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## Transcript

# The Evolution of Australian Foreign Policy

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## THE EVOLUTION OF AUSTRALIAN FOREIGN POLICY

### Lord Michael Williams:

It's a real pleasure this morning for me and for Chatham House to host the Honourable Julie Bishop, Minister for Foreign Affairs for Australia. I think Julie's been in the Australian parliament since 1998, is that right? And represents the constituency of Curtin, in western Australia. She's been foreign minister for six months, but before that held a shadow portfolio.

One or two housekeeping issues. I'm supposed to say that people can comment via Twitter using #CHEvents and can ask questions using #AskCH. I'm going to talk a little to the minister at the beginning, perhaps for about 20 minutes, and then we'll open it up to questions. This event is also being live streamed.

The minister is here principally for AUKMIN, the Australian-UK ministerial meeting. Perhaps you could tell us a little about that, how it went, the issues you looked at.

### Julie Bishop:

This is an annual meeting of the foreign and defence ministers and counterparts of Australia and the United Kingdom. This is the sixth AUKMIN. We met yesterday for a full day. We discussed a range of bilateral issues, essentially focusing on areas of cooperation between Australia and the United Kingdom and identifying new areas where we can cooperate and work together. We also discussed global and regional issues of concern. The United Kingdom led on Ukraine, Syria, South Sudan, Somalia and others – Afghanistan. Australia led the discussions on the Asia-Pacific and Indian Ocean. Then we had a discussion in the afternoon about defence cooperation and held a press conference where we confirmed a number of new areas where we will cooperate. Further, and specifically in relation to our diplomatic footprint overseas, we both decided that there are ways to use our resources more efficiently and effectively if we work together. Also signed a new partnership agreement in relation to the delivery of overseas development assistance. We find we have very similar views about what I'll call the 'new paradigm' of aid delivery. We hope to work together on some major projects for the delivery of foreign aid into our region, into the Pacific, and elsewhere.

**Lord Michael Williams:**

It's quite a surprise in a way, AUKMIN, because this has worked, as you say – this is now the sixth meeting. There was a period during the 1980s and 1990s where, whilst we were both still members of the Commonwealth, it looked as if Britain was getting more and more engaged in Europe, you in Australia were getting more engaged in Asia, and perhaps the ties were not as close as they are now. Certainly personally, this is something that I really welcome. But is this going to be an enduring institution, do you think? Governments come and go. How do we embed this in our two countries' foreign policies?

**Julie Bishop:**

It is a fact that the relationship between Australia and the United Kingdom is one of the closest international relationships. I can think of few that are closer in terms of our historic, political, economic, cultural and sporting ties. The relationship endures. You're right, over recent years there had been a tendency for Australia and the United Kingdom to go their own ways. But there is so much more of a focus on the Asia-Pacific. As the economic weight moves from Europe to Asia, it was inevitable that the United Kingdom, being such a significant economic power, would look to the Asia-Pacific and look to our region to more deeply engage. Clearly Australia will be an ideal partner in many areas. That's what we're seeing now: cooperation in a broad range of areas in the Asia-Pacific, but also we're together in Afghanistan, working together in many theatres. So I believe it is enduring, it will be enduring.

**Lord Michael Williams:**

Even if we have changes of government, which will be inevitable at some stage, in both countries?

**Julie Bishop:**

I don't think that will make any difference. In fact, AUKMIN is held when the Labor government is in power in Australia and when the Labour government is in power in the United Kingdom. We just have a happy circumstance at present where two Conservative governments are in power. I feel very comfortable about that.

**Lord Michael Williams:**

I can imagine. Can I move on to talk about your neighbour to the north, Indonesia? It's your closest neighbour. I think both governments have tried to develop a strategic relationship, particularly during the presidency of President Yudhoyono, who I think has set great store on having close ties between Jakarta and Canberra. Inevitably there are always ups and downs in these sort of relationships. Took quite a knock though with the Snowden affair. Do you think that's done – I mean, tempers were high in Indonesia. The foreign minister said strong things; even the president did. Are you over that now?

**Julie Bishop:**

This is a very resilient relationship. It's been built up over a long period of time. We've had many challenges in the past over territorial issues, over a whole range of matters that have tested the relationship. But there's a great deal of ballast in it, and that comes down to the government-to-government ties, the business ties and the people-to-people links. Yes, it's a difficult time, when the Snowden allegations became public and we had to work with Indonesia in relation to it. But my belief is that the relationship is strong enough. It's too important for us not to ensure that it works. We will take their concerns seriously, as we have been, but we also know that it's a much broader and deeper relationship than just one issue.

We cooperate on so many levels. In fact, Foreign Minister Marty Natalegawa and I had done a stock-take of our relationship prior to the Snowden allegations becoming public. We found that there were about 60 areas where Australia and Indonesia cooperated, in terms of treaties or agreements or frameworks or dialogues, involving about 22 Australian government departments, agencies and authorities, and a similar number in Indonesia. So you can see there's considerable depth to the relationship and we will ensure that that continues.

**Lord Michael Williams:**

Good. At one point you were talking about a sort of code of conduct –

**Julie Bishop:**

That was not the terminology.

**Lord Michael Williams:**

That was a press term?

**Julie Bishop:**

That's an ABC term. I'm sure the BBC would have got around to that yesterday if they had managed to get off the asylum seeker issue.

**Lord Michael Williams:**

I'm glad you met John Humphries, but go on. No visitor to the UK should be spared.

**Julie Bishop:**

I was going to ask at one point that I assumed he'd worked out that I was the foreign minister and we could talk about foreign policy, but anyway.

**Lord Michael Williams:**

There was something of an assumption minister, if I say so.

**Julie Bishop:**

Now, where were we? We agreed that there would be a joint understanding between us on matters of sovereignty and cooperation, and we're still working through that. Indonesia has elections coming up. There will be legislative elections in April and then a presidential election. Of course President Yudhoyono will not be standing, he's had his constitutional term. We will be sorry to see him go. He's been very supportive of the Australia-Indonesia relationship. But whomever the people of Indonesia choose as their president, we will work closely with them.

**Lord Michael Williams:**

Let us turn to one of your neighbours even further north: China. The economic relationship between your two countries is quite extraordinary. I think 31 per cent of your exports, roughly a third, go to China. If you compare that to, say, Germany, it's only 6 per cent.

**Julie Bishop:**

The United States, only 9 per cent.

**Lord Michael Williams:**

Exactly. That leads to quite a degree of dependence, doesn't it? I noticed on Monday, Beijing reported some rather poor economic figures – mind you, you wonder what poor economic figures mean for China – in the last month or so. Immediately, the Sydney stock exchange was jittering and came down a percentage or two. Is that a concern for you? It must be.

**Julie Bishop:**

We are very reliant on our trading relationship with China. This has built up over time. For the previous 40 years, Japan was our largest two-way merchandise trading partner. Today it's China. That's built on the back of China's impressive growth and need for Australian commodities. You're right, over 30 per cent of our exports go to China. When you see a change in the economic indicators, as we did on Monday, Australia feels the pain more than others. But likewise, it's been very important for us to maintain a strong economic relationship with China. It's seen us through some difficult times. The global financial crisis did not affect Australia as it did other countries – for a number of reasons, but one of the major reasons was because China's insatiable demand for Australian commodities, energy and resources (iron ore and coal) continued.

It is a very important relationship and we hope to deepen the economic engagement even further by negotiating and concluding a free trade agreement with China. This is an imperative for us. Our dear friends, the New Zealanders, concluded a free trade agreement with China in 2008, and that's seen their exports to China increase exponentially. So we compete with New Zealand, in agricultural areas particularly, so we're very keen to conclude a free trade agreement. I think that will enmesh our economies even more.

There's also the question of foreign direct investment. China is nowhere near at the level of foreign investment that we have from the United States, which is our largest investor, and then the United Kingdom, second. But that will change over time, as China looks to invest globally.

**Lord Michael Williams:**

We're in the year, of course, of the centenary of the First World War. That's being looked back at and people are drawing parallels with the world in 2014. Many people are seeing the US as the sort of Britain of 1914, as a sort of declining global power, and China, if you like, akin to the Germany of 1914 – as a rising power. One looks at things such as the fairly rapid development of the Chinese navy, which was almost nonexistent about a decade ago, and now the Chinese fleets go through the Java Straits and the Lombok Straits. This must be something of concern to Australia.

**Julie Bishop:**

I have noted the discussions, obviously on the centenary of World War I, about similarities, and whether the United States' alleged containment policy toward China resembles what Britain was trying to do with Germany in World War I. But I don't think the parallels can go too far. I think that history – well, let's hope history is unlikely to repeat itself. The circumstances are significantly different.

I think the United States and China are managing their relationship in a very positive way. It's mutually reinforcing. They both need each other. I think the increase in military spending in China – we don't quite know the detail, because the level of transparency that one would hope for isn't there yet –

**Lord Michael Williams:**

This is a big question. In that area as in so many others, the transparency is not there.

**Julie Bishop:**

That is a question. But it's inevitable that as China becomes a greater global economic power that it will increase its military spending. It's the way the narrative is rolled out from Beijing, I think, and there needs to be much more discussion about their motives and plans, and continue to work closely with other countries in the region who are affected by the increase in military spending.

What it has meant is that a number of the Southeast Asian economies, likewise growing exponentially, they are also increasing spending in the military sphere. So some say it's a mini-arms race. I don't know that we need

to put it at that level but there has been quite a significant increase in military spending in our region. Of course, Japan has now adopted a more, shall I say, 'normal' defence posture and is increasing spending militarily. I think it's just a natural reflection of the economic strength of the region. Of course, the United States has announced in recent years that it will refocus or rebalance its efforts in the Asia-Pacific. Again, that is a natural consequence of the growing importance of the Asia-Pacific, economically and strategically.

**Lord Michael Williams:**

It's natural – you mention the US and the pivot to Asia. In some ways it is a natural consequence, obviously, but the US by definition is a global power. Do you really think that the pivot has worked? The administration is obviously still very engaged in Afghanistan, in the Middle East and so on. That's kind of distracted from the pivot, hasn't it?

**Julie Bishop:**

But they never left the Asia-Pacific. So when we talk about a pivot, the United States had never left. It's just a re-emphasis. When you say, has it worked – it is working. Countries in the region seek more US leadership, not less. It's not only in defence and strategic terms, it's also in economic. This finds its expression in the Trans-Pacific Partnership, a free trade agreement that is currently under negotiation between 12 countries that currently all have free trade agreements with each other, but it now includes Japan. If the Trans-Pacific Partnership is able to be concluded this year, then you are partway towards this vision of an Asia-Pacific free trade zone. It doesn't include China but, interestingly, over the last two years, China has seen the Trans-Pacific Partnership less in terms of a containment policy and more in terms of an opportunity for there to be greater trade liberalization in our region.

**Lord Michael Williams:**

One area which doesn't get much attention in the UK is the South Pacific, which of course is on your doorstep. Papua New Guinea, but particularly Fiji. I wonder if you could update us on how you see things in Fiji now, what the bilateral relationship is like.



**Julie Bishop:**

We did talk about Fiji yesterday, with Foreign Secretary [William] Hague. Of course Fiji is a member of the Commonwealth, currently under suspension. So the UK does have an interest in Fiji and we certainly encourage greater engagement now that, I believe, Fiji is on the path back to a democracy. The coup in 2006 led to the imposition of travel sanctions by Australia, New Zealand and others. Over the last few years I came to the realization that if there was going to be an election held in Fiji, as Prime Minister [Frank] Bainimarama promised, in 2014, then Australia needed to begin much deeper engagement. There's no point waiting until the day after the election – free and fair, or free and fair enough – and then Australia turning up on the doorstep and saying, okay, you're back in the fold. We need to build up to that point.

So last year, once we came into office in September, we changed our foreign policy toward Fiji to normalize the relations. I have now met with Prime Minister Bainimarama; I'm the first Australian minister to meet with him since 2008. It was a very productive meeting. I am satisfied at this point that preparations are underway for an election to be held before the end of September this year.

**Lord Michael Williams:**

You think that will go ahead?

**Julie Bishop:**

They have appointed independent electoral commissioners, they have opened their voting registration. A country of about 800,000 or 900,000 people – they've got over 540,000 registered voters at this point, including in Australia and the United States and elsewhere. We and New Zealand are supporting their efforts to hold an election. They have a new constitution. It's good enough. We're looking forward to an election being held in September. At that point, I hope that we will have engaged far more deeply – through public sector exchanges, our defence attaché going back into Fiji – at every level. A patrol boat programme that we have in the Pacific, including Fiji in that. PACER Plus, which is a free trade negotiation in the Pacific, including Fiji there. I hope that we will see them back as a fully functioning democracy in the Commonwealth and a leader in the Pacific.

**Lord Michael Williams:**

Let's hope so. I'm going to open it up now to questions from the floor.