

## **Australia's Twentieth Century Re-orientation**

I began a presentation to a conference in Tokyo on ANZAC Day this year by mentioning the painting in the Australian war memorial of the Japanese naval ship HIJMS Ibuki, protecting Australians as they moved across the Indian Ocean to that fateful encounter at Gallipoli. The painting raises two big questions for thoughtful Australians who know a little about history in the years before and after 1915. What on earth were we doing at war with Japan only a generation later? And why on earth were we sending young Australians to be maimed and killed attempting to invade a country that had close and friendly relations with our British Empire in the immediately preceding years?

For the soldiers of the Ottoman Empire to be firing down from the hills onto Australians as they landed on a beach opposite ancient Troy required failure of policy, diplomacy and foresight of Homeric dimension. In this case, British failure, with Australia following.

And in truth, Australians' own ignorant and dogged pursuit of a narrow and distorted view of our place in the world helped to create the conditions for Japan's embarkation on the Pacific War. At the Peace Conference in Paris in 1919, Australian Prime Minister Hughes led opposition to the racial equality clause in President Woodrow Wilson's charter for the League of Nations. Hughes was effective, playing on Australia's disproportionate sacrifice in the war.

The attack against the racial equality clause played well to a domestic political audience invited to see it as defence of the White Australia Policy. Cheap politics at home. Expensive consequences in the international system in which future Australians had to make their ways.

Nineteen-year-old Crown Prince Hirohito was strongly influenced in his views on conflict with the west by the discussion of racial equality at Paris and Versailles in 1919. Japan was an ally of the victors. The racial equality clause was Japan's most important demand and expectation from the Paris peace agreement. Denied racial equality, Japan received as compensation from Wilson the German colonies in China. China was also an ally. The decision on the German colonies triggered the May 4 demonstrations in Peking, still celebrated by the Chinese Communist Party as a foundational event in modern China. Amongst much else, May 4, 1919, brought into politics a hitherto unknown young librarian at Peking University, Mao Zedong.

Today I'm talking about Australia's adjustment from being a distant corner of the British Empire, to a sovereign democratic country making its way in immensely diverse Asian and Southwest Pacific neighbourhoods. I would not teach you anything worth knowing if I talked about submarines. I hope to learn about them from others at this conference.

Ours is a uniquely diverse international environment. As I said in Australia and the Northeast Asian Ascendency 35 years ago:

"Australia is strikingly different from any country in Asia. But we are not uniquely different: no more different from China than is Indonesia; no more different from Japan than is

Malaysia; no more different from the Republic of Korea than is India. The efforts required for Australia to build a secure and prosperous future in a substantially Asian environment are hardly as challenging as Singapore's as it makes its way successfully as a Chinese island in a Malay-Islamic world.

In the Western Pacific there are many unique states. ...The challenge of each nation in an increasingly interdependent Western Pacific is to know its environment, marshal its own strengths, define its objectives and work with others in the attainment of shared goals." (Garnaut, 1989, p319).

I did not include in this reference to diversity our closest neighbours, in the arc of island states across our northwest, north and northeast. That runs from Timor Leste, across the island of New Guinea to the other states of Melanesia, backing on to the tiny Polynesian island states. These are centrally important to our security. These days they only enter Australian minds when there are unusually large riots, or environmental scandals, or efforts by China to build closer relations. And then they cross our devices and minds for a fleeting moment and we go back to other things. Our closest neighbours are now amongst the poorest countries on earth, with broken national governance, and hopelessly low and declining standing in measures of wellbeing and development. The failure of development in our northern arc will be a consuming strategic challenge once our neighbours stir from current silent impoverishment into a Melanesian Spring of discontent.

There is much talk in Australia about the strategic environment being the most dangerous since the second world war. You don't hear that in Southeast or South Asia. The strategic environment there is challenging, as it always is. Some countries have longstanding difficult border disputes with China and resent increasing Chinese assertion of power. They do not feel a threat from Chinese invasion. They would prefer that China not press reunification with Taiwan to the point of military action. But if that were to occur, they do not see themselves as belligerents. The biggest threat is being caught in the economic and political wash from conflict between China and the US. Any action by another country that dragged them into the conflict—for example through use of their archipelagic waters for passage of ships of war--would be hostile and unwelcome. In 2024, the international issue of greatest concern to the region's large Moslem populations is the humanitarian disaster in Gaza. There are harsh comments about hypocrisy in American and Australian profession of concern for human rights and a rules-based order. That is a matter of profound unhappiness. But it is not seen as a threat to their sovereignty.

Our US ally and many Australians feel threatened by the rising economic and political strength of China. Sustained economic growth over recent decades and continuing today at rates well above the developed world has made China the biggest economy in the world in purchasing power. The US is for a while still bigger on the number you get when national accounts data are converted into the same currency at today's exchange rate—while US output and the dollar exchange rate are held high by the largest budget deficit the world has ever seen in peacetime outside deep recessions. We have other Asian countries to be worried about if we are of that mind. Future generations of Australians will be living in a world in which the distribution of economic and strategic weight bears no

relationship to that in which Australians so far have made their ways. Or Americans. There is no future for our two peoples and there may be no future for humanity unless our US ally can get used to being one of several powerful states in a world that allows primacy to none of them.

Can our country be an effective sovereign entity in its own different liberal social democratic skin in a vibrant region characterised by differences in cultures, political institutions and economic strengths? My own thought and work on Australia's relationship with Asia over six decades tells me that we can. For this conference: will AUKUS help us to build that comfort, or get in the way?

### **The Empires from Modern Economic Development.**

Modern economic development underpinned the emergence of the Empire into which Australia was born. The Imperial system was broken irrecoverably by the two world wars. Australia's foreign relations were dominated by the disintegration of Empires in the several decades after the Japanese conquest of Southeast Asia. Australia turned to America for military and to some extent cultural security, and began to build productive relations with many countries in Asia. Over the half century after the disintegration of Empires, more and more of post-Imperial Asia began to participate in modern economic growth, and became a much more rewarding economic partner of Australia. Conflict between the security relationship with the US and the economic and increasingly broadly based interaction with Asia was at the margins of both relationships until a decade or so ago. Over this past decade, the conflict has come into the centre of our foreign relations. That is dangerous to Australian security and prosperity. Because broadly based prosperity underpins a successful democracy, it is also dangerous for our democracy.

Modern economic development emerged in Britain a quarter of a millennium ago. It spread through adjacent countries in northern Europe after the Napoleonic wars. It was absorbed quickly into the countries in which recent European settlement displaced indigenous populations in North America and Australasia. It trickled through eastern and southern Europe through the nineteenth century.

Modern economic development brought extraordinary military strength to the countries in which it first emerged. The Empire of Britain, the original home of the industrial revolution, was largest and strongest; amongst the Netherlands, France, Germany, Belgium and lesser colonial lights. The United States under President Theodore Roosevelt joined the Empires after 1898. Japan joined the Imperial powers from 1895.

The military power that came with modern economic development allowed one percent of the world's population in Britain in 1800 to rule a quarter of the earth surface and population by the end of the nineteenth century. Imperial rule became more structured and confident through the middle decades of the nineteenth century.

There were great tensions within China and Japan through the mid-nineteenth century over whether to resist or join the powerful forces driving the rise of the west. In China, the governing elite was confident of the incomparably successful Chinese ways of

governance, and defeated the forces for change into the twentieth century. In Japan, the Meiji Emperor was restored to effective power in 1867, and led his country into absorption of the conditions for modern economic development.

The pace of Japan's economic and military development under the new policies was stunning. In 1895, defeat of China allowed Japan to colonise Korea, Chinese Taiwan and part of the Liaodong Peninsular on the Chinese mainland. The UK-Japan alliance in 1902 gave both countries greater security in their respective Imperial spheres. Japanese defeat of Russia in a naval battle off the Pacific coast in 1905 destabilised Czarist Russia.

Without the world wars, we would probably have seen the gradual erosion of the European Empires through the twentieth century, with the spread of knowledge about the foundations of western power. The two wars broke them quickly. The weakened British, French and Netherlands Empires in Asia received mortal blows in the second world war. The US chose to grant Independence to the Philippines after the Japanese surrender in 1945. In the two richest colonies in Southeast Asia--the Netherlands East Indies and French Indo-China--nationalist Independence movements resisted the return of Imperial rule after the surrender of Japan. Soekarno declared Indonesia's Independence on August 17, 1945, two days after Emperor Hirohito's broadcast to the Japanese people marked the surrender. Ho Chi Minh's declaration of the Democratic Republic of Vietnam came two weeks later, on September 2. The old Empires fought back. Dutch attempts to re-establish colonial rule were defeated by the nationalist resistance. Indonesian membership of the UN was accepted in 1946 and became effective four years later. The Viet Minh won a decisive battle against the returned French in 1954, and looked forward to reunification under the Geneva Accords of that year.

The Indian Independence movement led by Nehru's Congress Party offered Britain support for the war against Nazism in exchange for postwar Independence. Prime Minister Churchill, however, had not become the King's first minister to dismantle the British Empire. The Attlee Labour Government saw the future of India differently, and from its election in 1945 accepted Independence, ultimately delivered on August 15, 1947 (TODAY).

Attitudes and feelings of racial superiority grew with European economic and military strength through the nineteenth century. Adam Smith in the Wealth of Nations at the beginnings of modern economic development in 1776 saw rising incomes occurring amongst people everywhere once they established open trade and the right balance between moral concern for others and the role of an effective state, on the one hand, and incentives for private gain on the other. But a century later, wealth and power were associated in European minds with the white races that sat at their apex.

That was the world into which Australia was born on the first day of the twentieth century. Empire and race were intertwined more tightly in Australia than in Britain. London preferred more nuance, recognising the White Australia Policy's problems for governing a multi-racial Empire, and for alliance with Japan. I recall dropping around to the Japanese Ambassador's residence to meet visitors from Tokyo one evening in the late 1990s. After others had departed, I asked the Ambassador why Japan had not yet

committed to contributing a gift to commemorate the centenary of Federation. “For Japan, Federation meant the White Australia Policy”, he said.

“Land of hope and glory, Mother of the free”, we sang at Monday assembly in a Perth state primary school in the early 1950s. “Wider still and wider, shall thou bounds be set”. And to make it clear that the bounds went way beyond the eucalypt forests of WA, we sang for “God of our fathers known of old, Lord of our far-flung battle lines” to preserve our “dominion over palm and pine”.

Before Federation, less severe London perspectives on race constrained Australian excess in some places and at some times. Australia had the great good fortune that William Pitt the Younger, friend of William Wilberforce, was Prime Minister in 1788 and determined that there would be no slavery in New South Wales. The new colony was unusual in the overseas Empire for the absence of slavery, and definitively different from the recently lost Empire in North America. I visit the graves of Pitt and Wilberforce, side by side in Westminster Abbey, when I can manage it on trips to London.

Some white Australian minds were always prepared to reflect on the high qualities of non-European people, and on the possibility of Australia having a comfortable place in a non-Imperial world. But independent Australian nationalist sentiment generally emphasised white identity.

The European heartlands of Empire were deeply wounded by the first world war. The British economy moved from being the world’s largest creditor to the world’s largest debtor. It never recovered. The interwar years saw economic stagnation, made worse by hopeless attempts to restore indicia of old glory.

Britain’s economic expansion through the nineteenth century had been premised on free trade. This was a reflection of British confidence and a source of dynamism and growing incomes and wealth. The young Winston Churchill left the Conservative Party in 1904 when it toyed with Imperial preferences and tariffs on imports from outside the Empire. The Liberal Party had no such thought, and Churchill joined it. Britain’s view of its place in the world had changed by 1932. Dragged down by economic decline, Britain shaped the British Empire Economic Conference in Ottawa in 1932. Imperial preferences led to Australia raising tariffs on Japan, other Asian neighbours and the US above those on Empire goods. The preferential arrangements tied Australia even more closely than before to the underperforming British economy, and magnified that source of Australia’s own economic underperformance. Removing preferential tariffs and achieving multilateral trade liberalisation became a central US trade policy objective.

Australia took Imperial sentiment and preference one step further in 1936. The UK was Australia’s largest trading partner. Japan was Australia’s second and most rapidly growing export market. The Lyons Government embarked upon the trade diversion episode. In a precocious application of Trumpian logic, import licensing and higher tariffs were imposed to reduce imports on “bad customers”, led by the US, which exported more to than they imported from Australia. By this criterion, Japan should have been the best of “good customers”, with imports from Australia several times as large as exports to

Australia. That didn't save them. In an episode of selfless love for the mother country, Australia imposed higher tariffs and restrictions on imports from Japan with the explicit aim of diverting purchases from Japan to the UK. To the Australian government's surprise, our exports fell both to the UK and Japan. The trade balance with Japan fell from overwhelming surplus prior to trade diversion, to unprecedented deficit in 1937-8. Australia responded to that surprise by reversing the trade diversion import policies. Pre-1936 levels of exports to Japan did not return until the 1950s.

### **Australia in the Disintegration of Empire**

The Japanese attack on Pearl Harbour on 7 December 1941 led to the US declaration of war on Japan on December 8. It allowed President Franklin Roosevelt to win Congressional approval for war on Germany on 11 December.

We are all familiar with the sentence in Curtin's article in the Melbourne Herald on December 27, about looking to America (Curtin, 1941). The article is worth re-reading in 2024 for its wider context. It was a recognition that while Australian and UK interests have much in common, they are not identical. And to the extent that they conflict, Australians must serve Australian interests. It was Australia's declaration of Independence from the UK:

"We know the problems that the United Kingdom faces. ...but we know too that Australia can go and Britain can still hold. Australia's external policy will be shaped towards obtaining Russian aid and working out, with the United States, as the major factor, a plan of Pacific Strategy, along with British, Chinese and Dutch forces" (Curtin, 1941).

Early in the New Year, Curtin stood up to Churchill's different strategic preferences and ordered the 7<sup>th</sup> Division of the Second Australian Imperial Force to return from the Middle East to the defence of Australia. Any residual Australian comfort as part of the greatest Empire on earth ended with the surrender of UK and Empire forces in Singapore in February 1942.

Australians spent the next several decades coming to grips with the disintegration of Empire. The Curtin and Chifley governments, in step with the Roosevelt and Truman opposition to Imperialism, accepted it and played a significant role in adjusting policy to the new circumstances. The Menzies government mostly resisted it, but with cross-currents within the government on some important issues.

President Roosevelt wanted his support for Britain during the war to be followed by the end of Empire and preferential trade. British Prime Minister Churchill quietly but determinedly resisted. The Chifley Government welcomed the Attlee Labour Government's agreement to Indian Independence in 1946, and joined India in sponsoring Indonesian Independence to the United Nations. This was helpful to relations with India and Pakistan and of immense positive value for future relations with Indonesia. It was deeply controversial in Australia.

Kim Beazley senior was a member of the ANU's Council through the 1960s and took a pastoral interest in the four young Western Australian undergraduates. At dinner in the Parliament House dining room in 1964, I asked him what stood out most in his memory from his early years as successor to John Curtin in Fremantle, as a backbencher in the Chifley Governments. "Menzies as leader of the opposition in full flight against Australia's support of Indonesian Independence", he said. "Menzies said that for Australia not to support white rule in Asia was the ecstasy of suicide".

Prime Minister Menzies did not visit our near neighbour Indonesia through his first decade as Prime Minister, despite frequent flights over on the way to London. However, some Ministers in his Cabinet took important steps to develop closer relations with newly independent countries in Asia. Australia's Foreign Minister through the 1950s, Percy Spender, played a major role in forming and nurturing the Colombo Plan. This provided many Australians with their first close personal contact with people of Asian background.

Postwar relations with Japan were initially coloured by bitterness from war. Spender secured the ANZUS Treaty in 1951 to assist in defence against any resurgence of Japanese militarism. For the US, it was clearly and deliberately not the comprehensive security guarantee that was embedded in NATO.

The Australian Government had wanted more from ANZUS, and sought to extend its scope by talking as if it said more than it did, The boundaries were tested twice as Southeast Asian decolonisation proceeded through the early 1960s. In 1961, President Soekarno sought to conclude the integration of the whole of the former Netherlands East Indies into Indonesia through absorption of West New Guinea. The Australian Government initially opposed this action. The US did not want to stand in the way of reunification and made it clear that a request for support under ANZUS would be unwelcome. Indonesia had opposed the formation of Malaysia at the time of Singapore Independence in 1963. Australian and New Zealand joined British troops in skirmishes with Indonesia "volunteers" and then regular troops along the border in Borneo. Soundings with Washington advised the Australian Government that it would be unwise to request military support under ANZUS.

Meanwhile Vietnam was sliding into internal armed conflict after it became clear that the process of reunification set out in the Geneva accords would not proceed. By then, the Cold War was dominating US perspectives on Asia. There was no suggestion that the commitment of Australian troops in May 1965 was within ANZUS. Vietnamese reunification followed US withdrawal in 1975.

There were important developments in Australian trade relations with Asia through this period. Country Party Deputy Prime Minister John McEwen, supported by Secretary for Trade John Crawford, secured the Australia-Japan Trade Agreement in 1957. Both countries agreed to reduce trade barriers on goods that were important to each other without discrimination against others.

The relationship with China was constrained by a Cold War overlay. Trade policy was determined independently of political sentiment and US wishes. Australia rejected US restrictions on trade and exported large quantities of wheat.

Meanwhile, drumbeats from the old home of Empire continued to generate responses.

Australia was offered a more prominent place as a partner as Britain weakened. When Egyptian President Nasser nationalised British and French ownership of the Suez Canal in 1956, Australian Prime Minister Menzies accepted a request from British Prime Minister Eden to lead a mission to Egypt to seek the transfer of ownership and management to an international body. President Eisenhower said that the US would not support the use of force if negotiations broke down. Nothing came of the initiative beyond the humiliation of the principal participants.

In 1961, the UK announced that it would seek entry to the European Economic Community (EEC). This was the UK's declaration of Independence from Australia. The Australian Government objected strongly. In 1962 a Minister, Leslie Bury, was dismissed from the Menzies Government for opining publicly that UK membership of the European Economic Community was good for the West, and that fears of damage to Australia were "far-fetched". British entry into the EEC was vetoed for a while by French President Charles de Gaulle, but completed on 1 January 1971.

On the security relationship, too, the UK moved away from Australia. In 1968, the Wilson UK Government announced its withdrawal from military commitments "east of Suez".

### **Re-orientation to a Post-Imperial World.**

For young Australians interested in public policy in the mid-1960s, Australian attitudes and policy on race were the main impediment to Australia living to the best of its values, and to its security and prosperity. These were the big issues of our day. There was much to change.

As it happened, we paddled hard on a rising tide. Sir Robert Menzies retired on January 20, 1966, after 16 years as Prime Minister. There was comprehensive change in Australia on all of these issues over the next decade.

On White Australia, in a series of steps under Holt, Whitlam, Fraser and Hawke.

On Apartheid and white minority rule in Southern Africa under Whitlam, Fraser and Hawke.

On the referendum to remove discriminatory treatment of Indigenous Australians under Holt; and on Indigenous land rights under Whitlam, Fraser, Hawke and Keating.

Transfer of recognition of the Government of China from the regime in Taipei to Beijing; Independence for Papua New Guinea; prompt withdrawal from Vietnam; and more generally treating Governments of major Asian countries were with respect and as



important focusses of Australian political and diplomatic effort were all achieved under Whitlam and consolidated and extended under Fraser. The Fraser Government stands out for its leadership on issues of race: admission of large numbers of refugees from Vietnam; relations with Indigenous Australians; the Prime Minister and Foreign Minister Andrew Peacock putting personal and official effort into understanding and supporting Papua New Guinea development; and working for majority rule in southern Africa.

We now know that the Australian Government actively encouraged the original US military engagement in Vietnam. Australian strategists thought or at least hoped that this would entrench the US militarily more deeply in the future security of the Western Pacific. Thoughts were wrong and hopes disappointed. In establishing the political framework for withdrawal from Vietnam, President Nixon articulated the Nixon Doctrine in Guam in July 1969. Henceforth, each US ally could rely on the US nuclear umbrella. Beyond that, each ally had primary responsibility for its own security. Whitlam ended participation in the Vietnam war in advance of US President Nixon in the US.

The Whitlam (1972-5) and Fraser (1975-83) governments together completed the formal removal of race as a barrier to productive relations with Asia. Reform to prepare the Australian domestic economy for making full use of its Asian opportunity awaited election of the Hawke Government in 1983.

### **Australia in the Era of Global Modern Economic Development.**

Modern economic development works for people of many cultural backgrounds and all races once the conditions for it have been established. The end point of successful modern development is average productivity and living standards within the range of the currently developed countries. The conditions include the provision of a range of services by an effective state. This was much more easily established in Asian countries with a long tradition of an over-arching state, than in Africa and Australia's northern arc. The conditions included openness to international knowledge, trade and investment. This was difficult in countries in which recent anti-colonial struggle created inclinations to inward-looking approaches to development.

Japan was the first to show that modern economic development was not the preserve of people of European background. From the 1960s through the 1990s, nearly all of East and South Asia joined the process. The inclusion of more and more countries in an international trading system and economy has expanded opportunities and supported economic development in all of them.

As the Asian economies grew rapidly and increased in size, Australia was favoured by its economic resources being closely complementary to them and by its proximity.

In 1983, Australia entered a golden age in influence on international arrangements affecting security and opportunity. My written text lists the landmarks.

We prospered after Britain's withdrawal from our region liberated us to pursue our own interests. New export industries supported much better economic performance in the

1960s than the 1950s, which was itself decisively better than the interwar years. After being close to the bottom of growth in productivity and output per person amongst the countries that are now developed through the first eight decades from Federation, we led the developed world in the 1990s. Productivity growth relative to other developed countries was less stellar in the first dozen years of the twenty first century, but we remained at the top of incomes growth through the impact of the China resources boom to 2012.

The success with modern economic development of populous developing countries has led to massive shifts in the global balance of wealth and power.

My report to the Prime Minister and Foreign Minister in 1989, *Australia and the Northeast Asian Ascendancy*, was aimed at expanding understanding of the shift of global wealth and power towards Northeast Asia—Japan and Korea as well as China—and of the benefits for Australia from managing these changes well. The public discussion of *Australia and the Northeast Asian Ascendancy* and the adoption of many recommendations by Commonwealth and State Governments accelerated the internationally oriented reforms that had been proceeding under the Hawke Government since 1983. This was the first official Australian document to support free trade. It led directly to the last and largest step in Australian trade liberalisation, announced by the Prime Minister in a statement to the Parliament in March 1991.

We have become less confident over the past decade. Partly in response to China's increasing size; partly because of China's own increased self-confidence and assertiveness. Crude management of communications on both sides increased doubts. We have not only withdrawn from confident interaction with China, but from deep interaction with other Asian and Pacific countries as well.

John McCarthy's recent Anthony Low Lecture at the ANU (McCarthy 2024) draws attention to the decline in Australian official effort and understanding on productive relations with Asia in recent times and to the damage that does to fundamental Australian international policy interests.

We have drawn closer to US defence and strategic policy, which has had positive elements, but has also contributed to reduced intensity of interaction with our closer neighbours. Some strands of support for AUKUS can be seen as a contemporary reflection of yearning for security in the old and familiar a changing world. Some can be understood as an attempt to come to grips with new realities of power. This conference can sort out what is what.

We have retreated from open and non-discriminatory trade and investment policies over the past decade. If we reverse the policies on policies that gave us rising productivity and incomes, we should not be surprised if the favourable effects are also reversed. Whatever the justification of the reversal. It has contributed to real wages and the living standards of the general run of Australians being lower in 2024 than in 2013. The stagnation of living standards came later in Australia than in the US and UK following the 1980s reforms and the links to dynamic Asia, but we now share the conditions that are unsettling democracy

in the English-speaking developed world. We are becoming a cranky and divided community. Our sixth Prime Minister in 11 years is facing a grumpy electorate.

One economic policy issue with large implications for future Australian living standards intersects with the AUKUS discussion. Non-discriminatory open trade suits Australia's interests now, as it has over the past seven decades.

Australia cannot do well if it is dragged or walks willingly and innocently into a world of protection and trade discrimination. The Australian Government has said recently that some defined security interests require restriction of trade and investment (Kennedy, 2024). Shiro Armstrong analysed the limits on the security case for restriction in a public lecture at the ANU last month (Armstrong, 2024). It is crucial for Australian prosperity that security-based restrictions on trade and investment are defined rigorously. Kennedy and Armstrong both pointed out that security mission creep would undermine Australian prosperity. That means it can also undermine our democracy. Securing Australia's interests requires Australian governments to stand up for Australian interests against intense pressure from our great and powerful friends. The positive model is Menzies and McEwen on the China wheat trade in the 1960s. The negative examples are Empire preferences at Ottawa in 1932 and Lyons and Gullet on trade diversion in 1936.

Widespread distortion of international trade in products crucial to reducing greenhouse gas emissions would compromise the prospects for success in the global climate change mitigation effort.

Australia stands out in the world as the country with strongest comparative advantage in a wide range of industrial inputs with zero emissions—green iron and other metals; green transport fuels; green fertilisers; green explosives. Without Australia supplying these products in immense quantities to countries with poor renewable energy and biomass resources relative to economic size, there is no prospect for Northeast Asia and Europe achieving zero net emissions by mid-century. Get this right, and Australia makes it possible for the world to hold temperature increases to well below 2 degrees. Get it right, and Australia has the opportunity for one or two generations of full employment with rising incomes for a growing population.

Here, China stands out in the world as the country with comparative advantage in nearly all of the equipment required for the net zero transition. Without China supplying these products in immense quantities to countries with comparative disadvantage in industrial equipment, there is no prospect for much of the world achieving zero net emissions by mid-century.

US trade with China in climate-related products will be heavily compromised through the next presidential term. That will not stop US decarbonisation if Biden support for new industry is maintained under the next President. But the highly protectionist elements of Biden climate policy will be a problem if others follow. Australia will come under great pressure to join preferential trade. No harm in accepting capital or market access on favourable terms for products headed for the US market. Big harm in arbitrarily restricting trade with other countries.

## **Australian Interests and Values in the Global Community**

These are not the best of times for policy processes or outcomes in any of the AUKUS partners. In Australia's case, decisions on AUKUS were taken through dysfunctional processes that excluded knowledge, experience and analytical capacity related to our economic and foreign policy interests. That proves nothing about AUKUS. But it does tell us to keep our analytic lights on now, as they were off at the beginning.

Is AUKUS a reversal of the UK's decision more than half a century ago to end its military commitments east of Suez? There is no suggestion that this is a possibility. For the UK, the submarine component of AUKUS is an opportunity for an economy impoverished by Brexit to increase exports from a struggling industry.

The US for the time being is committed to a military role west of Honolulu. Will that commitment survive for long the challenges to democracy at home after four decades of stagnation of ordinary Americans' living standards? Maybe, and maybe not. Rigorous strategic analysis requires focus on all possible outcomes. For as long as the commitment survives, one can see the value of AUKUS for the US. Unquestioning support from Australia becomes more valuable as US relative strength declines, just as we saw with the UK over Suez in the 1950s. Richard Armitage, then security adviser to Presidential candidate George W. Bush, later Deputy Secretary for State, told three of us at a reception before the US-Australia Leadership Dialogue in 2000, that if American boys were bleeding to death on Taiwan beaches in a war with China, Australians must be there, because no other country would. "Are you ready?", Armitage asked Dick Woolcott, Stuart Harris and me. We looked at each other. "As a matter of fact", responded Stuart. "We're not". The Bush security team had in mind a war to assert and extend US democratic values in its uni-polar moment.

As it turned out, 9/11 gave the neo-conservatives an opening to make Iraq democratic by invasion, and war with China faded from discussion for a decade. Australia was there in Iraq. That was immoral, illegal and a geo-strategic mistake. The current US President and the two candidates for the Presidential election seem to agree on only one big policy issue: the Iraq war was a disaster for the US, and each one of them had opposed it from the beginning. But it was much less costly than being there in Taiwan would have been.

McCarthy's Low Lecture discusses how foreign policy reflects values and interests. His sobering assessment is that Australia has been much less effective in pursuing either its values or its interests in Asia in recent times than in the preceding decades. McCarthy was a distinguished Ambassador in Washington, Tokyo, New Delhi, Jakarta, Hanoi and Bangkok. McCarthy also notes that the soft power of the west in general and the US in particular has declined in the global south, which will be highly influential in the outcome of US-China rivalry for global influence. How well our own democracies work for ordinary people is the most important determinant of the outcome of that systemic rivalry, as it was in the West's victory over Soviet Communism in the Cold War.

McCarthy mentions that one reason for the decline in US and western relative to Chinese influence in recent years is the much more rapid growth of trade and investment from China. Kennedy's presentation contains a chart, illustrating how China has overtaken the US as the main trading partner of most countries. The Trump and Biden policies of protection and large budget deficits raise the US real exchange rate, reducing America's international competitiveness and the scale of its foreign trade. The expansion of Chinese relative to American soft power from this source is likely to accelerate.

Support for democracy reflects a fundamental Australian value. Support where we can be effective is what matters. That is most important at home, and in near neighbours in which our influence is greatest. In Papua New Guinea and East Timor, Australian intervention has been distinguished more by its indifference to the travails of democratic governance—and at times by negative actions—than by efforts to nurture democracy.

It is an Australian democratic value to respect citizens' views on great matters of state. To go to war without the informed consent of citizens is undemocratic. It is also a mistake that risks dividing the community and reducing the chances of victory. This conference helps with discussion about AUKUS that could support informed consent.

On both values and interests, systemic competition with increasingly strong states that do not share our liberal social democratic values is a contemporary fact of life. The good and best chance of liberal social democracy in Australia is the gradual strengthening of a system of international pluralism in this region of different states and societies. (Drysdale, 1989). International pluralism is the foundation of ASEAN. Close and productive relations with Indonesia and ASEAN takes us a long way towards good outcomes. Chinese hegemonic domination of Asia would be inimical to Australian as well as ASEAN and South Asian interests. Others in our region do not think that Chinese hegemony and preparation for war are the only possibilities. Nor should Australians. The alternatives will take hard thought and hard work, but are within our reach. A little thought advises us that the large polities of Asia, India and Indonesia first of all, are wary of entangling military alliances. They are also in a strong position to resist any one country's hegemonic control. And thought informs us that China has good reasons for avoiding hegemonic over-reach. It has the world's longest and most challenging borders that will always be its first security concern (Raby, 2020). And while China is likely to increase its economic and strategic weight relative to the US for a number of years, it will soon go beyond the peak of its relative weight against the other large states of Asia.

In a changing world, one thing that doesn't change is that any government in China will be determined never to allow Taiwan to emerge as an independent state. We could say as much about Indonesia in West New Guinea, sad though that may once have seemed to many people. We want the people on Taiwan to live under a political system as close as possible to that preferred by most of them. Ultimately this will be worked through by Chinese on the mainland and in Taiwan. It would be costly politically and in many ways for China to seek reunification through military coercion. All Chinese caution would disappear if there were a move to formal Independence. Friends of the US need to explain to Americans who think they have the people of Taiwan's welfare guiding them, that it is dangerous to encourage thoughts of Independence, Ambassador Kevin Rudd has been

explaining (Rudd, 2024). Meanwhile, it is a dangerous mistake to see reiteration of China's longstanding refusal to rule out the use of force to prevent Independence of Taiwan as an indication of its willingness to use military force against other states.

I should not conclude this introductory presentation without mentioning one specific question about sovereignty for this conference. Is AUKUS consistent with preservation of Australian sovereign independence in future decisions on war and peace? Prime Minister Anthony Albanese says that it is. I am sure that is what our Prime Minister thinks. We know that it is possible in principle for a country to remain in good standing as an ally and choose not to participate in an American war that does not pass its tests of values and interests. The UK, Canada, Japan and the continental European states did not join the war in Vietnam. Canada, Japan, Korea and the main continental European states did not join the twenty first century war in Iraq. But has our history of joining wars with the US right or wrong created an expectation that we will join the US in any war, independently of our own judgement of whether the war is just, or in our national interest? If so, the false impression must be corrected. What Curtin said about Australia being conquered and Britain holding is highly relevant. America would be damaged by war with China over the status of Taiwan, but, short of a major nuclear exchange debilitating both great powers, its sovereignty would not be at risk. Australia's would be. Indeed, I doubt that Australia could survive as a sovereign entity the isolation from most of Asia that would be likely to follow anything other than a decisive and quick US victory in a war in which our military was engaged.

Finally, the biggest strategic issue of all should be in our minds through the conference. I hope to learn from the conference whether the nuclear submarines make nuclear war more or less likely.