

Australian foreign policy futures: Making middle-power leadership work?

LORRAINE ELLIOTT

GREG FRY

WILLIAM T. TOW

JOHN RAVENHILL

National Library of Australia
Canberra
April 2008

Cataloguing-in-Publication Entry.

Title: Australian foreign policy futures : making middle power leadership work? / editor, Lorraine Elliott ; authors, Lorraine Elliott ... [et al.] .

Publisher: Canberra : Dept. of International Relations, College of Asia and the Pacific, Australian National University, 2008.

ISBN: 9780731531547 (pbk.) ISSN 1446-0726

Series: Keynotes (Australian National University. Dept. of International Relations) ; 08.

Subjects: Australian Labor Party--Platforms--Congresses.
International relations--Congresses.
Commerce--Congresses.
Environmental policy--Australia--Congresses.
Australia--Politics and government--1996-
Australia--Foreign relations--United States--Forecasting--Congresses.
Australia--Foreign relations--United States--Forecasting--Congresses.

Other Authors/Contributors:
Elliott, Lorraine.
Australian National University. Dept. of International Relations.

Dewey Number: 327.1

Published by Department of International Relations
RSPAS
The Australian National University
Canberra ACT 0200
Australia
Tel: +61 (2) 6125 2166
Fax: +61 (2) 6125 8010
Email: intrel@anu.edu.au
Web: <http://rspas.anu.edu.au/ir>

Series Editor Lorraine Elliott
Managing Editor Mary-Louise Hickey
Cover by RTM Design
Printed by Goanna Print

© Department of International Relations

Table of Contents

Introduction LORRAINE ELLIOTT	1
Environmental foreign policy: Making middle-power leadership work LORRAINE ELLIOTT	2
Australia in Oceania: A ‘new era of cooperation’? GREG FRY	9
Alliance versus engagement: Getting the balance right WILLIAM T. TOW	21
Whither Australian trade policy? JOHN RAVENHILL	27
Contributors	37

Introduction

LORRAINE ELLIOTT

The Australian Foreign Policy Research cluster in the Department of International Relations brings together scholars whose work examines various dimensions of Australia's engagement with the world. They combine conceptual analysis and theoretical investigation with evidence-based, policy relevant research. The commentary pieces presented in this *Keynote* offer some thoughts on the direction of Australia's foreign policy under a new Labor government. They focus on issue areas in which the new government has sought to make its mark early or which it has identified as a central pillar in Australian foreign policy: the environment, the Pacific, the relationship with the United States, and trade as key to future prosperity.

The commentaries reveal the complexity of the foreign policy challenges facing the new government—questions about priorities, legitimacy, and the need to deliver on promises. The authors all note the ways in which the Rudd government has sought to distinguish itself from the previous government, but also draw attention to areas in which change is less dramatic or is likely to be less dramatic than might at first appear. In assessing the first 100 days of the new Labor government's foreign policy, and in looking specifically to the foreign policy future, the commentaries examine the values and principles that the government has claimed for itself and that are so highly reminiscent of past Labor governments: middle-power leadership, good international citizenship, and niche diplomacy. But, as Greg Fry and Lorraine Elliott both note, the legitimacy of Australia's role and its reputation as a principled good international citizen will ultimately depend on what it does not just what it says or how it says it. In other words, the foreign policy future has to be one of practical implementation and effective engagement, not one that is measured only in terms of policy statements, initiatives, and changes in diplomatic style. Greg Fry suggests in his commentary on the Rudd government's relationship with the Pacific that this will require a genuine dialogue to overcome the perception that Australia has claimed a right to leadership from 'outside' the region or that it does so as a proxy for the interests of allies such as the US. These perception issues feature prominently in William Tow's exploration of Australia's relationship with the United States, the challenges that the government faces in balancing regional engagement with its alliance commitment, and the ways in which the government can revive its influence as an independent regional middle power. John Ravenhill also draws attention to the reputational aspect of foreign policy in his analysis of trade policy and the importance to Australia's prosperity of being perceived as a fair and principled trader. Together, the four commentaries offer a thoughtful and thought-provoking analysis of the role of foreign policy in advancing the new government's goals of security and prosperity.

Environmental foreign policy: Making middle-power leadership work

LORRAINE ELLIOTT

In its 2007 Party Platform, in anticipation of winning the federal election, the Australian Labor Party proclaimed protection of the global environment to be a vital foreign policy objective and promised to 'rebuild Australia's reputation as a world leader on international environmental issues'.¹ Kevin Rudd reiterated this promise when he delivered the annual Fraser Lecture in Canberra on 30 May 2007, telling his audience that 'Labor wants Australia to return to its role as a good global citizen and ... a creative and active middle power'.² The new government took some early and very public steps in this direction (although it would be wrong to suggest that the Howard government had entirely neglected environmental issues or that it had made no contribution to the development of multilateral environmental agreements).³ The very first official act of the Rudd government, on 3 December 2007, was to fulfil its election promise to ratify the 1997 Kyoto Protocol to the 1992 United Nations Framework Convention on Climate Change (UNFCCC) which the Howard government had signed in April 1998 but had taken no further. Prime Minister Rudd then led the Australian delegation to the High-Level segment of the Bali Climate summit where delegates applauded him for his efforts and where his new Minister for Climate Change and Water, Penny Wong, was commended for her contribution to bringing the negotiations for the so-called 'Bali Roadmap' to a successful conclusion.⁴

Climate change was not the only global environmental issue on the new government's radar. While the Howard government had been an active supporter in international meetings of a moratorium on whaling,

¹ ALP (Australian Labor Party), *National Platform and Constitution 2007*, 44th National Conference, 27–29 April 2007, p. 241.

² Kevin Rudd, 'An action agenda for climate change', Annual Fraser Lecture, Belconnen Labor Club, Canberra, 30 May 2007, p. 14.

³ For a review of the ten years of the Howard government's environmental foreign policy, see Lorraine Elliott, 'Pragmatism, prosperity and environmental challenges in Australia's foreign policy', in James Cotton and John Ravenhill (eds), *Trading on alliance security: Australia in world affairs 2001–2005* (Melbourne: Oxford University Press, 2007); and Lorraine Elliott, 'Australia in world environmental affairs', in John Ravenhill and James Cotton (eds), *The national interest in a global era: Australia in world affairs 1996–2000* (Melbourne: Oxford University Press, 2002).

⁴ In full, the UN Climate Change Conference included the 13th Conference of Parties under the UNFCCC, the 3rd Meeting of the Parties to the Kyoto Protocol, and the 27th sessions of the Subsidiary Body for Implementation and the Subsidiary Body for Scientific and Technical Advice.

the Labor government appeared to be seeking to be activist rather than just active. The new Minister for the Environment, Heritage and the Arts, Peter Garrett, sent the customs ship *Oceanic Viking* to shadow the Japanese whaling fleet and gather evidence that could be used to support international legal action against whale hunting masquerading as 'scientific research'.⁵

These two high profile acts were intended to demonstrate that the government was taking the agenda of global environmental issues seriously and that it was acting to distinguish itself from the Coalition government that it replaced. However, few other international or transnational environmental issues were given much airtime during the election. We therefore have little information on what principles and values will guide the Rudd government's policy on international environmental issues or how those principles will translate into actual policy. The 2007 Party Platform spoke of foreign policy values only in general, albeit familiar, Labor terms: revitalising an activist tradition in international affairs, pursuing targeted middle-power diplomacy and multilateralism, and support for the United Nations. Various prime-minister-in-waiting speeches rehearsed not only these values but used that term not heard much during the Howard years—good international citizen.⁶ Stephen Smith reiterated the government's commitment to good international citizenship in his very first speech as Foreign Minister. The question is, what does this mean for environmental foreign policy? More to the point, what should it mean?

The government has said that it is committed to the process set in place by the 1992 United Nations Conference on Environment and Development (UNCED) as the framework for its international environmental policies. To this end, the Rudd government's policies on global and transnational environmental challenges should be informed by and provide clear evidence of a commitment to two important UNCED principles: precaution and common but differentiated responsibilities (CBDR). The precautionary principle was inscribed into international environmental agreements to preclude inaction on the grounds of scientific uncertainty. It has increasingly come to signify a more general expectation that, in the face of continuing environmental risk, our actions and activities should be precautionary, that is we should act to ensure good results and avoid bad ones. In this larger sense, the precautionary principle recognises that transnational and global environmental degradation is a form of harm that is displaced across the

⁵ The government said that it was giving 'serious consideration' to such legal action. The 2007 Party Platform had promised that the government *would* take such action; ALP, *National Platform*, p. 242, para 112.

⁶ See Rudd, 'An action agenda for climate change', p. 14.

boundaries of sovereign states, and also across time, through the processes of extraction, production, and consumption.

The roots of the CBDR principle lie in the bargain struck between developed and developing countries at UNCED in response to environmental harm. In its simplest terms, CBDR is a burden-sharing principle. It recognises that developing countries have fewer resources to respond to environmental challenges. It acknowledges also that developing countries are disproportionately affected by environmental degradation, even though they frequently make smaller contributions to global and transnational environmental degradation (especially when measured on a per capita basis). Principle 7 of UNCED's Rio Declaration makes this explicit. It says that 'developed countries acknowledge the responsibility that they bear in view of the pressures that their societies place on the global environment and of the technologies and financial resources they command'. Nothing in CBDR releases developing countries from longer-term obligations to reduce their environmental impact. However the expectation, made explicit in many multilateral environmental agreements (MEAs) including those to which Australia is a signatory, is that developed countries will take the lead in reducing their own global and transnational environmental footprint and providing assistance to developing countries and peoples to adapt to the adverse consequences of environmental degradation. In their shadow ministerial capacities, Garrett and Bob McMullan chastised the Howard government for neglecting Australia's CBDR obligation under the UNFCCC, implying that a Labor government would do better.⁷ An active commitment to CBDR would constitute a commitment to what Foreign Minister Smith has called the government's obligation to 'deal with other nation states with civility, dignity and respect'—the basis, he said, of being a good international citizen—and giving a 'helping hand to those less fortunate and standing by them'.⁸

The government has made a good start on its environmental foreign policy, but (to coin a phrase) it will have to show that it can 'walk the walk' as well as 'talk the talk' in putting its general principles into action. Signing Kyoto was an important symbolic step but it will mean little if the government is unable to deliver on its commitments under that agreement and the UNFCCC, if it resiles from its pre-election promise to reduce Australian emissions by at least 60 per cent by 2050, and if it does not follow through adequately on a range of other climate

⁷ Peter Garrett, MP and Bob McMullan, MP, 'Federal Labor's plan for international development assistance and climate change', 24 July 2007, p. 3.

⁸ The Hon. Stephen Smith, 'Speech notes for the annual diplomatic corps Christmas party', 3 December 2007, Canberra, <www.foreignminister.gov.au/speeches/2007/071203.html>.

commitments such as its Pacific Climate Strategy or the Papua New Guinea–Australia forest carbon partnership. The measure of its commitment as a ‘good climate citizen’ will also be tested by the policy position and negotiating strategy that it adopts at two, tandem negotiations over the next two years—the Ad Hoc Working Group on Long-Term Cooperative Action under the UNFCCC (a body established at the Bali Conference of Parties) and the Ad Hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol. It is in these meetings that future commitments to greenhouse reductions will be negotiated and where the government has an opportunity to demonstrate its climate credentials. The government has said that it wants any post-2012 agreement to be ‘equitable and effective’ and that developing countries must agree to binding commitments (a form of words almost identical, in fact, to that used by the Howard government).⁹ The Rudd government will need to be clearer on what it means by equity in this context. Further, its expectation of binding obligations for developing countries needs to be reconciled with its recognition of CBDR and its own commitment to take a lead in emissions reductions and capacity-building for adaptation and mitigation.

The agenda of global environmental issues which the government needs to address, and in some cases address aggressively, is much bigger than just climate change and whaling as a quick glance at the schedule of even some of the meetings taking place over the next several months shows. These meetings include both the Plants and Animals Committees of the Convention on International Trade in Endangered Species (CITES), the Standing Committee of the Ramsar Convention on Wetlands, the Informal Consultations of States that are party to the Fish Stocks Agreement, various expert and intersessional meetings of the International Tropical Timber Organisation, the UN Forum on Forests, and ad hoc working groups and review committees under both the Rotterdam Convention on Prior Informed Consent (PIC) and the Stockholm Convention on Persistent Organic Pollutants (POPs). There will also be full Conferences or Meetings of Parties for (among other things) the Convention on Migratory Species, CITES, the Convention on Biological Diversity, the Convention to Combat Desertification, the Basel Convention on the Transboundary Movement of Hazardous Wastes, the PIC and POPs conventions, and the Montreal Protocol on Substances that Deplete the Ozone Layer. The sixteenth session of the Commission on Sustainable Development (on which Australia sits at present) in May 2008 will focus on agriculture, rural development, land, drought, and desertification, areas in which

⁹ See <www.greenhouse.gov.au/international/kyoto/index.html>.

Australia has particular expertise. Add to this, meetings such as the Fourth Global Conference on Oceans, or the Eleventh International Coral Reef Symposium and it is clear that there will be plenty of policy development and practical participation to keep the relevant departments and new ministers busy.

Within this broad agenda, there are some specific policy areas in which the new government can move to reinforce its claims as a multilateralist, middle-power, good international environmental citizen. While much attention has been given to the Kyoto Protocol on climate change, little has been given to another international environmental protocol that the Howard government refused even to sign let alone ratify—the 2000 Cartagena Protocol on Biosafety. This agreement, a protocol to the 1992 Convention on Biological Diversity, addresses the safe transfer and management of living modified organisms (LMOs) that might have adverse affects on the conservation and sustainable use of biodiversity. The Howard government's position was driven by a selective multilateralism, a conviction that national strategies would be more effective than international ones in managing any border control issues associated with the movement of LMOs, and the view that there was no clear scientific understanding of what 'adverse affects' might mean. The government was also opposed to a broad-based liability regime and to anything that it saw as unnecessarily prescriptive in MEAs. At the time of writing, the new government has announced no timetable for considering accession to the Cartagena Protocol even though two important meetings are scheduled in the first half of 2008 alone. However, Labor's declared commitment to finding multilateral solutions to global and transnational environmental issues should encourage its accession to the Cartagena Protocol. Its preference for niche diplomacy would suggest that its policy on liability and redress, whatever that policy might be, can be best pursued by being part of the process rather than standing aside from it. And if the government is to be guided by the precautionary principle, then opposition to participation in and commitment to the Protocol cannot continue to be argued on the basis of a lack of scientific uncertainty about what constitutes an 'adverse affect'.

Labor has already said that it strongly supports the work of the United Nations Environment Programme (UNEP) and that it will pursue reform aimed at enhancing UNEP's advocacy of global environmental concerns. One way to do this is to support the moves to 'upgrade' UNEP to a United Nations Environment Organisation (UNEO). The whole issue of institutional reform has been on the international environmental agenda since the 1997 UN General Assembly Conference (UNGASS) to review implementation of Agenda 21. The growing institutional and issue complexity of the agenda of global and transnational environmental challenges was simply not

anticipated when UNEP was established 36 years ago. Resolutions to strengthen UNEP and commitments to provide it with adequate support and financial resources have been adopted at every global environmental summit and UNCED review meeting since 1992, mostly to no avail. If UNEP is to become a specialised agency under the UN system, rather than just a program of the Economic and Social Council, a number of institutional models are available: the tripartite structure of the International Labour Organization; the executive board and assembly model of the World Health Organization; or the much stronger authority model of the World Trade Organization. Australia presently sits on UNEP's 58-member Governing Council/Global Ministerial Environment Forum and will do so until the end of 2009. It is therefore in a good position to support and work with countries such as France, Germany, South Africa, and Singapore who have called for institutional strengthening of global environmental governance based on UNEP. The government could also pursue its middle-power strategy of working with like-minded governments by joining the more than 50 countries from North and South that together constitute the 'Group of Friends of the UNEO'.

Environmental foreign policy will need to focus on more than multilateral meetings and institutional reform. The fourth *Global Environment Outlook* from UNEP was clear that 'environmental degradation continues to threaten human well-being'.¹⁰ This makes foreign environmental policy a matter of human security and one that needs to recognise the importance of adaptation as much as mitigation—building resilience as AusAID puts it.¹¹ Australia's reputation as a good international environmental citizen will therefore be judged by the way in which it responds to these well-being concerns through a commitment to democratic and participatory capacity-building, knowledge transfer, and technological assistance on environment and natural resource issues. This is one area in which the government can demonstrate the 'strong focus on Asia and the Pacific' that Foreign Minister Smith has identified as a key pillar of Labor's approach to foreign policy. The lead issue thus far has been climate change with the government promising to increase aid expenditure on climate change, develop a Pacific Climate Change Strategy, build capacity for better forest management, share Australia's climate expertise with developing country neighbours, and participate in greater measure (and with greater amounts) in multilateral and bilateral

¹⁰ United Nations Environment Programme, *Global Environment Outlook 4: Environment for development* (Nairobi: UNEP, 2007), p. 34.

¹¹ See AusAID, *Aid and the environment—building resilience, sustaining growth* (Canberra: Australian Agency for International Development, August 2007).

programs of assistance. This commitment needs to be applied in similar vein to other environmental challenges that face countries in the region. AusAID's 2007 environmental strategy document sets out a useful agenda of existing challenges and emerging priorities, ranging across water shortages and pollution, poor air quality, land degradation and desertification, deforestation, over-exploitation of fish stocks, species vulnerability and loss of biodiversity, and degradation of coastal and other important habitat. To this we might add issues such as transnational environmental crime (wildlife smuggling, timber trafficking, black market in prohibited or regulated chemicals, and waste dumping) to which the Association of Southeast Asian Nations (ASEAN) and the regional offices of UNEP and the UN Office of Drugs and Crime are turning their attention.

The Prime Minister has said that Australia wants to be a leader on international environmental diplomacy. While the new government's position on climate change and whaling has begun this process, the legitimacy of its environmental leadership credentials cannot rest on these two issues alone. Nor can it be confined only to the corridors of diplomatic negotiations. Middle-power leadership on global environmental issues will require continued attention to a range of other environmental challenges and clarity on how the values, principles and ethics of good international citizenship inform specific environmental goals and objectives in Australia's foreign policy. It will also require evidence that this translates into effective policy outcomes that respond not just to the efficiency demands of overcoming environmental degradation but also to the human security demands of improving the well-being of those who are most affected and most disadvantaged by global and transnational environmental degradation and its causes.

Australia in Oceania: A ‘new era of cooperation’?

GREG FRY¹

The Rudd Labor government came into office with a determination to change the diplomatic style of Australia’s engagement with the Pacific following the serious deterioration of relations with key Pacific governments in the closing years of the Howard government. It also planned to change the substance of the policy framework. As spelt out in Kevin Rudd’s July 2007 address on a future Labor government approach towards the Southwest Pacific, the new policy was intended to constitute a ‘new approach to Australia’s arc of instability’—‘fresh ideas for new challenges’.² Such an approach would emphasise the ‘economic’ rather than the ‘military’; and ‘economic development challenges as a priority’, not as ‘afterthought’. The approach would be ‘proactive’ rather than ‘reactive’; and ‘long term’ rather than ‘last minute’.

This claim to a significant departure in Australia’s approach to the Pacific was confirmed in the ‘Port Moresby Declaration’ of 6 March 2008 where the new Australian government states that it is ‘committed to beginning a new era of cooperation with the island nations of the Pacific’, one that is based on ‘partnership, mutual respect and mutual responsibility’.³ In the press conference associated with the release of the declaration, Prime Minister Rudd stated that:

We are carving out a new chapter in the relationship between Australia and Papua New Guinea. We are carving out a new framework for our relationship with the rest of the pacific island countries.⁴

The centrepiece of the new policy approach—the Pacific Partnerships for Development—has also been presented as a ‘fundamental rethink of the direction of Australia’s development assistance strategy in the region’.⁵

¹ I would like to thank Tanya Bilanenko for her valuable research assistance.

² Kevin Rudd, ‘Fresh ideas for future challenges: A new approach to Australia’s arc of instability’, address to the Lowy Institute, Sydney, 5 July 2007, <www.alp.org.au/media/0707/speloo050.php>.

³ ‘Port Moresby Declaration’, Media Release, 6 March 2008, <www.pm.gov.au/media/Release/2008/media_release_0118.cfm>.

⁴ ‘Joint Press Conference with Prime Minister Somare, Port Moresby’, 6 March 2008, <www.pm.gov.au/media/Interview/2008/interview_0121.cfm>.

⁵ Rudd, ‘Fresh ideas for future challenges’.

Each Australian government since the mid-1980s has claimed a new beginning in its policy approach to engagement with the Pacific. They have each asserted regional leadership and a vision for a desired regional order but each was ultimately unable to achieve its objective. Their engagement with the area and their claim to a leading role could not gain the required political legitimacy among those they were seeking to influence. They faltered either because the Australian governments claimed a natural right to lead without earning the political legitimacy for this role; because the regional vision was too ambitious, or inappropriate; or because it was pursued purely in terms of Australia's interests without adjustment to other interests in the region, or pursued on behalf of others outside the region in a 'deputy sheriff' role; or because policies were pursued in an offensive, disrespectful and hectoring manner.

It was not only the Howard government's ambitious attempts to remake what were seen as the failed or failing states of the region, through 'cooperative intervention', which came up against a legitimacy deficit.⁶ Equally ambitious earlier attempts by Labor governments to remake what was already seen as an 'arc of crisis' in the 1980s and 1990s were not any more successful in gaining legitimacy for Australian engagement, and therefore failed to achieve their objectives. In his advocacy of a new 'partnership' approach (dubbed 'constructive commitment') in 1989, Senator Gareth Evans admitted that the Labor government's earlier attempts to construct a preferred regional security order had failed. Perhaps more pertinently, Paul Keating's vigorous promotion in the early to mid-1990s of the remaking of Island state economies along neoliberal lines and the signing of partnership agreements on sustainable development of resources also failed to gain legitimacy.⁷

How might we then judge the prospects for the new approach to define a legitimate engagement with the Pacific states? For many critics of past Australian approaches, the key to legitimate engagement relates more to *how* Australia conducts itself rather than what it is promoting. An important starting point therefore is an exploration of whether there is a fundamental shift in Australia's ability to be taken seriously in the dialogue it has with Pacific states. But the legitimacy question also turns

⁶ Tarcisius Tara Kabutaulaka and Greg Fry, 'Towards legitimate engagement?', in Greg Fry and Tarcisius Tara Kabutaulaka, eds, *Intervention and state-building in the Pacific: The legitimacy of cooperative intervention* (Manchester: Manchester University Press, 2008).

⁷ See Greg Fry, 'Australia and the South Pacific: The rationalist ascendancy', in James Cotton and John Ravenhill, eds, *Seeking Asian engagement: Australia in world affairs, 1991-1995* (Melbourne: Oxford University Press, 1997); and Greg Fry, "'Constructive commitment' with the South Pacific: Monroe Doctrine or new 'partnership'?" in Greg Fry, ed., *Australia's Regional Security* (Sydney: Allen & Unwin, 1991).

on the appropriateness of the conceptual approach—what the engagement is trying to achieve, and assumptions about how it is best sought—and the extent to which this is a departure from the known pitfalls of past practice.

A BASIS FOR DIALOGUE?

In the short time since it came to power, the Australian Labor government has dramatically changed the atmosphere surrounding Australia's diplomatic relationship with the Pacific Island states. This has been most prominently represented in Prime Minister Rudd's efforts to restore working relations with Papua New Guinea (PNG). The well publicised photo of the Australian Prime Minister laughing with Prime Minister Michael Somare of PNG at the United Nations Climate Change Conference in Bali in December 2007 was an early signal that the serious diplomatic stand-off between the two countries had now ended.⁸ Relations between the two countries had become so strained in the closing years of the Howard government that proper dialogue between them was no longer possible. A ban on PNG ministers entering Australia was symptomatic of just how poor the relationship had become and of how difficult it would have been to restore relations without a change of government.

The rapprochement with the PNG government was confirmed during Prime Minister Rudd's subsequent official visit to PNG in early March 2008. For Somare, the poor relations of recent years were 'water under the bridge now'.⁹ He drew particular attention to the difference in personal attitude of Rudd who 'understands our people better' and Alexander Downer (the former Australian foreign minister) whom he holds responsible for the previous decline in diplomatic relations: 'The guy is too arrogant and self-important. He looks down on the Pacific Islander people'.¹⁰ Prime Minister Rudd showed respect in explicitly recognising Somare as elder statesman of the Pacific Islands region, and PNG as the leading Pacific state. Significantly, he chose PNG as the place to release Australia's new policy framework for all of the Pacific states.¹¹

⁸ Mark Forbes, 'Rudd and PNG leader mend fences in Bali', *Sydney Morning Herald*, 14 December 2007 <www.smh.com.au/news/world/rudd-and-png-leader-mend-fences-in-bali/2007/12/13/1197135660317.html>.

⁹ Alexander Rheeey, 'Australian PM visits PNG to build Pacific ties', Reuters, 6 March 2008 <www.alertnet.org/thenews/newsdesk/SYD315930.htm>.

¹⁰ Jonathan Pearlman, 'Somare appeals for return of Australian police', *Sydney Morning Herald*, 10 March 2008 <www.smh.com.au/news/national/somare-appeals-for-return-of-australian-police/2008/03/09/1204998283823.html>.

¹¹ 'Joint Press Conference with Prime Minister Somare'.

This diplomatic effort with PNG reflects what is undoubtedly a major and effective change in Australia's diplomatic style—less hubris, more respect, more personal attention from the Prime Minister, and more talk of 'partnerships' in the place of the 'our patch' rhetoric of the previous government. The restoration of diplomatic relations with Solomon Islands after the dark days of the standoff between the Sogovare and Howard governments in 2006–07 (and the snowballing of this standoff into a more widespread Melanesian revolt against Australia's Pacific role), is also likely to mean that Australia will have much stronger support at the regional level where its legitimacy had been under question. It should be emphasised however that the restoration of Australia—Solomon Islands relations would also have occurred under a Howard government because of the change to a pro-Regional Assistance Mission to Solomon Islands (RAMSI), pro-Australia government in Honiara in December 2007.

As well as demonstrating that he will deal with the difficult issues in the Pacific in face to face relations with leaders, Prime Minister Rudd has also appointed other levels of dialogue and consultation for the Pacific in addition to the office of the Foreign Minister. These are the new positions of Parliamentary Secretary for Pacific Islands Affairs, and Permanent Parliamentary Secretary for International Development Assistance. He has also indicated that he would like the next Forum to be held in Australia to 'send a clear message to our regional neighbours that Australia is back in business in Pacific affairs'.¹²

The re-establishment of diplomatic channels and personal relationships is an important departure after their serious deterioration in recent years. It allows the possibility of dialogue on the key questions around Australian engagement with Pacific states in relation to shared interests as well as separate interests. The case of Fiji is a vexed issue for the new government and may have shown the limits to its honeymoon period. While the Rudd government would have probably preferred quiet dialogue with the military regime and working with it to ensure a return to democracy in March 2009 as promised by Commodore Frank Bainimarama, the expulsion of the publisher of the *Fiji Sun*, Russell Hunter, drew Prime Minister Rudd into a public denunciation, with New Zealand's Prime Minister Helen Clarke, of the Fiji government's actions.¹³

¹² 'Rudd seeks to host Pacific Forum in 2009', *The Age*, 9 March 2008, <<http://news.theage.com.au/rudd-seeks-to-host-pacific-forum-in-2009/20080309-1y5f.html>>.

¹³ 'Joint Press Conference with Prime Minister Helen Clarke, Canberra', Media Release, 27 February 2008, <www.pm.gov.au/media/Interview/2008/interview_0101.cfm>.

Even more important than the re-establishment of channels of dialogue is the way dialogue occurs through these channels. To have Pacific leaders listen seriously to Australian positions requires an acceptance of Australia's right to be at the regional table and its authority to assert a leadership role (particularly in view of Australia's past insistence that it leads, but is not *of*, the region). In this regard, the atmosphere surrounding the relationship has also undoubtedly been affected positively by other policy initiatives of the new government which are seemingly aimed at other areas of policy.

The first is Prime Minister Rudd's apology to the 'stolen generation' within indigenous Australia. This is likely to have had a great deal of significance for key members of the elite in the Pacific states. The failure of Australian governments to acknowledge past wrongs done to indigenous people was always seen as a failure to come to grips with living in this part of the world. As explained by one Pacific Islander observer, this will make people actually listen to what Australia says at the regional table. It gives Australia a right to speak and be listened to seriously when it aspires to play a leadership role in the regional community. It is a first indication that Australia is prepared to begin to undertake the hard cultural work of acknowledging its history and place in the Pacific. The symbolic importance of this cannot be overstated.

The second major initiative which has contributed to a new basis for more effective engagement with the Pacific was the announcement that Australia had started the ratification procedures for the Kyoto Protocol. This was another enormous symbolic step for a Pacific audience for whom climate change is such a prominent issue.¹⁴ The failure of the previous Australian government to recognise Pacific concerns (and in fact to water them down in Pacific Islands Forum communiqués), or to acknowledge its own responsibility in any fundamental way, was a major obstacle to acceptance of Australia's aspiration to a leadership role in regional affairs.

Finally there was the early initiative of the new government, in February 2008, to close down what the Howard government had referred to as the 'Pacific solution'—the Australian-financed offshore detention centres in Nauru, and on Manus Island in PNG. Under this system of 'rendition', those who had come by boat into Australian waters to seek asylum were transported to the Pacific sites where they would be outside the jurisdiction of Australian law and responsibility. The establishment of these centres marked the moral low point of

¹⁴ 'PM commends Australia on Kyoto signing, looks forward to engaging with PM Rudd in Bali', Media Release, 4 December 2007, <www.pm.gov.pg/PMsOffice/PMsoffice.nsf/pages/C7E5FFCFB8DEEBC04A2573A80025E75A?OpenDocument>.

Australia's relations with the Pacific in the post-colonial period. The idea that the Island states should take responsibility for Australia's problems in order to benefit the Australian government in its own domestic politics was a very sensitive issue. The closing down of these centres, and the end of the idea of a 'Pacific solution' to Australia's problems, has undoubtedly removed one of the major factors contributing to Australia's lack of moral authority in its dealings with Pacific societies.

THE SECURITY-DEVELOPMENT NEXUS

While the centrepiece of the new policy framework is about economic development and governance through Pacific Partnerships for Development, this has to be seen as sitting within a broader security rationale. This rationale begins with the observation that the 'arc of instability' to Australia's north and northeast 'has gone from being a strategic concept a decade ago to becoming an unsettling strategic reality today'. In his speech to the Lowy Institute in July 2007, where he sets out the assumptions and arguments underpinning a future Labor government approach to the Southwest Pacific, Rudd argued that, for Australia, the trajectory of these developments within the 'arc of instability' is 'decidedly negative'. He contended that they are creating 'deepening challenges to Australia's national security' including the possibility of the spread of HIV/AIDS to Australia; the possibility of a wave of refugees from political violence or economic collapse; and narcotics, money laundering, people smuggling and arms trafficking. He included Timor, PNG, Solomon Islands, Vanuatu, Fiji, Tonga, and Nauru in his 'arc of instability'.¹⁵ He also included the Indonesian archipelago (but not in the policy he is advocating to counter the instability which is restricted to the Pacific states).

The second move within this rationale is to argue that recent Howard government approaches had clearly not been working effectively to slow these deteriorating trends. This leads to a third move—the advocacy of an alternative conceptual approach to deal with the challenges posed by political instability. The starting point for determining what that alternative approach should be is the assumption that 'there are deep economic drivers of the social and political instability that is causing havoc across much of Melanesia and beyond'. He therefore argued for a policy approach that deals with 'the entrenched causes of underdevelopment'. And as we saw earlier, he

¹⁵ Rudd, 'Fresh ideas for future challenges'.

asserted that this policy should be 'proactive' rather than 'reactive'; and 'long term' rather than 'last minute'.¹⁶

In drawing such a sharp distinction between his Pacific doctrine and that of his predecessor, Rudd is being a little disingenuous. It is true that Prime Minister Howard's 'cooperative intervention' in Solomon Islands was rushed. It was driven by Howard's need to demonstrate regional engagement in a Pacific 'war on terror' in order to deflect requests from Washington for more Australian troops in Iraq after the fall of Baghdad. For many key observers it was the rushed negotiation of the Enhanced Cooperation Program with PNG which led to its undoing. It could also be argued that it was reactive in security terms as Australia had the opportunity to intervene in a preventive mode in Solomon Islands much earlier but had refused the invitation. Rudd's implicit claim that the Howard government was not concerned with long-term solutions cannot be sustained. Prime Minister Howard continually argued that Australian engagement in state-building and development was 'for as long as it takes'. Indeed it was this insistence on a long open-ended time frame without exit strategy that began to needle the Sogovare government (while, it would seem, giving comfort to most Solomon Islanders).

The claim that the Howard government emphasised military solutions whereas the Rudd government's emphasis is on economic solutions is also hard to sustain. The Howard government endorsed the same assumption on the link between development and political stability. It is just that in some circumstances, it argued, law and order is a necessary priority, a proposition that Rudd has now supported in his extra deployments to Timor, and his decision to keep Australian forces in Solomon Islands. It was also reported that the possibility of sending Australian police back into PNG—this time at PNG's request—is under discussion following Rudd's meeting with Somare.¹⁷

The Howard government also saw an 'arc of instability' which posed a threat to Australia's security and which therefore required cooperative intervention in the Pacific states to restore order and help rebuild the state institutions and create a developing economy. Economic assistance and governance and indeed the free trade area were all part of that approach. Prime Minister Rudd similarly begins with a security imperative that involves the 'arc of instability' and ends up with Australian assistance in building 'good governance' and economic development as strategies to deal with this.

¹⁶ *Ibid.*

¹⁷ Pearlman, 'Somare appeals for return of Australian police'.

Where the Rudd government departs crucially from the Howard government approach is the way in which the security threat associated with the ‘arc of instability’ is conceptualised. The Howard government viewed the security threats associated with the arc of crisis through the prism of the ‘war on terror’ and the assumptions about failed states associated with that prism.¹⁸ Thus, failing states in the Pacific were seen as potential terrorist havens. This characterisation needlessly offended Pacific states (and no observer of Pacific affairs thought that this argument was a logical starter).

More importantly, in viewing the security imperative through a global lens, the Howard government also thought that it had a ‘special responsibility’ to the West, and particularly to the United States, to take care of security in this part of the world—in ‘our patch’ as Prime Minister Howard liked to call it. This created the perception that Australia was not only engaged in the Pacific for its own security interests but on behalf of others outside the region, and particularly as a ‘deputy sheriff’ for the United States (a role publicly confirmed by President George W. Bush). This undoubtedly contributed to the lack of legitimacy for Australian leadership at this time. On this issue, then, the Rudd government approach does constitute a significant departure, and one that should remove a factor that was of enormous significance in Australia’s failure to gain legitimacy for its initiatives under the Howard government.

There is, however, a worrying absence of reflection on the underlying assumption concerning the security–development nexus. Like earlier governments, the Rudd government has built its policy approach on the premise that increased economic growth and private sector development will necessarily deal with the political instability problem. The past history of Melanesian societies suggests that this is a questionable assumption taken as a general proposition. Development surrounding export industries on the Guadalcanal Plains was a major contributor to the civil strife in Solomon Islands and the copper mine was right at the core of the Bougainville conflict. It would therefore be as plausible to argue that economic development leads to political instability. What is required, then, is a more nuanced and argued defence of particular kinds of development rather than an open ended endorsement of private sector development, economic infrastructure, and economic growth as the panacea to political instability.

¹⁸ Terence Wesley-Smith, ‘Altered states: The politics of state failure and intervention in Oceania’, in Greg Fry and Tarcisius Tara Kabutaulaka, eds, *Intervention and state-building in the Pacific: The legitimacy of cooperative intervention* (Manchester: Manchester University Press, 2008).

PACIFIC PARTNERSHIPS FOR DEVELOPMENT

If economic development and good governance assistance is the key to achieving political stability in the arc of instability, according to the Rudd government approach, then the mechanism for achieving this is the idea of Pacific Partnerships for Development. It is the centrepiece of the new approach. The starting point is that the Pacific has failed to meet the United Nations Millennium Development Goals and that past approaches have failed. As set out in the Port Moresby Declaration, Australia will therefore provide:

increased development assistance over time in a spirit of mutual responsibility embracing commitments by the Pacific island nations to improve governance, to increase investment in economic infrastructure, and to achieve better outcomes in health and education.¹⁹

Under these bilateral Partnerships, Australia will also assist with enhancing private sector development, and with meeting ‘the challenge of climate change and sustainable management of resources’. Still under the broad rubric of the Partnership framework, but outside the development assistance sector, the Port Moresby Declaration also sets out an Australian government commitment to the promotion of a region-wide free trade agreement ‘linking the economies of the Pacific island nations to Australia and New Zealand and to the world’.²⁰ The Declaration also makes clear that the policy also promotes partnership between Australia and New Zealand in their economic assistance approach to the Pacific.

The Rudd government is explicitly embracing the language and the rationale underpinning the dominant practice in development philosophy and practice—an emphasis on partnerships, mutual responsibility, neoliberal economic principles, economic growth, free trade, close monitoring of progress, and conditionality. The framework is explicitly aimed at assisting Pacific countries to achieve the UN Millennium goals they have already signed onto. It mirrors the change in approach taken to development in indigenous communities within Australia and has many of the same features of the Economic Partnership Agreements that the Pacific countries are negotiating with the European Union. Like the broader model on which it is based, it favours substantial flows of economic assistance as long as the ‘mutual responsibilities’ are being met (what used to be called ‘conditionality’).

Although this is presented as a departure from past economic assistance policy, it is difficult to see in what ways it is without further details about its implementation. The idea that Australian aid should

¹⁹ ‘Port Moresby Declaration’.

²⁰ *Ibid.*

promote good governance, economic infrastructure, growth, private sector development, and work towards dealing with unemployment, health, and education policies is a very longstanding one. In its broad objectives and principles these ideas and practices have been at the centre of Australian economic assistance policy at least since the late 1980s. ‘Conditionality’ and ‘mutual responsibility’ has also been a central feature of economic assistance policy since the end of the Cold War. Although Prime Minister Rudd is reported as claiming that his government’s approach would ‘ensure a more cooperative approach to aid spending after complaints Australia’s former conservative government used aid to enforce its will on smaller nations’,²¹ it is not clear that the Partnerships would be any less conditional. Nevertheless, it is still possible that they could be perceived as less imposing if goals and means are already agreed through consultation.

There is nothing compelling in the argumentation presented thus far to suggest why this economic assistance policy should be effective where earlier efforts are generally regarded—by the international agencies, think tanks, academics, and indeed the Rudd government itself—to have failed. The failure of the Keating regional economic order with its emphasis on economic growth, neoliberal development and sustainable resource development should be particularly instructive in this regard.

The promotion of a regional free trade area is presented as an unproblematic approach to dealing with the ‘causes of underdevelopment’. This is a very contentious issue as it threatens local small industries in the Pacific countries. Any move in this direction will only be seen as legitimate if labour access to Australia is also on the agenda. Prime Minister Rudd has made it clear that such a scheme is under study and may yet be on the table at the Pacific Islands Forum.

LEGITIMATE ENGAGEMENT?

Under a Rudd government, the ‘on-the- ground’ Australian engagement with Pacific states will look much the same as that of the Howard government. There will be a continuation of the massive injection of economic assistance with the lion’s share going to PNG and Solomon Islands. There will also be a continuation of Australia’s largest footprint in the area—support for RAMSI in military personnel, policing, and economic assistance for as long as the Solomon Islands government desires it. Australia will also continue to pay for the bail-out of a bankrupt Nauru and Australian personnel will continue to run the police and the main government departments there. In relation to PNG, there

²¹ Rheoney, ‘Australian PM visits PNG to build Pacific ties’.

will also be the possibility of the return to an Australian police involvement but under different terms of engagement. In relation to Bougainville, Australia will continue to support post-conflict peacebuilding through economic assistance; while on Fiji the Australian position remains one of working through the Pacific Islands Forum to negotiate a move back to democracy while bilaterally maintaining 'smart' sanctions on the travel to Australia of members of the regime. The Rudd government will also continue to support regionalism and the Pacific Islands Forum as the key regional political arena for Australian engagement. Finally, the commitment to promote the regional free trade area is also a continuation of past policy.

The key 'on the ground' changes, as we have seen, are the closure of the 'Pacific solution' detention centres in Manus and Nauru, the new emphasis on climate change, climate change agreements, and the acknowledgement of Australian responsibilities in this area. Despite the claim to significant departure, the Pacific Partnerships for Development have familiar objectives and rhetoric. Nevertheless they may yet turn out to be an 'on the ground' policy departure if they represent a change in emphasis from the state to civil society, from 'ideal' governance institutions to the most effective means of implementation, and from goals and means set in Canberra to objectives and processes which are jointly arrived at, and monitored, through the joint commission model.

Like the Howard government before it, the Rudd government claims that these engagements are broadly driven by a concern to turn around political instability through the reform of economic and governance structures in Pacific states. While this seems unexceptional at one level—political stability and economic and social wellbeing would be a goal shared by most Pacific Islanders—past Australian engagement in these key areas has not gained political legitimacy among Pacific governments in any sustained way since its promotion in the mid-1970s. The ambition on the part of an outside party to implement social engineering on such a grand scale affecting ways of living in relation to land, gender relations, governance, authority, and wantok obligations, is obviously a highly sensitive undertaking.

While all Australian governments since the 1980s have used the rhetoric of 'partnership' in their approach to the Pacific Island states, this has usually been seen as a very thin mask for an approach dominated by the idea that Australia has a natural right to lead and does not need to earn political legitimacy as a member of a Pacific regional community. While the failure of successive Australian governments to achieve their objectives was usually put down to recalcitrant Island governments, the major issues relate more to how Australia has conducted dialogue with Pacific states.

On this score, there are a number of positive signs about the Rudd government's approach and they relate to the new style of governance of the relationship, the establishment of the basis for dialogue, and the way in which the notion of 'partnership' is interpreted. In its first few months of office the Rudd government's approach to the Pacific has struck a chord of humility and respect that has been rare in the history of Australia's relations with this region. It has also opened up important channels of dialogue, the most important of which is the readiness of the Prime Minister to deal with the 'big picture' issues in the relationship. Thus far we have seen a jettisoning of the public diplomacy of the Howard government in which Pacific Islands elected leaders were berated for lack of performance or corruption.

Ultimately, Australia's legitimacy in seeking to have a major say in how Island communities should be organised turns on how it is perceived in relation to a virtual Pacific regional community. Does it put itself inside the boundary of that regional community accepting that we have shared problems and concerns, or does it look out to an arc of crisis 'out there' which it sees as its responsibility to reform and develop? In opting continually for the latter approach, successive Australian governments have failed to gain legitimacy for their engagement. The initial steps that the Rudd government has taken does create the basis for dialogue and the first steps in positioning Australia within the region, not least by not presenting itself as acting for and on behalf of Washington.

This breaking down of the psychological barrier between Australia and the Pacific region 'out there' would be further enhanced by the Australian government recognising the significant Pacific Islander population within Australia.²² The richness of this human link with the region around Australia could be tapped, for example, by the creation of a Pacific Cooperation Foundation along the lines of the very successful New Zealand model. A second absence from the new policy approach is the education of Australians about the Pacific. The absence of even a basic education about our neighbours is now recognised by those responsible for implementing Australian policy as a major problem for legitimate engagement. While this has resulted in a 'cultural turn' in the curriculum of training courses for peacekeepers and officials, there is no Pacific content in Australian school curricula. Finally, there is thus far no move to allow access to Australia for Pacific workers. Such a scheme would help to break down the barrier between Australia and the region and help to balance the one-sided gains for Australia from a regional free trade area.

²² Katerina Teaiwa, 'Ignorance rife about Islander Australians', *Canberra Times*, 29 October 2007.

Alliance versus engagement: Getting the balance right

WILLIAM T. TOW

Australian Prime Minister Kevin Rudd has nominated the American alliance as one of the three basic 'pillars' of his new government's foreign policy. How long it remains so depends on his ability to anticipate and avoid policy traps relating to potential strains in US–Australia relations and to reconcile alliance ties with the other two pillars, Asian engagement and multilateralism. The stakes for Australia in achieving such anticipation and reconciliation are immense. If unsuccessful, Australia's national security, its regional standing, and its global influence will all decline precipitously.

At least two short-range challenges now confront Australia in managing its ties with Washington. First, the Americans are about to elect a new president. No matter who assumes power in the White House among the three viable candidates remaining in the 2008 presidential campaign, she or he will need to focus on reviving what has become a seriously weakened US foreign policy image. A President John McCain would replicate George W. Bush's determination to stay the course in Iraq, fight Islamic extremism, and promote global democracy through strong alliances. He will cling to most other aspects of his predecessor's foreign policy, but attempt to implement it by rebuilding an American military that has been exhausted by the Iraq War, stretched by counter-terrorist operations in Afghanistan, and undermined by preparing for conventional war missions that may no longer exist. McCain is also likely to be less conciliatory than Bush toward what he views as an increasingly bellicose Russia. Like Bush, he will be carefully supportive of current US policy to strengthen US–China relations if Beijing is sufficiently transparent about its future geopolitical intentions.¹

Whether either Hillary Clinton or Barack Obama wins the Democratic Party presidential nomination and, ultimately, the keys to

¹ John McCain, 'An enduring peace built on freedom: Securing America's future', *Foreign Affairs*, 86(6) 2007: 19–34.

the White House, a Democratic presidency would likely be more cautious than the Republicans in projecting US hard power abroad. Given the background of her key foreign policy advisors (including Richard Holbrooke and Madeleine Albright), Clinton would be more prone to project hard power, however, than Obama. The latter's foreign policy advisors appear to embrace the ideals of multilateral diplomacy and 'soft power'. Either Democratic administration would be more liable than its Republican counterpart to embrace the 'responsibility to protect' thesis and other aspects of 'human security' to justify US involvement in future humanitarian interventions, disaster relief operations, and active diplomatic campaigns directed against rogue states. Clinton and Obama are also strong proponents of reducing nuclear weapons and reconfiguring US military capabilities for more effective 'asymmetrical conflicts' against terrorists and anti-Western insurgency movements. Neither has revealed much about how they would approach great power politics, apart from expressing the relatively predictable judgements that good Sino-American relations should be promoted and that better US relations with Europe and rapprochement with Russia should be pursued.²

Rudd's endorsements of regional engagement and multilateralism would appear, at first glance, to be more compatible with the Democratic Party's foreign policy outlook. Still, McCain's emphasis on climate change, on the value of alliances, and his concerns about nuclear proliferation in Iran appear to correlate significantly with key components of Rudd's agenda. There is much less evidence that Rudd's emphasis on supporting the United Nations, re-thinking Iraq policy, and the geopolitics of China strikes much resonance with McCain or his advisors. Relations with China would be the most critical question if a McCain presidency materialised because Australia has every interest to sustain a judicious balance in its relations between Beijing and Washington. This remains true notwithstanding the February 2008 Australia–United States Ministerial Consultations (AUSMIN) communiqué, the wording of which seemed to project an unexpectedly strong level of Australian support for the Australia–Japan–US Trilateral Strategic Dialogue as a potential instrument of containment against rising Chinese military power.³ Neither Clinton nor Obama can match McCain's experience when touting personal foreign policy profiles. As Obama is fond of pointing out, however, experience does not

² Hillary Clinton, 'Security and opportunity for the twenty-first century', *Foreign Affairs*, 86(6) 2007: 2–18; Barack Obama, 'Renewing American leadership', *Foreign Affairs*, 86(4) 2007: 2–16.

³ Hugh White, 'Rudd govt getting a dose of the Howard stumbles', *The Interpreter*, 3 March 2008, <www.lowyinterpreter.org/post/2008/03/Rudd-Government-getting-a-case-of-the-Howard-stumbles.aspx#continue>.

automatically equate to good policy judgement as the Bush team's wealth of experience fell short in managing the Iraq situation.

Along with accommodating a new American leadership, the Rudd government faces a second challenge relating to the US alliance: sustaining its relevance at a time when international security relations are undergoing sweeping structural change. The Asia-Pacific region's economic growth and enhanced strategic importance are becoming central factors in the global balance of power. Paradoxically, sustained American obsession with the Persian Gulf, the Israeli–Arab dispute, Iran, and international terrorism has arguably relegated most of Asia (China is the exception) to a lower importance in US foreign policy. For example, former US Deputy Secretary of Defense Richard Armitage, one of McCain's key foreign policy advisors, recently criticised Secretary of State Condoleezza Rice for not attending the 2008 AUSMIN meeting in Canberra after she had already missed the annual Association of Southeast Asian Nations (ASEAN) ministerial meeting in 2005 and, again, in 2007. Armitage's concern is that she and other members of the US policy establishment 'do not get it' in terms of understanding the Asia-Pacific's overall importance to international stability and prosperity and recognising the need for the United States to remain an integral player within that region's evolving security framework. If conceptualised and leveraged properly, the Australian–American alliance can still be an effective asset for the Rudd government to employ in its quest to revive Australia's regional influence as an active but independent regional 'middle power' helping to shape Asian multilateralism. It could also underpin pending Australian efforts to inject greater stability into the 'arc of instability' of Melanesia and the increasingly shaky South Pacific economies situated close to Australia's own shores.

Using its long-standing ANZUS Treaty affiliation with the United States to buttress its regional security agendas would constitute a major shift in Australia's focus on alliance politics.⁴ Australia's novel status as one of the United States' two closest allies (along with the United Kingdom which is more accustomed to playing this role) is derived, in no small part, from John Howard's loyalty in backing the US military intervention in Iraq, notwithstanding substantial domestic political opposition (including the Labor Party's), and in providing support for other US *global* security agendas. Howard, of course, activated the

⁴ The security treaty between Australia, New Zealand and the United States (ANZUS) was signed in September 1951. However, New Zealand has been excluded from ANZUS operations involving the US since the mid-1980s when Wellington and Washington failed to resolve their dispute over the former's refusal to continue to adhere to the US's 'neither confirm nor deny' strategy of extended nuclear deterrence. Australia and New Zealand still maintain extensive bilateral defence relations.

ANZUS Treaty immediately after the 11 September terrorist strikes in New York and Washington knowing full well that the Bush administration was about to declare a global war on terror. In addition to its military presence in Iraq and Afghanistan, Australia has been an active and valued participant in the Proliferation Security Initiative (PSI) and other programs designed to curb the spread of weapons of mass destruction (WMD), a missile defence research collaborator, and a key participant in the Indian Ocean tsunami Core Group. It has supported open regional and international markets through the Asia-Pacific Economic Cooperation (APEC) forum where it holds membership. Strengthening Asia-Pacific relationships has been a consistent priority of successive Australian governments.

During much of Howard's time in office, however, there was a widespread regional perception that Australian interaction with its regional neighbours was often just a byproduct of Australia's determination to remain lock-step with the Bush administration's world view. Rudd is determined to establish a more independent Australian image in this area of the world without undermining security ties to the US in the process. This will be easier said than done. Rudd's announcement that Australian combat troops would be withdrawn from Iraq during 2008 was the first break in the pattern of support for US global security policy that had been a hallmark of Howard's decade-long leadership prior to his electoral defeat by Rudd in late November 2007. It was finessed adroitly by Australian officials in a series of low-key meetings with their American counterparts following Rudd's swearing in as prime minister. Australia's troop withdrawal from the Persian Gulf was counter-balanced by Rudd's pledge to maintain current Australian force levels in Afghanistan (currently around 1,000 troops). He must, nevertheless, travel a fine line between those policies best serving Australia's national security interests and maintaining cordiality with that country's 'great and powerful [American] friend'.

Even during Howard's tenure of office, the US alliance, as is the case with any security relationship, was not completely harmonious. This was illustrated by initial Australian-American differences over the degree and type of US military commitment that should be earmarked for the International Force for East Timor (INTERFET) in 1999 and by the two countries' different outlooks on possible threat ramifications of growing Chinese military power. Differences in the areas of defence technology and strategic planning must yet be overcome. Australia covets access to America's state-of-the-art combat fighter aircraft, the F-22 *Raptor*, in its effort to retain air power parity with its Asian neighbours who are procuring advanced Russian planes, but it is doubtful if the US Congress would approve such a sale anytime soon. The defence procurement issue is further complicated by the new Australian government's announcement, made just prior to AUSMIN's

convening, that it would review the Howard government's decision to sign a \$6 billion contract to buy 24 US-made F/A-18 Super Hornet fighter jets as an interim measure to modernise its ageing fleet of combat aircraft until the United States' Joint Strike Fighter is available early in the next decade.⁵ Australia's new Minister for Defence, Joel Fitzgibbon, has been vocal about the need for Australian forces in Afghanistan to have greater access to NATO strategy and planning if it is to maintain its substantial level of manpower and logistical support earmarked for that operation (Australia deploys the largest contingent of military personnel of any non-NATO contributor). These differences are relatively minor ones, however, within the broader and highly impressive framework of alliance cooperation.

Barring unforeseen 'shocks' to Australia's security environment emerging at either the global or regional levels, the Rudd government's prospects for achieving a balance between regional engagement and its alliance relationship with the United States appear to be bright. They would be enhanced if substantive policy approaches could be identified for sustaining cordial ties with both China and the US during the times that will invariably arise when those two natural geopolitical competitors clash over ideological, irredentist, and geopolitical issues.

This is a challenge that has both regional and global security ramifications. Australia needs to work cordially with Beijing and with other regional actors to institutionalise conflict reduction through existing and emergent architectures. The United States must play a role in this process as a fully engaged participant rather than being seen as contesting it through traditional alliance politics that accentuate hierarchy and rivalries. Success in the process would be difficult for Australia to undertake if a McCain presidency were to be determined to manage alliance politics on the basis of potential collaborators' 'democratic credentials'. It would be no less daunting if a Clinton or Obama administration came to power with a heavily Eurocentric orientation or with myopic preoccupations toward safeguarding US access to fossil fuel supplies in the Persian Gulf or toward countering Islamic radicalism in every corner of the world. ANZUS cannot remain a central component in Australia's national security if its major treaty ally proves reluctant to play a major politico-diplomatic and security role in the 'neighbourhood'. Globally, Rudd and his advisors must not focus so much on reviving the UN or promoting climate change policies as on the very real threats of WMD proliferation, international

⁵ 'Australia's defence minister says US-Australian alliance strong despite gov't change', *International Herald Tribune*, 22 February 2008. The Super Hornet purchase was subsequently approved by the Rudd government in March 2008.

terrorism, disaster response, and international trade and finance that the Howard government handled with skill and tenacity.

All governments exercise their inherent right to prioritise specific policy agendas and this Labor government will prove to be no exception. It is important to remember, however, during the initial days of euphoria following an election victory that structural forces beyond Australia's control will inevitably shape those priorities in ways that at times will be at odds with this government's preferences. Strategic surprise makes strong leadership on issues requiring the cultivation of public support harder. Australian officials should not hesitate to use their extraordinary access to the innermost circles of US policy-making to raise hard questions and to test ongoing assumptions about alliance responses. A Chinese surprise attack on Taiwan, a future blockade of Persian Gulf oil traffic by a nuclear Iran, an Israeli attack against Iranian nuclear installations, or the takeover of a nuclear Pakistan by radical elements sympathetic to al-Qaeda or other looming 'hard power' contingencies must be as thoroughly conceptualised, and responses as comprehensively planned within ANZUS chambers as are multilateral institution-building, disaster relief, measures on climate and environment, nation-building in fragile states, and pandemic controls. Given that policy experience and material resources available to a middle power such as Australia will always be in short supply, posing and pre-addressing these hard questions is critical. Getting the answers 'right' could make the difference in assuring a secure Australia in an increasingly troubled world.

Whither Australian trade policy?

JOHN RAVENHILL¹

Trade policy has seldom featured in Australian election campaigns. Indeed, since a largely bipartisan consensus emerged in the mid-1980s over the desirability of Australia's pursuing a policy of unilateral liberalisation, trade policy has rarely figured prominently in public debate. The new consensus embraced not just a commitment to liberalisation (albeit gradual for those sectors such as automotive and textiles, clothing and footwear that were regarded as politically sensitive) but also that priority should be given to an active promotion of Australian interests through the World Trade Organization (WTO).²

The emergence of trade policy as a contentious issue during the 2007 election campaign therefore was something of a surprise. To be sure, an element of political point-scoring was inevitably present. But the Opposition tapped into a wellspring of concern that was widely shared across business, policy, and academic circles—that contemporary Australian trade policy was afflicted by a certain malaise.

One symptom was the country's poor export performance despite being in the midst of a long commodities boom. In the period from 2001–02 to 2006–07, export volumes increased by only 2 per cent per annum whereas the volume of imports grew by more than 11 per cent annually. Export values, bolstered by the commodities boom, increased on average by 7.5 per cent annually in this period, but still failed to keep pace with the growth in the value of imports, which averaged 8.1 per cent each year.³ The value of exports of elaborately transformed manufactures increased by only 2 per cent on average each year in the period; service exports also grew sluggishly at an average annual rate of 5.5 per cent, again failing to keep pace with the equivalent figure for imports (which rose at 6.4 per cent per annum). Australia, which was ranked 18th in the world by value of exports in 1986, had fallen on this

¹ This essay draws on papers that will appear in the July 2008 issue of the *Australian Journal of International Affairs*. The papers were originally presented at a symposium on Australia and Preferential Trade Agreements held at the Australian National University in November 2007. The symposium was supported by the Australian Research Council through a Discovery Project award to Ravenhill, Grant No. DP0453077.

² Ann Capling, *Australia and the global trade system: From Havana to Seattle* (Cambridge: Cambridge University Press, 2001).

³ Department of Foreign Affairs and Trade, *Composition of trade, Australia 2006–07* (Canberra: Market Information and Analysis Section, Department of Foreign Affairs and Trade, Government of Australia, November 2007), p. 1.

league ladder to 26th in 2006, down from 22nd a decade before. By 2007, the country was running record current account deficits which, expressed as a percentage of gross domestic product, were among the worst amongst industrialised countries, even exceeding those of the United States.

The commodities boom created its own set of problems for exporters of manufactures and services—by virtue of domestic inflation and the appreciation of the Australian dollar (although inflation came later and was less pronounced than in previous mineral booms, thanks to the floating of the dollar). And poor export performance could be attributed in part to domestic weaknesses—infrastructure bottlenecks, shortages of skilled labour, and so on. But there was also a sense that the government had its trade policy priorities wrong—in particular that it had privileged the negotiation of bilateral trade agreements at the expense of efforts to bring the Doha Round of WTO negotiations to a successful conclusion.

Such a suggestion is strongly denied by the Department of Foreign Affairs and Trade, which has argued that it is perfectly capable of conducting effective negotiations simultaneously at both bilateral and global levels, and has pointed to the significant increase in resources given to its trade negotiations branch in recent years. Moreover, any reasonable observer would concede that multiple issues have prevented agreement being reached in the Doha negotiations, and that as a relatively small player Australia was not well-placed to broker an agreement among the major protagonists. Nonetheless, perceptions persisted—and the point was strongly asserted by then Shadow Minister of Trade, Simon Crean—that the government was investing a disproportionate share of scarce resources in the negotiation of preferential trade agreements (PTAs) from which the country had gained little advantage, and whose discriminatory and incomplete provisions potentially undermined the pursuit of Australia's objectives in global trade negotiations.

THE MOVE TO PREFERENTIAL TRADE

The context in which commerce involving states from the Western Pacific Rim takes place has been dramatically transformed in the decade since the financial crises that afflicted much of East Asia in 1997–98. Before the crises, only one preferential trade agreement of any substance existed in East Asia—the Association of Southeast Asian Nations (ASEAN) Free Trade Agreement. None of East Asia's major economies—China, Japan, Korea, and Taiwan—were parties to a preferential agreement. In the five years following the financial crisis they all jumped aboard the PTA bandwagon, and Australia followed suit after Malaysia rebuffed proposals for a link between the ASEAN Free Trade Area and the Australia–New Zealand Closer Economic Relations (CER) Trade Agreement.

Australia had traditionally shared the antipathy of most East Asian governments towards PTAs, having been a victim of the discriminatory trading policies of the European Union, and had always feared that it would be adversely affected by any fragmentation of the global economy into closed regional blocs. There was also a keen sense of the realities of power in bilateral negotiations: when Australia had been invited by the United States in the early 1980s to enter into negotiations for a bilateral agreement, commentators had warned that the likely outcome would be one where Australia as a relatively small economy was compelled to make the most concessions.⁴ Australian trade interests could be best pursued at the global level where it might reasonably hope to pool its negotiating resources with those of 'like-minded countries' that shared its interests in liberalisation, particularly of agricultural trade—a strategy that the Hawke government pursued effectively during the Uruguay Round of WTO negotiations through the promotion of the Cairns Group.⁵ In the two decades since Richard Snape's study, moreover, Australia has undertaken substantial unilateral liberalisation: a largely open economy reinforces relatively small market size in limiting the bargaining chips available to the government in bilateral negotiations.⁶

Since the failure of the original CER–ASEAN negotiations in October 2000, Australia has been an energetic participant in the negotiation of PTAs. Negotiations with Singapore were launched at the Asia-Pacific Economic Cooperation (APEC) Leaders' Meeting in Brunei merely a month after the breakdown of the CER–ASEAN negotiations. By the end of 2007, Australia had negotiated agreements with Thailand and the United States as well as with Singapore, was negotiating with Chile, China, the Gulf Cooperation Council, Japan and Malaysia (and had revived the CER–ASEAN negotiations), and was studying the possibility of launching negotiations with India, Indonesia, Korea, Mexico, and the Pacific Islands.

By far the most controversial agreement of course has been that with the United States—not least because the negotiations forcefully underscored earlier fears about Australia's vulnerability when bargaining bilaterally with a much more powerful partner. Australia's bargaining position was further weakened when Prime Minister John

⁴ Richard H. Snape, 'Should Australia seek a trade agreement with the United States?', EPAC Discussion Paper 86/01 (Canberra: Economic Planning Advisory Council, 1986).

⁵ Don Kenyon and David Lee, *The struggle for trade liberalisation in agriculture: Australia and the Cairns Group in the Uruguay Round* (Canberra: Department of Foreign Affairs and Trade, 2006).

⁶ Ann Capling, 'Australia's trade policy dilemmas', *Australian Journal of International Affairs*, 62(2) 2008.

Howard overrode the advice of his negotiating team and of the Department of Foreign Affairs and Trade more generally in accepting terms that excluded some of those areas that had been identified in early economic modelling⁷ as likely to bring greatest benefit to the Australian economy.⁸ With the US making only limited concessions on Australian agricultural exports, the overall value of the agreement to the Australian economy was estimated by Philippa Dee, in a study commissioned by the Senate Select Committee on the Free Trade Agreement between Australia and the United States, to amount to only \$53 millions annually.⁹ And the agreement caused widespread concerns that its provisions on intellectual property and on pharmaceuticals would impose significant costs on Australia in the medium to long term.¹⁰

Scepticism about the economic benefits from PTAs arising from the Australia–US Free Trade Agreement was reinforced by the apparently negligible aggregate economic benefits from the agreements with Singapore and Thailand. In the former case, most Australian exports (with some significant exceptions in services) already enjoyed unimpeded access to the Singaporean market; in the latter case, Australia's most valuable exports already entered the Thai market duty-free, the Thai government succeeded in establishing a long phase-in for duty reductions on Australian products regarded as sensitive, and unlike Singapore, did not accept Australian proposals for a 'negative list' approach to services liberalisation (under a 'negative' list approach, liberalisation applies to all sectors except for those specified; under a 'positive' list it is only those sectors that are specifically identified that are liberalised).

The PTAs that Australia has entered into have been in effect for only a few years: it is unreasonable to evaluate them by reference to trade data for this short period. Nonetheless, drawing on the record of PTAs elsewhere as well as Australia's own limited experience, several

⁷ Centre for International Economics, 'Economic impacts of an Australia–United States free trade area', Study Prepared for the Department of Foreign Affairs and Trade (Canberra: Centre for International Economics, June 2001).

⁸ For further discussion see Ann Capling, *All the way with the USA: Australia, the US and free trade* (Sydney: UNSW Press, 2005).

⁹ Philippa Dee, 'The Australia–US Free Trade Agreement: An assessment', Pacific Economic Paper 345 (Canberra: Australia–Japan Research Centre, 2005), <www.crawford.anu.edu.au/pdf/pep/pep-345.pdf>.

¹⁰ Capling, *All the way with the USA*; Thomas Faunce and Kathy Shats, 'Bilateral trade agreements as drivers of national and transnational benefit from health technology policy: Implications of recent US deals for Australian negotiations with China and India', *Australian Journal of International Affairs*, 62(2) 2008; Linda Weiss, Elizabeth Thurbon and John Mathews, *How to kill a country: Australia's devastating trade deal with the United States* (Crows Nest, NSW: Allen & Unwin, 2004).

grounds exist for expecting that these arrangements will have little impact on overall trade between Australia and its preferred partners:

- The aggregate effects of any new preferences are often swamped by changes in other key economic factors, especially the exchange rate. The Australian dollar has appreciated by more than 20 per cent against the US dollar in the two years since the Australia–US trade agreement was implemented, a figure more than five times the average US bound tariff on manufactured imports—more than offsetting any advantages bestowed by the PTA.
- A large percentage of the trade between Australia and its partners may already be little affected by tariffs. For industrialised countries, the average bound tariff on manufactured goods is under 4 per cent today. A substantial portion of international trade is already tariff-free, either through the action of individual countries (close to 50 per cent of Australia's tariff lines are duty free) or because they have signed onto multilateral agreements, such as the 1996 Information Technology Agreement, that have freed trade in particular sectors.
- Private sector actors may be unresponsive to the tariff preferences created by the PTAs. A significant factor here is the compliance costs in order to gain duty-free entry under the terms of the agreements, in particular, the need to demonstrate that the product has been manufactured locally (compliance with 'rules of origin'). It is estimated that the costs of complying with rules of origin range from 4 to 8 per cent of a consignment. Another way of putting this is that the normal tariff a product would face in entering a partner's market would have to be significantly above 4 per cent for the private sector to undertake the costs of gaining preferential access. Moreover, in a globalised economy, in which production chains stretch across a large number of economies, tariffs are only one consideration for companies in their choice of location of their facilities.
- PTAs have generally not proved to be effective instruments for liberalisation of those sectors where protection is highest. These tend to be the areas of greatest domestic political sensitivity where opposition to liberalisation is best attacked through the coalitions that negotiations at the global level facilitate.
- Few PTAs have gone substantially beyond existing WTO agreements. One area in which such progress was expected was in services. Some gains have been made but the Australian experience has been one of very limited progress having been achieved, with the government not having the leverage to persuade partners to sign up to a 'negative list' approach.
- The advantages conferred by PTAs may be transitory as their numbers multiply. The proliferation of agreements across the region has quickly eroded the advantages enjoyed by first movers. Consider, for instance, the benefit to the Australian

auto industry from the removal of the 25 per cent import duty on pickups (utes), one area of manufacturing highlighted at the time of the negotiation of the Australia-US PTA as potentially being a major beneficiary of the agreement. Yet, before a single truck was exported to the United States, Washington signed a free trade deal with Korea, conferring similar benefits on a country whose domestically-owned companies are much better placed to take advantage of the tariff removal than are the subsidiaries of foreign companies in Australia. While such a levelling of the playing field is entirely desirable from an economic point of view, it raises questions about the wisdom of investing significant resources in the negotiation of bilateral agreements when the same outcome might have been achieved through plurilateral negotiations at either the regional or the global level.

The issue of levelling the playing field, however, points to a potentially significant role that PTAs can play, that is, to overcome the disadvantages that Australian companies suffer when partners have signed preferential trade agreements with third countries. At the current time, two of the bilateral agreements that Australia is considering are driven primarily by such 'defensive' considerations. That with the Gulf Cooperation Council (GCC) is motivated primarily by fears that one of the most significant export markets for the Australian automotive industry will be lost if Australian cars receive less favourable treatment than those of competitors whose governments have negotiated preferential agreements with the GCC. The proposed agreement with Korea has been prompted by the conclusion of the free trade agreement between Korea and the United States, with the fear that US beef farmers will consequently gain market share at the expense of their Australian counterparts.

BILATERALISM, REGIONALISM, OR THE WTO: WHICH WAY FORWARD?

Governments inevitably respond to powerful domestic economic interests. Where groups perceive that their potential income has been threatened by the preferential trade agreements that Australia's competitors are signing, it is not surprising that they have pressured the Australian government to follow suit. The new Labor government faces pressure, too, from other governments in the region. With the proliferation of preferential agreements, for the government to rebuff approaches from its partners gives the impression of at least a lack of willingness to cooperate, even more so when Australia has already signed agreements that currently privilege some partners in its market. Preferential agreements thus may seem to be an irreversible tide, against which Australia would be ill-advised to attempt to swim.

Yet, even the case for PTAs as an effective instrument for the pursuit of defensive objectives, i.e., to level the playing field where Australian interests have been disadvantaged by discriminatory arrangements, is

not entirely persuasive. An immediate problem is Australia's relative unimportance as a trading partner to many economies given its small domestic market. Australia simply does not have the leverage enjoyed by the United States, the European Union, China or Japan. The consequence is that Australia may not only fare poorly in bilateral negotiations with the economic powers—as we saw in the talks with the United States—but may also end up with agreements with other partners that are inferior to those negotiated between those partners and the major economic powers. A comprehensive survey of provisions on services in recent PTAs found that the United States consistently obtained better commitments from its partners than did other countries who concluded PTAs with the same partners.¹¹

This discussion illustrates two elemental problems with PTAs. First, they are inherently discriminatory, in contravention to the fundamental principle of the global trading system. Second, power considerations become central in determining outcomes in trade negotiations, something that the General Agreement on Tariffs and Trade (GATT)/WTO's non-discrimination principle was intended to reduce even if power asymmetries inevitably always play some role in international negotiations. The argument that Australia, as a relatively small player, can best safeguard its interests by acting in coalition with others at the global level remains compelling. What, then, are the viable trade policy options for the Rudd government in an era in which progress at the WTO is at best extremely difficult and where, in a context in which PTAs are proliferating, Australia has jumped on board this bandwagon and is negotiating several additional agreements?

Two assumptions should inform trade policy-making. The first is that policies should be based on the principle of non-discrimination and be consistent with the other core principles of the WTO trade regime. This argument should apply not only to Australia's own policies but also to what it strives for in its efforts to influence the behaviour of other states in the international system. The second is that trade policy should be judged by its cost-effectiveness in the pursuit of economic objectives, and not be subordinated to more general foreign policy concerns.

The strongest expression of the first principle would be unilateral trade liberalisation on Australia's part—ensuring that any distortions that have been introduced through the PTAs that Australia has already negotiated would be minimised. A supplementary approach would be to insist that a most-favoured-nation clause is included in any preferential

¹¹ Martin Roy, Juan Marchetti and Hoe Lim, 'Services liberalization in the new generation of Preferential Trade Agreements (PTAs): How much further than the GATS?', *World Trade Review*, 6(2) 2007: 155–92.

trade agreement to which Australia is a party—which would ensure not only that Australia’s partners would gain access to the best conditions that Canberra offers to any partner through a PTA, but also that Australia would enjoy similar treatment from the parties with which it has signed an agreement. Such an approach will not be easy to implement: one of the problems that the move to PTAs exacerbates is the tendency to ‘hoard’ concessions as negotiating coin in the efforts to extract reciprocal concessions from partners. A new mindset will be required. The realisation that particularistic benefits from bilateral agreements are being eroded as their numbers increase may facilitate such a change in attitude not just in Australia but more generally in the global trading system.

Other strategies in support of the promotion of non-discrimination would be to work energetically in regional and global fora for greater transparency in PTAs, and to open up existing PTAs to other parties. In December 2006, the WTO introduced a new transparency mechanism for PTAs, which requires parties to a PTA negotiation to make an early announcement of their intentions, and to notify the WTO Secretariat of the provisions of the agreement as soon as it has been signed. The Secretariat is charged with providing factual information about the PTA, which will be the basis for its consideration by other WTO members. Although this is a significant step forward (and the Secretariat’s report does show clearly how comprehensive is the liberalisation introduced by the PTA),¹² the Secretariat is not permitted to comment on the compatibility of agreements with the WTO. The utility of the new mechanisms will depend on how effectively members scrutinise the reports and raise objections to agreements that clearly fall short of the spirit if not the (frequently opaque) provisions of the WTO on PTAs. Historically, members have been inhibited in their responses to the PTAs that others have negotiated out of concern about retaliation against their own imperfect agreements. The transparency mechanisms afford the Australian government an opportunity to take a more principled stance on these issues within the WTO.

Regional forums offer further opportunities to pursue the goal of reducing the discriminatory effects of PTAs. In 2004, APEC adopted a code of best practice for PTAs with the objective that they be consistent with the realisation of the Bogor goals of free trade within the region by 2010 for its industrialised economies and 2020 for less developed economies, and with the provisions of the WTO.¹³ The code consisted

¹² For the Secretariat’s report on the Australia–US Free Trade Agreement, see <<http://docsonline.wto.org/imrd/directdoc.asp?DDFDocuments/t/WT/REG/184-3.doc>>.

¹³ ‘Best practice for RTAs/FTAs in APEC’, <www.apec.org/apec/news__media/2004_media_releases/191104_strgthnrtftacontriabapecgoals.MedialibDownload.v1.html?url=/>.

of little more than ‘motherhood’ statements, however, and appears to have had no effect on the behaviour of APEC’s members. APEC has continued work on the topic, and through its Committee on Trade and Investment has proposed a series of ‘model measures’ to attempt to increase compatibility of provisions across individual PTAs, with these measures to be completed by the time of the 2008 Leaders’ Meeting. Meanwhile, APEC has committed itself to consider proposals for a Free Trade Area of the Asia-Pacific—an initiative of which Australian governments correctly have always been sceptical, given the political difficulties that would obstruct the realisation of such a proposal. Nonetheless, opportunities exist—through, for instance, the Japanese government’s initiative at the East Asia Summit (EAS) for moving towards a Comprehensive Economic Partnership among EAS members—for further exploration of the possibilities of linking up the various PTAs that have mushroomed around the region. No rational observer would pretend that such initiatives will be simple to realise but the issue for the Rudd government is the extent to which it is willing to provide backing and leadership for them rather than putting its energies primarily in the further negotiation of its own PTAs.

The second principle is straightforward: the government needs to conduct a more serious assessment of the potential costs and benefits that any PTA will realise before entering negotiations that are time-consuming and resource-intensive. An issue here is the quality of the economic modelling that has been commissioned to date in the ‘study’ phase of proposed agreements. Several problems have been evident. The models have been based on best case assumptions about the extent to which agreements will be comprehensive in their coverage and ‘clean’ in their implementation, thereby exaggerating the aggregate benefits that they project the agreements may realise. The experience has shown that companies commissioned to do the studies have a vested interest in providing the results that the incumbent government wants to see: it would be far preferable to have the Productivity Commission, a ‘neutral’ analyst, conduct the studies. Moreover, Australia’s experience of negotiations, reinforced by the broader record from PTAs elsewhere, demonstrates strongly that economic modelling needs to be supplemented by a sound political economy analysis of the prospects for realising various objectives within the negotiations. Whether the negotiation of a PTA is the most effective instrument for safeguarding the interests of sectors adversely affected by the discriminatory agreements of partners is an issue that requires close scrutiny—tailored export promotion measures may be more appropriate.

Finally, the new government has to have the political will to walk away from agreements that either will not deliver significant benefits to the Australian economy and/or are inconsistent with the spirit of WTO provisions. To do so requires the government not to subordinate trade policy to more general foreign policy concerns, as it appeared to do in the negotiations with the United States. For the two decades before it entered into negotiations for preferential agreements, Australia had carefully crafted a reputation of being a principled actor in international trade, which had served it well in promoting its trade objectives on the international stage. To a considerable extent, this reputation was undermined by the government's negotiation of a partial and flawed PTA with the United States. A similar agreement with Japan or China would leave Australia's reputation as a fair and principled trader at the WTO completely in tatters.

Contributors

Lorraine Elliott is Senior Fellow in the Department of International Relations, Research School of Pacific and Asian Studies, at the Australian National University, Canberra.

Greg Fry is Hedley Bull Fellow in the Department of International Relations, Research School of Pacific and Asian Studies, at the Australian National University, Canberra.

John Ravenhill is Professor in the Department of International Relations, Research School of Pacific and Asian Studies, at the Australian National University, Canberra.

William T. Tow is Professor in the Department of International Relations, Research School of Pacific and Asian Studies, at the Australian National University, Canberra.

Keynotes

- 01 **The day the world changed? Terrorism and world order,**
by Stuart Harris, William Maley, Richard Price, Christian Reus-Smit and
Amin Saikal
- 02 **Refugees and the myth of the borderless world,**
by William Maley, Alan Dupont, Jean-Pierre Fonteyne, Greg Fry, James Jupp
and Thuy Do
- 03 **War with Iraq?** by Amin Saikal, Peter Van Ness, Hugh White, Peter Gration
and Stuart Harris
- 04 **The North Korean nuclear crisis: Four-plus-two—An idea whose time has come,**
by Peter Van Ness
- 05 **The challenge of United Nations reform,** by Christian Reus-Smit, Marianne Hanson,
Hilary Charlesworth and William Maley
- 06 **Religion, faith and global politics,** by Lorraine Elliott, Mark Beeson, Shahram
Akbarzadeh, Greg Fealy and Stuart Harris
- 07 **APEC and the search for relevance: 2007 and beyond,** by Lorraine Elliott, John
Ravenhill, Helen E. S. Nesadurai and Nick Bisley
- 08 **Australian foreign policy futures: Making middle-power leadership work?,** by
Lorraine Elliott, Greg Fry, William T. Tow and John Ravenhill

Send all orders to:
RSPAS Publishing (PICS)
Research School of Pacific and Asian Studies
The Australian National University
Canberra ACT 0200 Australia
Phone: +61 2 6125 3269 Fax: +61 2 6125 9975
E-mail: Thelma.sims@anu.edu.au
Web: <http://rspas-bookshop.anu.edu.au>