

Australia's deepening diplomatic deficit

Alex Oliver of the Lowy Institute examines the continuing crisis in Australia's foreign service.



In March 2009, the Lowy Institute convened a panel of experts to examine the state of Australia's instruments of international policy and to report on their fitness to meet the challenges facing Australia in the 21st century. The panel, chaired by Allan Gyngell (then the Institute's Executive Director), combined the skills of eminent Australians with backgrounds in government, business and academia. Panel members were Reserve Bank board member Jillian Broadbent, ANU Professor William Maley, Brad Orgill (former Chairman of UBS Australia), Professor Peter Shergold (Secretary of the Department of Prime Minister and Cabinet between 2003-8), and Ric Smith, who served as Australia's Ambassador to China and Indonesia and is a former Secretary of the Department of Defence.

The panel's eight months of inquiry and investigation produced a disturbing picture. The Department of Foreign Affairs and Trade, the principal government instrument for conducting Australia's international relations, had suffered at least a decade of eroding resources, becoming overstretched and increasingly ill-equipped to deal with the foreign policy agenda of Australia as an active middle power. Taking into account Australia's unique geopolitical circumstances, the changing international environment

and the challenges of globalisation, the communications revolution and ever more complex framework of international challenges - terrorism, extremism, climate change, food and energy security and nuclear proliferation to name just a few - the report called for increased investment in diplomacy to resuscitate Australia's ailing international relations infrastructure.

In a Sydney Morning Herald article late last year on Kim Beazley's appointment as Australia's ambassador to Washington, journalists Deborah Snow, Jonathan Pearlman and Cynthia Banham portrayed DFAT as "sluggish and demoralised and a long way from its glory days at the pinnacle of the public service". They quoted a "senior diplomat" who criticised DFAT's performance leading up to the G20 leaders meeting: "[Its] response was not up to scratch

... It was slow to recognise the centrality and importance of the G20 summit to the government's priorities, and indeed slow to recognise its importance to Australia."

The ambassador whom Mr Beazley replaced in Washington, Dennis Richardson, now heads DFAT. Earlier this year, Mr Richardson called the under-resourcing of his department "the great hangover", referring to the shrinkage in the department between

the early 1990s and 2008. While the Australian public service grew by around 25-30 per cent from 1996-2008, he said, DFAT contracted by 11 per cent. The picture is much more complex, however, than that simple, though significant, contraction.

WHILE THE AUSTRALIAN PUBLIC SERVICE GREW BY AROUND 25-30 PER CENT FROM 1996-2008, DFAT CONTRACTED BY 11 PER CENT. OVER THE LAST TWENTY YEARS, DFAT'S DIPLOMATIC CORPS OVERSEAS - THE FRONT-LINE OF ITS OPERATIONS - DWINDLED FROM 870 AUSTRALIA-BASED STAFF OVERSEAS IN 1989 TO 537 IN 2009, A CONTRACTION OF NEARLY 40 PER CENT.

The panel in Australia's diplomatic deficit uncovered a damaging under-resourcing that permeated DFAT's operations, distorting the equilibrium of its various functions. >>

>> The Panel secretariat worked with DFAT to accurately identify its 'true' operating expenditure (its base operational funding, removing expenses not under its control like contributions to international organisations and UN peacekeeping operations, costs of pension schemes, 'fixed' costs such as funding the passports operation, unavoidable costs like depreciation and FOREX adjustments, and one-off costs such as the Lebanon crisis response and the APEC forum). This examination showed that while the department's resourcing of its outputs had lurched from around \$A836 million a decade

THE NUMBER OF AUSTRALIAN EMBASSIES AND MISSIONS OVERSEAS NOW STANDS AT 89 – FAR SHORT OF THE OECD AVERAGE OF 150. OF THE 30 DEVELOPED NATIONS OF THE OECD, AUSTRALIA HAS FEWER MISSIONS THAN ALL BUT FOUR: THE SLOVAK REPUBLIC, IRELAND, NEW ZEALAND AND LUXEMBOURG, EACH WITH POPULATIONS AND GROSS DOMESTIC OUTPUT VASTLY SMALLER THAN AUSTRALIA'S.

ago to a high of \$A1.8 billion in 2003-4, settling at just over \$A1.3 billion in 2008-9, its 'true' expenditure (in real terms) had declined progressively every year over that period. The picture is the same when DFAT's 'true' resourcing is compared with total government expenditure. From a peak of around 0.43 per cent of government spending at the turn of this century, it fell to less than 0.25 per cent by 2007-8.

Where this erosion of resourcing is most disproportionate and destructive is in DFAT's overseas representation. Here, in Mr Richardson's parlance, the hangover verges on incapacitation. Over the last twenty years, DFAT's diplomatic corps overseas – the front-line of its operations – dwindled from 870 Australia-based staff overseas in 1989 to 537 in 2009, a contraction of nearly 40 per cent. This is starkly reflected in the number of Australian embassies and missions overseas: of the 30 developed nations of the OECD, Australia's 89 posts fall far short of the average of 150, and it has fewer missions than all but four: the Slovak Republic, Ireland, New Zealand and Luxembourg, each with populations and gross domestic output vastly smaller than Australia's. While this is only a single measure of Australia's diplomatic health, it combines with its other vital signs to indicate a damning diagnosis.

In 1986, 26 per cent of our diplomatic missions overseas were 'small posts' staffed by between one and three Australia-based personnel. Twenty years later, that number

had climbed to 40 per cent. Increasingly burdened by security concerns, consular duties and departmental reporting obligations, these missions (nearing half of all Australia's missions) have insufficient resources for much other than maintaining the most cursory diplomatic formalities, administering themselves and performing basic consular functions.

Twenty years ago, 40 per cent of DFAT Australian staff were posted overseas. That is the sort of proportion that nations with similar interests to Australia (Japan, the UK, Netherlands and New Zealand) maintain now for their overseas corps. But for

Australia, that number had plummeted to 25 per cent by 2009.

The Lowy Institute Panel looked at possible justifications for declining staff numbers overseas, including new communications and information technology and the ease of air travel, together with the contribution of locally employed staff (LES). However, Australia's LES numbers have hovered around

40 per cent of total DFAT staff for more than a decade, and both experience and the practice of other nations suggest that on-the-ground representation by Australia-based diplomatic professionals is essential for developing networks of contacts and sufficient in-country knowledge to properly inform Australian policy.

In order to perform their roles effectively, diplomats need not only a sufficient resource base but also adequate skills for the task.

One of the most important of these skills is language proficiency. Yet DFAT's budget for language training in 2005-6 was only \$A2.2 million, almost exactly the same amount (in actual terms) as ten years earlier. Information on language training within DFAT is scant and more recent data has not been made publicly available. But this funding stagnation combines with other indications: in 2008, the number of Australia-based DFAT staff with a professional proficiency in at least one other language besides English was only 26 per cent in 2008. Despite the government's emphasis on Asia-literacy and its Asian-language initiatives at schools and universities, an issue which has bipartisan support, it has been reported (although unconfirmed by DFAT) that only around 200 of Australia's 2000-plus diplomats are proficient in any Asian language, compared with over 100 fluent in French. There were reports in late 2007 that language training was reduced for employees about to go on overseas postings.

One of the most significant changes influencing the way departments of foreign affairs operate across the developed world is the exponential growth in air travel. A nation of outward-looking globe-trotters, Australia is particularly affected by this. More than seven million Australian residents leave the country annually; double that of a decade ago. This level of international travel and engagement (from tourism, but also from increasing business engagement offshore and a growing number of Australians residing

overseas) puts consular services under escalating strain, precisely at a time when the number of consular officers staffing our overseas missions is at an historic low. Expectations of consular assistance are also rising, as high-profile cases like those of Tony Bulimore, Schapelle Corby and Britt Laphorne force consular officials to devote a disproportionate

KEVIN RUDD'S FIRST NATIONAL SECURITY STATEMENT IN 2008 HAD PROMISED A RENEWED EMPHASIS ON DIPLOMACY ... IN ITS FIRST BUDGET, HOWEVER, THE GOVERNMENT IMPOSED 'SAVINGS MEASURES' OF MORE THAN \$A120 MILLION OVER FOUR YEARS, WELL OVER TEN PER CENT OF DFAT'S BASE OPERATIONAL RESOURCING ... THE 2009-10 BUDGET ... SERVED ONLY TO REVERSE THE PREVIOUS YEAR'S CUTS, AND WENT NOWHERE NEAR ADDRESSING THE ACCUMULATED DEFICIT OF THE PREVIOUS TWO DECADES.

amount of time and resources to defuse crises and satisfy the sometimes unrealistic demands of the public and the 24/7 news

media agenda. A 2006 conference in Geneva on the challenges confronting foreign ministries found that “the reputation of the foreign ministry is ... now seen to hinge on the quality of services it provides to its citizens in foreign countries”. In the 2009 financial year alone, DFAT’s assistance with hospitalisations, deaths, missing persons, arrests, imprisonments and notarial acts increased by five per cent. After Senate Estimates hearings in May this year, Mr Richardson conceded that this particular ‘pressure point’ was only going to worsen.

Confronting these trends, the Lowy Institute Panel formulated a series of recommendations to begin redressing the systemic degradation of Australia’s diplomatic capability. Principal among these was the recommendation to open twenty new diplomatic missions over the next decade in areas

of key geo-strategic interest to Australia, and where our representation is lacking: regional India and China, Africa, Latin America,

and North and Central Asia. In the short term, it advocated new resources to support 75 additional Australia-based staff to assist overstretched missions.

Observing the burgeoning con-

sular load, the panel argued for an increase in consular resourcing both in Canberra and at posts, and advocated a funding formula to ensure consular resourcing keeps pace with demand, together with programs to counter the public’s rising expectations of consular assistance.

Kevin Rudd’s first National Security Statement in 2008 had promised a renewed emphasis on diplomacy. Labor’s activist foreign policy, which included seeking a UN Security Council seat, initiating a new Asia-Pacific regional architecture and re-

vising multilateral cooperation on nuclear non-proliferation and disarmament, suggested that the new government would act decisively to reverse two decades of eroding foreign policy resourcing.

In its first budget, however, the government imposed ‘savings measures’ of more than \$A120 million over four years, well over ten per cent of DFAT’s base operational resourcing. This prompted DFAT to remove 25 Australia-based positions overseas, cut a major cultural relations program, and down tools on Australia-China free trade negotiations. The 2009-10 budget looked more positive, sparing DFAT further cuts and allocating over \$A200 million across four years for both base funding and to bolster Australia’s presence in the key regions recommended by the Lowy Institute Panel (India, Pakistan, Africa and Latin America). While this was a welcome turn, in part it served only to reverse the previous year’s cuts, and went nowhere near addressing the accumulated deficit of the previous two decades.

2010 witnessed more vacillation in the government’s approach to DFAT resourcing. Mid-year revised budgets swept away the modest gains of the 2009 budget. \$A34 million for enhancing engagement with India (following the Indian students crisis) came at a cost of over \$A100 million in efficiencies for DFAT and Austrade. Then the 2010-11 budget bestowed an additional \$A200 million. But by then, only 33 of 110 planned new positions were to be overseas postings - where the bulk of the consular workload falls and where the vital frontline diplomacy takes place. Probing at Senate Estimates hearings this year, Senator Russell Troad extracted the admission that the ‘engine room’ of DFAT (the locus of its policy-making) would receive no part of any additional funding, and at the time, Mr Richardson told the ABC his department was in a ‘steady state’.

As it turns out, even the 33 extra posts overseas look like vanishing, and the steady state looks shaky. In its 2010 election bid, the Labor party offered \$A45 million in savings by cutting diplomatic positions overseas.

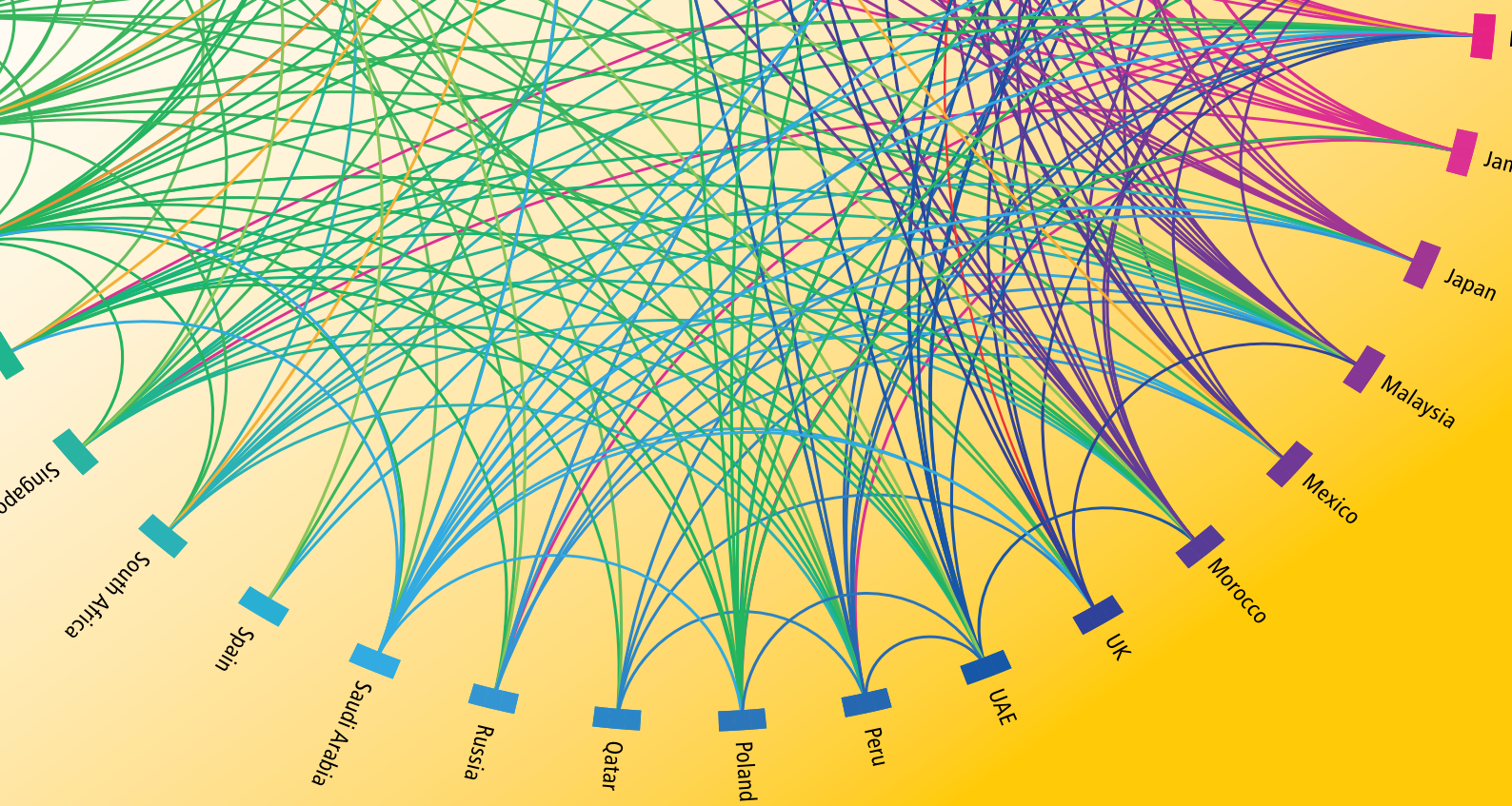
This leaves DFAT almost back at square one, where it was before Kevin Rudd, now Australia’s first diplomat, took office toting his ambitious foreign policy agenda.

This inglorious history leads to the inevitable question of why DFAT seems to be the whipping boy of successive governments seeking budget efficiencies. The degradation of its capacity over two decades has come at times of fiscal pressure, but also during prolonged periods of prosperity.

IF THE LABOR GOVERNMENT’S TRACK RECORD ON DFAT IS AN INDICATION, THE DEPARTMENT’S AILING HEALTH MAY DEGENERATE INTO AN IRREVERSIBLE INABILITY TO PERFORM EVEN ITS MOST BASIC FUNCTIONS.



Rudd will continue to be “a very busy individual” as Foreign Minister



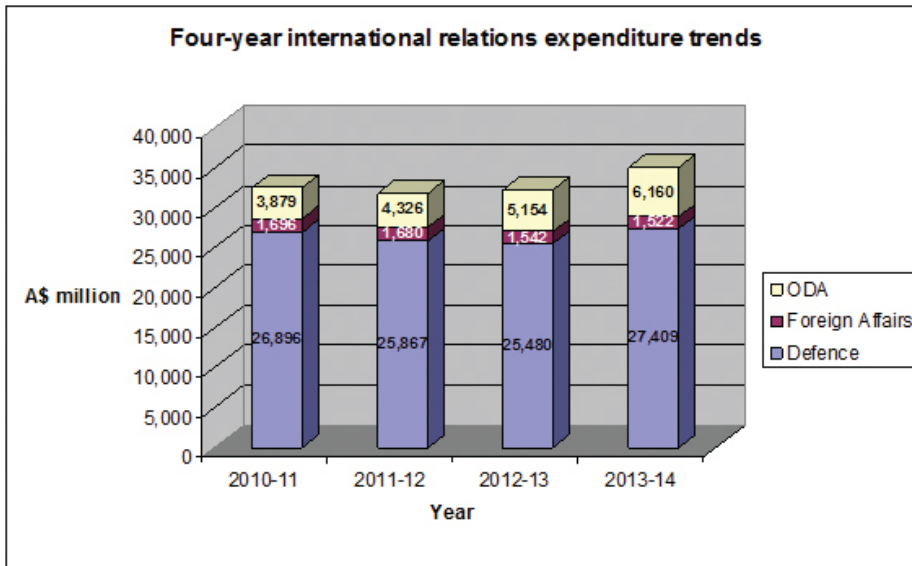
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One answer probably lies in foreign policy's lack of any domestic constituency. The stereotypical diplomat – an elite global denizen in a world of limousines and cocktail parties – is unlikely to attract popular support at election time. The reality is of course quite different. The diplomatic and consular corps are staffed with industrious and skilled professionals. But as Daryl Copeland, author of *Guerilla Diplomacy*, argued in 2009, diplomatic practices, practitioners and institutions are struggling to keep pace with the changing demands of the 21st century international relations landscape. The Lowy Institute Panel perceived a similar problem: “many of the challenges DFAT faces call for more flexibility and an openness to new ideas and approaches, rather than traditional organisational responses that tend to be centralised and hierarchical. DFAT also has to be able to engage new audiences, both overseas and in Australia.”

A second, and more complex, answer may lie in what Michael Wesley (in a forthcoming publication for the Australian Institute of International Affairs) sees as the progressively security-oriented focus of the Australian government – a focus which derives from the security shocks of 9/11 and which has come at the expense of traditional diplomacy. While governments of other developed nations (particularly the US, under Defense Secretary Robert Gates and Secretary of State Hillary Clinton) are emphasising the importance of balancing a nation's prosecution of its hard (military) power with “a dramatic increase in spending on the civilian instruments of national security – diplo-

macy, strategic communications, foreign assistance, civic action, and economic reconstruction and development” (Gates, 2007), the imbalance of Australia's military, aid and foreign affairs planned expenditure over the next four years is illustrated in the chart above.

Aligned with this development is the increasing devolution of international policy functions to arms of government other than DFAT – 18 of the 19 government departments now have international divisions – and the focusing of resources on intelligence and national security organisations such as the Australian Secret Intelligence Service, the Office of National Assessments and the Australian Security and Intelligence Organisation. Between 2000 and 2010, these agencies experienced budget growth of 437 per cent, 471 per cent and 562 per cent respectively, while DFAT's resourcing stagnated.

Compounding this shift, the coordination of international relations expertise and influence has progressively been concentrated within the Prime Minister's Office and the Department of Prime Minister and Cabinet,

particularly with the creation of the office of National Security Adviser in 2008, making the Prime Minister “a direct, responsive, front-line player in foreign policy and national security” (Wesley, 2010). The risk of this approach, Wesley argues, is that it consigns much of the country's international policy authority to “one very busy individual”.

Kevin Rudd's first press conference as Foreign Minister in September suggested that he will continue to be a very busy individual: he referred to the “many, many, many things that I'll be doing as Foreign Minister of Australia.” In the absence of any particular interest or experience in foreign affairs for either the Prime Minister or the leader of the opposition, Mr Rudd's agenda is brimming. Millennium Development Goals, the continuing climate change challenge (through a UN High-Level Panel on Global Sustainability), counter-terrorism, nuclear non-proliferation and disarmament, regional processing of asylum seekers (working “very closely” with the Immigration Minister), and a continued push for a UN Security Council seat are among his priorities.

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A well resourced and revitalised Department of Foreign Affairs would be better equipped to understand international developments, inform the executive arm of government, and formulate appropriate policies in the face of an increasingly complex and challenging international

environment. If the Labor government's track record on DFAT is an indication, the department's ailing health may degenerate into an irreversible inability to perform even its most basic functions. ■

Alex Oliver is a Research Fellow at the Lowy Institute for International Policy. Together with Andrew Shearer (Director of Studies) and Fergus Hanson (Research Fellow), Alex was one of the principal researchers and drafters of “Australia's diplomatic deficit”, the 2009 report of the Blue Ribbon Panel convened by the Lowy Institute to examine the state of Australia's instruments of international policy.