

## Cunningham Lecture

I am honoured to be presenting the 2012 Cunningham Lecture, to such a distinguished audience. Thank you for the invitation.

Australia is a continent, an island nation, a distinct geographic, cultural and political entity – with unique flora and fauna, and unique people too. Our people are Australian. They inhabit a land rich in natural resources whose neighbourhood is Asia.

Australia's geographic location and abundance of natural resources have been key determinants of its economic structure for as long as it has had an economy. Since European settlement, Australia has been a significant exporter of agricultural products and bulk commodities, first wool and more recently iron ore and coal. In the 21<sup>st</sup> Century, this feature distinguishes Australia from most other countries at a similar stage of economic development.

Trends in the international terms of trade – measuring the physical quantity of imports that can be purchased with a given quantity of exports – have not always been favourable to us. In the last quarter of the 20<sup>th</sup> century the popular view was that Australia's particular natural endowments had consigned it to ever-falling terms of trade.

This prospect helped motivate much of the policy reforms of the 1980s and 1990s. And those reforms paid substantial dividends in economic performance, most notably through a boost to productivity.

Even so, by the turn of the century, with the world in awe of impressive developments in information and communications technologies and the advent of electronic commerce, Australia's natural resource endowments, and its geographic location, were considered by many to be a curse. Australia was being described, in disparaging terms, as an 'old economy', producing things that the rest of the world was finding ways of doing without. And commentators were lamenting Australia's distance from the major European and North American centres of global economic activity.

Today, in the Asian century, Australia is often described as being 'in the right place at the right time', its geographic location and abundance of natural resources being seen as valuable assets.

Australia's terms of trade are some 80 per cent above their level at the turn of the century. In contrast, the real prices of information and communications technologies have fallen appreciably. Both of these things can be explained by the internationalisation of China – its re-opening to the world – and its extraordinary growth as a manufacturing powerhouse, with a thirst for raw materials that Australia has in abundance.

Yet, abundant as they are, Australia's natural resources will not last forever. At present rates of extraction, Australia's known reserves of iron ore will be

exhausted within a human lifetime, and known reserves of black coal will be exhausted within a century. Today, these two products make up more than a third of Australia's total exports. As a whole, mining contributes about 60 per cent of Australia's total exports, and at present rates of extraction those exports will last, on average, about 75 years.

Of course, there will be further discoveries of mineral deposits in Australia. And rates of extraction could fall as other producers expand capacity and importing countries transform their economies in ways that reduce reliance on raw materials. But it is also possible that rates of extraction will increase, given that more than half the world's population has not yet experienced industrialisation.

Even if rates of extraction slow somewhat, it is not fanciful to imagine that before the end of this century, Australia will be importing many of the raw materials it is presently exporting in volume. And if that is not the case – that is, if it turns out that extraction slows at an appreciably faster rate – then there is a high probability that world commodity prices will also fall appreciably, even reverting to long-term trend decline.

In either event, Australians of the future will identify this generation as that which extracted unparalleled monetary reward from the continent's natural resources; a monetisation of non-renewable resources unmatched in any previous generation, and unlikely to be matched in any that follows. Those future generations – our children's children – will have reason to examine whether we made the most of a mining boom that we knew could not last forever. In this way they set a test for this generation.

Over the past twelve months, in leading the development of the Government's White Paper on Australia in the Asian Century, I found myself wondering, often, who would want to sit that test.

### **Developing a white paper on Australia in the Asian century**

In the past 28 years I have been involved in more policy development exercises than I can remember. But I do remember some things about some of them. I remember that most were shielded against external involvement. I remember too that stakeholder consultation, which typically came after the announcement of a policy position, was not generally a positive process; not for me, and not for those on the other side of the table.

The exercise that produced the white paper on *Australia in the Asian century* was very different. It was an open process. Members of a small group of officials who had been put together to manage the development of the white paper met, face-to-face, with hundreds of people in Australia, and dozens overseas. We received numerous written submissions; more than the number received for the defence white paper in 2009, despite that exercise running for a longer period of time, and more than the late 1990s Financial System Inquiry too. We engaged with people from business, state and territory governments, scientific and educational institutions, sporting organisations, cultural organisations and community groups. All were positive. All had constructive things to say. We listened,

assimilated, synthesised, and only then drafted white paper text. Most of what appears in the last five chapters of the White Paper is a synthesis of what we were told in these consultations.

Most of those with whom we engaged wanted to see us adopt a strategic approach to the issues identified in our terms of reference. They counselled us against developing a set of initiatives for immediate implementation, emphasising instead the need for a compelling narrative that starts with a vision for Australia's future in the Asian century. Many were highly critical of a lot of policy announcements of recent times; most of which they saw as ad hoc and reactive, lacking coherence. They were also, most of them, very critical of the intensely partisan nature of contemporary political discourse and media behaviour; something they considered to be undermining the development of rational approaches to many important policy issues. They considered that it would be a tragedy if this piece of work were to be affected in the same way.

### **Present angst**

In the meantime, we are preoccupied with debates about the many consequences of an unusual mining boom – consequences of an intense competition for scarce domestic factors of production.

Some of the concerns might be exaggerated, but there is no doubting their power to capture the attention of the Australian media, to dominate political discourse, and to distort policy debate.

All of these matters should be discussed. But if this generation can't lift itself above them then we definitely will fail the test of future generations of Australians. What this generation needs is a compelling vision.

### **Future vision: Australia in the Asian century**

Supported by the three 'external' members of the Advisory Panel established to guide the development of the White Paper, the small group of officials developed a vision of a future Australia in the Asian century. It is a vision of a prosperous and secure nation, with sustainably rising living standards and quality of life, that is integrated into our diverse region and open to the world; a nation whose people understand and, together with partners in the region, have the capabilities to deal confidently with the challenges of this Asian Century and to make the most of its extraordinary opportunities.

In our vision Australian businesses are deeply integrated into the economies of Asia, through trade and investment linkages and in partnership with regional businesses, employing people in Australia and from across the region, supplying global markets.

We see a highly skilled and educated, dynamic and optimistic Australian community that understands the region's diversity and builds enduring relationships with its people through tourism, education, science and research collaboration and cultural exchange.

And we see Australian governments, at all levels and in all parts of Australia, strengthening productive relationships in the region, based on consultation, collaboration and mutual respect.

### Core propositions

Our vision emerged from a set of core propositions that provide the architecture for Australia's future in the Asian century. First, the rise of Asia is reshaping the world, and this reshaping has some way to run. Second, the regional developments that have been our focus are occurring against the backdrop of truly profound global challenges. Third, Australia is well placed, and is adapting to the rise of Asia, though the gap between our potential and our present reality is expanding rapidly. Fourth, regional economies are moving up the value chain, and this has implications for Australia. And fifth, our future is in our hands.

#### *The rise of Asia is reshaping the world*

Global growth has shifted strongly to our region over the past decade (**Figure 2.1: Asia to become the centre of global economic activity**); global power is now also shifting, with implications for international relations that are not yet settled.

The speed and reach of these changes are unprecedented. They have already changed the shape of the global economy. Yet they have a long way to run. Very likely, they will continue right through this century. No doubt, there will be economic cycles, but these will be around an upward sloping trend (**Chart 2.2: Share of world output growth**).

Asian growth has been ignited by a new wave of economic liberalisation, internally generated. That growth, and the development of new technologies to facilitate communications and trade, has transformed domestic economies and global markets.

As Asian economies have grown, hundreds of millions of people have been lifted out of poverty, new businesses have emerged and others have been transformed, and governments and societies have modernised and become more outward looking.

In just the past twenty years, China and India have almost trebled their share of the global economy, and increased their absolute economic size six times over.

Indonesia's economy has been growing at around five per cent a year for the past decade, and its economy is now larger than Australia's in purchasing power parity terms.

Forty per cent of global economic activity now occurs in Asia. The White Paper reports projections that, by 2025, that will rise to almost one-half. One quarter of the globe's economic activity will occur in China. Asia will have four of the top ten biggest economies in the World: China first, India third, Japan fourth and Indonesia tenth.

Today there are about 500 million people in Asia who would be regarded as being 'middle class'. (Kharas and Gertz 2010). By 2020 that's expected to rise to 1.7 billion people, and by 2030 to more than 3 billion, with Asia then accounting for about 60 per cent of global middle class consumption.

### *Regional development is occurring against the back-drop of profound global challenges*

The global financial crisis has left a difficult legacy, with governments in the United States and Europe confronting weak public sector balance sheets and fragile macroeconomic and financial systems. Asian countries have a significant role to play in restoring the health of the global economy; contributing to global infrastructure efforts; strengthening global and regional financial architecture; reforming international financial institutions; and building a global financial safety net.

But there are other challenges, of longer duration, with both regional and global dimension.

Many countries, on all continents, are confronting challenges of water security, food security, energy security, climate security, broad-scale ecosystem destruction, national and transnational terrorism, and population aging. It is legitimate to describe these challenges to the sustainability of human activity in security terms. How these interrelated challenges are managed could have implications for political stability in a number of countries; military strategy in several; and profound implications for the relationship between humans, other animals, and broader ecosystems in all. The issues are complex, but not impossibly so.

#### *Water security*

Between 1960 and 2000 Asia's consumption of meat increased by 700 per cent. While one kilogram of rice takes a truly staggering 10,000 litres of water to produce, one kilogram of meat takes somewhere between 30,000 and 70,000 litres. It is not surprising that 80 per cent of Asia's freshwater is devoted to irrigation agriculture. And that is notwithstanding some formidable constraints: 50 of the 412 rivers in the Philippines are dead; more than 50 per cent of the water in China's Hai River Basin is 'non-usable'; all seven of the main rivers in West Java, supplying water to Jakarta, are heavily polluted; the Ganges and Yellow Rivers are so badly polluted that they cannot be used for agriculture along more than half their lengths.

#### *Food security*

During a so-called 'green revolution' between 1961 and 2004, agricultural yields in Asia increased at an average annual rate of 2.8 per cent. This 'revolution' was no miracle. It relied on the adoption of higher-yielding crop varieties, the intensive use of fertilisers, and a massive expansion of irrigation activity.

In its reliance on water depletion, including of ground water aquifers, and in the considerable soil degradation it has caused, food security in the present has stolen something from the future. In China, for example, 25 per cent of the land mass is desert, and new desert is being created at the rate of 2,500 square kilometres a year. At that rate, between now and the end of the century, China will create a new desert the size of the state of Victoria.

Between 1961 and 2007 the consumption of fish more than doubled in South East Asia and trebled in north Asia. The world's oceans have been exploited to their maximum potential. About one-third of global fish stocks have been over-exploited; a further half are fully exploited.

Yet, on conservative estimates, global food demand is projected to increase by 70 per cent over the next four decades (**Chart C.1: Demand for food will grow**). Most of the increase in demand will be in Asia.

Satisfying that demand will be no easy matter. It will raise confronting issues for traditional farming methods, of course. And it will raise very significant animal welfare issues as well.

#### *Energy security*

A typical 90 square metre apartment in China requires six tonnes of steel. That steel, in turn, requires three tonnes of coking coal and more than 10 tonnes of iron ore. And steel production requires a lot of energy. Between 1990 and 2009, energy consumption in Asia more than doubled, with the region's share of global energy consumption increasing from 25 per cent to 40 per cent. Fossil fuels account for 82 per cent of Asia's energy use; coal making up 47 per cent.

By 2035, China and India alone will consume 30 per cent of global energy production. China's consumption will be 70 per cent larger than that of the United States. Its coal use alone will be two-and-a-half times that of the entire OECD.

#### *Climate security*

China currently accounts for 25 per cent of global greenhouse gas emissions. Asia as a whole produces 40 per cent. The region as a whole is acutely vulnerable to climate change. More than 10 million people in Asia, inhabiting the lower-lying parts of Bangladesh, China, India and Vietnam, are presently at risk of events causing life-threatening flooding. By the end of this century, that number will grow to something close to 100 million. Without adequate adaptation there will be significant economic, social and environmental costs throughout the region. Adaptation is also costly.

#### *Human security*

It is not uncommon for security analysts to 'nest' conventional, or 'hard', security issues among broader human security considerations. These human dimensions are not simply an 'add-on'. There are important causal links, not only among the

various human dimensions, but also between these and conventional security concerns.

Much has been written about the regional security implications of China's re-emergence. Some analysts have been concerned by the growth in China's military spending – a trebling in the past decade (**Chart 8.1: Regional defence expenditure**). Of course, it should be remembered that the United States, with less than one-quarter of China's population, doubled its defence spending in the same period, currently spending about eight times what China is spending.

But there is a broader perspective here. The key regional security question raised by China's re-emergence is this: Will China be able to achieve water security, food security and energy security for its 1.3 billion people without threatening the peace and stability of the region?

China's security ambitions in these several dimensions are legitimate. Denying its 1.3 billion people an opportunity for development that we in the West have enjoyed is indefensible. Yet the world will not find it easy to satisfy China's legitimate ambition.

There is no case in human history of one country's industrialisation, on its own, threatening global sustainability. But China's industrialisation could do so, if not managed well (**Chart 1.6: Energy and metals consumption per person, selected countries**). Today, China has an average income per capita that is about one-fifth that of the United States. Its per capita energy consumption is about one-quarter. But, because of its population size, its total energy consumption is already slightly larger than that of the United States. Thus, if China's income per capita were to 'catch up' to where the United States is today, and if China's energy intensity were to mirror that of the United States, China would be consuming more than four times what the United States is presently consuming. That would have global consequences, and not only for climate change.

There is a consensus, though not unanimity, that any attempt to 'contain' China militarily would be stupid. Neither would it prove feasible if tested. But in thinking about regional security requirements there is a need to go beyond these rather obvious points.

Regional peace and stability has to be the responsibility of all countries in the region. All countries should be asking themselves how they can engage with China in ways that enhance China's prospects of achieving water, food and energy security without threatening regional peace and stability. Such engagement is unlikely to be a burden. To the contrary, there are significant commercial opportunities for Australian businesses, and research opportunities for our scientific and academic institutions, in partnering with others in China and elsewhere in the region in projects to enhance the sustainability of economic activity. Opportunity exists in efforts to enhance energy efficiency and to develop new energy technologies, in projects to improve water efficiency, in soil restoration, in biodiversity conservation, and in environmentally sensitive urban

design and construction methods. In all these areas, and many others, China is open to external expertise, indicating a strong interest in collaboration.

Regional security will be advanced through effective collaboration in efforts to ensure that China's legitimate development aspirations are not compromised by a lack of security in water, food and energy. On their own, these collaborative efforts might not prove sufficient. But nothing else, including no set of military alliances of any quality, provides a guarantee of regional peace and stability either.

### *Other challenges*

Three other trends are challenging policy makers in many countries in the region: increasing inequality in the distribution of income and wealth; congestion externalities associated with rapid urbanisation; and population ageing.

While the lot of Asia's poor has been improving on average, the wellbeing of its rich has been improving more rapidly — their incomes have been increasing at a much faster rate and they enjoy better access to education, water, sanitation and health services. Gaps are widening along rural-urban, gender and ethnic lines.

The tempo and scale with which urbanisation is occurring is testing governments across the region, including in Australia of course. Some are coping better than others. Cities, such as Shanghai, Mumbai, Jakarta and Manila, are grappling with the consequences of infrastructure and service shortfalls, choking pollution and highly congested traffic. These problems are also pronounced in Asia's intermediate and smaller sized cities, where population growth is booming.

And as with much of the advanced world, again including Australia, many Asian economies are grappling with the implications of rapidly ageing populations. Over the course of the next decade, the proportion of Asia's total population that is of prime working age will plateau, and by 2025, will begin to decline, with serious implications for workforce participation, health care and aged care. But this hides much diversity across the region, with some economies, including the second most populous, India, continuing to have opportunities to reap a 'demographic dividend' with the right investments in human capability.

### *But there is reason for optimism*

Challenging as these several developments are, there is cause for optimism. The challenges are well understood; one only has to read China's impressive twelfth five-year plan to appreciate that point. And citizens throughout the region are indicating a willingness to work together to find collaborative solutions to problems. Active involvement in collaborative solutions will unlock unprecedented opportunity for billions of people in the Asian century, in developed and developing nations alike.



## *Australia is well placed and is adapting to the rise of Asia*

Against that backdrop, Australia appears to be in good shape. Unlike most of the rest of the developed world, government balance sheets are strong. Our financial system is sound.

Our economic policy frameworks and governance institutions, developed over several decades, insulated the Australian economy from the external shocks associated with the Asian financial crisis of the late 1990s; the 'tech wreck', global stock market correction and widespread developed-world recession a few years later; and the recent global financial crisis. These frameworks and institutions represent 'created endowments' – a legacy from an earlier generation of Australians.

Our foreign policy and strategic frameworks have built strong bilateral relationships across the region that enable us to influence and shape regional and, at times, global outcomes.

Our natural endowments have a strong measure of complementarity with the world's fastest growing economies. We have a large endowment of environmental assets, though we need to do a better job of protecting them. We have abundant mineral and energy reserves, though they will not last forever. We have the capacity to produce greater volumes of high protein foods, though we need to find more sustainable farming practices, and, as a series of recent deplorable events have illustrated graphically, we need a much sharper focus on animal welfare concerns. And in this Asian Century, we have locational advantage.

Our human capital endowments are also significant. We have a highly skilled, diverse and creative population that has deepening connections with the region and demonstrated capability in innovation, design and complex problem solving.

Our people to people ties with the region are growing deeper. The face of Australia is changing as migrants, students and visitors from Asia bring new perspectives, energy and skills. One in ten Australians was born in Asia. Today, China and India are the principal source countries of Australian immigration. Increasingly, Australians also live, study and work in the region, strengthening the exchange of ideas and cultures.

Our governments at all levels are increasingly outward looking, and we are collaborating with regional counterparts across a broad sweep of interests in ways unimaginable a decade ago.

But it would be a grave mistake to think that we have done all we need to do in order to guard against the risks, and make the most of the opportunities, associated with the Asian century – a point I will enlarge on in a moment.

### *Regional economies are moving up the value chain*

As Asian economies modernise and grow, they are also moving up the value chain, investing in skills and technology, infrastructure and social safety nets.

Their costs of production are already increasing (especially in the industrialised east of China), but so too is their capacity to produce high value, high innovation goods and services. Asia recently overtook Europe in the share of the world's research and development performed. China and Indonesia, in particular, are investing heavily in human capital development, including through the construction of world-class universities. In 2010, China had 22 universities in the top 500 in the world, up from 12 in 2003.

As the Asian middle class grows, so does domestic consumption (**Figure 2.2: Growing consumer markets of Asia**). Asia is set to become the world's largest consumer market.

The rapid rise and creative use of communication technology and social media in Asia is also transforming markets in Asia. In 2005 less than a quarter of the population in Asia and the Pacific has a mobile phone. By 2011, that had grown to three-quarters. In the same period of time the number of internet users in Asia and the Pacific trebled, from 344 million to more than a billion.

### *Australia's future is in our hands*

While the opportunities confronting Australia are unarguably promising, success cannot be taken for granted. Indeed, the challenge for government, business and the community is immense. It is no exaggeration to say that a new mindset is required. Success in this century means a willingness to adapt continually. Several factors provide necessary foundations for this integration, including: free trade in goods and services, capital mobility, the globalisation of ideas, and people movements. But much more is required.

In consulting with people on the White Paper, we came to the view that Australia needs to act in five key dimensions. These provide the structure for the second part of the Government's Paper (**Slide: Five policy areas**).

First, Australia's prosperity will come from *building on our strengths*, reinforcing the domestic foundations of our society and our productive, open and resilient economy. That means building on past reforms and investing across the five pillars of productivity—skills and education, innovation, infrastructure, tax reform and regulatory reform.

Second, we must do even more to build the *capabilities* that will help Australia succeed. This generation's greatest responsibility is to invest in our people through education and skills to drive Australia's productivity performance and ensure that all Australians can participate in, and contribute to, the Asian century.

Third, Australia's commercial engagement in the region will be most successful if highly innovative, competitive Australian firms and institutions develop

*collaborative relationships* with others in the region. Australian firms need new business models and new mindsets to operate and connect with Asian markets. The Australian Government needs to involve itself in initiatives that make the region more open and integrated, encouraging trade, investment and partnerships.

Fourth, Australia's future is irrevocably tied to the ongoing prosperity and *sustainable security* of our diverse region. Australia has much to offer through cooperation with other nations to support sustainable security in the region. The Australian Government has a role to play in contributing to trust and cooperation, bilaterally and through existing regional mechanisms. And the Australian Government should continue to support a greater role for Asian countries in a rules-based regional and global order.

Fifth, Australia needs to strengthen its deep and broad *relationships* across the region at every level. These links are social and cultural as much as they are political and economic, developing out of shared experience in commerce, institutions, travel, arts, sport, education, and the exchange of ideas and knowledge. Our engagement to date would best be described as episodic, constructed around significant events, with insubstantial, fragile linkages between these events. Many of the people with whom we consulted argued persuasively that we need a more strategic approach to our bilateral relationships. We were told that Australia's governments, businesses, unions, community groups and educational and cultural institutions, all have an important role to play.

#### **A need for new mindsets**

Time and time again, in our consultations, we found ourselves being persuaded that new mindsets were required.

We were told that our traditional approach to openness is not sufficiently ambitious.

We have to pursue regional harmonisation (or mutual recognition) across a broad sweep of areas: educational qualifications, occupational skills recognition, financial regulation, corporate governance and so on.

And Australian businesses need products and knowhow that are valued in the region. That means understanding our comparative advantage and adding value through innovation and the development of long-term relationships.

We came to the view that the 21st century business model is likely to be very different from the successful business models of the last quarter of the 20th century. The best recipe for long-term success comes from making the most of complementary interests and working collaboratively with partners in Asia, not just competing against them. In some cases, Australian businesses will be able to access large Asian markets through export, including as part of regional supply chains. In other cases, the business opportunities will be secured through the

establishment of enterprises, including business partnerships, in Asian countries. Australian businesses will need the capabilities to do both.

'Collaboration', 'cooperation', 'partnership', 'matching capabilities' and 'engagement' are part of the language of this century, just as 'international competitiveness' was the language of the last quarter of the last century. This is not to downplay productivity and competition. Productivity and domestic competition are among the conditions that will allow Australians to secure opportunities of collaboration and cooperation in the region. But the central point is one that has been understood by economists since the time of Adam Smith: the gains from trade arise not from mimicry, but from differences that define complementarity. In this Asian century, Australia's complementary differences include exceptional standards of corporate governance and workplace safety, an insistence on quality and an intolerance of corruption.

Our conclusion was that, for Australian businesses and individuals that develop the capability to engage in this way, there is a vast landscape of new opportunity, especially in supplying goods and services to an increasingly prosperous Asia, and in ventures to help address the challenges confronting several large regional neighbours in respect of water security, energy security, food security, green growth, urban design, health care and aged care.

But only a small proportion of Australia's population has these capabilities at the present time. They need to be built in all Australians.

We need Australians with the knowledge and skills to develop strong relationships in the region. To build partnerships we need the capacities to understand and operate in cultures, languages and mindsets other than our own. Within Australia we need to ensure we have the advisory, decision-making and representational structures in place to make informed decisions in an increasingly complex environment.

Our major bilateral relationships need to be transformed into comprehensive partnerships involving government, business, community organisations and citizens generally. Common experience through commerce, institutions, travel, arts, culture and sport, as well as education, ideas and knowledge exchange should increase.

The Government has indicated in the White Paper that Australia should place an initial priority on deepening relations with five of our Asian neighbours: China, India, Indonesia, Japan and South Korea.

But in making these a focus, the Government has also said that we should not neglect other countries in the region. Indeed, there is a case for stepping up efforts to engage and deepen relations with Vietnam and the other ASEAN countries.

The government has a major role to play in planning and building for the Asian Century. The White Paper sets out core policy principles to guide government action over coming years, and it articulates policy pathways to deliver real

change. But the White Paper does more than that. It identifies national objectives out to 2025, to guide decision-making and planning right across the Australian economy and society. It is a call to action, not for our elected parliamentary representatives but for all Australians.

### Assessing the white paper

Some Australians are cynical about the 'vision thing'. Absurdly, they draw a distinction between 'vision' and 'substance'. Of course, some of these people don't want political leaders who have a clear sense of direction and purpose, able to build a coherent policy narrative around a powerful vision. They would prefer to have leaders who are easier to manipulate.

But this is a small, if noisy, minority.

The reaction to the white paper from people of goodwill and reason has been positive. As I read it, reasonable people are accepting of the direction articulated in the document. They are persuaded of the vision. They welcome it. But many want more detail. And they want things done soon. What this says to me is that the white paper narrative has been found compelling. In that important sense, the document has served a purpose.

But the white paper was designed not only to persuade people of the need for action, it was designed also to chart the course for future action; future action by this generation. It was designed to sketch the pathways all of us will have to pursue if we are to meet the expectations of future generations of Australians.

The pathways are many. Most demand a whole of community effort.

Some of the people who participated in the consultations on the white paper had a clear sense of the things this generation of Australians will have to do if it is to have any hope of its descendants awarding it a passing grade in the test I outlined earlier. We heard that we will have to demonstrate that we converted minerals and energy wealth into enduring national capability through sustainably higher rates of national saving; path breaking advances in science and technology; more effective protection of vulnerable species and eco-systems; high yielding investments in human capability and physical capital, including both economic and social infrastructure; and the development of effective relationships in the region to support the pursuit of commercial and cultural exchange. We heard also that we will have to demonstrate that we shared the benefits widely so that all Australians had the opportunity to provide their descendants with a better life; notably, we will have to deal a mortal blow to indigenous disadvantage.

Given the enormity of the challenges we confront, and the generally poor quality of public policy discussion in Australia at the present time, it is natural to ask who would want to take responsibility for Australia's future. Who would want to sit the test that is being set by future generations of Australians?

Conventionally, governments are expected to look after the interests of those cohorts not yet born. What happens to this country of ours after we are gone is not something for the rest of us to worry about. But this makes no sense, especially in a democracy. Whenever there is a trade-off to be made between the instant gratification of the present generation and the wellbeing of future generations, the government is to stand in opposition to its own electors? Imagine that.

In contrast with this fantasy, the truth is at once more challenging and more motivating. If this generation is going to satisfy the legitimate expectations of future generations of Australians, if it is going to pass the test they set for us, then all of us are going to have to assume responsibility for this nation's future in the Asian century.

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