute fresh perspectives and insights into current international events and policy discussions. To this end, YAIA provides a number of opportunities for emerging leaders in foreign policy, including:

- An innovative, engaging program of events in six Australian states and territories;
- A six-month, non-resident Fellowship Program, which provides emerging subject matter experts the opportunity to be published regularly on our blog, Insights;
- An annual conference, Future 21, which provides our followers with access to some of Australia's leading policy makers and academics in international relations and allied fields; and
- Access to targeted, high-quality careers resources, including a curated board of job and internship opportunities and unique careers content.

YAIA has an active online presence, comprising a website and social media channels on LinkedIn, Facebook and Twitter. During February 2017, our social media posts reached approximately 26,000 followers each week.

Of our followers, a majority of 54 percent are aged 18-24, with a further 35 percent aged 25-30. The remainder are over the age of 30. 52 percent are currently undertaking either undergraduate or postgraduate study (either full-time or part-time) and 37 percent are young professionals, and a further 11 percent are both working and studying. YAIA followers work in a wide range of fields including public and foreign policy, law, academia and consultancy.
1.0 AUSTRALIA’S FOREIGN POLICY NEEDS TO BE GROUNDED IN A CLEAR-EYED ASSESSMENT OF OUR NATIONAL INTERESTS.

1.1 How should we define Australia’s national interests in a changing world? How should our values underpin Australia’s foreign policy? What should we do differently? How can we do better?

As a developed middle power with a small population, Australia’s national interests are best served by the continuance of the rules-based global order that has underpinned the international system since the end of World War II. The rules-based order, underpinned by norms, respect for international law and institutions and inclusive of all countries is the strongest avenue to ensure global stability, international security, respect for human rights, the elimination of inequality and to supply the conditions for continued economic growth around the world.

The rules-based global order further provides the best opportunity for small and middle powers such as Australia to have a say in global affairs, and the best platform for Australia to advance our national interests. With a small and ageing population and slowing economic growth, in a world where might makes right, Australia will not have the relative resources and capacity to secure, promote and advance our national interests.

It is therefore in Australia’s vital interests to promote and support the continuance of the rules-based global order. Australia should encourage other countries to likewise promote and support the rules-based global order, and take substantive action when the order comes under threat. This will no doubt prove challenging in the years ahead, and may necessitate tough decisions, which challenge some of our bilateral relationships and our broader commercial and trade interests. However, the values underpinning our interests in the rules-based global order should not be compromised. Australia could do better in communicating our enduring interests in the rules-based global order across all sections of our society, so that if difficult and unpopular policy decisions need to be pursued, the Australian public is more cognisant of the values and interests behind these foreign policy decisions.

At a regional level, it is in Australia’s vital national interests for a stable, prosperous and open Indo-Pacific region. Australia’s geographic location in the heart of the Indo-Pacific region makes us well placed to take advantage of the global economic power shift to the region, but it also situates Australia in the middle of an increasingly challenging strategic environment. As a trusted, well-regarded partner and a developed democratic society, it is in Australia’s interests to encourage the promotion of transparency, open dialogue and confidence building measures across the Indo-Pacific region.
2.0 AUSTRALIA HAS DIVERSE INTERESTS THAT SPAN THE GLOBE.

2.1 Which countries will matter most to Australia over the next 10 years? Why and in what ways? How should we deepen and diversify key relationships?

Figure a: YAIA followers’ response to the question, “What country will matter most to Australia over the next 10 years?”

China

Young Australians recognise that China will continue to be the most important country to Australia in the coming decade. They recognise that China’s rise has driven the shift in centre of gravity to the Asian region, and that Australia will require a robust, long-term strategy to make the most of the opportunities and address the challenges presented by China’s sustained preponderance.

In the coming decade, much of the strategic flux in our region will be characterised by an uncertain relationship between the new US administration and China. This presents an opportunity for Australia to leverage its position as a middle power to engage its largest trading partner and its major strategic ally, which is at risk of a relative withdrawal from the region. It is in Australia’s national interest to encourage China’s continued rise as a responsible stakeholder in our region. In doing so, however, Australian policymakers should be clear-eyed about the structural realities driving the changing regional dynamic, characterised by an invariably greater place for Chinese ambitions. When it comes to dealing with the strategic challenges presented by China, Australia must be consistently clear in articulating the rules of engagement it wishes to see prevail in the region and qualify this in its foreign policy activities.

For example, Australia should recognise the opportunities and challenges presented by China’s economic grand strategy, the One Belt One Road (OBOR) initiative, and seek to help steer it in a direction that is constructive for the whole region. It could do this by leveraging Australia’s reputable project management capacity to support OBOR investments in third countries. Australia should act on the potential here for northern Australia’s development and for improving its connectivity with ASEAN. By joining China’s Asian Infrastructure Investment Bank in 2015,

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1 Based on survey of 216 YAIA followers, conducted from 30 January-5 February 2017
Australia has already poised itself to be a constructive influencer in Chinese governance initiatives.

While China will continue to power Australia’s economy in the coming decade, the Australian government should recognise the various implications of its overreliance on China’s economy. It should therefore continue to diversify its modes of economic engagement on a bilateral and multilateral basis, especially via the forthcoming Regional Economic Comprehensive Partnership (RCEP) and the ASEAN-Australia-New Zealand Free Trade Agreement. The Australian government needs to actively prepare for transitioning the trade focus with China from commodities exports to services exports—particularly in healthcare, education and professional services. It should also ensure that agreements reached between Australia and China are reciprocal. For example, if a trade policy is negotiated on the basis of making doing business in Australia easier for the Chinese, the Australian government should seek to ensure that a similar policy is made available for Australians conducting business in China. The government should also be ensuring that Chinese-Australians are better utilised across all industries to improve the breadth and quality of our exchanges. Finally, this exchange of Australian norms and values will help in the ongoing endeavour to ensure that Australia’s relationship with China (or any other country for that matter) is not purely transactional.

**Indonesia**

There is no better decade in which Australia might strengthen its relationship with its closest neighbour. In the current strategic climate, Australia should capitalise on the many common priorities it shares with Indonesia, particularly under the current government of President Joko Widodo. These priorities include free and rules-governed strategic waterways and heightened economic diplomacy. Widodo’s recent successful visit to Australia places the bilateral relationship on excellent footing going forward.

Australia should maintain active conversations with its Indonesian counterparts about joint security cooperation in counter-terrorism, anti-piracy, fisheries, cyber security, as well as joint patrols in key Southeast Asian waterways.

The Australian government should remain steadfast in its commitment to conclude the Indonesia-Australia Comprehensive Economic Partnership Agreement by the end of 2017. It should better articulate Indonesia’s economic potential to the public and business community, particularly as it is projected to be the fourth largest economy by 2050. While there are a number of supply-side constraints, Australia should look for more areas in which it could invest in Indonesia’s infrastructure.

To address the ongoing challenge of strengthening people-to-people links between Australia and Indonesia, the Australian government must remain steadfast in deepening and diversifying cross-institutional linkages and cross-cultural exchanges.

**The United States**

Despite the US’ relative decline in the region, it is still Australia’s largest foreign investor (28.4 per cent). While there is no doubt about the indispensability of the ANZUS alliance in the coming decade, it would be a detriment in Australian foreign policy making to fail to recognise the significant shift in the US role in the region. Furthermore, the recent election of President Donald Trump should serve as a reminder for us not to take for granted the material benefits of the

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The advent of Trump’s ‘America first’ policy approach presents no better time for Australia to invest in its agency as a middle power by connecting the administration in Washington to the Indo-Pacific region. Australia must remain steadfast in maintaining the breadth and tempo of Washington’s engagement with Southeast Asia, the Pacific, the Indian Ocean Region, with China, and across traditional and non-traditional security concerns. Australian policymakers must recognise that we are uniquely positioned to keep the US engaged in the region, and ensure key relationships in Trump’s new administration are being nurtured.

India

Young Australians recognise that India will only become more important to the region in the coming decade. Australia must not take for granted the massive economic and strategic opportunities presented by Prime Minister Narendra Modi’s Act East policy, which is taking rapid effect. Australian policymakers should start thinking of India on an increasingly equal level with Japan, especially in recognising the massive inroads its military has made in the Indian Ocean Region and in Southeast Asia. This could be achieved by more publicly acknowledging the enlarged role for India and Japan in the forthcoming decade of strategic uncertainty, as well as requesting to become a permanent member of Exercise Malabar.

While there are myriad challenges to the conclusion of an Australia-India Free Trade Agreement, the Australian government must remain committed to these efforts and ensure its workforce is appropriately skilled to engage with India’s economy, as it is China’s. Like with China, Australia would do well to leverage its major Indian diaspora population in the pursuit of better and broader people-to-people and cross-institutional linkages.

2.2 Which global trends, such as developments in technology, environmental degradation and the role of non-state actors, are likely to affect Australia’s security and prosperity? How should Australia respond?

![Figure b. YAIA followers’ response to the question, “What global trends are most likely to affect Australia’s growth and prosperity?” Respondents could select more than one option.](image-url)

Based on survey of 217 YAIA followers, conducted from 30 January-5 February 2017
Climate change

A large majority of young Australians feel that climate change is the global trend most likely to affect Australia in the coming decade. Due to Australia’s geography and the threat-multiplying nature of climate change, Australia must also face up to the forthcoming challenges presented by food insecurity, increased competition for resources and climate refugees throughout the Pacific Islands. The growth in climate refugees will compound Australia’s existing humanitarian and refugee resources, for which the government needs to prepare in the coming decade. Australia should make a cross-departmental effort to securitise climate change, making clear that our economy and national security will be adversely affected. In terms of water security, Australia should improve its information sharing mechanisms with other arid nations with successful water preservation and desalination initiatives. Australia should also push to engage other countries on renewable energy. This is an area in which there is scope for Australia’s middle-power diplomacy between the US and China.

Populist political movements

Despite their recent surge around the world, young Australians are under no illusions about the longer-term impacts that populist political movements can have. Young Australians recognise that these movements need to be engaged with and critiqued more constructively, so the root issues can be addressed and prevented in future where necessary. As such, they need to be recognised for their validity in terms of political freedom of expression, but safeguards should be in place to prevent them perpetuating harm against other groups, particularly minorities. In the longer-term, governments should ensure that progressive policies, such as globalisation, are sufficiently explained to those who may not be its traditional beneficiaries.

Cyber security

Young Australians recognise the increasing salience of the cyber domain when it comes to our national security, as well as its potential to disrupt the norms of international engagement. Cyber security capacity is crucial to the security of Australia’s national economy, and is a burgeoning aspect of our capacity building engagement with countries in our immediate region. Australia should continue its efforts to integrate cyber security capacity building across government, the military and ensure that the private sector is constantly engaged. Over the next decade, Australia should place cyber capacity at the front and centre of its regional engagement by broadening its partnerships with other governments, and ensuring cyber capacity is integrated into its aid delivery.

Rise in forced migration and the number of refugees

Young Australians are aware that the number of refugees and forced migrants will only grow in the coming decade, so long as today’s sources of conflict, political instability and the effects of climate change persist. In addition to the humanitarian mandate, Australia must also be prepared to anticipate the flow-on effects of mass people movement, such as a rise in people smuggling and modern slavery exploitation. The Indo-Pacific region will be a major theatre for these issues, which means that the government needs to redouble its efforts to engage the region to forge mutually acceptable and sustainable solutions.
3.0 AUSTRALIA IS AN INFLUENTIAL PLAYER IN REGIONAL AND INTERNATIONAL ORGANISATIONS

3.1 Which regional and global organisations matter most to us? How should we support and shape them? How can we maximise our influence?

As the Indo-Pacific continues to develop as a hub of economic and military power, engagement with the region’s diplomatic and trade organisations is of critical importance to Australia’s stability and prosperity. The Asia-Pacific Economic Cooperation (APEC) will be instrumental in facilitating mutually beneficial trade deals between Australia and the 20 other member states. Meanwhile, the Association of Southeast Asian Nations (ASEAN) will be well placed to address broader security matters, such as regional crime and potential tensions arising from China’s increased assertiveness in the region. This will be no doubt be exacerbated by the US’ relative withdrawal from the region, which is part of President Trump’s return to a more isolationist foreign policy agenda.

Australia’s partnerships with ASEAN to date, operationalised in the ASEAN-Australia-New Zealand Free Trade Agreement, Permanent Mission to ASEAN and status as a dialogue partner are commendable. But now that ASEAN is at-risk of fragmentation over great power rivalry, Australia must deepen its engagement with the organisation at all levels, especially via its membership of the ASEAN Defense Ministers Meeting-Plus, to ensure it remains the backbone of Southeast Asia’s regional architecture in the decade to come.

The United Nations will no doubt remain a bastion of multilateral diplomacy and will continue to be central to addressing global threats such as climate change, conflicts and forced migration.

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5 Based on survey of 216 YAIA followers, conducted from 30 January- 5 February 2017
However, it is anticipated that ongoing tensions between China, Russia and the United States/Western Europe in the Security Council, along with continued budgetary pressures upon the United Nations as a whole, will limit the organisation’s efficacy.

4.0 AUSTRALIA NEEDS TO BE AMBITIOUS IN GRASPING ECONOMIC OPPORTUNITIES.

4.1 What steps should be taken to maximise our trade and investment and expand commercial opportunities for Australian business? How can we ensure Australia is positioned to take advantage of opportunities in the global economy? What are the key risks to Australia’s future prosperity and how should we respond?

Labour markets

The Fourth Industrial Revolution (4IR) and the rise of innovative technologies such as artificial intelligence, 3D printing and automation will disrupt global economies and the future labour force. While the Indo-Pacific remains the global manufacturing hub, 4IR will increasingly threaten the region’s economic prosperity by likely shifting its lucrative business models of human labour manufacturing to robotic manufacturing. The disparity between ‘human’ and ‘robot’ workers, and inequality between high-skilled and low-skilled workers will undoubtedly affect the world’s capacity for economic prosperity and social stability, particularly in Northeast Asian countries. Australia would be inadvertently affected by the consequent exacerbation of regional social inequality and instability, and therefore must accordingly prepare long-term adjustment strategies. In addition, the cyber security implications of an increasingly robotic labour force and general 4IR trend will see Australia’s cyber security market become more salient to all business, government and civilian life.

Having already been affected by this shift towards automation, particularly in the mining and automotive industries, Australia is well placed to provide leadership to other countries in the region in transitioning to a services and digital economy. Additionally, countries in the Indo-Pacific will be required to invest in their future labour force’s education, which presents an opportunity for Australia to proactively engage regional governments in exporting its reputable education sector.

Innovation and technology start-ups

Australia lags behind the economies of Europe and North America in encouraging start-ups. While the Australian government’s backing of a CSIRO office in Silicon Valley is a step in the right direction, Australia’s efforts pale in comparison to the funds that other small-to-medium economies have dedicated in supporting technology companies and other innovation-engines. Funding a start-up community in Australia, and providing it with the diplomatic and political support enjoyed by start-ups in other countries, is an essential part of Australia’s future in the global economy.

Additionally, the Australian Government should continue to fund start-up and innovation programs in Indo-Pacific countries, such as the Landing Pads that were established in Shanghai and Singapore in 2016, to aid market-ready start-ups in taking their business global. It is recommended that the Landing Pads program be expanded, both in terms of localities and scope. This would provide opportunities for emerging entrepreneurs, such as university students and young professionals, to participate in the program with increased support to grow their business ideas.

6 http://www.australiaunlimited.com/landing-pads
On home soil, the government should build upon the notion of DFAT’s innovationXchange, and establish a space for events linking investors with start-ups, as well as providing the diplomatic resources and international facilitation required to help start-ups expand into the global market. This would provide a clear benefit to the Australian economy, create opportunities for Australian business to take advantage of global economic opportunities, as well as build up the nation’s reputation as an innovation hub.

Free trade

As foreshadowed by the United Kingdom’s vote to exit from the European Union and the Trump administration’s withdrawal from the Trans-Pacific Partnership, there is a clear upswing in economic protectionism at the global level, which will have profound impacts on economic growth and prosperity. Free and open trade is vital to Australia’s continued economic growth, particularly in the face of structural challenges to Australia’s domestic economy: PwC has predicted that by 2050, Australia’s economy will drop from 19th to 28th in world economic rankings. To safeguard against this significant downgrade to Australia’s global economic standing, Australia must continue to pursue an agenda of economic growth and interdependence through free trade, particularly with strategic partners such as Indonesia and other individual ASEAN member states, and maintaining its proactive involvement in existing regional trade architectures, such as the RCEP. To maximise our commercial and trade interests, the government and business community need to look to emerging markets in Latin America to ensure that we are taking advantage of opportunities in the broader economy outside of our region.

6.0 Australia uses a range of assets and capabilities to pursue our international interests.

6.1 What assets will we need to advance our foreign policy interests in future years? How can we best use our people and our assets to advance Australia’s economic, security and other interests and respond to external events?

Soft power

Australia is generally regarded positively on the international stage, and this reputation should continue to be leveraged in order to advance the nation’s interests. Australia’s recent term on the United Nations Security Council, hosting of the 2018 ASEAN Summit and campaign for a seat on the UN Human Rights Council have all bolstered the nation’s reputation as a keen contributor to global progress and consolidated its existing soft power collateral. The importance of Australia’s soft power, especially within the Indo-Pacific region, should not be underestimated. According to the 2016 Soft Power 30 Index, an annual ranking of the top 30 countries for soft power globally, Australia was the top ranked nation in the region, ranking sixth, closely followed by Japan at number seven. Only four other countries in the region made the top 30. What this means, in practical terms, is that Australia is well placed to translate this soft power into support for key policies. Whilst the policies will change with the successive government’s priorities, the cultivation of soft power should remain an ongoing and concerted effort.

One key mechanism through which Australia should continue to develop its soft power is education. Ranking as Australia’s fourth largest export, education, especially at the tertiary level,

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8 http://softpower30.portland-communications.com/ranking/
draws in around 500,000 international students per year, the majority of which are from nations in the Indo-Pacific. These students, who live in Australia for anywhere from six months to several years, can effectively become ambassadors for Australia upon their return home. However, Australia should remain vigilant in maintaining the quality of its tertiary education sector, and ensure that it remains an attractive destination for international students, outcompeting other destinations in North America and the UK, and indeed China, Japan or Singapore. On the flip side, by sending unofficial student ambassadors to study and intern in the region, the New Colombo Plan is also critically important for building public perception of Australia in the Indo-Pacific. However, the program’s limited scope, offering only 120-150 places to undergraduate students each year, does not go far enough to have a significant impact. It is recommended that the program be opened to more students annually, and extended to include postgraduate students.

Digital diplomacy is another key mechanism through which Australia can continue to advance its soft power. Currently ranked in the 80th percentile out of all countries, Australia has already made great strides in this regard, as demonstrated by DFAT’s active engagement across social media platforms, including autonomous accounts for diplomatic missions around the world. A digitally savvy Foreign Affairs Minister, the Hon Julie Bishop MP, who has gone so far as to engage in ‘emoji interviews’, has also helped bolster engagement with the general public. However, each of the aforementioned examples are essentially electronic versions of public diplomacy, an important, but not singular aspect of digital diplomacy. Moving forward, the challenge for Australia will be deepening and diversifying its digital engagement to advance diplomatic objectives.

Investing in a stronger diplomatic corps

Despite the complexity of our strategic outlook, DFAT continues to operate under severe financial and resourcing constraints. Over the past decade, the Department has seen its budget reduced under successive Coalition and Labor governments and as such, the Department is under-resourced to meet the challenges of a rapidly changing and increasingly complex 21st century. This is not in our national interest, and does not best enable the Department to advance Australia’s interests or respond to external events as they arise. Australia needs to increase the Department’s budget, expand our diplomatic footprint around the world and continue to attract a diverse, innovative and highly skilled workforce. The Department will otherwise struggle to meet these pressures and will be at risk of being a reactive, rather than proactive, function of the Australian government.