I am delighted tonight to deliver this inaugural Lowy Lecture on ‘Australia in the World’. I welcome all who have come to Sydney for this occasion.

Churchill once said that: ‘We make a living by what we get, but we make a life by what we give.’ The Lowy Institute for International Policy is testimony to the generosity of a man whose life is a compelling Australian story of hard work and global achievement.

Frank Lowy came to our shores in 1952. Behind him lay a childhood darkened by the Holocaust and service in the fight for a new-born Israel. But this young man’s eyes were fixed firmly on the future.

Frank’s journey from delicatessen owner in Sydney’s west to head of the world’s largest retail property group has made him a true corporate legend. Now, with a grand investment in ideas, he has added a new chapter on patriotism in a remarkable contribution to Australia in the world.

Others have written their own names into the larger narrative of Australia’s global engagement in recent times.

Last December, Lieutenant Colonel Georgeina Whelan was appointed Commanding Officer of the Australian Army’s 1st Health Support Battalion. Three weeks later, amidst the devastation caused by the Boxing Day tsunami, she was running the ANZAC Field Hospital in Aceh. This terrible tragedy claimed more than 200,000 lives in Indonesia alone, including those of hundreds of staff from the Banda Aceh public hospital.

Over eight weeks, Lieutenant Colonel Whelan’s team treated some 3,600 patients, performing countless life-saving operations. Her battalion has now returned to Holsworthy in south western Sydney, leaving a functioning medical facility in the hands of those who will provide long-term care.

When we think of Australia in the world, we should also think of the Australian Electoral Commission’s Paul Dacey. Paul is our representative on the international steering committee
that oversaw Iraq’s first ever democratic election at the end of January. He and his colleagues are now working to strengthen Iraq’s democratic processes in advance of voting on a constitution in October and for national elections in December.

Tony McDonald is another Australian serving his country with distinction overseas. Under our Enhanced Cooperation Programme, Tony is working with Treasury officials in Papua New Guinea to improve economic forecasting and budget processes; reforms crucial to that country’s long-term development.

Through their work, these dedicated Australians provide a window onto the breadth, complexity and practical focus of our global engagement in 2005. They challenge us to think beyond old prisms to grasp the true reach and moral seriousness of Australia in today’s world; our power and our purpose.

*Global engagement begins at home*

When I became Prime Minister nine years ago, I believed that this nation was defining its place in the world too narrowly. My Government has rebalanced Australia’s foreign policy to better reflect the unique intersection of history, geography, culture and economic opportunity that our country represents.

Time has only strengthened my conviction that we do not face a choice between our history and our geography.

History’s legacy is a global outlook. We are, overwhelmingly, a country of migrants and their descendents. We are an open economy, dependent on global markets. And we are a Western liberal democracy with a profound interest in the structures and ideas that govern the international system.

It is true that Australia’s most immediate interests and responsibilities will always be in our region. But we have global interests that require strong relationships with all centres of global power.
This is clear from our economic interests. Australia’s largest trading partner, as a single entity, is the European Union. Our largest investment partner is the United States. Our largest export market and our fastest growing economic relationships are in Asia. The Middle East is one of our most rapidly growing markets for advanced manufactures over recent years.

In a world more interconnected than ever before, the balanced alignment of Australia’s global and regional engagement is a measure of our strategic maturity.

My address tonight naturally focuses on relationships and issues that are fundamental to Australia’s security and prosperity. But I want to begin elsewhere, with what I regard as the true pillars of our standing abroad.

The success of Australia’s global engagement is shaped decisively by some core national assets – resilient yet adaptable individuals, stable yet responsive institutions, and enduring ideas and values that bind together our diverse yet cohesive society.

First, our people. What has allowed Australia to produce the Frank Lowys, the Robert Mays, the Charlie Bells, along with so many lesser-known achievers like Georgeina Whelan, Paul Dacey and Tony McDonald?

A social scientist might say the answer is over-determined – by explanations from bush ingenuity of old to the waves of immigration that have changed and enriched our society. In any case, we come back to an elusive yet crucial factor – the character of our people.

Australians have a reputation for hard work, directness and adaptability that has helped them flourish internationally. This theme of our people doing well and doing good in this age of globalisation is one that I know the Lowy Institute has explored in work on the Australian diaspora.

Second, our institutions. Though a young country, Australia is one of the world’s oldest continuing democracies. We have adapted to our distinctive setting the great bulwarks of liberal democracy– a vigorous parliamentary system, a free market economy, the rule of law and impartial courts, a free press and a vibrant civil society.
The genius of these institutions lies in their capacity to preserve fine traditions, while meeting the challenge of great global change. Reforms making our economy more resilient, flexible and open have been vital to the quality of our international engagement.

Economic reform, sustained growth and strong budgets have seen Australia not just ride out global shocks, but respond decisively to crises abroad.

Economic strength allowed Australia to be one of only two countries to contribute to all three IMF programmes in our region following the Asian financial crisis of 1997. It meant we could lead in bringing security and self-determination to East Timor and also embark on a new era of engagement in the Pacific. And it has seen Australia become the world’s largest official donor in response to the Asian tsunami, with an initiative for Indonesia that is the largest single aid package in our history.

Australia’s machinery of government – especially our national security apparatus – has performed strongly in the face of such challenges. A reason I often highlight is that we are spared the silo-syndrome in foreign policy that can afflict some other countries. Our diplomatic resources are significant and respected around the world.

Third, Australia brings with its role in the world certain ideas and values. Our place in the international system is informed by who we are, and by what we stand for.

Australia has a proud history of supporting political and economic freedom. We believe that these freedoms produce a more stable and prosperous Australia. And that they also produce a more stable and prosperous world.

We support freer trade and investment for the material benefit this can bring to ourselves and to others. We support countries making the often difficult journey to democracy, conscious that they will choose the path that fits with their history and culture. We seek cooperation with other nations based on the same values of mutual respect and tolerance that Australians strive to uphold at home.
For some, this emphasis on domestic foundations of our global engagement may appear a little unsophisticated; even unsettling. Politicians drawing such links have long aroused suspicion from observers of democracies and their foreign policies.

De Tocqueville famously described democracies as ‘decidedly inferior’ to other governments in their conduct of foreign relations, given their propensity to ‘abandon a mature design for the gratification of a momentary passion’. The likes of Harold Nicholson and George Kennan expressed similar sentiments. And echoes are heard periodically in Australia.

The responsibility of elected leaders is to serve the interests and promote the values of the people – as we see them and as best we can. This does not mean adjusting policy to opinion polls. But it does mean that foreign policy cannot be conducted over the heads of the people.

In uncertain times, we should take heart from how democracies can find renewed power and purpose abroad from institutions and instincts at home. This was, after all, a key thread of American grand strategy in winning the Cold War.

**Global challenges**

For my generation, the end of that long twilight struggle for freedom will always be a defining moment in world politics. The fall of the Berlin Wall a little over 15 years ago gave new force to the spread of democracy and free markets, ushering in a period of hopefulness about our globalising world.

Unfortunately, this air of optimism also carried the seeds of creeping complacency. With the fall of the Twin Towers on 11 September 2001, free and open societies entered a new age of vulnerability and threat.

We learned anew that the open society still has its enemies. That even the most powerful of nations can be shaken by shadowy gangs whose destructive ends are fettered only by their grasp on the means of terror. And that peace-loving peoples must sometimes act forcefully if freedom is to be secured.
Last year’s 9/11 Commission Report found that evil was made easier on that sunny September morning by failure in policy, capabilities and management. But, it noted, the ‘most important failure was one of imagination’. Where freedom’s greatest enemies seek the world’s deadliest technologies, we are obliged to guard against what once seemed unimaginable.

From the murder of 88 Australians in Bali in October 2002 and the attack on our Jakarta Embassy last September, we know that the terrorist threat to our country is very real. Australia’s national security depends on a collective response to this threat. Strong links with our partners in Asia form a vital part of this response – a point I will return to later.

The war on terror is a different kind of war. It is a war against loose networks, neither dependent on nation-state sponsors, nor responsive to conventional deterrents.

Armies will not be vanquished on the field of battle. Peace will not be sealed in a stately diplomatic chancery. Progress will come incrementally and find its greatest victories in normal lives and liberties preserved.

The terrorists must be fought on many fronts – of geography and in the tools we deploy. There is no sharper weapon in this fight than high-grade intelligence, reinforcing the value we place on long-standing allies – the United States and the United Kingdom.

Australia’s ability to project armed force will remain a key instrument in the war on terror. The forces of barbarism have set themselves a mission – to break the will of those who seek peace and freedom. This test is nowhere more important at this hour than in Iraq.

Next month, the Australian Government will increase our troop deployment in Iraq. We are sending a Task Group to Al-Muthanna province to provide security for Japanese personnel making a vital humanitarian contribution to rebuilding the province. The force will also be involved in the further training of Iraqi security forces.

This was a difficult decision, but eight million brave Iraqi voters helped convince me it was the right decision.
Importantly, our deployment followed a formal request from Japan – a close friend and regional partner – underscoring how global and regional activism is interwoven as never before in today’s world.

Of course, the choice is ours. We can choose to turn inward or we can lend a hand for freedom at a moment when the voices of democratic hope are being heard right across the Middle East – from Iraq to Saudi Arabia; from Lebanon to Egypt.

Australia is a close friend and unapologetic supporter of democratic Israel. We have long defended Israel’s right to live in security and at peace in this troubled region. We also believe that the emergence of a viable, democratic Palestinian state is crucial to lasting stability and justice in the Middle East.

When I am asked about our ‘exit strategy’ for Iraq or for the Solomons or for our other missions, I repeat: we will leave when the job we undertook is done. We will not stay a moment longer than is necessary; and we will not leave a moment sooner than is sufficient.

Those who oppose our Iraq deployment should answer this question: Do you doubt for a moment that a crumbling of the Coalition in Iraq would only embolden extremists in our own region? Extremists, whose murderous ideologies do not give a second thought to killing Australians or Indonesians or Thais or Filipinos – indeed, people of any nation and all faiths.

Of course, terrorism is only one of the scourges we face.

Australia is under no illusion that many of the security challenges in our globalised world are interrelated. Just as we must destroy the agents of terror and the networks that trade in weapons, drugs and people, so we must drain the wells of misery and frustration that extremists and criminals seek to exploit.

We should start by reaffirming the power of globalisation to lift the dead hand of poverty around the world. Our development debate must recognise that trade barriers in the developed world cost poor countries more than twice the amount of official aid they receive.
The greatest contribution nations can make to alleviate poverty is to slash trade barriers and conclude the Doha round of global trade negotiations at the earliest opportunity.

We must break the back of these negotiations by December when WTO Ministers meet in Hong Kong. With 70 per cent of the world’s poor dependent on agriculture for their livelihood, deep cuts in farm protection and subsidies are essential if Doha is to live up to its promise as a ‘development round’.

Some will say: ‘well he would say that wouldn’t he’. It’s true, Australia stands to benefit from freer trade, including in agriculture. But we argue the case having seen the benefits to our own economy from cutting tariffs and quotas over many years.

Australia’s economy today is among the most open in the developed world. And the OECD estimates that our agricultural sector is second only to New Zealand in the low level of subsidies it receives.

In many ways, the global trading system is at a crossroads. We have now completed just one successful multilateral round in 25 years.

Two of the last three WTO Meetings have failed and another failure would seriously damage this important organisation’s credibility. I urge world leaders to spend the political capital necessary to secure genuine progress in the WTO this year.

Developing countries must also face up to their side of the bargain by tackling corruption, investing in their people’s health and education and pursuing policies of openness to trade and long-term investment. Genuine poverty alleviation will only occur through sustained private-sector growth in an environment of better governance.

The need for strong, effective and accountable states is a theme that emerges again and again in thinking about our global future.

Despite all we know about the importance of non-state actors in the international system, the nation state remains the focus of legitimate action for order and justice in our world.
September 11 returned the state to centre-stage for the oldest of reasons – the provision of security. It also told us in no uncertain terms that weak and failing states can act as breeding grounds for disorder, chaos and misery – and, ultimately, security threats.

The erosion of state capacity is related to almost every class of threat we now face – from terrorism to transnational crime, civil wars to infectious disease.

Realistically, there will always be much we don’t know about creating self-sustaining institutions in someone else’s country. And there is no substitute for nations taking charge of their own destiny.

Still, we must face the fact that containing state failure will be an enduring test of 21st century statecraft.

**Australian policy strategies: The regional dimension**

All these global challenges, and many of the world’s biggest strategic imponderables, are to be found in our part of the world. History will have no bigger stadium this century than the Pacific Rim.

Great power dynamics sit side by side with new transnational threats; the strongest of states together with some of the weakest; rapid globalisation alongside unique and ancient cultures; traditional concerns with sovereignty along with nascent regionalism and institution-building.

Asia is poised in coming decades to assume a weight in the world economy it last held more than five centuries ago. It is also home to eight of the world’s ten largest armies and, after the Middle East, the world’s three most volatile flashpoints – the Taiwan Strait, the Korean peninsula and Kashmir.

Clearly, the stakes are large and will test the strategic maturity, restraint and adaptability of all nations.

Australia approaches our rapidly-changing region with clear assumptions and strategies – and a sense of optimism.
We recognise Asia’s diversity – taking account of how differences in power, institutions and aspirations shape regional politics.

We seek to engage most substantially with those countries with which our primary strategic and economic interests reside.

We believe that what matters most for our regional engagement is the substance of relations between countries, more so than any formal architecture of diplomatic exchange.

We recognise that advancing our security and prosperity in the region requires a balance of principle and pragmatism.

And we adopt a flexible approach to this task – one that combines bilateral, regional and multilateral instruments and that elevates results over process.

This last point is worth exploring from a wider standpoint.

Australia recognises that there are cases where the United Nations can leverage effective cooperation for peace and security, as was demonstrated successfully in East Timor. But we also know that there are times when this is not possible, as we saw in the Balkans.

Australia supports multilateral arms control and non-proliferation regimes, including efforts to strengthen their compliance and verification mechanisms. We are, as I noted earlier, an active player in global efforts to reduce trade barriers. We continue to work towards an effective global response to climate change – one that does not unfairly compromise the competitiveness of Australian industry.

But just as Australia does not face a choice between our history and our geography, nor do we face a choice between multilateral institutions and alternative strategies to pursue our nation’s interests.

Our counter-terrorism strategy in South-East Asia is an excellent example of Australia’s mutually reinforcing global, regional and bilateral activism.
The terrorist threat in South-East Asia is real and immediate. Islamist-inspired terrorism, with Jemaah Islamiyah (JI) its most active proponent, continues to pose a serious threat to core Australian interests and to regional stability.

Australia has built a network of bilateral counter-terrorism arrangements with regional partners and allies. Ten agreements stretching from Fiji across to India provide the means by which security agencies and police forces cooperate closely. It is at this operational level where the greatest dividends in the fight against terrorism can be secured.

At the regional level, Australia is engaged through the ASEAN Regional Forum, APEC and the Asia-Pacific Group on Money Laundering. We have also assisted states in the South Pacific to respond to the terrorist threat, both bilaterally and through the Pacific Islands Forum.

None of this work comes at the expense of action as part of a global counter-terrorism coalition. Australia has signed 11 of the 12 United Nations counter-terrorism conventions since September 11. We are active players on the UN Counter-Terrorism Committee and the 1267 Sanctions Committee where we have made a particular point of targeting JI.

Simultaneously, Australia has moved to enhance our ability to influence and work with the United States in meeting the terrorist threat.

Our alliance with the United States has long been a pillar of Australia’s security and the stability of our region. In the age of terrorism, having privileged access to US military and intelligence assets is vital to disrupt and destroy terrorist networks in South-East Asia.

From the moment of our election in 1996, as a deliberate act of policy, my Government intensified Australia’s post-Cold War relationship with the United States. Australia today has never been better placed to put our views to the United States – and have them heard – including on regional issues where we might not see eye to eye.
From where I sit, the claim that the war on terror has distracted US policy-makers from Asia is a hollow one. In fact, we have seen the United States strengthen its regional alliances in recent years, while expanding cooperation with countries such as Singapore and India.

If anything, the larger trend is towards Washington engaging more purposefully with Asia. This has led to a more balanced American worldview when compared with its understandably Eurocentric focus of last century.

Underlying strengths – including technological dynamism and demographic trends – mean that the United States will continue to be the world’s dominant global power and economy. And it will remain critical to continued growth and development in our region. In this context, the Australia-US Free Trade Agreement has given our country a new platform of prosperity.

Australia’s capacity, simultaneously, to deepen relations with the US and with countries in Asia is an important yardstick of our strategic maturity as a nation. Compared with a decade ago, there is now a deeper appreciation of how close links with the United States are a plus – not a minus – in forging stronger links in Asia.

Next month, I will visit Japan and China, highlighting the importance Australia places on strong relationships with these hinge powers in North-East Asia.

The Australia-Japan relationship continues to evolve in new directions off the back of our long and mutually beneficial economic relationship. Australia has no greater friend in Asia than Japan – our largest export market for almost forty years and a strategic partner for regional peace and prosperity.

It is important that our economic relationship keeps pace with developments towards regional economic integration. In July 2003, Prime Minister Koizumi and I signed a Trade and Economic Framework Agreement as the basis for defining the future course of our economic relationship. Both sides have now completed our joint study under the Agreement and Australia seeks an ambitious outcome from this work.
Today, the three great Pacific democracies – the US, Japan and Australia – are working more closely than ever on shared security challenges – especially terrorism and weapons proliferation. Our Trilateral Security Dialogue has added a new dimension to the value all sides place on alliance relationships.

Within the framework of its alliance with the US, Japan has taken on important out-of-area security responsibilities in recent years, including in East Timor, Afghanistan and Iraq. This quiet revolution in Japan’s external policy – one which Australia has long encouraged – is a welcome sign of a more confident Japan assuming its rightful place in the world and in our region.

When we think about the future of Australia in the world, we inevitably think of a world where China will play a much larger role. Australia’s relations with China have bulked large during my time in office.

China’s rise is steadily reshaping our world. In the last two years, China has accounted for a quarter of world growth and a similar share of growth in global trade. In the next decade, it will likely overtake Germany to become the world’s third largest economy after the United States and Japan.

China’s economic dynamism is something we feel palpably in this country. Since my Government has been in office, Australia’s trade with China has trebled – to the point where today it is our third largest trading partner.

With the completion of our joint feasibility study on a free trade agreement, we now have an opportunity to strengthen this relationship further into a true partnership for prosperity.

I hope to affirm this partnership when I meet with Chinese leaders in Beijing next month. But I also want to assert that China will remain a large and growing partner for Australia whether or not we negotiate an FTA.

No less important in the definition of Asia’s future is China’s increasing political and diplomatic weight. Australia welcomes China’s constructive approach to a range of security matters in recent years – from the war on terror, to the Korean peninsula, to maritime security
in South-East Asia. And in the context of our one-China policy, we continue to urge restraint and a peaceful resolution of issues across the Taiwan Straits.

Clearly, a large part of the burden of such restraint is borne by the relationship between China and the United States. It would be a mistake to embrace an overly pessimistic view of this relationship, pointing to unavoidable conflict.

Australia does not believe that there is anything inevitable about escalating strategic competition between China and the US. In recent years, both sides have shown themselves keen to cooperate on common interests and to handle inevitable differences in an atmosphere of mutual respect, a point stressed repeatedly by US Secretary of State Condoleezza Rice on her visit to China earlier this month.

Australia is encouraged by the constructive and realistic management of this vital relationship. We see ourselves as having a role in continually identifying, and advocating to each, the shared strategic interests these great powers have in regional peace and prosperity.

Closer to home, the world’s largest Muslim-majority nation is progressing through a democratic transition as profound as any we have witnessed in our lifetimes. Australia has a huge stake in Indonesia consolidating its place as the world’s third largest democracy and one of Asia’s great democracies.

In my view, Indonesia has not received enough credit for the political reforms that have taken root in the face of far-reaching economic and security challenges. The elections of last year reaffirmed the strength of moderate Islam in the face of terrorism and extremism.

This was a powerful demonstration to those who might otherwise be susceptible to the murderous message of terrorism; a demonstration of how habits of consent and compromise offer the path towards a more hopeful future.

Australia welcomes the steps taken by President Yudhoyono to give effect to his vision of a ‘safe, just and prosperous’ Indonesia. We are particularly encouraged by the steps towards good governance as a means of underpinning sustained economic recovery and macroeconomic stability.
Australia today is working closely with Indonesia on its road to a strong, united and democratic future. As we are at Indonesia’s side at a time of natural disaster, so we stand ready to forge a closer partnership for our shared future. And I look forward to welcoming President Yudhoyono to Australia in coming days.

Australia’s other relationships in South-East Asia display important underlying strengths.

Beyond counter-terrorism, Australia is working closely with our neighbours on shared security challenges. Under the Five Power Defence Arrangements, we are cooperating with Malaysia and Singapore to strengthen our defences against asymmetric threats. Our defence cooperation with the Philippines and Thailand continues to grow and Australia participates regularly in regional bodies such as the ASEAN Regional Forum.

Free trade agreements with Singapore and Thailand have added new momentum to our shared agenda of opening markets and spreading prosperity. Australia and Malaysia have now completed scoping studies on a possible FTA in advance of Prime Minister Abdullah Badawi’s visit to Australia next week – the first official visit by a Malaysian Prime Minister in more than 20 years. Australia has, in concert with New Zealand, also begun complementary talks on a free trade agreement with all ten ASEAN countries.

Australia’s focus is on practical outcomes of relations between countries rather than just forms and processes. We nonetheless recognise that debate over a more institutionalised expression of East Asia regionalism has intensified in recent years.

In my view, this region can only fulfil its promise in the 21st century with an open and inclusive architecture. Australia has long approached our regional engagement from this standpoint. We will continue to do so when Australia hosts the Leaders of APEC in this city in September 2007.

In our near neighbourhood, Australia has turned its power and purpose to the governance challenges faced by many states in the Pacific.
Our leading role in the Regional Assistance Mission to the Solomon Islands has helped to restore law and order. Tragically the risks of this operation have also been brought home in recent months by the deaths of two fine young Australians serving their country in the Solomons.

In Papua New Guinea, our Enhanced Cooperation Programme is strengthening law enforcement and tackling corruption, assisting with economic and public sector reform, and improving border management and transport security. Australia will soon have some 210 police and 64 officials in line positions within the PNG police force and public service.

Again, a note of realism is called for. We should not underestimate the depth and complexity of the problems faced by PNG and other Pacific states. Progress will likely be uneven and will only be made if all parties accept ownership of solutions to institutional weakness.

Australia is engaged for the long term and at the highest level; a point I will make when I visit Port Moresby later this year.

**Conclusion**

Ladies and Gentlemen, we gather tonight each to register a stake in a great entrepreneur’s investment in Australia’s future.

For the past nine years, my fellow Australians have invested in me the greatest privilege a democratic people can bestow.

They have been testing years with events no-one could foresee. Moments all will never forget. But from times of uncertainty and days of trauma, Australia has emerged stronger and more deeply involved in our world.

If there is a paradox about Australia in the world today it is that this age of globalisation has magnified the power we draw from our assets at home.

We have also learned a thing or two from this era of interconnectedness.
We have learned that we need not tie ourselves in knots defining Australia’s place in the world with some unyielding, rigid formula.

Challenges near and far demand a sense of balance and flexibility in our policy approach. Just as the national interest is not static, nor should our global engagement be hostage to yesterday’s conventional wisdom. Just as our country prospered from the fresh eyes Frank Lowy brought to a world of opportunities, so each generation of Australians must look anew at the eternal pursuit of our country’s security and prosperity.

We have learned that, if we make the right choices, Australians can shape our environment and our destiny, not simply be takers of trends set elsewhere.

We have learned that global engagement is demanding work requiring large resources, great stamina and reserves of patience. And it can only be sustained through constant dialogue with the interests and instincts of the Australian people.

It’s something I think about every day. How to explain the need to work with friends and allies to help nourish democracy in places that seem far away. How to make the case for open markets to workers worried about their jobs in the global economy. How to tell a taxpayer that we must help build better institutions abroad even as our needs seem so pressing at home.

Of course, Australia will be engaged most intensively on challenges in our own region – cooperating with others to rip up terrorist networks in Asia; seizing opportunities for economic integration; bringing a new intensity to state building in our neighbourhood.

But we have learned also that the old boundaries that shaped our thinking – between domestic and foreign policy; regionalism and globalism; realism and idealism – are fuzzier now.

This may prove disorienting for some. But my sense is that Australia has found new clarity of purpose in these uncertain times.

By getting things in order at home, we can be a more active partner abroad. By meeting the challenges of globalisation, we can be an anchor of stability and prosperity in our region.
And by honouring our history, defining our interests and upholding our values, we can make this a better world – not just for us, but for all.

[ends]