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?

Once the shooting starts it is unpatriotic to ask why we are in the fight. After catastrophic loss, our duty is to mourn and be thankful for the sacrifice of our dead and maimed. But a century on, we can ask the questions, and the answers can help us to understand the value of forethought. In truth, 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. He reminded Wilson that Australia had more dead than the United States. We also had more dead than loyal and more populous Canada. And two and a half times more dead as a share of population than Belgium, the defence of which had been the immediate trigger for 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.

Bix's subtle and authoritative biography of Emperor Hirohito informs us that the nineteen- year-old Crown Prince was strongly influenced in his views on conflict with the west by the discussion of racial equality at Paris and Versailles in 1919 (Bix, 2000). 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 sought and received as compensation from Wilson the German colonies in China. China was also an ally—although late, like the US joining the war in 1917. The return of the German colonies had been promised to the Chinese delegation as their own reward. An indignant China refused to sign the Versailles Treaty. More importantly in history, 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. The long sweep of history can give us perspective on and insights into contemporary international policy choices. My task today is to provide some of that perspective. I would not teach you anything worth knowing if I talked about submarines. I hope to learn about them from others at this conference.

I aim to provide perspective on 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.

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, marshall 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 arc 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. PNG ranked third from the bottom of all countries in access to health services in 2021, just ahead of Somalia and Chad, having fallen a dozen places in half a dozen years (World Health Organisation and World Bank, 2023). Papua New Guinea is not a tiny country. We don't know its population after yet another failed census, but it is two and possibly more than three times as large as New Zealand and growing much more rapidly than Australia. The failure of development in our northern arc will be a consuming strategic challenge once our neighbours stir from current silent impoverishment into expression of discontent.

There is much talk in Australia about the strategic environment being the most dangerous since the second world war. For a minority of those expressing anxiety, there is fear of Chinese invasion. You don't hear similar expressions of fear in the major countries of South and Southeast Asia. The strategic environment there is challenging, as it always is. Some Southeast Asian countries have longstanding difficult border disputes with China and resent increasing Chinese assertion of power. The border

tensions with the Philippines have been acute since the election of President Bongbong Marcos in 2022. Unlike Australia, countries in South and Southeast Asia generally are not home to expression of fears of Chinese invasion. People there would prefer that China not press reunification with Taiwan to the point of military action. But if war comes to the Straits of Taiwan, they do not see themselves as parties to it. The greatest danger is from 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 conflict of greatest concern to many people in Southeast and South Asia is the humanitarian catastrophe in Gaza. This is top of mind for the region's large Moslem populations - including people in Indonesia, the most populous country in Southeast Asia and in the Islamic world. 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 sovereignty.

Our US ally and many Australians feel threatened by the rising economic and political strength of China. China's rise should not be a surprise to Australians at least. The trajectory of Chinese growth is no higher than that traced in Australia and the Northeast Asian Ascendency three and a half decades ago (Garnaut, 1989) or in other widely read published work (Garnaut 2018). It is slower than that traced in Australia in the Asian Century over a decade ago (Commonwealth of Australia, 2013). 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 remains 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. Others at this conference can comment on the extent to which China's increased military expenditure exceeds its increase in relative economic size.

We have other Asian countries to be worried about if we are concerned about the increase in strategic weight that comes with economic size. India is already several times bigger than the biggest of the homelands of the defunct European Empires. Indonesia is bigger than France or the UK. Other Asian economies are on the way to being bigger than any of the Europeans. Looking ahead, current demographic trends suggest that more than half young humans will be African later this century. It is likely that a good proportion of them will live in countries that are economically much larger than Australia today.

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.

There have been changes in Chinese assertion of strategic weight since the accession to office of General Secretary Xi Jinping that go beyond those that inevitably accompany increased economic size. These have been expressed less forcefully more recently. It is important that we respond analytically to such changes as they occur over time.

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.

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 in 1941. 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 well into the twenty first century. Over recent years, and especially during the Morrison Prime Ministership, 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. That distinguished the nineteenth century from the old European Empires starting with Portugal and Spain. The Empire of Britain, the original home of the industrial revolution, was largest and strongest; amongst the Netherlands, France, Germany, Belgium and lesser Imperial lights. The United States under President Theodore Roosevelt joined the Empires in 1898 when it assisted nationalist revolution against Spain in the Philippines and fought a war against the Filipino nationalists to stay. 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's 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 utilise the powerful forces driving the rise of the west. In China, the Qing Emperors (and Empress Dowager) and the governing elite were 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, initially to resist the inclination of the Shogunate to defend independent sovereignty by adopting many western ways. Meiji quickly reassessed the geo-strategic realities, and led his country into absorption of the conditions for modern economic development (Keene, 2005).

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, 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 rule and added territory claimed by Russia to the Japanese Empire.

While Japanese expansion augmented and strengthened the international Imperial system, the defeat of Russia in particular encouraged nationalist movements challenging the European Empires everywhere. Without the world wars, we would probably have seen the gradual weakening 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 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—with Australia and India jointly sponsoring resolutions. 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 Jawharlal Nehru's Congress Party had offered Britain support for the war against Nazism in exchange for postwar Independence. UK Prime Minister Churchill, however, responded that he had not become the King's first minister to dismantle the British Empire. Nehru and other leaders spent much of the war in jail. Splinter groups split from the Congress party into active collaboration with Japan. The Attlee Labour Government saw the future of India differently, and from its election in 1945 accepted Independence. There was no colonial

war in India—just the murderous chaos of partition as India and Pakistan became separate sovereign entities.

Churchill had rallied the British people during the Battle of Britain with the stirring declaration that "if the British Empire and its Commonwealth lasts for a thousand years, men will still say, "This was their finest hour"". Yes, it was their finest hour. But the Empire didn't last for a thousand years. Independent India and Pakistan were proclaimed as the clock passed midnight on 15 August 1947.

Attitudes and feelings of racial superiority grew with European economic and military strength through the nineteenth century. At the beginning of our modern English heritage, Shakespeare, far from colour-blind, did not see a race-based hierarchy of ability, quality or value. 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 after Smith's great work, 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. Our Mother wasn't in Parliament House Perth or even Government House Canberra. "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. British oversight sometimes constrained barbarity in treatment of Indigenous Australians in places reasonably close to the main urban centres.

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 young John Crawford in a volume edited by CSIRO founder Ian Clunies-Ross wrote ironically of Australia's view of its place in Asia:
"Australia…is a small power with a large territory, a small population, a high standard of living, a not unprovocative immigration policy based on racial discrimination, and a comfortable feeling that, as a member of the British Empire, all these things are secure possessions." (Crawford, 1938).

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. Chancellor of the Exchequer Winston Churchill decided to follow City of London sentiment and to restore the UK to the gold standard at the prewar exchange rate. This guaranteed continuing high unemployment (Keynes, 1925) until the country descended into the Great Depression.

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 supported Imperial preferences at the British Empire Economic Conference in Ottawa in 1932. The preferences saw Australia raising tariffs on imports from 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 undifferentiated trade liberalisation became a central US trade policy objective, later embedded in the postwar international trading system and the General Agreement on Tariffs and Trade (GATT).

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. Curtin's article 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 7th 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 to Japanese 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" (for the quotation from Hansard, see Menzies, 1947).

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, ANZUS 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 (Barwick, 1961; Viviani, 1973). Indonesia had opposed the integration of the British dependencies in Malaya, north Borneo and the Straits Settlements into Malaysia at the time of Singapore Independence in 1963. Australian and New Zealand joined British troops in skirmishes with Indonesian "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. Non-discrimination remained important in Australian, Japanese and Western Pacific trade policy until the end of the century. Following the trade agreement, an embargo on Australian iron ore exports dating back to prewar tensions was eased with a licence for a single cargo in 1960, before being removed completely in 1966.

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 Nassar 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: the exclusion of Indigenous Australians from participation in national life; the White Australia Policy; being the only country actively supporting South Africa's insistence that apartheid was a legitimate approach to managing its affairs and no-one else's business; the prioritisation of relations with Britain and the US alongside the absence of depth and trust in relationships with great polities in Asia; recognising the Kuomintang regime in Taiwan as the Government of one China; committing Australian troops to war in Vietnam on grounds that were wrong in fact and moral principle; failure to prepare for successful Independence in our New Guinea colonies; and tardiness in reorientation of our trade relationships from a sluggish Britain to an increasingly dynamic Asia.

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.

Under Prime Minister Holt in 1967 and with bipartisan political support, Australians voted overwhelmingly to remove references in the constitution that discriminated against Indigenous Australians.

Prime Minister Menzies said in his memoirs that late in his long period in office he realised that the White Australia Policy would have to change one day, but did not see why it had to be while he was Prime Minister (Menzies, 1967). The first softening of White Australia came early in the Holt Government, in 1966. The Whitlam Government in 1973 removed explicit racial discrimination within a smaller immigration programme. The numbers of non-white immigrants grew with Prime Minister Malcolm Fraser's Coalition Government welcoming large numbers of refugees from war-torn Indo-China. The Hawke government maintained non-discrimination while substantially raising the scale of immigration. The Hawke Government held the policy line against strong negative reaction from parts of the Parliament and community.

Whitlam ended Australia's defence of South African apartheid. Fraser led effective Commonwealth opposition to a white minority post-Imperial regime in Zimbabwe. Hawke played a substantial role in the transition from apartheid to majority rule in South Africa.

Governments of major Asian countries were treated with respect and became important focusses of Australian political and diplomatic effort. The Whitlam Government transferred recognition of the government of China from Taipei to Beijing.

Coalition External Territories Minister Andrew Peacock began preparation for Independence of Papua New Guinea in 1972 and Whitlam completed the process.
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. Over time, the essential conditions were met in more places: from the 1960s in Hong Kong, Taiwan, the Republic of Korea and Singapore; from the 1970s in Malaysia and Thailand; from 1978 in the Peoples' Republic of China; from the eighties to the mid-nineties in Indonesia and other Southeast Asian countries; from 1991 in India; and in the early twenty first century from more developing countries, especially before the dislocation of the Global Financial Crisis in 2008. 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. Landmarks included playing a leading role in establishing peace in Cambodia after the Indo-China wars; bringing Western Pacific interests to account in launching the Uruguay Round of global trade negotiations with agriculture covered for the first time; establishing Asia Pacific Economic Cooperation and hosting its first meeting in Canberra in 1989 and its elevation under Prime Minister Keating to a heads of government meeting in 1992; with Japan and Indonesia within the APEC framework, establishing non-discrimination as a feature of trade liberalisation through the Western Pacific region in the period of rapid trade expansion from the late 1980s to late 1990s; leading international agreements constraining nuclear proliferation; leading an international agreement to exclude mining from Antarctica; providing important support for East Asian developing countries through the Asian Financial Crisis; playing a significant role in cooperation on the Global Financial Crisis and securing Australia's place in the G20; effectively, if maladroitly in handling relations with Indonesia, leading a United Nations mission requested by Indonesia to assist in establishing order in East Timor though the transition to Independence; and providing the conceptual basis for successful global cooperation on climate change after the failure of attempts at top-down agreements from Kyoto to Copenhagen.

We prospered after Britain's withdrawal from our region liberated us to pursue our own interests. New export industries focused on supply of growing Japanese industry 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. That has brought new economic and cultural opportunity to the initial beneficiaries of modern economic growth in what are now the democratic developed countries. The opportunities are greatest of all for Australia.

Some Australians were always frightened about the spreading of wealth and power from the old developed democracies into the developing world. Some always saw its advantages for Australia as well as the global community and were comfortable with it.

My report to the Prime Minister and Foreign Minister in 1989, Australia and the Northeast Asian Ascendency, 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 Ascendency 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 recommended non-discriminatory free trade, accompanied by active diplomacy to secure expanded non-discriminatory access to markets of neighbouring Australian countries. 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.

The balance has shifted back towards the frightened. Alan Renouf's "The Frightened Country" (Renouf, 1979) summed up our perception of reality early in the period of global development, and Alan Gyngell's "Fear of Abandonment" late. (Gyngell, 2021). We no longer lead global and regional cooperation initiatives directed at expansion of trade and wider economic cooperation. 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.

There are exceptions against the run of play The Turnbull Government's work with Japan to rescue the Trans-Pacific Partnership as a vehicle for regional trade co-operation without the US after the Trump administration's withdrawal is an important example.

We have drawn closer to US defence and strategic policy. This in itself has had positive elements, but costs for productive relations with Asia as a whole.

Parts of our community always yearned for the old certainties of Empire and white supremacy. The focus of the yearning shifted in the second half of the twentieth century from the United Kingdom to the United States. Some strands of support for AUKUS can be seen as a contemporary reflection of the yearning. 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 in the twenty first century. If we reverse the policies on open, non-discriminatory trade and investment 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 Australia's 1980s reforms and the links to dynamic Asia, but we now share the conditions that are unsettling democracy in the larger parts of 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. The non-discriminatory open trade that was embodied in the 1957 Japan-Australia Trade Agreement, in Asia Pacific Economic Cooperation and Australia's own trade liberalisation in the late twentieth century suits Australia's interests now, as it has over the past seven decades. Non-discriminatory free trade suited Britain in its times of greatest success before the first world war. It was abandoned when Britain was in decline in 1932. It suited the United States in its period of greatest success in the second half of the twentieth century. It was abandoned by the US to preferential trade from early this century and more comprehensively since 2017.

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 narrowly and 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 models are Menzies and McEwen on the China wheat trade in the 1960s, and Hawke and Hayden on farm trade liberalisation and US export subsidies in the 1980s. The negative examples are Empire preferences at Ottawa in 1932 and Lyons trade diversion in 1936.

I should add that free trade only delivers rising living standards for most people if it is accompanied by policies directed at equitable distribution of income, as it was in the early postwar period in the US and through the Australian reform era of the late twentieth century (Garnaut 2021).

Open, non-discriminatory trade is important for global success in defeating climate change. Widespread distortion of international trade in products crucial to reducing greenhouse gas emissions would damage 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. Australia playing this role will need to draw on large quantities of equipment and capital from China. Australia playing this role will require large expansion of exports of zero-carbon goods to China as well as to Korea, Japan, Europe and eventually Southeast and South Asia.

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: solar panels, wind turbines, other electrical equipment, hydrogen electrolysers, electric cars and much else. 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.

The Biden administration has generally maintained a productive relationship with China on climate change (Garnaut 2024 a). That has weakened through interaction with the Trump election campaign. 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, the initial 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. Would the UK join a war with China over the status of Taiwan? In the mid-1980s I watched at close quarters from the Australian Embassy in Beijing as the Thatcher Government bedded down the agreement on return of Hong Kong to China in 1997. There was no interest in accepting costs to secure an outcome of a different kind than that which was agreed with China. No, Britain will not join a war with China east of Suez. 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, so we should look at the maybe not as well as the maybe. 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. If the maybe holds, Australia is a valuable bit of real estate for any intercontinental military engagement by the US (Ball, 1980). And as 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 Sydney in 2000, if American boys were bleeding to death alone on Taiwan beaches in a war with China, Australian boys must be there bleeding with them. Australians must be there because no others 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". Armitage had in mind a neo-conservative 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 may have been immoral, illegal and a geo-strategic mistake that greatly strengthened Iran's influence in the Middle East. But it was much less costly than being there in Taiwan would have been. The current US President and the two candidates for the Presidential election seem to agree on only one big policy issue: the second Iraq war was a disaster for the US, and each one of them had opposed it from the beginning.

Others remember history, even if we don't. The return of Taiwan to China after the defeat of Japan was agreed by Churchill, Roosevelt, Chiang Kai Shek and Stalin at Cairo in 1943 and carried into the founding agreements for the United Nations. The Government of the Republic of China in Taiwan sat as a permanent member of the Security Council from 1949 until 1971 because it represented one China, and not a small island off the Chinese mainland.

McCarthy's Low Lecture discusses how foreign policy reflects values and interests. McCarthy 2024). McCarthy was a distinguished Head of Mission in Washington, Tokyo, New Delhi, Jakarta, Hanoi and Bangkok 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 also notes that the soft power of the west in general and the US is particular has declined in the global south, which will by 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 a number of reasons for the decline in US and western relative to Chinese influence in recent years. One is the much more rapid growth of trade and investment from China. Kennedy's presentation contains a chart, attached here as Appendix 1, 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 (Corden and Garnaut, 2018). 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. We have not started to have the discussion about AUKUS that could support informed consent. This conference helps.

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 best and good chance for liberal social democracy flourishing into the long term future in Australia is the gradual emergence 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.

We are wise to do all we can to understand others' values and interests where they intersect with our own, however challenging that may be. I have been close to the matter for long enough to know that 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. That is an important issue in itself, which ultimately must 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 militarily coercion. That reality has led to caution over a long

period. All caution would disappear if there were a move to formal Independence. Chinese on both sides of the Straits have good reason to seek a solution short of war. Friends of the US need to explain to Americans who want to enhance the welfare of the people of Taiwan that it is dangerous to encourage 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 a test of its willingness to use military force against other states. That is a different matter.

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, and his access to information and advice place him in a good position to be right. But whether in practice our Prime Minister at the future time when the big calls are made can really choose, depends on whether relevant Americans see Australia legitimately as having a choice. 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 does the US see us, like other allies, as having a choice? 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. Maybe I will learn from the conference something about the probability of such a victory.

Finally, the biggest strategic issue of all should be in our minds through the conference. Once great powers with immense stocks of nuclear weapons confront each other in war, the approach of victory with conventional weapons for one is likely to generate pressure for escalation into use of nuclear weapons by the other. These might be tactical nuclear weapons directed at bases in allies at first, to reduce the risk of direct nuclear retaliation. But that is unlikely to be the end of the matter. I was at the memorial service at the ANU for my old friend from the mid-1960s and longstanding colleague, Professor Des Ball. A letter from former President Jimmy Carter was read, saying that the world had avoided nuclear war because of the analytic work of a small number of people. One of these was Professor Des Ball at the ANU. Des demonstrated that in the fog of war, an initial nuclear strike using tactical weapons was likely to escalate into a major direct exchange. The astro-physics tells us that there are yet many tens of millions of generations to live before high entropy removes from the earth the conditions that make our sort of life possible (Greene, 2022). So overwhelmingly the biggest

strategic issue is making sure that those of us who happen to be alive now and soon do not destroy the otherwise practically endless possibilities for later generations of our species. So, I hope to learn from the conference whether the nuclear submarines make nuclear war more or less likely.

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“...this Government has accepted a policy in relation to the Netherlands East Indies....which would drive the white man out of the whole of the Asian continent. If that is our policy, then it represents what a commentator once described as the very ecstasy of suicide—that we, a country isolated in the world, with a handful of people, a white man’s country with all the traditions of our race, should want to set ourselves apart by saying to our friends here and there, as in the case of the Dutch, who have been great colonists and our friends, “Out with you, we cannot support you””.
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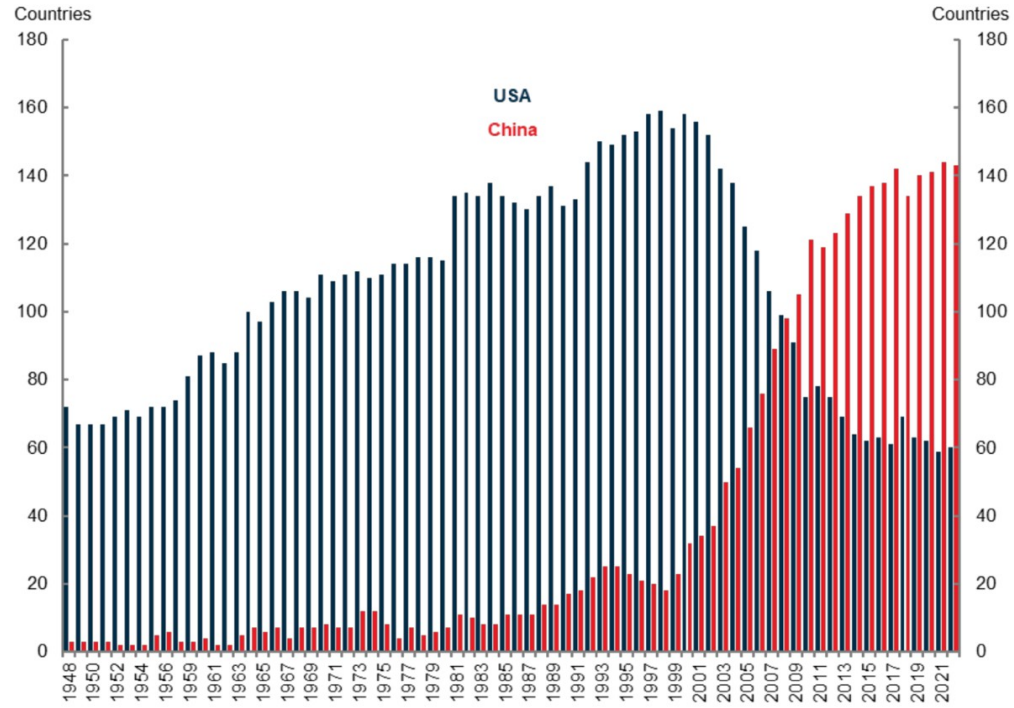
Appendix

Figure 1: United States vs China greater share of total trade of partner economies



Source: International Monetary Fund Direction of Trade Statistics (DOTS)