Shipwrecked in Arcadia: The Australian Experiment

by Paul Kelly

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Engagement with Asia: An Incomplete Project

The Australian story is best understood as a series of experiments. The first was highly problematic: the creation of a society from a collection of convicts and military officers. The second was uplifting: the formation of a new world democracy upon the oldest continent. And the third is audacious: a national reinvention of how Australia interprets itself and relates to the world. Of course, there are many other Australian experiments, so this list is not exhaustive. These experiments, however, have their origin in a fundamental question: What is Australia's purpose? Is Australia to be defined forever as a museum to a bizarre historical accident—a bunch of Europeans, shipwrecked on the wrong side of the earth—or as a nation that renews itself to offer its own people and the world a more successful and enduring creation? This is the question I want to address in these lectures.

In his book, *The Clash of Civilizations*, Samuel P. Huntington, chairman of the Harvard Academy for International and Area Studies and a distinguished Harvard scholar, touched upon this question. In arguing that civilizations, not ideologies, will determine future conflicts, Huntington identified a group of-torn-nations; torn because they embark upon the futile task of trying to switch civilizations. He nominated, as examples, Turkey, Mexico and Australia. Huntington said:

> In the early 1990s, however, Australia's political leaders decided, in effect, that Australia should defect from the West, redefine itself as an Asian society and cultivate close ties with its geographical neighbors. Australia, Prime Minister Paul Keating declared, must cease being a "branch office of empire," become a republic and aim for "enmeshment" in Asia . . . The case for redefining Australia as an Asian country was grounded on the assumption that economics overrides culture in shaping the destiny of nations.

Huntington argued that any such attempt by Australia would fail. Most Australians, I am sure, would agree with him. So would Paul Keating, the Labor Prime Minister, whose strategy Huntington misinterpreted. The notion of redefining Australia as an Asian nation would meet with swift repudiation by the Australian people, and also provoke a rejection from Asia.

There is another distinguished Harvard scholar whose work offers a better insight into recent Australian endeavors. David Landes concludes in his book, *The Wealth and Poverty of Nations,* "if we learn anything from the history of economic development, it is that culture makes all the difference." The logic of Landes position indicates that if a nation can modify its cultural limitations to progress then it will become a more successful social and economic entity. Australia has sought to do exactly this.

So Professor Huntington was right to focus on the cultural factor. Cultural change does lie at the heart of the recent Australian project. But it is a cultural adaptation, not a civilization swap. The scope of this cultural change, however, has been significant over the past generation and it

is not surprising that Huntington cast this transition in epic terms. This recent strategy constitutes an effort by Australia to redefine its national identity and re-direct its future.

This Australian reinvention is the originating impulse for engagement with Asia. The reinvention is a broad mosaic, but consists of four dynamic transitions: political independence, social diversity, economic openness, and strategic maturity. These journeys are having many consequences but in each instance they are propelling Australia towards Asia; they have helped to make engagement a national project, not just a foreign policy.

Let me review these four elements.

In looking at political independence, the stories of Australia and the United States represent the polar opposites in the British colonial experience. America gained its independence in a break from Britain through war. Australia's independence was by evolution not revolution; it came in a series of steps during the twentieth century after the formal inauguration of nationhood on 1 January 1901. For much of its history, the Australian idea was a fusion between nationalism and Empire loyalty, hence the term "independent Australian Briton," a label now extinct. The nationalism of most nations is forged in war or revolution, but Australia's nationalism arose within a particular vision—a nation for a continent. One feature of this nationalism is that it was anchored to the real world, not imprisoned by a glorious past or historic myth. As events changed the world, so Australia reinterpreted its national mission. Once Australians assumed a sense of their own independence they began to change their vision of the world. It was at this point that Australia confronted its historic dilemma: how to reconcile its history as a European nation, with its geography as part of the Asia-Pacific. The solution was engagement with Asia; a choice for regional integration over dysfunctional isolation.

There has been, however, a more important change than the evolution of political independence—Australia's transition from an Anglo-Celtic monoculture to a multicultural identity has redefined what it means to be Australian. It is probably the most important transition in Australian history, and its consequences have been immense: the arrival over the past five decades of 5.9 million people in relation to a current population of 19 million, now drawn from 140 countries; a per capita immigration rate exceeded only by Israel; about 23 percent of today's Australians were born overseas; and about one third of the annual intake is sourced from Asia and four percent of the population is Asian. Over the past generation Australian multiculturalism has replaced a racially discriminatory entry policy as a defining quality of Australia's ties with the world. This was an essential condition for engagement with Asia, since Australia would have had no basis for any such contemporary relationship as a paid-up member of an exclusive white man's club. It is why Paul Keating could declare in 1996 in Singapore: "We can't be Asian any more than we can be European or North American or African. We can only be Australian and relate to our neighbors as Australians." This was a statement both of Australian uniqueness and its new sense of multicultural legitimacy. Australia still carries the psychological guilt of a racist past, and its Asian neighbors often take advantage of this guilt. But Australia engages with the

credentials of a nation whose multiculturalism is probably better entrenched in law and sanctioned by the ballot box than any other nation in East Asia.

Central to the national reinvention has been the change in Australia's economic culture. The most important reform of the thirteen-year long Labor Governments of Bob Hawke and Paul Keating that began in 1983 was the termination of Australia's long attachment to economic protection. In these years, Australia was converted from a closed to an open economy. Operating in a rapidly changing global system, Australia floated its dollar, cut its tariffs, de-regulated its financial system, and introduced a series of pro-market economic reforms. These changes were based on several assumptions: that Australia's introspective economic model had failed; that the new global system offered substantial rewards to those nations that opened their economies; and that a more competitive economy was the key to a more prosperous society. There was another assumption and consequence: an open economy would create in perpetuity new lifelines of commerce between Australia and East Asia. The belief that Australia's economic future lay in East Asia was not new; indeed, East Asia was already taking 55 percent of Australian exports. But Hawke and Keating gave this idea unprecedented momentum. Engagement with Asia was to be underwritten by an apparently invincible force—Australia was riding the East Asian economic express and as the first locomotive (Japan) slowed, the second (China) would replace it.

The final cog in the reinvention was Australia's emergence from the shadow of great and powerful friends to a strategic maturity. Australia's first luck as a small nation had been to have great and powerful friends: first Britain, then America. Winning important friends is the main task for a small nation; having won them, the art is to manage them in the interests of the smaller partner. Australia, judged by these standards, was reasonably successful. Britain and America remain friends today, but Australia has moved beyond the mindset of dependence. It now accepts responsibility for its own fate in the world. That dictates a strategy to underwrite security and prosperity. Fundamental to this strategy is the policy of engagement with Asia. Australia once saw its great and powerful friends as security guarantors against possible threats from Asia; since the 1980s it has seen political integration into Asia as a primary guarantee. This is a strategic revolution. Hawke used the word "enmeshed" to highlight the interconnections between Australia and Asia. Keating was more explicit; he said that Australia now sought its security "in Asia rather than from Asia," thereby documenting a strategic transformation.

It would be wrong, of course, to leave the impression that Australia's political ties with East Asia have erupted over the past 25 years. This is not the case. The policy of deepening links with Asia has evolved over the last half century and has a rich history. Some of these historic milestones include: Australia's decision in the 1940s to support Indonesian independence against Dutch colonialism; the Columbo Plan of the early 1950s, under which many thousands of Asians students were educated in Australia; the 1957 Commerce Agreement with Japan, which symbolized an economic revolution with Japan becoming Australia's largest trading partner; and the Whitlam Government's 1972 decision to establish diplomatic relations with China, the

region's future hegemon. But the recent idea of engagement transcends foreign policy mechanics and extends to a deeper experience.

Engagement is associated with Paul Keating, whose prime ministership (1991-96) took Australia's ties with Asia to a zenith. After Keating was defeated by Liberal leader, John Howard, he wrote a book called *Engagement*. Keating claimed not just the idea but ownership of the word. And the word engagement is crucial: it implies a dynamic process; it is a personal matter; it is about the heart, not just the head; it implies a relationship that can change both parties; it demands mutual obligations; and it leads to deeper intimacy.

Engagement, of course, cannot succeed without reciprocity. It works only if Asia engages with Australia as well, and in this sense engagement was made possible by a succession of changes in Asia in recent decades. Engagement derives from the confluence of several events: the end of Asia's subjugation to Europe; the demise of the cold war; the phenomenal economic success of Japan followed by other Asian economies; the rise of an Asian regionalism; and the growth of more democratic values and political pluralism in much of the region. These changes made it essential for Australia to engage with Asia, and they also created conditions that made it achievable.

Within Australia the policy of Asian engagement has been bipartisan. It is the declared objective of both Labor and Liberal Governments precisely because it is driven by national interest imperatives. These forces will change, but they will not easily dissipate. This means that engagement will remain a permanent feature of Australian polity. After Keating lost the 1996 election it was affirmed by his successor, John Howard, and new foreign minister, Alexander Downer. In a November 2001 speech, after two terms of the Howard Government, Downer argued, "Australia's engagement with Asia has grown substantially over the past five and a half years," and offered a litany of evidence to substantiate his claim. The Labor Opposition does not agree with this assertion, and the Party's most recent leaders (Kim Beazley and Simon Crean) have criticized the Coalition for failing to uphold the intensity of engagement. In short, both sides of the Australian polity dispute which party is most capable of engaging effectively with Asia.

While engagement is a permanent idea, however, there is a conflict within Australia over its meaning and its interpretation. This is apparent from our 1990s experience. Australia is the host of two schools of engagement: maximal and minimal. The debate with regard to the two schools is over their meaning and their consequences.

For Paul Keating, engagement was an attitude, a strategy, and a faith. Engagement was not just a national project for Australia, but it represented a new way of thinking. Keating's perception of engagement was, however, contested by John Howard. For more than a decade these two men have governed Australia according to their dissimilar views about engagement. The divisions between Keating and Howard run along two fault lines: culture and strategy. These divisions relate not so much to the details of Australia's Asian partnerships or current bilateral

relations, but to the assumptions upon which these partnerships are built. In essence, it is a division about how Australia should relate to its own neighborhood.

The most obvious disconnect between Keating's and Howard's perceptions of engagement lies in its cultural essence. Keating drew a nexus between Australia's foreign and domestic policies. Engagement was not just the external policy priority, it became something greater and less tangible: a test of Australia's success as a nation and a measure of Australia's evolving identity. Keating built upon the thinking of former Labor Party prime minister, Gough Whitlam, who asserted in 1972 that the nation's real test in the world would be "Australia's treatment of her Aboriginal people," and that this "will be the thing upon which the rest of the world will judge Australia." For Keating, engagement was a question of Australian values.

One of Keating's many contentious assertions was that "if Australia does not succeed in Asia it will not succeed anywhere." What Keating meant, I believe, was that if Australia could not successfully mobilize the opportunities within its own neighborhood, then any other success would be peripheral. Keating's engagement with Asia was not just a description of what Australia does; it became an expression of what Australia is. The more Australia could escape from its white, monocultural, monarchical origins, the more successful it would become in Asia. For Keating, engagement depended ultimately upon cultural reorientation: a reconciliation with the Aboriginal people who were dispossessed by white settlement; becoming a republic thereby breaking the last remnant of constitutional inferiority; projecting to the world its model multicultural society; and displaying cultural sensitivity in its relations with the civilizations of Asia. This was the Keating vision.

In opposition to Keating's vision, John Howard rejected an apology to the Aboriginal people, championed the constitutional monarchy, displayed a reluctance to advertise multiculturalism as a prelude to re-badging the concept as "Australian Multiculturalism," and insisted that when Australians went to the region they uphold their own values. Howard was not interested in cultural adaptation. For Howard, engagement could never be about Australia's own identity; it could only be about foreign policy. Howard dismissed any notion that Australia had to change itself further to succeed in Asia. He felt that Australia would succeed by upholding its own values, not by pretending to be something else. Howard rejected the notion that Australia had a shameful history, a so-called "black arm-band" past that needed to be purged. He condemned the Keating Government for appeasing Suharto's Indonesia and its military autocracy. When he first visited Jakarta, Howard surprised his hosts by saying that Australia was not Asian (they hardly required a reminder); when he visited Beijing he highlighted the differences in values between the two countries. Howard supported engagement, but stressed its limits that arose from differences in culture and values. Howard's most important foreign policy initiative became Australia's support for the independence of East Timor —a stance only made viable because of Indonesia's own policy reversal.

Howard backed Australia's leadership of the UN peace enforcement operation after the independence vote, but he depicted this operation as a means to support East Timor's self-

determination, not as a logical step flowing from the democratization of Indonesia. This assertion of Australian values was a symbolic repudiation of all previous governments, Labor and Liberal, for accepting the incorporation of East Timor as the price for good relations for Jakarta. Howard depicted himself as the first leader in decades who was prepared to confront Indonesia on principle. Relations with Indonesia exposed the schism between Keating's view of cultural adaptation and Howard's claim of cultural assertion. In a wider sense, Howard rejected any conflict between Australia's history and geography that compelled engagement with Asia as a national project. He offered a competing philosophical model: "I have sought in the time I have been prime minister to assert what I call the intersection theory of Australian foreign policy—that we occupy a unique cultural, historical and geographical intersection. We are a nation whose roots are Western, British and other European; we have strong links with North America, both historically and based on our common values. But here we are—in Asia geographically—with hundreds of thousands of Australian citizens of Asian descent. I see all of those influences as an asset." Howard's intersection theory assumed not only permanent limits imposed by cultural differences, but enduring bonds in Australia's links to the United Kingdom and United States based upon shared heritage.

The most penetrating critic of Howard's approach is Stephen Fitzgerald, one of Australia's prominent Asian scholars and its first ambassador to the People's Republic of China. Fitzgerald says the real Asian challenge for Australia is not economic or strategic, but intellectual and cultural. For Fitzgerald, the Australian elite on both sides of politics have failed because their "commitment to Asia was not of the mind." Australia has trouble comprehending what it means to have cast its lot with Asia:

> It is difficult to think of any other country, perhaps any country in history, in which a nation's elites have knowingly committed themselves…. possibly to become part of a region or "world" whose dominant histories and cultures and ethical and value systems they do not understand.

For Fitzgerald, Australia's commitment is too shallow, and engagement is a highly challenging notion.

He has a story to illustrate his point. During an historic summit in 1996, Asian and European leaders, trying to put 400 years of history behind them, met for the first time; this Asia-Europe summit is now institutionalized. For Australia, the summit was an embarrassment because Australia was not considered a member of either side. Involvement in the Europe delegation was impossible since Australia is not in Europe. But involvement in the Asia delegation was vetoed by Malaysia's Prime Minister, Dr. Mahathir, who said that Australia was not Asian. Thus there was no seat for Australia, which was excluded from Europe by geography and from Asia by culture.

Fitzgerald argues that Australia must bridge this cultural divide, but Howard defines the divide as irrelevant. Howard does not talk about engagement as a process of the mind or cultural

adaptation. Howard believes that his brand of engagement is what the Australian people want and this poses an important question: will Australia ever cross the intellectual bridge that Fitzgerald has identified?

This question intensified due to the emergence of Pauline Hanson's One Nation protest party in the late 1990s, which was a party enshrined in the nostalgia of Australia's Anglo-Celtic heritage. It opposed globalization, multiculturalism, and engagement with Asia. It is a reminder that a minority of people would prefer to turn back the clock (a phenomenon common to all Western democracies). While such groups have only limited support—Hanson won four percent of the vote at Australia's 2001 election—they are symptomatic of a more widespread community apprehension at the pace of economic and social change.

There is, in summary, a cultural divide over how Australia should interpret its engagement with Asia and, in a wider sense, its role in the world. This political dispute about Australian identity has three points. First, the Australian people cannot credibly engage the region without a national commitment to the study of Asian languages, culture, and history at home and in the region. There has been such a commitment for some years, which is essential in Australia's evolution as a more culturally diverse nation. Second, Australia needs to be careful about imposing self-defeating conditions upon engagement. Aboriginal reconciliation, a republic, and an even deeper multiculturalism are valid objectives, and it is plausible that their achievement would lead to a fuller engagement. Within Asia, however, there are monarchies, underprivileged indigenous minorities, and societies that do not describe themselves as multicultural. If Australia makes such policies the defining test of engagement then it invites repudiation from its critics in Asia. Finally, any resurrection, or reminder of old fashioned Australian racism will provoke a reflex response within the region that can only damage Australia. This is the lesson from Howard's initial tolerance of Pauline Hanson's racist policies, which represented an unacceptable position in our politics and provoked a backlash within the region. Arguments that Asia is hardly a haven of racial tolerance, while true, miss the point. When the issue is about Australia's racial attitude there can be no qualification on the answer.

All nations have disagreements about policy, but Australia's cultural conflict is potentially serious. It is not a dispute over switching civilizations, but a dispute about how far the Australian reinvention should run. Future governments and the Australian people must resolve how Australia will engage with Asia. This dispute—represented by the conflicting visions of Keating and Howard—awaits resolution.

The second fault line between Keating and Howard is strategic. These strategic differences originate not just in different views about Australia's interests, but also because East Asia has changed over the past half-decade. The East Asia with which Keating dealt is different from the same region that Howard faced. This has been a factor in their contrasting views. Indeed, it would be a surprise if this were not the case.

Keating's engagement rested upon a far-reaching strategic assumption: "What was different in 1991 was that never before had all our national interests—political, economic, strategic and cultural—coalesced so strongly in the one place as they did now." When I interviewed him in 2000 Keating said: "When I became prime minister all of Australia's vital interests (trade, security, cultural) coalesced in Asia. If we put the question in the negative, do we have vital interests in Africa? The answer is no. Do we have vital interests in South America? No. Do we have vital interests in North America? Some. Where do we have our vital interests? Where we live, in Asia."

Will the first half of the 1990s, when Keating made these judgments, prove to be transitional or enduring in its strategic insights? A decade later it is unsustainable to say that all of Australia's strategic interests are located in Asia. Few analysts would make this assertion today, yet they would still agree that most of our strategic interests lie in Asia.

Howard has offered a different appreciation to Keating's vision. While Howard describes his government's approach as "Asia first," for him the most important relationship is with America. In August 2001, Howard said: "Asia is, of course, of vital importance to us. It lies at the forefront of our policy focus…(but) the relationship we have with the United States is the most important we have with any single country. This is not only because of the strategic, economic and diplomatic power of the United States. But of equal, if not more significance, are the values and aspirations we share."

Howard declared that his strategic aim was to "rebalance" Australia's ties from Asia to America. The word "rebalance" means a correction in one direction at the expense of the other. Howard's commitment to a strategic rebalancing is a result of his own convictions and a response to changes in the region. This rebalancing highlights the strategic gulf between Howard and Keating; it is also central to the criticism that the Howard Government has downgraded Australia's ties with Asia. It is difficult for Howard to credibly rebut these claims when his own declared purpose has been to rebalance Australian foreign policy away from Asia and towards its traditional alliance partner, the United States.

This highlights the need to assess the deeper strategic assumptions upon which the different engagement policies of Keating and Howard have rested. This is a complex task, but there are five assumptions that deserve to be highlighted.

First, Keating was driven by a vision of East Asian economic prosperity. When promoting engagement, he said: "By 1991 we faced a new issue. For a decade East Asia had been the fastest-growing region on earth, with economic growth at twice the global average. What was happening in East Asia represented the greatest increment to economic growth in human history." It is easier for Australia to relate to a region that is succeeding rather than failing. While the high tide of East Asia's growth occurred during the Keating period, Howard's tenure was dominated by the East Asian financial crisis, which became a full-scale economic and political

crisis in some nations. Singapore's Trade Minister, George Yeo ruminated that it might become the region's most defining event since World War II. The collapse of the Indonesian economy was possibly the sharpest of the twentieth century, outside that of the Weimar Republic, and led directly to the fall of Suharto.

Australia's economy, by contrast, passed the Asian stress test. This framed the Australia-Asia relationship in a very different way from the perspective of twenty years earlier when Australia had been derided as "the poor white trash" of Asia. Australia and Japan were the only two nations involved in all three regional IMF programs—to assist Thailand, Indonesia, and South Korea. Australia's economy was sufficiently strong, diverse, and flexible; its export sector switched to new markets; being integrated into Asia was now seen to have its risks as well as its benefits.

Most of East Asia has enjoyed a cyclical rebound, yet the legacy of the crisis endures—which is the perception that many East Asian nations lack the institutional strength, the quality of governance, the financial and corporate transparency, the rule of law, and the absence of corruption to optimize their economic potential. The decline of Japan, the lack of investor confidence in South East Asia, and the slow progress of structural reforms have qualified the optimism of the early 1990s. At the same time the U.S. economy in the 1990s outperformed all predictions, suggesting a recuperative engine in the U.S. system of liberal capitalism that might outlast its rivals. Despite its current downturn and the Enron scandal, the power of the U.S. model has attracted worldwide attention. The message for Australia is that America's hard power (based upon its economy) is likely to be more dominant than ever in the early phase of the new century. This is a very different perception from that of a decade ago when the idea of U.S. decline was in fashion. In short, Howard faced a changed economic climate that reinforced his personal convictions.

The more enduring point is that Asia is likely to remain the fastest growing region of the world over the next generation; it is expected to grow faster than either North America or Europe. This long-term trend vindicates Australia's faith in the economic relationship. The region will remain Australia's largest export market. Its triumphalism has eroded and there is a more realistic view of its future. China's growth has remained strong despite the downturn. In short, the 1990s crisis interrupts, but does not eclipse, Australia's economic assumptions about the region. One of the lessons from this crisis for Australia is that engagement requires weathering the tough times as well as the good. It would be disastrous if Australia were to appear as a fair weather friend. That is why Canberra's assistance in the IMF bailout packages was so important. It is also why any trade initiatives Australia launches with the U.S. should not be made at the cost of its major trading partners in Asia. The tarnishing of the economic glitter of engagement will not remain a negative in the long run. The positive lesson to be extracted from the crisis is that it brings a harsher realism to the idea. Engagement must transcend East Asia's economic cycles and it must survive the truth that East Asia is not the region where all Australia's interests coincide.

The second strategic assumption in Keating's engagement is that Australia would have a seat in the forums of Asian regionalism, and that Australia would be able to influence the political architecture of East Asia. This issue can be put in the negative: how viable is engagement if Australia's voice is ignored and its seat denied?

Keating's solution to Australia's exclusion from the Asia-Europe summit was an Asia-Pacific community, which was given diplomatic expression through APEC, the Asia-Pacific Economic Cooperation forum that united East Asia, Australia, the U.S. and its NAFTA partners. Keating spearheaded the annual APEC leaders' meeting, and also the APEC commitment, with the "goal of free and open trade and investment" in Asia-Pacific by 2010 and 2020 for developed and developing economies, respectively. He saw these APEC triumphs as his crowning diplomatic achievement, and as the essence of Australia's engagement with Asia. Keating's purpose was to promote an Asia-Pacific community in which Australia was a natural partner—a community that reconciled Australia's prime security interest in the U.S. with its prime economic interest in East Asia.

This vision sought to ensure that East Asia cast its sight externally, not internally. The aim was to create a region that rejected a preferential and discriminatory trading bloc (along the lines of the European Union). It was an effort to counter the agenda of Malaysia's Dr. Mahathir, who wanted an Asia-only regional framework that excluded Australia on grounds of race and culture.

This long-range vision raises a decisive strategic question for Asia: whether a constructive Asian regionalism will evolve as a restraint upon intra-regional political and military rivalry; and, if such an Asian regionalism does evolve, whether it is exclusive and denies nations with a Western tradition. One of the legacies of the Asian financial crisis is a growing support for an insular East Asian economic architecture opposing the pro-market norms of the West. At the same time that Howard introduced his more limited notion of engagement, the region excluded Australia from its most recent form of political cooperation. This was the new "ASEAN plus 3" (China, Japan, and Korea) dialogue that was launched with exaggerated talk of free trade pacts. There was little prospect that a Labor-led Australian government would have been included in this arrangement. There is little prospect that Australia under any government will be included in the foreseeable future. At the same time that Dr. Mahathir's vision has been progressing, the utility of APEC appears to be declining, thereby posing a major challenge for Australia.

Asked why he rejected Australia's regional claims, Dr. Mahathir responded, "Its culture is hardly Asian at all." Is the new Asia to be defined by culture or interests? The principle involved transcends Australia. Given the variety of cultures involved in Asia, the basis for excluding a multicultural Australia might appear dubious. It is noteworthy that Singapore's Lee Kuan Yew has urged East Asia to consider the expansion of its "ASEAN plus 3" by including Australia and New Zealand.

Any ongoing decision by East Asia to exclude Australia from newer regional arrangements must limit Australia's capacity for engagement with Asia. The issue is whether the region sees Australia as an integral partner. In this sense the debate has been transformed since the Keating era and the task of engagement is tougher. It is folly for Australia to be knocking on East Asia's door as a supplicant; yet it is also folly for Australia to be so fearful of rejection that it declines to push the long-term and legitimate regional aspirations that rest on a 50-year history of Asian involvement. The decision is partly beyond Australia's control; this casts engagement as a function, not just of Australia's choice, but also of how the region interprets itself.

Despite this, Australia must be more proactive with regard to regional architecture and engagement. The Howard Government became mesmerized by its lack of success, and seemed devoid of the imagination or confidence to innovate. After all, former Indonesian President Wahid floated the idea of a West Pacific Forum that would incorporate the new state of East Timor. This suggests a degree of flexibility in the debate that can assist Australia. As new issues arise—such as the people movement crisis or the region's need to combat terrorism—fresh opportunities are created for new regional machinery. Australia's best tactic is to seek new regional bodies for new problems, rather than obsess about missed chances.

The third and fourth strategic assumptions upon which Keating operated depend on a sufficient basis of mutual interest for Australia to forge effective long-run partnerships with the two major powers in North East and South East Asia: China and Indonesia. Much of Australia's foreign policy investment is devoted to China and Indonesia. If relations were to turn hostile or indifferent, then engagement would be impaired.

The reality is that despite the end of the cold war there is no strategic settlement in Asia. The region is characterized by high rates of military spending, deep-seated historical antagonisms, a series of potentially lethal border and sovereignty disputes, along with the proven risk of religious and ethnic conflict. Its future will be shaped by the rise of China, which guarantees major changes in the power balance. It requires little imagination to conclude that the historic Australian endeavor of negotiating its own way in Asia will face more severe challenges in the future than it has in the past.

The key to Australia's response is to integrate its Asian engagement with its U.S. alliance. This is the central question in Australia foreign policy. The conundrum is whether it becomes harder or easier, and the answer depends upon the future of U.S.-China relations.

Australia's engagement with China occurs in a different context from that of the U.S. For Australia, China is never seen as a rival since its eventual arrival at great power status is assumed. Australia, unlike the U.S., has no legal commitment to Taiwan. There is overwhelming support for a "one China" policy and Australia's approach to China is bipartisan at home. Australia lacks the intensity of the U.S. tradition for human rights and democracy in its foreign policy. It is not surprising, therefore, that Australia-China relations have been devoid of much of the tension that surrounds U.S.-China relations.

Australia's policy has been to urge China's integration into regional and global institutions, such as APEC and the World Trade Organization (WTO). Most Australian policymakers calculate that China and the U.S. will be able to manage their competing interests and values without a crisis, a view that is as comforting as it is optimistic. A serious political crisis, or a military encounter between China and America would put engagement with Asia into conflict with Australia's alliance with the U.S. It would force Australia to choose between Asia and America in defining its security interests. That is a choice that Australia does not want to make because it prefers to have successful Asian engagement and successful U.S. security ties. Australia's diplomatic mission, therefore, is to ensure that any such crisis is avoided.

A feature of Bob Hawke's foreign policy was his success in deepening ties with China, yet staying close to the U.S. A fascinating test of Howard's policy came in early 1997 when he visited China to restore stability to the relationship after a series of upsets the previous year. The episode was enlightening because it revealed the extent to which sound relations with China had become an operating need for Australian policy. The U.S. has far more pull with Australia, but the China relationship possesses its own complex pull –(after all, if Australia cannot deal with China then what meaning does engagement with Asia have?). China has no current interest in forcing Australia into any such choice. But as China's power expands, it must decide whether or not to do the following: exert its leverage, and mobilize its influence for a breach or a distancing between Australia and America.

In the case of Indonesia the strategic challenge has arrived. Engagement with Asia will become constrained for Australia if it cannot invest greater trust and stability in Australian-Indonesian relations. Keating said of Indonesia "no country is more important to us." His aim was to implant more ballast in the relationship, such that if it were torn in one area it would hold together overall. Before Keating became prime minister there had been one prime ministerial visit to Jakarta in the previous decade; he visited Indonesia six times over five years. The great importance of this relationship was realized in the Security Agreement negotiated by Keating and Suharto, which was the embodiment of Keating's strategy of seeking security "in Asia rather than from Asia." Keating and Suharto brokered these close ties like an Australian prince and a Javanese king, but the engagement they envisaged was not sustained.

Indonesia has undergone a revolution of sorts: Suharto was deposed, a new constitution was written, free elections were conducted, and Jakarta surrendered East Timor in a bloody divorce that saw an Australian-led UN intervention. It is true that a more democratic Indonesia, and an end to the East Timor incorporation, offers better long-term prospects for Australia-Indonesia relations.

In the immediate-term, however, these changes have made the relationship far more difficult. Political trust is seriously damaged on both sides. There is suspicion within Indonesia's political class that Australia was duplicitous over East Timor. Within Australia the television images of massacres by the pro-Indonesian militia will last a generation. There was popular

support in Australia for its leadership of the UN force, which was widely seen as an action against Indonesia. When Indonesia, at the height of the crisis, unilaterally abrogated the Keating-Suharto Security Agreement, no regrets were felt on either side. Howard had branded the agreement "irrelevant."

Political liberalization in Indonesia has been coupled with a growing nationalism and a mood of Islamic assertion. This should surprise no one. Indonesia, the world's largest Muslim state, is undergoing a multifaceted transition—political, social, and economic—and the result will have consequences for the whole of South East Asia. Indonesia's territorial integrity is under threat by independence movements, notably in Aceh and Papua. Australia has supported Indonesian sovereignty, yet there is fear within Australia that Indonesia will not prove capable of holding these provinces, its military tactics will be disastrously counter-productive, and relations, again, will be held hostage by the politics of secession. To the extent that Australian churches, unions, NGOs, politicians, and media seek independence for these provinces, they will be branded by Jakarta as enemies seeking dismemberment of Indonesia.

While both sides have tried to restore relations, and there has been a recent exchange of head of government visits, Australia-Indonesia ties have entered a more difficult era. Howard has reduced the expectations for what the Indonesian relationship can deliver, and has criticized Keating for aiming too high by creating unrealistic expectations about engagement with Indonesia. The truth is that much of Keating's successful Asian diplomacy (in particular the APEC initiatives) was based upon winning Suharto's support, which is no longer forthcoming from Jakarta. A distant Australia-Indonesia relationship will weaken Australia's diplomatic leverage in the region overall. There is little sign that Howard is worried about this; he has been prepared to take a critical public stand against Indonesia at home and at a cost to bilateral relations. The future issue is whether Australia can re-build ties and influence to a different more complicated Indonesia, or whether Howard's view of strictly limited possibilities will prevail. The recent story of Australia-Indonesia relations confirms the deep shadow that has been cast across Australia's regional engagement.

The final strategic issue affecting Australia's engagement with Asia is the new security agenda: the threat of terrorism, the risk from pockets of Islamic militants, the increase in the flow of peoples and refugees across borders, and the rise in transnational crime and drug trafficking. The Australian Embassy in Singapore was the target of a foiled terrorist plot. At least part of the struggle within Islam will occur on Australia's doorstep since there are more Muslims in Asia than in the Middle East. And Australia knows that its ability to control the flow of asylum seekers by boat (the key issue of its 2001 election) depends upon regional cooperation. These risks offer a new opportunity—the need for closer policy and agency cooperation between Australia and the nations of South East Asia. Australia should seek to deepen its involvement in the region in which it has a greater stake than ever. Australia wants a neighborhood composed of strong governments and tolerant, liberal-based communities, and not one where the rise of Jihad and middle class, religious based illiberalism are dominant.

What conclusions should be drawn from this overview of Australia's engagement with Asia?

It is apparent that engagement will be ongoing, since it is founded in a profound national self-interest. Australia's ability to relate to the region will be instrumental in shaping its security and its economic future. Australian leaders who fail to appreciate this will undermine the national interest at their own risk. Keating's ambition for engagement was prescient, but the strategic climate in which engagement is now conducted makes it more difficult, though no less a priority. As a result, it is best to remember some rules: Asia is diverse and doesn't think with one mind; engagement doesn't always mean that Australia will succeed in Asia; engagement should not exclude Australia from taking decisions that might alienate Asian countries; Australia should think as a partner within the region, not as an outsider operating on the region; and success in engagement does not mean the compromise of Australian values, though it does depend on a cultural adaptation within Australia. This adaptation is the true test of commitment. In this sense the sooner Australia can terminate its cultural schism, which compromises its capacity for engagement, the better. The core requirement is a bipartisan vision of Australia as a regional partner, and the more this vision is realized outside the realm of government (in business, finance, culture, education, NGOs, and people-to-people links) the greater the benefit. But the responsibility remains with government to serve as an intellectual innovator on how, and in which direction engagement can best be pursued. The diplomatic task is to integrate Australia's ties to Asia and America. It seems, in retrospect, that Keating was more successful in upholding the U.S. link as he moved toward Asia, than Howard has been in upholding our Asian ties as he moves back toward America.

Engagement is a living concept that will be interpreted by each generation. It will remain the central theme, but not the defining paradigm, of Australian foreign policy. That policy must, of necessity, be based on Australia's global interests—which transcend the region. It is best, however, to see engagement as more than a foreign policy. It is a national project that has no end, a project that demands patience as well as resolution, and a project that is always under consideration because it is incomplete.

Dancing with America: Will the Music Ever Stop?

In 2001 the Australia-America security alliance, inaugurated in 1951, celebrated its half-century anniversary, which means that Australia has been allied with America for more than half its lifetime as a nation. In terms of our national history, the U.S. alliance has now outlived Australia's once indispensable ties with Britain. Australia depended on British military power from its inception as a nation in 1901 until the fall of Singapore 41 years later. This was Australia's worst military disaster and a psychological turning point. In the Pacific War against Japan, Australia's principal ally was the United States and, in its desperate plight, Australia appointed an American General, Douglas MacArthur, as Supreme Commander of its own military forces. The U.S. has been Australia's main ally ever since.

The Australian-U.S. alliance, however, is a creation of the cold war, not of World War II, a point that is often misunderstood. It is a direct result of the internationalization of U.S. foreign policy conducted by President Truman in his quest to contain communism. Despite Truman's strategy, the initiative for the treaty came from Australia, not from the U.S. Its architect was Sir Percy Spender, Australia's foreign minister in the first postwar Liberal Government led by R. G. Menzies. Spender saw the shift in power from Britain to America, and he recognized the need for new security arrangements within an unstructured Western Pacific. The treaty—finalized in Canberra between Spender and John Foster Dulles—established, for the first time, Australia's involvement in a military pact that excluded Britain. It foreshadowed the Vietnam War in which Australia, for the first time, would be fighting in a war without Britain.

The security treaty involving Australia, New Zealand and the United States of America was called ANZUS. But New Zealand's withdrawal in the 1980s over nuclear warship policy created a more exclusive and intense bilateral arrangement. The provisions of ANZUS were weaker than those of NATO. It specified that each party, in the case of armed attack in the Pacific area or on any of the parties, would act to meet the common danger in accordance with its constitutional processes. It did not provide a binding guarantee for Australia in the case of attack, nor did it guarantee Australia's support for the U.S. Most analysts assume that the balance of the treaty works in Australia's favor.

This alliance, however, is not just a story about strategy; it is a story about people, values, and affinity. The alliance today has both vertical and horizontal axes: the vertical is the deep military/security relationship; the horizontal is a broad cultural confluence in which Australians and Americans seem to interact more successfully than ever before.

It was surely an omen that one of the early external policy initiatives taken by an Australian Government was on Christmas Day 1907 when Prime Minister Alfred Deakin asked U.S. President Theodore Roosevelt to send the U.S. Great White Fleet to Australia. Deakin said, "no

other federation in the world possesses as many features of likeness to the United States as the Commonwealth of Australia, and I doubt whether any two peoples are to be found who are in nearer touch with each other." Hundreds of thousands of people stood on the foreshores to welcome the sixteen ships, painted white as a symbol of peace, as they sailed through Sydney heads in August 1908. The crowd was the largest in Sydney's history according to the Governor-General.

This striking combination of strategic concord and shared values meant that over the past century, Australia and the U.S. fought five wars together: World War I, World War II, Korea, Vietnam, and the Gulf War. Australia began the twenty-first century with a military contribution to the war on terrorism. In this sense, there was an Australia-America relationship long before ANZUS; the relationship transcended the formal treaty but has been given greater focus and more opportunity as a result of the treaty.

More than 85 years have passed since Australian and U.S. troops fought together in the Great War, 63 years since Curtin's appeal to President Franklin Roosevelt in the Pacific War, and 53 years since the creation of ANZUS. As treaties are measured, this connection is assuming a degree of longevity. I am not aware that the treaty has ever been seriously questioned within the U.S. Within Australia the alliance faced its greatest strain over the Vietnam War. It is significant, however, that while the Labor Party opposed the war it still supported the alliance. For Australia, ANZUS remains our most important treaty and the alliance with the U.S. remains our most important single relationship with another country. This was reaffirmed by Prime Minister John Howard last September, when he said that the terrorist attack on America was equivalent to an attack upon Australia, given our shared values.

The alliance has long since reached maturity and now stretches into three generations of managers. The issue for the future is not just about the utility of the alliance in a new century; it is also about the fate of Australia-U.S. relations. Will the dance continue? Will our two peoples be drawn even closer together during the new century, or will our destinies in North America and the Asia-Pacific pull us apart?

My prediction is that the trend over the past half-century will be maintained and that the relationship will strengthen. But history is not linear, and many would contest this view. Australian and U.S. interests will not automatically coincide. Any assessment of the alliance's history and future must penetrate the haze of mutual congratulations that surrounds this partnership and its complex intertwining of myth and reality.

It is paradoxical that both sides of politics within Australia claim to 'own' the alliance. The Labor Party dutifully claims that Australia's greatest prime minister was World War II leader, John Curtin, who, when confronted with the risk of invasion, looked to America, despite Australia's traditional ties with Britain, thereby creating the basis for the alliance. In upholding the alliance, subsequent Labor prime ministers (Gough Whitlam, Bob Hawke and Paul Keating) have depicted themselves as Curtin's disciples. The Liberal Party, of course, believes that its

foreign minister, Spender, established the alliance and therefore considers itself to be the alliance's greatest champion. Each of the principal Liberal prime ministers over the past fifty years—Sir Robert Menzies, Malcolm Fraser, and John Howard—operated in the belief that the Liberal authorship bestowed a special understanding of the alliance. This claim of joint ownership has been fundamental in instilling a structural disposition towards the U.S into Australia's political culture.

The alliance did represent a transition in Australia's strategic priorities from Britain towards America. The British Government tried to dissuade Dulles from agreeing to ANZUS, but Spender would not be thwarted by British indifference or obstruction. Prime Minister Menzies, an arch-Anglophile, was always skeptical of Spender's prospects and was surprised when his minister produced an alliance. In fact, as late as 1950 Menzies had branded the idea as "a superstructure on a foundation of jelly." Yet, as a superb political opportunist, Menzies took the treaty as his own, dispatched Spender as ambassador to Washington, and exploited the alliance for his own domestic benefit for the next fifteen years. Upon his retirement in 1966, Menzies branded ANZUS as the greatest single achievement of his government.

This assertion highlights a risk in the culture war that has now engulfed Australia: the lingering perception of the alliance as substituting one colonial dependency for another. There remains in Australia a streak of juvenile nationalism—decoupled from any strategic appreciation—that longs for an Australian divorce from the U.S. to follow the earlier so-called divorce from Britain. It has never been a nationalism embraced by a majority of Australians, but it is an echo that reverberates in the current debate. This sentiment occasionally ignites, in particular when Australia appears subservient—one of John Howard's biggest foreign policy gaffes was his failure to reject the notion of Australia's role in Asia as a "deputy sheriff" to the U.S. This was disliked in Asia; but it was disliked even more in Australia for its demeaning and misleading implications.

Australia's approach to the ANZUS treaty was shaped by three strategic elements, each of which has an enduring application today. First, Spender was convinced that the central strategic lesson from World War II and from the emerging cold war was Australia's need for a Pacific Pact with the U.S. Second, Australia had to rectify its lack of influence within the councils of high command that were so apparent and frustrating in World War II. (This dictated the need for new political and military arrangements that would increase its decision-making influence in any future global war, when it was assumed Australia would be fighting again with Britain and America.) Third, the treaty was intimately tied to Australia's efforts to negotiate a new path in Asia. From its inception, the alliance was pivotal to Australia's simultaneous need to protect itself from threats within Asia while establishing new and constructive relations within Asia.

From the American perspective, the cold war in Asia made this treaty achievable. America had not the slightest interest in any such alliance in the context of World War II, or even in the context of the cold war. The key to the treaty is the transformation of East Asian geopolitics in 1949-50: the communists took power in China; North Korea attacked South Korea; and China

subsequently entered the Korean War against the UN-authorized force defending the South. As a result, the U.S. abandoned the policy, outlined by Secretary of State Dean Acheson in 1950, that there would be no new security arrangements in the Pacific and that the line the U.S. would defend in Asia did not include South Korea and Taiwan. This policy had only encouraged North Korea's strike in the first place.

The decision to commit Australian troops to South Korea in support of the U.S. was driven entirely by Spender. His motive was to persuade the U.S. to enter a new Pacific Pact with Australia. Australia entered the Korean War to win an alliance with America. The ANZUS treaty was realized following the transformed U.S. attitude towards the threat of Asian communism due to these epic events in North East Asia, a concern only reinforced by the Soviet Union's acquisition of the bomb. ANZUS was the product of the powerful eruption of Asian communism and the Korean War.

But this is not the full story.

The U.S. negotiated ANZUS in tandem with the Japanese Peace Treaty. The key to understanding its strategic dynamic is to appreciate its triangular, not bilateral, terms. In its first half-century as a nation, Australians were keenly aware that its major threat was Japan. Since Federation, Australia had feared that it would have to fight Japan, a nightmare that became reality in 1941. During World War II Australia faced the threat of invasion; its northernmost city, Darwin, was heavily bombed; and one of its four infantry divisions was taken captive at Singapore to become slave laborers. After the war, Australian public opinion demanded a punitive treaty with Japan that would eliminate its military capability. By 1950, however, the U.S. had another objective: it needed to recruit Japan and its vast industrial potential for the anticommunist cold war alliance in Asia. Dulles's main task as Truman's envoy was to negotiate the Japan Peace Treaty. Spender told Dulles that Australia could only sign a "soft" peace treaty with Japan if America were able to guarantee Australia's security. This was a position that Dulles finally accepted and which led directly to ANZUS. America, in turn, by offering Australia ANZUS, had won Australia's signature upon a Japan Peace Treaty that permitted rearmament. This was a treaty geared more to the future demands of the cold war than to the punitive sentiments arising from World War II. The U.S. was able to construct the northern and southern foundations of its alliance system in Asia simultaneously. The U.S. alliance with Australia allowed it to view her relationship with Japan through a new lens: as a future ally against communism, and not as an enemy. In this sense, ANZUS had another indirect role: it helped Australia adjust to the rise of a new Japan.

Australia initiated the creation of the alliance, which offers an insight into its history. In asymmetrical relations between great and smaller powers, it is assumed that the great power dictates the terms. In practice, however, the smaller partner with far more at stake, often initiates the alliances, commits to a greater diplomatic investment, and enjoys a larger commensurate gain. Australian diplomacy has historically sought to secure arrangements from the great and powerful. Spender knew there was only a narrow window of opportunity around the Japan

Peace Treaty for Australia to win a U.S. alliance, and he seized that opening. To a certain extent, this has been the history of the alliance. It is because the alliance inevitably looms large in Australia that it becomes the focus for regular initiatives. A permanent theme in Australian foreign policy discussion is whether its partnership with the world's superpower is being optimized. It is one of the first questions every new Australian prime minister asks himself, and it remains a key issue after every election. The alliance falls within the personal domain of the prime minister; its conduct is seen within Australia as a test of prime ministerial statecraft. This tradition is now entrenched.

The past decade offers proof that the life of this political law extends beyond the end of the cold war and to Labor and Liberal Governments, alike. Prime Minister Paul Keating campaigned to persuade the U.S. to support new political architecture across the Pacific, notably the APEC leaders meeting. His successor, John Howard, came to office insisting that the U.S. relationship had to be re-invigorated: a claim that seemed to puzzle the Clinton Administration. More recently, Howard has launched an initiative with the Bush Administration for an Australia-U.S. Free Trade Agreement.

Shared experience and common values underpin the alliance, which is a constantly underrated factor among the alliance's detractors. Yet, it is something that Spender, Menzies, Truman, and Dulles all understood. Australia's official war historian for Korea, Bob O'Neill, has recounted Spender's September 1950 meeting with Truman in the oval office. Spender began by sympathizing with the President over the unfavorable newspaper review of his daughter Margaret's singing performance. It was a sore point with Truman. He was engaged at once and went into a tirade against the newspaper critics. Finally, he looked at his watch, realized that virtually all Spender's time had expired, and asked if there was any serious business the foreign minister had in mind. At this point Spender said: "Yes, there is this matter of a security commitment to Australia. We've been trying to achieve this for some time." Truman reacted favorably, remarking that he had been impressed with the Australians troops whom he had fought alongside in the Great War. Spender later wrote that he was given "ground for hope" and that the talk with Truman was "crucial" to subsequent events. Of course, this is not to suggest that Australia's famous treaty was secured on a singing review, but the ability of two senior politicians to relate to each other through intersecting cultural and historical experiences is important in this situation. At that time neither the U.S. Secretary of State nor the U.S. military chiefs favored such a security pact.

There have been some memorable relationships over the history of the partnership: between John Curtin and Douglas MacArthur, Spender and Dulles, Harold Holt and Lynden B. Johnson, Bob Hawke and George Bush Sr., and Paul Keating and Bill Clinton. Likewise, there have been some truly dysfunctional encounters, such as that between Gough Whitlam and Richard Nixon.

For Australia, the alliance was a means to an end; it was never the end in itself. The formal treaty and its associated intelligence cooperation agreements became the framework for a comprehensive diplomatic and security structure. The objective was to increase and intensify

the U.S. strategic commitment to Australia, and to the Asian region. Australia was concerned when, in the early 1960s, President Kennedy conveyed a message that ANZUS did not apply to those Australian troops defending the integrity of Malaysia against Indonesia's confrontation. As the 1960s advanced, Australia grew more worried about the less than watertight legal provisions of the treaty. Its solution was to pursue strategic intimacy as a compensation for legal imprecision. This preoccupation led to two ambitious decisions: a commitment to the Vietnam War in support of the U.S.; and the hosting on Australian soil of U.S. defense, communication, and intelligence stations critical to American global and nuclear strategy.

Most Australians do not appreciate the sheer physical size of the U.S. bases; nor are they aware of the magnitude of its security investment. The main bases were in remote locations: North West Cape in Western Australia, and Pine Gap and Nurrungar in the central Australian desert. These facilities had a range of functions, including command communications with the U.S. nuclear submarines, the early warning detection for Soviet ballistic missile launches and nuclear detonations, the more recent detection of Iraqi Scud missiles in the Gulf War, and interception of a wide range of messages and signals as part of the U.S. global spy satellite systems.

These facilities were nuclear targets and probably high priority nuclear targets for the Soviet Union, according to Australia's leading security analyst, Professor Des Ball. The facilities were essentially run by the U.S., and thus represented a diminution in Australian sovereignty. This inflamed domestic divisions about the value of the alliance, but modified the alliance's asymmetrical nature by constituting a vital Australian contribution beyond any entertained in 1951. Australia's decision, as a non-nuclear weapon state, to host such facilities involved a judgment that playing a meaningful role in America's global war-making capacity was a viable trade-off to secure a deeper U.S. stake in Australia. Such facilities have been integral to the system of U.S. nuclear deterrence and, in this sense, they can be seen as helping to stabilize the nuclear balance and prevent the outbreak of war. It was under the Hawke Government in the 1980s that the facilities were placed under joint command, and their role in deterrence and arms verification brought about their removal as a source of domestic dispute.

The facilities, however, are a reminder of the costs associated with ANZUS. No meaningful alliance based on mutual obligation comes cost free. Australia made this trade-off and its people backed this judgment.

The most contentious decision by any Australian Government, in the context of the alliance, was the Vietnam commitment. It became a turning point for the alliance.

There are three ways to interpret Australia's 1965 decision to intervene in the Vietnam War: as a fundamental misreading of the nature of the conflict; as a price paid for the U.S. alliance; and as a judgment by Australia that ANZUS itself was not enough to "hold the line" in Asia—Australia's national interest required U.S. military involvement. Each interpretation is correct. Not only did Australia follow the U.S. into Vietnam, in 1965, the Menzies cabinet decided to

pledge a battalion of Australian troops before the U.S. had made any such request. The smaller ally was an initiator, not just a responder. Australia was alarmed by the deteriorating security situation in Asia, where, by the early 1960s, Indonesia was the main worry. (Indonesia's President Sukarno had confronted Malaysia, and Australian and British troops were fighting Indonesian forces.) Australia's strategic plan in Asia was based on military cooperation in the region with Britain and America—the doctrine of "forward defense." In exchange for a major U.S. military commitment to their region, Australia pledged its support for the U.S. initiative in Vietnam. Neither its troop commitment (in relative terms) nor its defense spending (as part of the GDP) was as great as America's. Australia's main concern was not South Vietnam, but the U.S. regional commitment. Prime Minister Harold Holt declared in a televised speech at the White House that he was "all the way with LBJ." The phrase sailed into political history and is infamous today as a symbol of an obsequious blank check extended to the U.S. But this orthodoxy misses the real point. As our Official War Historian for Vietnam, Peter Edwards, has explained, Australia was never "all the way with LBJ." Its troop commitment was modest, calculated, and geared to political objectives. When Clark Clifford became U.S. Defense Secretary and traveled to the region including Australia, he found that America's allies, despite their rhetoric, had no interest in expanding their modest military commitments in Vietnam.

For Australia, Korea and Vietnam signaled a new form of war; unlike the two world wars, the Australian government viewed these commitments as more political than military. Australia revealed its tactical skill in managing the United States with regard to Vietnam, yet the cause involved was largely a strategic failure. The U.S. may have benefited from Australia's insights into the nature of the Vietnam War but there was no such analysis offered from the calculating cynicism of Canberra.

It was defeat in Vietnam, however, that laid the basis for the modern conception of the alliance, not the end of the cold war in Europe twenty years later. President Nixon established in 1969 the Guam Doctrine, which a former Labor Defense Minister, Kim Beazley, paraphrased as: "the U.S., like the Lord, helps those who help themselves." It was notification that the tactic by which Australia had operated—encouraging the great and powerful to defend the frontline in Asia—was exhausted. Australia was launched upon the final path to strategic maturity, a process compelled by a far more measured U.S. approach to military intervention around the world.

It took Australia a long time to formulate an enduring response to the Guam Doctrine, but it emerged under Beazley's influence in the Hawke Government during the 1980s. Australia's preeminent security analyst, Paul Dibb, provided the framework for a new philosophy of defense self-reliance. It meant that Australia would structure its armed forces for the primary objective of defending its continent. This philosophy was based on several assumptions: the U.S. expected its allies to commit to burden-sharing; the alliance itself represented a significant deterrent for any player contemplating an attack upon Australia; and, for the first time in its history, Australia had the economic and military strength to adopt self-reliance as an objective. It is important to recognize that this stance was not a retreat from the alliance. Australia's formal position was defined most recently in its 2000 Defense White Paper, which received bipartisan support.

The White Paper states that Australia views seriously the undertakings in the treaty. It expects that if Australia were attacked, the U.S. would provide substantial help, including armed force. Australia would seek and welcome such help, but wouldn't rely on it. Australia, according to the White Paper, won't assume "that U.S. combat forces would be provided to make up for any deficiencies in our own capability to defend our own territory." There is one exception to the self-reliance theory: Australia still depends upon U.S. nuclear deterrence. This outlook represents, overall, a decisive re-casting of the alliance.

While fifty years ago ANZUS was seen as a combat guarantee for Australia, it is now an instrument in the cause of national security self-reliance. In a crisis Australia no longer waits for the marines. Some would say this makes a virtue of necessity.

For instance, the alliance's most influential critic in Australia today is former cold war warrior and Liberal Prime Minister, Malcolm Fraser. Fraser recently asked: "Can any of us today envisage a situation in which America would respond to a call for help under the terms of the ANZUS Treaty? When there have been concerns in our region, the United States has made it plain they didn't really want to be involved." Fraser's implication is that the U.S. would not defend Australia today. The more significant point, though, is that while Australia would expect some measure of U.S. response, its strategy no longer relies upon a U.S. combat reaction. This represents a new national psychology that has yet to reach the mainstream. But it is made possible, in part, by the revolution in military affairs. It is the revolution in military affairs that increases the ability of a U.S.-aligned Australia to defend its island territory by resorting to more sophisticated weapons technology and defeating any invader in the air-sea zone off Australia.

Short of any threat to Australia, however, the real issue is whether the alliance, created during a narrow window of opportunity during the cold war, remains relevant. With the demise of communism, the alliance lost a shared enemy. Does it still possess a shared strategic purpose? If so, do the gains outweigh the risks for both partners?

I will make five responses in answer to these questions.

The first is that the need for a strong U.S. presence in East Asia has not diminished. This is the view shared by Australia and most governments in the region. Despite rhetoric about the end of the cold war, East Asia remains strategically unstable. The region is a case study for ongoing power rivalry fueled by cultural, religious, and ethnic differences that are rooted in century old antagonisms. It is a mistake to apply geo-political generalizations about Europe to Asia. To appreciate why an interregional settlement in Asia is not soon forthcoming, consider the following: very different communist regimes remain in power in China and North Korea; Asia includes the world's two most populous nations (China and India), both with large military forces, nuclear powers, and regional competitors; it includes Russia, with a deep stake in the North East Asia power balance; the world's largest Muslim nation, Indonesia, is now in the midst of a systemic crisis; and Japan, America's most important Asian ally, still economically large but psychologically weak, has to manage the rise of China. There are three unresolved

flashpoints: the India-Pakistan dispute, the division on the Korean peninsula, and the China-Taiwan issue. Dynamic changes in the regional power balance will occur in the coming years. China is an anti-status quo power that seeks global markets for its products, reunification with Taiwan and a reduction of America's regional position. China's power will increasingly impinge upon the smaller states—South Korea, Thailand, Singapore, the Philippines and Australia—many of which have ties with the U.S.

Asia is susceptible to nation-state fragmentation. There are many examples of secessionist movements, religious-inspired violence, political terrorism, and the breakdown of central authority. It is difficult to assess how much South East Asia, with its significant Muslim populations, will be drawn into the war on terrorism, but this represents a further risk to the Indonesian nation. Regional institutions are weak, and machinery for security cooperation is shallow. Asian nationalism is a potent force, and many historic rivalries seem more respressed than expended.

To retain a peaceful regional balance, the U.S. must play a strong role. Any disruption to the U.S.-Japan security agreement would escalate military tensions, provoke an arms race, and deepen China-Japan tensions. If ANZUS were to be downgraded, that would alarm Japan and South Korea in the north, and Singapore, Thailand, the Philippines and Australia in the south, because it would signal a U.S. retreat from the region. This potential, negative reaction underscores the need for an ongoing U.S. presence in Asia in which Australia remains (with Japan and South Korea) one of the three principal allies that promote this U.S. forward position.

My second response, however, is that a U.S. presence in the region is insufficient; the real issue is whether the U.S. displays the judgment and consistency to find a common cause with its allies in Asia. This concern is integral to alliance assessments among U.S. allies, and it is a notable, though muted feature of the debate in Canberra, despite the favorable disposition of John Howard towards George W. Bush. Such long-standing concerns have been given fresh impetus by the unilateralism of the Bush Administration. The strategic issue, post-September 11, is whether the renewed military priority in U.S. policy will boost this unilateralism, at the expense of traditional alliance and coalition partnerships.

This very question has been posed by the Dean of Harvard's Kennedy School of Government, Joseph S. Nye Jr., in his book, *The Paradox of American Power*. Nye argues that U.S. power has rarely been so dominant, yet that power on its own cannot solve America's major problems in the world. He offers a sustained critique of the "go it alone" approach that carries such sway within the Bush Administration. There are two polarities within the U.S. about how it should approach the world: American Exceptionalism and American Internationalism with a range of intermediate options. If American Exceptionalism were to prevail, then the U.S. would devise its own solutions for its own needs; American Internationalism dictates that the U.S. will look towards partnerships, allies, and multilateralism in an effort to build a better global order. There is wide acceptance in Australia that the U.S. military action in Afghanistan following September 11, 2001, was essential to the war against terrorism. The real concern is how America conducts

its military activities and how it interprets its role in global leadership.

Australia has several concerns with regard to U.S. leadership in several areas. These concerns relate to both its geopolitical judgment, and the influence of domestic politics on foreign policy. Australia is fearful that the ideological wing of the Republican Party that sees China as a threat to America might prevail in U.S. foreign policy circles. Instead, Australia wants the U.S. to integrate China into the global system, and thereby to contribute to the security balance within the region. Containment of China must not be America's defining approach to foreign policy in this region, Australia contends. If this situation were to develop, America's allies would be typecast as part of a China containment strategy. That would hold the region hostage to a deteriorating U.S.-China rivalry or even force allies to choose, and, as I argued in my first lecture, this would be the nightmare scenario for Australia. Since in any crisis Australia would have to side with America, at least nominally, the costs associated with the alliance could therefore be substantial, particularly if responsibility for such a crisis is seen to rest more with the U.S. than with China. The majority of Australians believe that China, because it is far weaker than the U.S., will seek to avoid any crisis for some time. Three out of four of Australia's most recent prime ministers—Bob Hawke, Paul Keating, and John Howard—believe that Australia can reconcile its links with both China and America. Malcolm Fraser is a pessimist; he warns that Australia, eventually, will be forced to choose and that it must side with China.

Australia has been worried for some time about America's lack of leadership in the effort to contain weapons of mass destruction (WMD). President Bush's national missile defense agenda has won understanding from the Howard Government but has divided Australian opinion overall. This agenda, Australians fear, will destabilize the Asia-Pacific; it will provoke China to strengthen its nuclear armaments, which will, in turn, force India to respond with its own nuclear buildup. Such doubts in Australia about America's inability to contain WMD will intensify, particularly if the joint facilities are involved, since it is now assumed they promote nuclear stability, not the reverse.

Finally, as U.S. thinking evolves about the war on terrorism President Bush has propounded a new doctrine of preventative intervention; America will act against evil regimes that have access to weapons of mass destruction. The U.S. has the military power to conquer the terrorists, but it needs international cooperation to solve the problem of terrorism. The war against terrorism will be protracted; moreover, how America chooses to use and balance its military, economic, and social power will have serious consequences for its allies. Similarly, the allies fear the growth of a more unilateral mindset within America that extends to a range of issues: security, law, the environment, and trade. Unilateralism would weaken America's role as a builder of the global system.

My third point is the need for Australia's strategic engagements in Asia to incorporate the U.S. alliance. This is not a new challenge and, indeed, it is as old as the alliance itself. The U.S. alliance must be able to help, not hurt, Australia in Asia.

Australian foreign policymakers assume that the country's relationships with Asia and with the alliance are mutually reinforcing. That is, the alliance adds leverage to Australia's position within the region, and its role within Asia brings added value to the alliance. For example, during the East Asian crisis, Australia lobbied in Washington on Indonesia's behalf against the damaging impact of the IMF package.

The alliance should not require that Australia support the U.S. on all issues uniformly. On occasion, Australia broke from the U.S. on key policies; for example, the Hawke Government opposed Ronald Reagan's Star Wars initiative. A flexible alliance tolerates creative diplomacy from the smaller partner. For example, Australia has a long-run strategy of building a network of security dialogues and relationships in East Asia—from China to Indonesia. The aim is to manage intraregional differences, and this objective was at the heart of Australia's efforts to promote the ASEAN Regional Forum as the basis for a multilateral security dialogue. It reflects Australia's determination to promote security understanding within the region.

In this context, managing expectations is vital. Australia needs to understand when America expects it to do more and America needs to understand when Australia cannot meet these expectations. East Timor and Taiwan offer historical and prospective examples of how parties interpret their obligations to each other. President Clinton surprised Prime Minister Howard in 1999 when the U.S. declined to make a direct troop contribution to the UN force for East Timor. Under pressure and trying to mobilize support for an international force, Howard publicly criticized Clinton for his reticence. What developed, eventually, was a cooperative effort by the alliance. The U.S. applied political pressure on Jakarta in order to gain Indonesia's consent for the UN intervention, and Australia led the UN force, with logistical support from the U.S. Australia learned that it must assume responsibility commensurate with its role as the metropolitan power in the South Pacific and the main economic power in South East Asia.

Taiwan, however, is a different situation. The Australian contribution to any conflict over Taiwan, depending on the circumstances, would likely be extremely modest. Taiwan holds a different position in both the politics and foreign policy priorities of Australia and the U.S. Australia's interpretation of its alliance responsibility means that it should stress to China the region's expectations of a non-military solution to the China-Taiwan issue while the U.S. must be made aware that Australia expects it to avoid provocation in the short-term for the sake of creating a managed solution in the long-term. In the event that a more pro-Taiwan line emerges from the U.S., which Australia would regard as unnecessary or dangerous, the possibility of a breach between Australia and the U.S. could not be ruled out.

It is possible, however, that the American war on terrorism could pose a new challenge for Australia with regard to integration of its alliance with the U.S. and its relations in Asia. If Australia offers ongoing military support for U.S. antiterrorist initiatives against a backdrop of weakening global support for America, then it is hard to imagine this would not create problems for Australia in Asia.

My fourth point concerns the Howard Government's most recent alliance initiative: to seek a Free Trade Agreement (FTA) with the United States. This is significant since the alliance has never been an economic partnership. There is a very good reason for this: the trade profile of the two nations is competitive rather than cooperative. While the economic relationship of the alliance is substantial, it has often been bitter, and it has threatened, on occasion, to disrupt the security partnership of the alliance. The Howard Government's late 2000 decision to explore an FTA differs in nature and consequence from previous Australian initiatives. It seeks to formalize and deepen a new dimension to the relationship—an economic partnership. History suggests that this is a formidable task.

The most virulent criticism against the U.S. within Australia over the past twenty years has been generated by trade policy. In the 1980s, the U.S. created major agricultural subsidies (under the Export Enhancement Program) that were designed to counter the EU agricultural subsidies. Under this scheme, U.S. subsidies for wheat and sugar, worth up to 50 percent of the market prices, saw Australia lose markets in "third" countries to the U.S. In one year alone, Australian wheat farmers lost $1 billion in income, which triggered calls for Australia to put the alliance "on the line."

I doubt that any Australian Government would be stupid enough to sacrifice a valuable security alliance in a trade war that it cannot win. But the warning issued to the U.S. by Prime Minister Hawke— that U.S. trade policy was undermining support for the alliance—was true. The prospect of the Bush Administration endorsing a new level of farm subsidies in 2002 confirms not only the endurance of this problem, but the likelihood that it will worsen.

Moreover, this issue is related to another of Australia's trade policy concerns: that America's support for the multilateral trade system has been eroding in favor of bilateral and regional trade options. Bush's tolerance of new farm subsidies undermines both the prospects for the new Doha trade round, as well as pressure on the European Union to reform its agricultural policies. Unless there is strong U.S. leadership, the global system will falter, and the consequences for nations such as Australia—not part of any regional trade bloc—could be damaging.

In this climate, the Howard Government has launched a vigorous lobbying effort in Washington to redefine its economic relationship with the U.S. Its initiative is driven by the shadow over multilateral liberalization, the rise in support for bilateral FTAs and the performance of the US economy in the 1990s. Bob Zoellick, the U.S. Trade Representative, has told Australia that the Bush Administration will seek to negotiate an FTA with Australia. U.S. comments indicate that Australia's standing as an alliance partner is an important factor in this process.

There is a significant division within Australia over the initiative. One of the country's prominent economists, Professor Ross Garnaut, warns that it will be very hard to create a free trade agreement that will be both accepted by Australia as agriculturally beneficial and endorsed by U.S. Congress. Furthermore, an FTA would give U.S. products preferential access into Australia, thereby discriminating against its major trade partners in East Asia. The overall trade gains for Australia would be modest; the overall outcome could be that Australia risks compro-

mising its strategic position by favoring the U.S. with regard to both security and trade issues. On the other hand, Australia's Ambassador to the U.S., Michael Thawley, argues that a free trade agreement will lead to deeper economic, business and investment ties between Australia and the U.S; the unstated implication is that agriculture must not impede such progress. Supporters of this view believe that Australia will lose its current influence in the U.S. to other nations, unless it negotiates an FTA with the U.S.

My fifth point is that Australia must continue to think strategically about the alliance in order to retain and enhance its utility.

The Howard Government published a Defense White Paper one year before the attacks of September 11, 2001. The paper stated that Australia's obligation under ANZUS to support the U.S. was just as important as the undertaking by the U.S. to support Australia. Despite the power imbalance, this implies that Australia seeks a partnership based upon mutual obligation. ANZUS was invoked for the first time in 2001 because of an attack upon the U.S. mainland. It was an event that had scarcely been considered a possibility by the Australian mindset, yet it heralds a more unpredictable environment for the relationship.

What does Australia bring to the alliance?

From Australia's perspective, it offers the U.S. a range of benefits: shared military arrangements and an ally that is prepared to fight; an ally on the rim of East Asia that can assist the U.S. position in the region; an independent partner with shared values, whose public support can help the U.S. in political terms, and whose private counsel can provide a test of policy; and a friend prepared to take a leadership position within its own region, a situation not always replicated in Europe last decade. A prudent America would value these assets.

There are also a number of risks for the alliance: a growing U.S. preference for unilateralism; unresolved tensions between the U.S. and China; and a divergence in strategic interests between Australia and America. The U.S. is fighting a new war in which Australia may become, in relative terms, less important than before. The war on terrorism may preoccupy the U.S. for a generation but it is far from obvious that this war unites U.S. and Australian interests to the same extent that they have been united by previous wars. The common enemy that sustained the alliance, Asian communism, has faded while the common interests that have sustained the alliance are more mobile then ever before.

This suggests that "alliance management" will pose a significant challenge for Australia: in security terms it means a greater defense vote to guarantee force interoperability with the U.S.; in political terms it means that Australia will have to leverage its Asian relationships into a strategic counsel for the U.S.; in cultural terms it means that initiatives such as the decade-old American-Australian Leadership Dialogue, be a shining example; and in economic terms it requires a satisfactory resolution to the current Australian initiative. It means, above all, that Australia invests with a new life the tradition that the smaller partner acts as the innovator.

Australia Beyond 2001: Toward a New National Project

The Australian mind was shaped by the physical world—the world of water, distance, and desert. Geography dictated that Australia was the last continent to be occupied by Europeans, who interrupted 50,000 or more years of unbroken Aboriginal society. For many of the Europeans who came in the late eighteenth and nineteenth centuries, the journey to Australia was their last. Their departure from the old world was the irrevocable event. Many came in servitude and were later freed. Accordingly, there are two ways to interpret the Australian experience: as an island of permanent exile, or as a beach that offers a new life.

Geography was fundamental to the Australian vision—Australia took its ideas from Europe, but transplanted them in a new soil 10,000 miles away. The Australian vision saw a cohesive and egalitarian society more successful than the hierarchy and privilege of the old world from which it was forever separated. Australians deferred to Britain as their model, yet had faith that they could build a better Britannia in the south. Borders were defined not during any war or revolution, but by the land and the sea. The spirit of Australian nationalism was a nation for a continent. One of our greatest writers, David Malouf, suggests that over time this vision of Australia and its separation from the world "produced the idea that it should be kept separate, that only in isolation could its uniqueness—and ours—be preserved." The idea that Australia's uniqueness lies in purity, through separation of its race, democracy, and egalitarianism took hold. This uniqueness was achieved through isolation.

There was, however, a competing idea in Australian nationalism: the conviction that Australia had to be joined to the world to survive. Contact with the world was the essential answer to a remote existence. Australians wanted to stay British because being British was a ticket to influence in the world: a source of defense, finance, and trade. Australians chose the crown and rejected the republic when they created their nation in the 1890s because the crown implanted the new nation within the world's greatest empire; choosing a republic would have doomed it to isolation. Hardly a choice. It was through the empire that people, goods, and capital came to Australia and Australians knew that their central strategic task was to build friends and influence in the world. The proof came in the Great War when Australia contributed the best of a generation to its global strategy with the strange legacy that its most sacred national site is located on a peninsula in Turkey, a long journey from the continent for a nation. If you want to worship at our spiritual shrine then you travel to Turkey.

The conundrum in the Australian psyche, therefore, has been its uniqueness through separation, yet its need to join the world to fulfill its potential.

In this third lecture I want to address the question I posed at the outset of the lecture series: what is Australia's real purpose? Is it cast forever as a museum to a bizarre accident—Europeans shipwrecked on the wrong side of earth—or does it have a higher purpose for its people and the world?

For me, the answer to this question is found in reconciliation between these two competing ideas. Australia can engage with the world, yet keep its uniqueness. The message for Australians is to be aware of one of the curses of our history: the false choice propounded by the flawed prophet. In recent times they have been busier than usual in their denial of the complex options available to Australia: they argue that we must chose between America or Asia, between a market economy or social egalitarianism, between immigration or environmental sustainability. Australia doesn't face any of these choices; they are offered to advance certain causes, interests, and ideologies.

The perceptions, however, that Australia can engage with the world yet keep its uniqueness needs a new national vision.

There is a vigorous, ongoing national debate in Australia on many issues—economic, social, and moral—but there is also a vacuum, which is the absence of a core idea about Australia's purpose. This is a question that one of our great historians, Manning Clark, confronted but did not answer because he felt that Australians had no answer, I think. It is a question that Australians have deliberately shunned because it is difficult and runs against the national grain. Australians are interested in action, not introspection; they are interested in results, not ideas. Their national image derives from practical achievement, not from the power of a mythic consciousness. History will probably decide that the most remarkable feature of Paul Keating's prime ministership was his desire to discuss ideas and Australia's purpose. This is one reason why he lost that office, though not the primary one.

Australia is still in the early phase of its national maturity, a condition that I define as accepting responsibility for its own fate. Australia is no longer an outpost of Britain; it is no longer a compliant ally of America. The national psychology applauds this liberation, but does not comprehend its meaning. Such liberation carries immense challenge and a responsibility that is still scarcely grasped. Australians can rely upon only themselves and their intelligence, adaptability, and character to manage their future in order to determine how long they survive and how they maximize their opportunities. Sooner or later Australia's strategic circumstances will demand an answer to the question about its role and purpose in the world.

What are these strategic circumstances?

Australia is a moderate-sized economy based on a small population. Surprisingly, Australia is the world's fourteenth largest economy with a GDP of U.S. $425 billion but with a population of just over nineteen million, about half the size of California. In East Asia, Australia is the fourth largest economy after Japan, China, and Korea, and its GDP equals about 80 percent of the ten countries of the Association of Southeast Asian Nations (ASEAN). Over the past century its population has increased fivefold from a tiny 3.75 million at the time of Federation. (At that time many of the founding fathers dreamt that a century hence Australia would be 50 million strong or even a second United States.) But that never happened because Australia was far distant from the European emigrations, and the arid center defied those optimists hoping to find

another Mississippi or a fertile inland. Australia is thus dwarfed by its neighbors—Indonesia (200 million), China (1.2 billion), India (more than a billion), South Korea (45 million), Thailand (60 million) and even Malaysia (22 million). Thank goodness for New Zealand.

Based on current trends Australia's power within the Asia-Pacific—as a result of population and economic size—will be dramatically diminished as this century progresses. While these trends may change in unpredictable ways they offer the best tool of analysis. Professor Glenn Withers, from the Australian National University (ANU) in Canberra, has drawn on UN world population projections to show that by 2050 Australia will have retained its demographic rating overall, but that the gap between Australia and many of its Asia-Pacific neighbors will be vast. In recent years, Immigration Minister Phillip Ruddock projected Australia's population growth to stabilize in about 25 years at around 23 million people. The key word is stabilize. Australia, like a number of industrialized nations, faces the threat of zero population growth.

When Glenn Withers super-imposes economic trends upon population projections, Australia's GDP ranking slips significantly by 2050. (This assumes a continuation of the per capita growth rate of the past 30 years and while nations like Japan that have "caught up" can't maintain these rates there is still a long catch-up phase ahead for China, India and others). These projections show that Indonesia, Thailand, Hong Kong and Singapore—all with far smaller economies than Australia's today—would be larger and Malaysia would be nearly as large. China's economy, now more than twice the size of Australia's, would be 36 times the size; Thailand, now a third the size of Australia's economy, would be one and a half times as big; Indonesia, now half the size of Australia's economy, would be one and a half times as big; South Korea, now slightly larger than Australia's economy, would be about eight times as large. Australia, however, would be thirteen times the size of New Zealand's economy and more than three times that of Sweden.

Economic size is a "hard power" indicator that feeds directly into military power. The proportion of Australian GDP spent on defense has been in decline for a decade. The rundown is significant—from 2.4 percent of GDP in the early 1980s to 1.9 percent of GDP in 2000. The number of permanent armed forces' personnel has fallen to 51,000. In 2000 the Howard Government, with its White Paper, stopped the decline in defense spending. It envisaged defense stabilizing at 1.9 percent of GDP—a lower level than most of our neighbors, and about half the level of nations such as Singapore and China. Given Australia's projected economic growth rate, that equates to an increase in real terms of about three percent a year. The reality, however, is that within its immediate region, Australia's technological edge in military hardware will certainly erode, which will result in a diminishing military leverage. This erosion is driven by our decision to spend less of our GDP on defense than do most of our Asian neighbors, and in the relative decline in the size of our GDP to that of those neighbors.

It is the reinforcing nature of these trends in East Asia that is so striking. They received an official admission in the Howard Government's 1997 White Paper which said: "Consequently, Australia will be able to rely less on its strategic and economic weight in the region to achieve its

policy objectives. It will have to work hard and creatively to maintain its security, advance its economic interests, and influence the policy agenda." It estimated that by 2010 the GDP of the five main ASEAN economies combined would be three times that of Australia. Since this calculation was made before the East Asian crisis it exaggerates significantly the magnitude but not the trend.

I want to argue that these trends— indicating the relative decline in Australia's hard power— constitute a major strategic problem that receives virtually no attention today. Australia's strong economic performance over the past decade has modified, but not negated these forces. Moreover, the extent of this strategic problem is compounded by other factors, which are detailed below.

First, there is no regional economic union or trading bloc for Australia to join. The exception, of course, is the Closer Economic Relations arrangement with New Zealand, which has been successful in creating a trans-Tasman free trade area and economic integration. But there is little else available. In this sense Australia's strategic situation is very different from that of its peers from the old British Empire: Ireland, South Africa, Canada, and the United Kingdom. Ireland has solved its centuries-old dilemma by joining the European Union with panache. South Africa, despite its difficulties and membership in a troubled continent, is strategically placed in that continent. Canada, often seen in parallel with Australia, occupies a very different place. Canada is integrated into the U.S. economy; 86 percent of its exports flow to America; it is tied to the U.S. and Mexico through NAFTA; the trade relationship between Canada and America is the largest two-way trade connection in the world; Canada, only one and half times the size of Australia's economy, is a member of the G7; in security terms Canada is virtually coterminus with the U.S. and is a member of NATO. Of course, such intimacy with the U.S. creates another set of difficulties, thus not every one of Canada's arrangements is a bonus. Finally, the United Kingdom finds itself in a dilemma today by virtue of the range of options it enjoys. As a member of the European Union, it is agonizing over whether to join the euro zone; it remains alert to its special trans-Atlantic relationship with North America; and it is the beneficiary of an immense cultural legacy inherent in the British heritage.

At this stage of its history, what separates Australia from these former Empire companions is that each of them is either integrated into an economic bloc or is destined to join such a group. Australia's geography, so far, has denied it the choice of greater strength through regional union.

Second, as I argued in my first lecture, there are many doubts about Australia's ability to participate even in the more limited forms of regional architecture that prevail in East Asia. Australia is not a member of ASEAN and there seems little possibility that it will become a member in the foreseeable future. Australia has been excluded from the recently formed ASEAN plus three (Japan, China, Korea) group. ASEAN ministers have rejected another recent proposal that the nations of South East Asia join with the CER partners (Australia and New Zealand) to work toward a free trade arrangement that encompasses both ASEAN and CER. This rejection occurred at the political level, for political reasons, despite an official recommen-

dation to proceed. Australia is not involved in the Asia-Europe summit and there are no prospects for involvement.

The third problem concerns Australia residing in a neighborhood where conflict and dislocation are on the rise. Australia is the metropolitan power in the South Pacific and a key player in South East Asia—inevitably it will become entangled in these intra-state and regional crises. As an Australian National University authority on the Pacific region, Benjamin Reilly has argued that almost every country in Australia's region "is currently beset by some kind of self-determination dispute, most of which are based around ethno-regional quests for control of, or secession from, existing states." Democratic governments in Fiji and the Solomon Islands have been deposed in recent years; violent separatist struggles are well advanced within Indonesia; and Papua New Guinea appears to be in systematic decline with the risk of growing internal violence. The risk of terrorism associated with the rise of Muslim extremism will only intensify in Indonesia and South East Asia. The Howard Government's 2000 White Paper warned that Australia "cannot be secure in an insecure region." Yet our own region is becoming more insecure.

The fourth issue is whether Australia will succumb to what I refer to as the "New Zealand malaise," with apologies to its Prime Minister, Helen Cark, whom I have previously upset with this idea. There is an argument that New Zealand is not in an economic crisis but a longer-run decline. Conceivably, it could become the only nation in 50 years to lose its developed country status. Professor Robert Wade, a New Zealander at the London School of Economics, warns that its standing as a first world nation is at risk and that its economic performance should engender "a sense of national emergency." It has not. Wade states that once a threshold is reached, the brain drain grows, companies cannot meet their skill needs, and public services erode. Another warning has come from New Zealand's Reserve Bank governor, Don Brash, who says that in the past 30 years its OECD rating has fallen from ninth to twentieth. Brash says that over the past decade New Zealand's GDP per person has fallen from being five percent below Australia's to forty percent below. That is a steep fall over a short time. Helen Clark, an able leader, told me in 2001 that she had worked to prevent the revoking of developed nation status for New Zealand, which loomed as a possibility.

For Australians who study New Zealand, however, this is a wake-up call. Will New Zealand's dilemma become Australia's dilemma in another 25 years? New Zealand suffers from a combination of geographical remoteness, small scale, low immigration, high brain drain, weak currency, a preference for distribution over growth, the institutionalization of a branch office economy as its corporate HQs move abroad, a strong political role for its Greens, a political system that demands a form of consensus-based decision-making, and the prevailing rationalization that having an IT strategy and becoming, in Clark's words, the "Finland of the South Pacific," will save it. If New Zealand's decline continues, it should register alarm bells for Australia.

One of our leading economists, Professor Ross Garnaut, identified this risk as the danger of marginalization. He talked about the possibility of Australia's marginalization arising "as a result

of distance from the main centers of economic activity and political weight, small size, and cultural and political separation from its largest and natural trading partners in Asia."

The globalized world means that relative power is changing faster than ever before. The consequences for nations getting things wrong (witness Thailand and Indonesia during the Asian financial crisis) are worse than before, yet the dividends that flow from getting things right (witness Ireland) can be immense and rapid. The task facing nations today is to manage multifaceted change. Having a sophisticated electronics industry is pointless if your financial system isn't working (witness Japan). Likewise, having a strong resources base is worthless if there is a susceptibility to institutional failure (witness Argentina). These challenges relate to both domestic and external policy and highlight the link between them.

The overview I have sketched constitutes a serious long-range strategic issue for Australia that warrants a national reassessment.

How should Australia respond?

My argument is that we need to conceptualize a new national project that begins with two elements: leadership and national vision. Australia, at key moments in its history, has produced both and it needs to do so again. Professor Michael Porter of Harvard University, a world authority on the competitiveness of nations, says that nations today first must decide what they aspire to achieve in the global economy. Singapore's dynamic Trade Minister, George Yeo, reflecting on Singapore's amazing success story over the past 40 years, says that political galvanization is the key. I accept both propositions.

The essence of the new national project is a better-defined and more committed role for Australia in the world. It poses an international strategy unique to Australia that reflects our particular circumstances. One of the perverse aspects of our national debate is how often our own strategic circumstances are ignored, often to the point of an assumed irrelevance. Australia's situation is not akin to that of Sweden, Canada, Japan, or the Netherlands. In the discussion about asylum-seekers, Australia is one of the few nations that has a large-scale immigration program to defend; in the Kyoto protocol debate, Australia correctly sought to safeguard its own energy sector by winning more generous emission deadlines; as the idea of universal human rights takes hold Australia knows that any failure to achieve Aboriginal reconciliation will promote the internationalization of this struggle. The task is to define Australia's own requirements. The more our strategic circumstances are defined the more unique they appear. The world is now wired up but it is folly to think that the globalized age eliminates the need for national strategies. The truth is that it poses fresh challenges for national strategy.

In devising a new national project, Australia must increase the resources dedicated to managing its role in the world. The global age will demand global citizens in both cultural and technological terms, and Australia needs a more sustained and direct effort to produce an international citizenry with the skills to succeed across borders and cultures. This point sounds obvious, but

it is yet to be absorbed into a national policy. The new national project must multiply our hard power assets; that demands an ongoing successful economy, which can sustain a dependable military base. Australia must also devise, for the first time, a "soft power" strategy to maximize its position in the age of information, globalization, and image. It needs a foreign policy that is bilateral, regional, and multilateral; these facets should be seen not as alternatives but as layers in a self-reinforcing approach. Above all, Australia needs a culture that is outward-looking and capable of developing many people networks with the world.

Australia's assets for tackling these challenges are substantial: a strong legal and political foundation; a diverse society with a high degree of shared values; a community that puts a premium on knowledge skills; an inclusive democracy that road tests policy according to the national interest; a rapid start-up rate for new technology and an interest in new ideas; a relative open economy, and a meritocracy that still protects the under-privileged.

The top priority in the national project is an economic vision for Australia. Despite our national success over the past decade there is still a deep uncertainty about the place of Australia in the global economy. The Treasurer, Peter Costello, has put the challenge in easily understood terms: "Australia is going to have to work harder to stay in front of other nations. We are looking at a European Union of 350 million and a North America free trade zone of 350 million. We need a business environment which is not just better than it was compared to Australia in the past, but is better than other countries that are also competing for the best and brightest."

Australians expect to be economically successful—an expectation that has intensified over the past 20 years—and they will respond to new road maps.

Becoming globally competitive was the most important economic decision Australia took in the past generation. This was implicit in the transition from a closed to an open economy, yet this policy needs to be more explicit. Australia needs to entrench in its decision-making and in its laws the concept of global competitiveness. This requires translating the work ethic associated with our sports culture to the center of our national life. This process is underway and the results, so far, are impressive. Australia was the fastest growing major industrial economy during the 1990s with an average of 3.8 percent growth a year. This expansion has now run beyond ten years; it has survived the East Asia crisis and the recent U.S. downturn; and it has increased Australia's GDP by 46 percent in a decade. One of Australia's prominent private sector economists, John Edwards, argues this result flows from four trends: higher productivity, low inflation, a transformed economic base, and an open economy. Australia's economic diversification is scarcely grasped. In a nation that once survived "off the sheep's back," agriculture now accounts for three percent of GDP. While mining and agriculture contribute significantly to exports, they have been outpaced by exports of manufactured goods and services. Just as the composition of exports has diversified, so has their destination. While East Asia takes more than 55 percent of exports, the main destinations are Japan, America, South Korea, New Zealand, China, and Singapore. China is destined to become our major trading partner.

Australia is absorbing a great lesson of the globalized age; open economies create networks of global stakeholders. This has happened with Australia, and the trend will intensify. Australia's overseas investments—its overseas assets—are now worth $420 (Australian) billion (a dramatic lift over the past decade), which is about half the worth of foreign investment in Australia at A$813 billion. While North East Asia is the primary region for Australia's trade, the U.S. and the U.K. are the drivers of the investment relationship. North America is the largest investor in Australia and the largest destination for Australia's investment abroad. The U.K. runs second on both measures. A third of all regional HQ operations in Australia are European and of those half are British. There are 1000 Australian companies active in the U.K., many using Britain as a base into Europe. Despite the East Asian crisis, trade in goods between ASEAN and Australia grew by 62 percent from 1996 to 2000.

My point here is that Australia has a more diverse array of global economic stakeholders than is usually appreciated. The logic of Australia's position is to turn the non-availability of membership of a discriminatory trading bloc into a plus. Australia has had no choice but to run a competitive global economy, and the advantages of doing just that are immense. This is the lesson of the past twenty years. Australia has been making a virtue out of necessity; the necessity remains, so the current global strategy needs to be renewed. This is vital because both the Howard Government and the Labor Opposition have shown weakness in pursuing an ongoing economic reform agenda, and political support for such policies has been fragmenting due to the so-called "reform fatigue," much of which is a media invention.

The mission statement for Australia should be to accept the logic of its situation and to become a fully open and highly competitive economy, indeed the most open national economy free-standing outside any preferential trade bloc. This is the best first step to ensure that Australia makes its 1990s performance into a new paradigm.

The best second step is to capture the next wave of economic productivity—the creation of a knowledge economy. This is where Australia needs to do far more. It is where being globally competitive becomes a good news story. It is not about impersonal market forces, but the belief that the most successful nation will have the most educated and creative people. It is a new awareness of an old truth; the quality of the human capital is the ultimate asset. It means a greater investment in academic institutions and life-long learning. For Australia this requires a significant cultural adaptation. If there is one lesson I would like Australia to learn from the U.S., it is the magnitude of the commitment to tertiary education ("knowledge for the sake of knowledge"), not just knowledge as a path to higher income. For Americans, the college system represents a rite of passage that has no duplication in Australia and the commitment of the American family to higher education exceeds that of their Australian counterpart. Unless Australia confronts this challenge quickly, then its recent economic success will prove to be an aberration—a conclusion that our self-deluding political class seems bent on denying.

Of course, there are many facets to investment in human capital. Australia must upgrade its research and design in public and private sectors, develop industries where it has a comparative

advantage—biotechnology, environmental management, and parts of the ICT sector—champion centers of research excellence, and reform its university funding. This should involve the public slaughter of the "one size fits all" university system to achieve universities that are differentiated by quality and content.

The Australian population is fundamental to the new national project. It is our vital national asset, yet it is being eroded.

For the past 50 years Australia has run a remarkable exercise in social engineering. The immigration program has brought 5.9 million people to our shores, a per capita rate that exceeds that of the U.S. The portion of our population today that was born overseas is more than double that of the U.S. But the vision that sustained this program has faded; it needs to be revived and this is a feasible political aspiration. Population growth is a function of fertility and net immigration. Our fertility rate, now below that of the U.S., is likely to follow Canada's and fall to about 1.65 births per woman, far below the 2.1 generational replacement. Our immigration levels are currently low by historical standards. Net immigration is running at about 80,000 to 90,000 and this figure could be artificially high because of the excess of students in the numbers. The combination of falling fertility and weaker immigration threatens population decline within a generation. The good news is that Australia's advance down this path is recent; and it still has an opportunity to reverse the trend.

Our mission should include a new population policy cognizant of both fertility and immigration to achieve ongoing population growth. Peter McDonald, the Australian National University (ANU) Professor of Demography, has delivered two messages: the right government policies can check fertility decline, and Australia should respond to the more competitive global market for immigrants. The point is that a government strategy is needed not just to keep Australia on the population growth path, but also to achieve a reasonable growth rate.

The ANU's Glenn Withers has stated that a population growth target of 1.25 percent a year as feasible; it is useful to examine here the implications that flow from his argument. This target, in fact, is the same population growth rate of the last twenty years. It could be achieved by stabilizing fertility at 1.65 percent compared with the current (and falling) fertility rate of 1.78, and lifting immigration to make up for the difference, from approximately 80,000 today to 200,000 by 2050. This is very ambitious and would require a major re-casting of policy. Withers argues such a policy could alter significantly Australia's position at mid-century. On his calculations it would mean a population closer to 40 million instead of the 21-25 million on current trends. This would position Australia more favorably within the constellation of Asian states; it would also make Australia more competitive with the major European states, for which current trends project 14 million (Netherlands), 41 million (Italy), and 56 million (Britain) by the mid-century.

It is hard to imagine that Australia can reach this target, and I am not suggesting it as an aim. The real point, however, is whether the Australian Government dedicates itself to a population

growth strategy that focuses on both fertility and immigration. Future population projections are uncertain by definition. But the best way of ensuring that Australia validates its potential by 2050 is for a national government to pursue population growth as an important element in the Australian vision. The consequences of failing to embrace a more proactive policy will be to fall behind those nations that do. There are now signs of alarm from those developed nations anxious to avert any culture of decline. Germany is moving toward becoming an immigration nation and Britain is adopting an Australia-type migrant point system.

The successful combination of these two policies—strong economic growth and strong population growth—would significantly change Australia's GDP rating at 2050. It means that GDP could be substantially enhanced by mid-century compared with the status quo projection. The Withers projections suggest an economy of comparable size with middle ranking European nations, such as Italy, or middle ranking Asians, like Thailand. (While such projections cannot be exact they highlight the extent to which national choices taken today can lead to very different national outcomes in the future.) Population trends will underwrite a major shift in influence from Europe to Asia. Australia needs a population profile of a "young nation being renewed" not a "European in decline." This means that Australia would follow the likely strategy of the U.S. in the coming century: economic growth (off the back of population growth) and technological progress. It also means that Australia would have a far better chance of holding a credible military weight in its own region. It better positions Australia to assume greater responsibility for both security and civil society in its own unstable neighborhood—an obligation that cannot be avoided.

Australians should not be afraid to think and talk in these terms. In the U.S. there is free discussion about the relationship between population and national influence. For example, in the recent book by Joseph S. Nye Jr., the Dean of Harvard's Kennedy School of Government, (as I mentioned in my second lecture) this link is asserted. Nye says: "Population is one of the sources of power and most developed countries will experience a shortage of people as the century progresses. Today the U.S. is the third largest country; fifty years from now it is still likely to be third (after only China and India). In its effects on population and the economy, immigration bolsters America's hard power." The same argument applies in relation to Australia.

One of the arguments for a population growth strategy is the cause of equity. A growth economy is the necessary condition to improve the lot of the less well off. Those nations entering the threshold of decline are starting to see a series of demographically-driven inequities: the re-direction of GDP to health and welfare benefits for the aged; the shift in the ratio of workers to retirees, such that new taxes will be imposed on the former in the name of the latter; the redistribution flowing from the political revolution of the "over-55s", which Peter Drucker warns will be as powerful in some nations as the feminist revolution of thirty years ago; and the loss of innovation that would otherwise come from a community profile that is young with a skilled migrant component.

Such a policy would be irresponsible without proper attention paid to environmental sustainability. It is important to note, however, that many of Australia's environmental problems are not a function of population; urban and environmental problems that arise in major cities like Sydney should be dealt with by urban and environmental policies, not by restricting population in a continent that can absorb more people. A larger population will demand a more efficient approach to urban investment and a more effective series of regional strategies.

Central to the new national project is the idea of a "region plus" foreign policy. This means that Australia is not tied or limited to any one part of the world. It is the lesson from our 1990s experience: we engage with Asia but we are not limited by Asia; we deepen our ties with the U.S., but our ties with the U.S. do not limit us. We are not an economic supplicant in Asia; nor are we a deputy sheriff to the U.S. Our natural trade partners are in Asia; our natural investment partners are the U.S. and Britain; our security zone lies in Asia and our main alliance is with the U.S. This foreign policy is not a zero-sum game where any weakening in Asia means a strengthening in America. It is the reverse of the zero-sum. The more successful Australia's ties with one region, the more probable are successful ties with other regions.

In my first two lectures I dealt with engagement with Asia and the U.S. alliance—arguing that both their value and their limits had to be recognized. Neither idea should stand as the defining element of Australia's foreign policy because that would only restrict its own vision. Of course, it requires astute leadership to make a "region plus" foreign policy work. It means judging whether an FTA (Free Trade Agreement) with the U.S. might harm our trade ties to Asia; it means engaging with China in a way qualified by our U.S. alliance.

The imperative for a global vision is the lesson of the 1990s for Australia. Our primary security interest is increasingly that of global stability. Our primary trade interest is global: maintenance of the multilateral system and more multilateral trade liberalization in the Doha Round. Our primary financial interest is global: the maintenance of the liberal system of global capital flows from which Australian benefits in inflow and outflow. Our primary population interest is global: the need to achieve better arrangements covering unregulated people movements across borders.

In order to safeguard these global interests, Australia's tradition has been an agnostic and pragmatic strategy of building forums or coalitions—a strength through numbers. This has been the operating rule in the creation of the Asia Pacific Economic Cooperation Forum (APEC), the ASEAN Regional Forum, the Cairns group of agricultural trading nations, the umbrella group in the Kyoto process, and its latest version is likely to be the creation of a new Western Pacific group of nations following the emergence of East Timor. It recognizes that Australia alone has a limited influence, coalition building is to key to global influence, and that we need different coalitions to meet our different needs.

These proposals I have outlined are about hard power: our economic and population strengths, our knowledge industry capacity, our global stakeholding network and the potential

for effective foreign and defense policies. I am a believer in hard power and I think that Australia needs more of it, not less.

I believe, however, that Australia's singular recent failure lies in its inability to conceptualize its soft power as a national strategic asset. This is a construct that U.S. analyst, Joseph Nye, has used to encompass fully the U.S. influence in the world. For Nye, soft power is how "a country may obtain the outcomes it wants in world politics because other countries want to follow it, admiring its values, emulating its example…it co-opts people rather than coerces them." This is a powerful idea when applied to America, but I think it is undervalued as a tool for Australian policy.

For Nye the essence of soft power lies in values ("in the way we handle ourselves internationally") and in creating a sense of legitimacy for one's international aims. He nominates Canada, the Netherlands, and Scandinavia as states whose political influence is greater than their hard power would allow. The explanation lies in their mobilization of soft power (and also in their benign circumstances). The concept is elusive because soft power is elusive. The government does not monopolize soft power, as it is also embodied in the media, NGOs, popular culture, and a range of institutions. In a sense, the dilemma the U.S. faces with the Muslim world is a soft power dilemma. The answer to the question, "Why do they hate us?" is linked to the religion, culture, teaching, and media within these countries. As U.S. analysts are now realizing, military action risks intensifying the hate, thereby calling forth the need for complementary soft power strategies. As the information age intensifies, so will soft power.

Australia has been slow to absorb this new paradigm. The Howard Government prides itself in having a hard-headed foreign policy "in the national interest." Yet its interpretation of the national interest is too narrow and, on occasion, it is counter-productive. Nye argues that, as the information revolution grows, governments will have less control over foreign policy; the revolution will create multiple loyalties with citizens giving loyalty not just to nations, but to regions or trans-national interests, such as the environment or human rights; the notion of national security will change to encompass health threats, people flows, environmental risks, and terrorism; NGOs will rise in influence as the notion of global civil society evolves; soft power will shape the way issues are "framed" and presented to the global community in a way that is outside the reach of government. These changes are a function of globalization. Australia is well placed to use globalization to enhance its interests, yet its recent record has been disappointing.

What are Australia's soft power assets? It is a tolerant, unified, multicultural democracy—the dream image. Australia's key asset is the new kind of society and new identity that it is pioneering. This is captured in the philosophy espoused by successive governments and called "Australian Multiculturalism" by the Howard Government. Australian multiculturalism champions the right to ethnic and cultural heritage but only within a framework of loyalty and obligation to Australian unity. The official definition currently says: "Australian multiculturalism accepts and respects the right of all Australians to express and share their individual cultural heritage within

an overriding commitment to Australia and the basic structures and values of Australian democracy." It matches rights with obligations.

There are, of course, tensions within the very balance this definition seeks to achieve. There are many Australian politicians who distort this message in preference to one or another of its sides. I believe, however, that the Australian story over the past twenty years has been reasonably true to this vision. It offers a middle path between the outdated monoculture and the risk that diversity will degenerate into a "nation of tribes." This national skill will become more highly regarded because the multicultural state now faces severe challenges, with religious and cultural tensions likely to force the disintegration of some nations. The Australian vision is that of unity in diversity, and in this sense it can offer a model to the world. Two indicators pointing to its delivery include: the high rate of marriage between the children of migrants and the native born, and children of migrants, on average, slightly outperforming the native born at school.

The philosophy of Australian harmony runs far beyond migrant issues; it is embedded in our public policy tradition. Australia is virtually unique among industrial democracies in supporting both universal compulsory voting and a universal social safety net. This means that the political marketplace includes the entire community, and the welfare system is inclusive not exclusive.

From the late 1990s, however, due to a culture war on the domestic front, Australia has been crippled by projecting its inclusive democratic philosophy to the world. The debate over Hansonism revived the image of an old fashioned, racist Australia. The current refugee policy is a soft power disaster for Australia, regardless of its success or failure in deterring boat people. To the world, the refugee policy represents the old Australia—uniqueness in separation. The Howard Government chose to make its treatment of unregulated boat people a defining international issue by denying full refugee status to all arrivals in the offshore Australian territories, which was a repudiation of previously accepted international obligations. The number of refugees, asylum seekers and unregulated economic migrants, within the region, is sure to rise within the future, the big issue being the extent of economic emigration from China. Australia must decide whether it is part of the problem or the solution; whether it can shift to working within a regional framework or, ultimately, relying upon its unilateralist devices.

Aboriginal reconciliation is the final issue on which Australia's international standing is damaged. Australia needs reconciliation in its own right, the absence of which will have a foreign policy dimension. For much of the international media, the plight of the Aboriginal people is the main news story about Australia. That Aboriginal leaders had to resort to the United Nations to pursue their human rights represents a leadership failure at home and a breakdown of trust in the pursuit of reconciliation. As Gough Whitlam famously warned the nation, its treatment of the Aboriginals will be judged before the world.

Australia has enjoyed two major soft power successes in recent years. The first was the Sydney Olympic Games, which generated the most favorable worldwide image of Australia of any single event in my memory. In a deeper sense, the message of the games for Australia was

the deliverance of a world class, state of the art performance by setting its mind and resources to the challenge. Two years later, however, the feeling lingers that Australia has not maximized the potential from this effort.

The second example, and the main soft power success of the Howard Government was the international impact that flowed from Australia's leadership of the UN force in East Timor. (This was also, in its military deployment, an excellent example of hard power.) It was one of the most successful operations in the UN history, a perception not fully grasped within Australia. Indeed, the very success of the operation spurred a debate about whether East Timor could become a model for future interventions. Its success, however, highlights by contrast the recent decline in Australia's commitment to multilateralism and the need for Australia to redefine a strategy as a multilateral initiator.

Our tradition, originating in our strong role at the foundation of the United Nations, seems to have been lost. Yet the influence of the United Nations in international debate and affairs is growing, not receding, a reality conceded in the Howard Government's Defense White Paper. It is strange then that Australia's influence within the UN works in the opposite direction; its influence is receding not growing. That needs to be reversed since the logic of Australia's position as a middle power outside any tight regional group dictates a sustained role as multilateral initiator. This objective needs to be defined and backed by resources, money, and planning. Australia's recent efforts in the Cambodian peace initiative and the treaty banning chemical weapons are examples of such purpose. The reality is that the UN is a center of soft power activity, and Australia should be front and center in the debate about how to reform and restructure the global organization.

Britain's Tony Blair has commented upon the utility of the BBC as one of Britain's prime soft power assets. Yet successive Australian Governments, with rare exceptions, have failed to appreciate the Asia-Pacific role for our own influential media assets: the ABC, Radio Australia, and Australia Television. The idea that these assets could have had a strategic soft power utility for Australia in a region where the demand for authoritative news will grow was completed overlooked.

The long-standing example of Australia's use of soft power has been the provision of university places for students from the region. This is now a major export business, as well as a soft power asset. Higher education enrollments for international students reached 107,000 two years ago and the numbers are growing strongly. The key to this process is the poor quality of our universities, which should be addressed. Beyond this, however, Australia has a major soft power problem in Asia; it is seen too often as a technologically primitive, under-populated nation with a racist tinge. Having read a number of surveys commissioned in Asia about Australia, the gulf between image and reality works to Australia's detriment.

There is in Australia today an uncertainty about its role in the world and that is driven by an uncertainty over cultural issues at home. This uncertainty lies not in the outside world but in

our own minds. Australia's challenge is to interpret itself to the globalized age and make this age work in its favor. This is Australia's project for the new century—to define its own uniqueness by articulating a new international strategy.