

Ken Henry's Asian Century
by Peter Jennings

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On current planning, the *Australia in the Asian Century* White Paper will be released within a few weeks. Former Treasury Secretary Dr Ken Henry and his team are finalising the report and Cabinet will consider it soon. Ahead of policy releases, it's not unusual for governments to try to temper expectations of what will be delivered, but not in this case. Prime Minister Gillard has called the White Paper 'a national blueprint for a time of national change'. In recent speeches, Dr Henry emphasises that the White Paper 'isn't a report containing recommendations for the government. It will speak with the government's voice about the direction we should be taking.'

With that build-up, the White Paper had better be good, and there are signs that in many respects it will be. Dr Henry is an impressive public servant, and his team of government and private sector advisers is equally respected. There are indications that the paper will have sensible policy proscriptions about how Australia can collaborate and build partnerships with Asian countries. There will be measures to deepen engagement across government, industry and academia, a call to increase Asian language studies and 'Asia literacy' generally, and proposals for increased 'second track' diplomacy with Asia. These will be welcome steps, but it remains to be seen whether they'll amount to a strategic framework for Australian policy towards Asia. Dr Henry sees that goal as being more important than specific policy steps. He wants the White Paper to be a means of 'engaging the nation in a long term mission ... to create an exciting and prosperous future for Australians.'

The success of *Australia in the Asian Century* will depend on how well it deals with some threshold strategic issues. As the Prime Minister said on launching the review, 'There will be plenty of hard questions—not all of them will have easy answers.'

This analysis canvasses some of the territory that the White Paper must traverse to design the right blueprint for Australia's future, and asks four hard questions:

- Will the White Paper focus on the right region in the right way?
- How will it address strategic risks?
- How will it treat defence and security?
- What place will it accord to other parts of the world?

Focusing on the right region in the right way

Dr Henry's terms of reference define Asia as 'encompassing China, India, the key ASEAN countries, as well as Japan and the Republic of Korea.' The language is odd: presumably, non-key ASEAN countries are in Asia too, but it looks as though Russia is out, along with countries apparently peripheral to Australia's interests such as Mongolia, North Korea and Bangladesh. Speaking to the Asian Studies Association in July, Dr Henry said, 'We have decided to focus our efforts on Australia's relationships with Indonesia, India, China, Japan, South Korea and Vietnam.' He said that ASEAN was important but that his report would focus on these six countries because of the speed of their development. It will be interesting to see whether the White Paper looks for a multilateral way to frame Australia's approach to Asia or if its plans centre on six sets of bilateral relations.

What's most striking is the emphasis placed on *Asia*. Dr Henry could have been commissioned to write a report on Australia in the *Asia-Pacific Century*. This would have more clearly built a link to the United States, which remains essential to the stability of the wider region. The fact that this isn't the title of the White Paper can only have been the result of a deliberate decision. It's a puzzling omission. Of the six countries to be focused on, two (Japan and South Korea) are formal allies of the US, three (India, Indonesia and Vietnam) are developing closer strategic and defence relations with Washington, and of course the US-China relationship is widely considered to be the key to global stability. In other words, the US is central to the strategic outlooks of the six countries as well as deeply economically interlinked with region.

Speaking at the Shangri-la Dialogue in June this year, Indonesian President Yudhoyono was upbeat about the prospects for a peaceful strategic balance in the region through what he called the evolution of a new geopolitics of cooperation. The key to his vision was the need for the US and China to build a positive cooperating relationship. He said, 'it is natural that many countries want to build good relations with China and the United States. Both the US and China have an obligation not just to themselves, but to the rest of the region to develop peaceful cooperation.' For Yudhoyono, the US is very much 'in' the region: 'There is talk about this being the Asian Century, although I am more inclined to call it the Asia-Pacific Century.' He couldn't call it anything else, given the continuing role he and many other Asian leaders want the US to play.

Notwithstanding its title and the terms of reference, it's eminently possible that the *Australia in the Asian Century* White Paper will cover the necessary ground to address the interlinked future of Asia and the Pacific. A positive sign came in Dr Henry's address to the Asian Studies Association in July this year, when he referred to the current debate about Australia's 'China choice':

A lot of people have observed that Asia's growth means that, for the first time, Australia is facing a future in which our largest trading partner is not a partner in a close alliance friendship, or even the partner of a close ally. I don't know that matters much but it is a development worth thinking about.

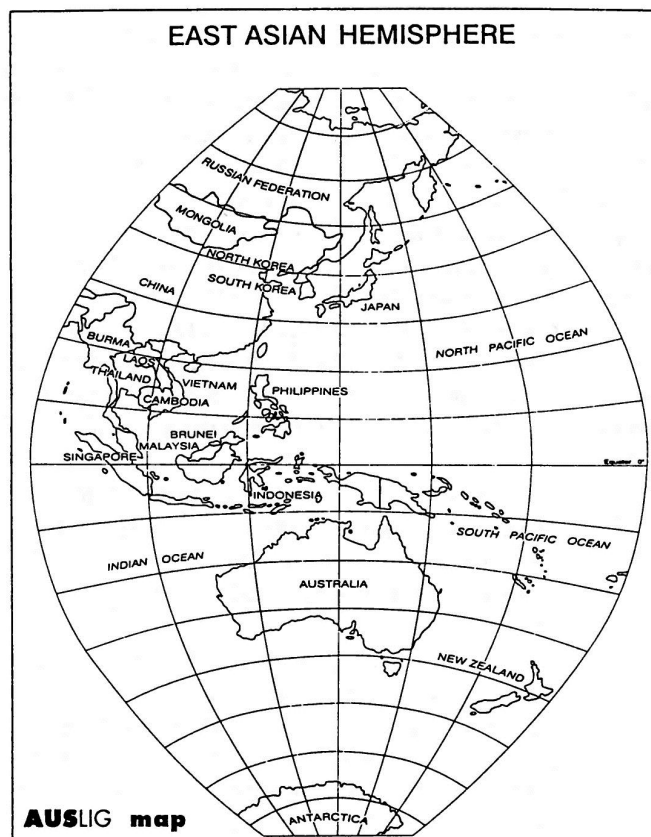
It's desperately important that this White Paper should develop that thought. Dr Henry could play no more important role than to articulate a case stressing the continuing importance of Australia's alliance relationship with the US, which is valuable both for our own defence interests and for helping to keep the US engaged in the region. Conversely, the White Paper would be damaging if it conveyed an impression that Australia's future in Asia somehow reflected the declining relevance of our relationship with America. The point here isn't that we should simply ignore the challenge of managing two sets of critical relations with China and with the US, but rather that we can take steps that reduce the need to choose between them. It would be as dangerous to undervalue the US relationship as it would be to overstate the potential for closer cooperation with China.

In one respect, the emphasis on Asia in the White Paper echoes an earlier debate about Australia's place in the region. In August 1995, our then foreign minister Gareth Evans developed what he called a new concept to describe our region as the 'East Asian hemisphere'. With characteristic passion, he told a gathering of ASEAN foreign ministers meeting in Brunei:

We are all familiar with the expression 'American hemisphere' or 'Western hemisphere' to describe North and South America together ... the segment of the earth's sphere stretching from longitudes west of China to east of New Zealand is a similarly large slice of the globe. And there are similarly strong ties binding Australia together with North and South East Asia, notwithstanding all the obvious differences between our various countries ... Australia may not be an 'Asian' country any more than it is 'European' or 'North American', but it is definitely part of the East Asian Hemisphere.

To underline his point, Evans produced a map of the East Asian hemisphere (reproduced below). It's an interesting study. No cartographic attempt to show Australia's region would, in 2012, omit India. Equally, our alliance, investment, trade and other interests don't peter out immediately east of Fiji. The Evans map did not receive widespread endorsement. Reflecting the disputes of the day, the then Malaysian Foreign Minister dismissed it, saying, 'If I look at a map I believe that it says that Australia is not part of Asia.'¹

In his August 1995 speech, Gareth Evans also championed what he called the concept of 'partnership and integration' with Asia, which 'implies a degree of mutual dependency, a degree of reliance on each other, and a high degree of trust'. Fast-forward to June 2012, when Dr Henry said in a speech at the Prime Minister's Economic Forum, 'Integration. This is a word I've used repeatedly this evening. This concept lies at the heart of what the white paper is all about.'



Source: Anthony Bergin, Defining the "Asia Pacific Region" in *The role of security and economic cooperation structures in the Asia Pacific Region: Indonesian and Australian views*, eds. Hadi Soesastro and Anthony Bergin, CSIS, Jakarta, 1996; p.15

Readers shouldn't be surprised at such strong points of continuity over the past 17 years, because they map a process of engagement that's deepened over all that time. But just as Australia has become more firmly integrated into Asia, so too have other countries. India is now seen as an essential and increasingly important part of the region; ASEAN has expanded from seven to ten countries, with Timor-Leste possibly to become the eleventh member; the US is repositioning to emphasise Asia. Countries and institutions as diverse as the European Union, Canada and Russia all define the need for closer engagement. In short, the idea of what our region should be is expanding because the interests and engagements of countries are growing. Some of the most interesting policy challenges we face come from the growing interconnections between Asia and the rest of the world. Dr Henry's White Paper should point to that bigger context. Australia's strategic and economic policy interests aren't limited to future relations with just six countries, no matter how big they are.

Addressing the downside risks of the Asian Century

It's clear from the terms of reference and the Prime Minister's language at the launch of the White Paper process that Dr Henry's review is primarily designed to identify positive opportunities for Australia and to position the country to take advantage of them. That's a valuable and important task, a key part of which will be to assess strategic risk.

It may be true that the world's centre of strategic gravity and its economic weight are shifting to Asia, but with those shifts comes a rising sense of the latent potential for instability and conflict. China–Taiwan, the Korean Peninsula and India–Pakistan remain potential flashpoints where conflict could break out and escalate into major war. In the South China Sea, competing sovereignty claims are bringing naval and other maritime forces into the region and have significantly raised the prospect for incidents at sea. In Southeast Asia, insurgencies and a small number of border disputes continue to shape regional politics. In North Asia, deep historical enmities limit modern-day cooperation between the major states. In Australia's immediate neighbourhood, Timor-Leste, Papua New Guinea and many of the smaller Pacific island states present serious development challenges that have given rise to internal violence and instability so serious that international intervention has been needed to stabilise the situation. Throughout the wider region, there's an absence of effective mechanisms to mediate or to de-escalate disputes. A region marked by a patchwork of growing military capabilities, historical disputes and weak international governance can't be regarded as permanently stable.

Although serious conflict in Asia looks remote at present, the challenge for Dr Henry's review is to acknowledge the risk of these downside problems to the range of opportunities that Asia presents for Australia. Aside from US–China 'choice' issue mentioned above, there aren't many indications about how the White Paper will address those risks. The issues paper released at the start of the review has two rather thin paragraphs on 'Australia's strategic and political engagement with Asia'. Here the theme of integration is again to the fore:

Australia's policies on Asia consistently emphasise the importance of closer regional integration through: sustaining trade and investment liberalisation; strengthening institutional rules and arrangements; and practical cooperation. They reinforce regional stability through: strengthening bilateral ties with regional partners; our US alliance and other arrangements; and promoting rules-based cooperation in regional and global forums.

The real focus is economic, but a link can be made to Australian defence cooperation in the Asia–Pacific. Moreover, it's very likely that the 2013 Defence White Paper will re-emphasise the importance of regional cooperation. After more than a decade of military operations in the Middle East, the drawdown of

international forces in Afghanistan gives the ADF an opportunity to refocus on Australia's immediate region. We've already seen in the 2012 Budget that Defence Cooperation Program spending with Papua New Guinea is growing significantly. In recent speeches, Defence Minister Stephen Smith has set out the case for building closer defence relations with a wide range of countries, including India, Indonesia and China.

Hopefully, the *Australia in the Asian Century* White Paper will acknowledge the importance of this type of integration. At a time when defence spending is often presented in the media as being little more than an expensive cost overhead, it would be valuable for the government to explain that defence engagement with Asia is a form of investment in regional security. Indeed, as has been demonstrated in places like Timor-Leste, security—largely bought through a long-term Australian and New Zealand military presence—is a necessary precursor for growth.

To reduce the risks of conflict and instability in the region, Australia should be prepared to substantially increase its defence engagement with Asia. A starting point should be to strengthen and deepen defence engagement with Indonesia, which is a critical strategic objective for Australia. The aim should be to create an extremely close dialogue on security issues, increase the two-way exchange of military and Defence civilian personnel, significantly boost training and exercising, and establish close joint maritime activities. To pick on one theme close to Dr Henry's heart, the ADF should lead the charge to increase Australia's Asia-literacy.

It's a stark fact that Australia doesn't have particularly deep defence relations with any of the six countries emphasised in the White Paper. Defence relations with Japan have been growing and are now second only to the Japanese–US relationship—but a long way second, it must be said. Defence has a good-quality strategic dialogue with China that's now in its 14th year, but practical cooperation is limited and rather superficial. The seeds have been sown for increasing cooperation with South Korea and Vietnam, but defence ties are still very new. Of all of the six bilateral relationships, our Defence links with India are the weakest. Notwithstanding serious efforts over the past few years to build more substantive ties, the Indians have yet to give any real priority to military contact with Australia.

In short, there's a pressing need to increase defence engagement with the region in a way that underpins the broader strategy of integration in Dr Henry's report. Defence engagement with the region can increase security, and security is the platform for regional economic growth. That's the essential equation the *Asian Century* White Paper should highlight.

The strange case of the disappearing defence policy

One of the most curious features of the *Asian Century* White Paper process has been the total segregation of both Defence as an organisation and defence as a topic of study from the review. In one page, the paper's terms of reference refer no less than five times to the 'opportunities' that are to be found in Asia. Although the review is asked to consider 'the political and strategic implications of the Asian Century for Australia', it isn't clear that the term 'strategic' is intended to encompass security issues. At the launch of the review in September 2011, the Prime Minister said that although Dr Henry's terms of reference were wide, 'it should be noted the white paper will not review the decisions outlined in the Defence White Paper Force 2030. A new Defence White Paper is due in the first quarter of 2014 and preliminary planning for this is already underway.' With Defence thus ring-fenced from the process, no ADF or Defence civilians were attached to Dr Henry's writing team, although Defence has since been consulted on drafts of the paper.

It's difficult to know what to make of this situation. Australian governments have for the past decade emphasised the 'joined-up' nature of national security. From the National Security Committee of Cabinet down through a series of whole-of-government officials committees, Australia's decision-making structures have been unusually effective in bringing coordinated advice to government on security issues. There's been perhaps less success in 'joining up' policy advice on the intersection between security and economic issues—the place where the *Asian Century* White Paper resides. In the case of the Prime Minister's statement, the Defence elephant has been quite deliberately left out of the room. Perhaps no-one wanted too much trumpeting about the potential strategic downsides of the Asian Century. In September 2011, it was arguably acceptable to say that defence didn't need to be addressed because the policy had been set in the 2009 Defence White Paper. But that wasn't the case by May 2012. The federal budget of 8 May announced major defence spending cuts. Five days before that, Stephen Smith brought forward the next Defence White Paper by 12 months. Defence policy settings may have been clear at the start of Dr Henry's review, but they aren't clear now.

This surely creates a dilemma for the *Asian Century* White Paper: what can it sensibly say about the 'strategic implications of the Asian Century for Australia'? If it says nothing about Australia's security outlook, the document may look like a catalogue of risk-free opportunities. On the other hand, if it ventures into defence territory it will do so at a time when those policy fundamentals are being rethought for the 2013 Defence White Paper. The challenges of aligning these two major policy statements are obvious. It doesn't matter how we got to this point, what the government will expect of its officials is that these two white papers should look like they share a set of core understandings about strategic trends in the region. Indeed, it would be helpful if they could agree on what 'the region' actually comprises. In recent speeches both to ASPI and to the Lowy Institute, Defence Minister Stephen Smith emphasised the strategic factors that increasingly interlink the Indian Ocean and the Pacific into a single strategic system. He also emphasised the continuing centrality of the US in Asia–Pacific security. Smith doesn't appear to use 'Asia', as it's defined in the *Asian Century* White Paper's terms of reference, as the defining boundary of Australia's strategic outlook.

The 'other 186'

There are currently 193 member states of the United Nations. Taking out Australia and the six countries that are at the core of the *Asian Century* White Paper leaves 186 states. What should the paper say about them? The former Secretary of the Department of Foreign Affairs and Trade, Michael L'Estrange, has pointed to the risk of the White Paper encouraging a type of regional isolationism—'a disproportionate focus by a nation on its regional priorities to the exclusion of its wider national interests and responsibilities'.² Dr Henry's team would presumably counter that their remit is specific, not global, but it will be important to set some broader context here. Clearly, Australia's relations with the world beyond the Asian six are not just important but are essential to our national success. In addition to being more Asia-literate, we should aspire to being America-literate, Africa-literate, Europe-literate and so on. A global approach would diversify our economic and strategic links and match the increasingly global strategies of the major Asian countries. China and India, in particular, are increasingly thinking of their interests on a global rather than regional scale, and Japan has been doing the same for decades. We should avoid the risk of delivering the perfect regional strategy for Australia at the same time as the region looks to a more globalised engagement.

It would be useful if the *Asian Century* White Paper set out some thoughts about how to advance Australia's interests on this broader canvas. As Dr Henry has said, the paper will be delivered as a statement of Australian Government policy,

so money and the energies of the Australian Public Service will follow in its wake. Woe betide any area of government policy that doesn't find itself tied to an *Asian Century White Paper* policy. Even then, finding the money to give substance to the policy ideas will be very difficult. The ultimate test of the statement will be whether the policy steps come with funding attached. That said, the risk of becoming *too* focused in Asia is real, especially given that the policy community working on Australia's international relations is limited. One way to counter this might be for the *Asian Century White Paper* to recommend that the government commission a new Foreign Affairs White Paper, a key purpose of which would be to set out the plan for our engagement with the other 186 members of the United Nations.

Conclusion

The signs are that the integration of Australian economic and security policy could at best be described as a work in progress, but there's no question that the *Asian Century White Paper* will be a welcome addition to policy thinking. Although hardly a new idea, 'integration' is the right concept for how we should plan to develop our relations with Dr Henry's six priority countries and many others besides.

There are also some serious intellectual challenges that the White Paper should address. There's not yet an equivalent of Gareth Evan's 1995 map, but do we have the 'right' region in mind? How will the report deal with the US, which is excluded from the terms of reference but an essential part of the strategic picture? How will it deal with the very evident risks to stability in the region, and how will it align to the future Defence White Paper? These questions form some critical benchmarks with which to evaluate the success of the *Asian Century White Paper*.

Notes

- 1 The Malaysian Foreign Minister is quoted by Robert Milliken in 'East sees red over Oz map wizardry', *The Independent*, 5 August 1995.
- 2 Michael L'Estrange, 'The Asia White Paper: key priorities and some potential pitfalls' *Security Challenges*, 8(1), Autumn 2012, pp. 7–12.

About the author

Peter Jennings is ASPI's Executive Director and a former Deputy Secretary for Strategy in the Department of Defence.

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ASPI

Tel + 61 2 6270 5100

Fax + 61 2 6273 9566

Email enquiries@aspi.org.au

Web www.aspi.org.au

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