
The Missing Ocean

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The *Australia in the Asian Century* White Paper process is the third major policy initiative by this Labor Government to directly address the ongoing and accelerating shift of power to Asia, and within Asia to China and India. The first two were then-Prime Minister Rudd's Asia Pacific community initiative on regional diplomatic architecture and the 2009 Defence White Paper, *Defending Australia in the Asia Pacific Century: Force 2030*. The Asia Pacific community initiative and the 2009 Defence White Paper were based on a single policy area each, and shared a focus on how to moderate the strategic risks of the speed of this shift of power.

Australia in the Asian Century differs on both counts. First, as reflected in the appointment of former Treasury Secretary Ken Henry to oversee the White Paper process and the membership of the White Paper high-level advisory panel, it will have a primary focus on the economic benefits and challenges to Australia of this shift as foreshadowed in the Asian Century section of the 2011-12 Commonwealth Budget.

Second, befitting its lack of a line agency home, its terms of reference are extremely ambitious and cover a huge range of policy areas. The terms are:

- the current and likely future course of economic, political and strategic change in Asia, encompassing China, India, the key ASEAN countries as well as Japan and the Republic of Korea;
- the domestic economic and social opportunities and challenges of the Asian Century for Australia;
- opportunities for a significant deepening of our engagement with Asia across the board, including in the economy, science and technology collaboration, clean energy, education, business-to-business and people-to-people links and culture;
- the political and strategic implications of the Asian Century for Australia; and

- the role of effective economic and political regional and global cooperation.¹

These terms of reference include those already covered by the Asia Pacific community initiative (role of effective political regional cooperation) and the Defence White Paper (the strategic implications of the Asian Century for Australia and the current and likely future course of strategic change in Asia). Prime Minister Gillard's Asialink speech launching the *Asian Century* White Paper process underlined this breadth of scope and overlap with the two earlier initiatives when she concluded that,

We truly are already a decade into an Asian century. A great future is there for us—there for us if we understand and explain these great changes—there for us if we make great decisions as well. Australians should be optimistic. Not because change is always good—but because Australia is always good enough to make the best of change.

And Australians should be determined. Because the prize is rich indeed. A peaceful, open, rules-based Asian system. Effective regional institutions, respect for all countries of the region, large and small. Space for a rising China. A robust alliance between Australia and the United States. That is the Asian future we seek in the Asian future we face. That is the task, one together we share. To build a great future for our own great nation.²

The overlaps in coverage suggest one danger for the *Asian Century* White Paper while the differences in focus and title suggest another. The first is mixed messages among the three major policy initiatives by the same Labor Government. The second is an unhealthy narrowing of the focus of the Australia-US relationship and the American role in Asia to that of a provider of traditional security. The missing ocean in the title of the *Asian Century* White Paper and the focus on the Australia, New Zealand, United States (ANZUS) alliance when it came to the United States in Gillard's commissioning speech both reaffirm this troublesome tendency.

Minimising Overlap

The scope of the terms of reference for the *Asian Century* White Paper, if followed to the letter, suggest a massive report with a corresponding number of recommendations. It would be better if the process produces a more focused report that prioritises some terms of references over others for coverage and recommendations. This would better ensure that this White Paper's best before date will extend well beyond the uncertain life span of

¹ Department of the Prime Minister and Cabinet, *Australia in the Asian Century: Issues Paper* (Canberra: Commonwealth of Australia, December 2011), <<http://asiancentury.dpmc.gov.au/terms-of-reference>> [Accessed 29 January 2012].

² Prime Minister Julia Gillard, 'Speech to the Asialink and Asia Society Lunch, Melbourne', Prime Minister of Australia, Press Office, 28 September 2011, <<http://www.pm.gov.au/press-office/speech-asialink-and-asia-society-lunch-melbourne>> [Accessed 29 January 2012].

this present government. The *Asian Century* should stay true to the terms of reference's call for the White Paper to set out:

a high-level strategy to enhance Australia's navigation of the Asian Century, including appropriate policy settings. The focus will be on opportunities to increase the economic and other net benefits to Australia from the global economic and strategic shift to Asia in the short, medium and long term.³

It would then serve primarily as the economic contribution to this Labor Government's trio of major policy efforts and not an attempt at grand synthesis.

Prime Minister Gillard noted the scope and potential dangers of overlaps with the Defence White Paper and the Asia Pacific community initiative in her commissioning speech when she noted that,

The terms of reference are wide but it should be noted the White Paper will not review the decisions outlined in the Defence White Paper Force 2030. A new Defence White Paper is due in the first quarter of 2014 and preliminary planning for this is already underway. The terms of reference also reflect my view that we are not on a quest for more regional or indeed global architecture.⁴

It would be better if the *Asian Century* White Paper was even more circumspect than this when it came to overlap with the other two efforts and the associated risks of mixed messages. It would not serve Australia's (or the government's) interests if the *Asian Century* White Paper disagreed, or was seen to disagree, with the cautious strategic analysis underpinning both the Defence White Paper and the Asia Pacific community initiative. This is particularly true given the media, opposition and Canberra diplomatic community's interest in points of friction between Gillard and Rudd.

The *Asian Century* can take a page from the Henry Tax Review that noted that "the world would continue to present high risks of conflict imposing high security costs." The *Asian Century* White Paper may also want to borrow from its intellectual predecessor, Ross Garnaut's 1989 *Australia and the Northeast Asian Ascendancy* report and its reserved strategic judgment,

Continuation of rapid growth within internationally-oriented policies would be generally favourable to continued easing of political tensions. But the more complex strategic situation and the great increase in indigenous military capacity of Northeast Asian (read today Asian) states have at the same time increased the potential consequences of any breakdown in the regional international political order, such as might be associated with major changes in policy orientation in one or more regional states.⁵

³ Ibid.

⁴ Ibid.

⁵ Ross Garnaut, *Australia and the Northeast Asian Ascendancy: Report to the Prime Minister and the Minister for Foreign Affairs and Trade* (Canberra: Australian Government Publishing Service, 1989).

This judicious pruning of the terms of reference would still leave more than enough for the *Asian Century* White Paper to analyse and recommend. It would still range from the domestic policy question of how the long-running boost to Australia's terms of trade due to rising demand from China and India is reshaping Australia's economic and industrial structure to the international economic diplomatic one of how the rise of India and China in particular is changing global economic institutions like the World Trade Organization and International Monetary Fund and beyond.

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This economic focus also would limit the confusion created by the fact the present government is claiming that Australia is living in two separate centuries at the same time, the Asia Pacific century and the Asian one. In strategic and diplomatic terms, one cannot yet talk about an Asian century. The East Asia Summit recently expanded beyond its name to include the United States. The rise of China and India has seen a reaffirmation of the US forward defence commitments in East Asia and Australia, and a reversal of the Cold War adversarial relations between the United States and India and Vietnam. Post-Cold War fears (or hopes) of a growing estrangement of Asian allies and partners from the United States have proven to be unfounded.

Economically, it is more than possible to talk about a narrower Asian Century with a particular focus on the two billion-plus person developing economies, India and China, and their sustained high growth rates. This is particularly true for Australia given its very high levels of complementarity with China (now Australia's largest source of imports and export destination while Australia is the top national destination for Chinese foreign domestic investment) and India (Australia's fourth largest export market while Australia is India's sixth largest source of imports). China and India are also now top source countries for immigration to Australia. In 2009-2010, Indian immigrants were the second largest group of people holding foreign passports to be granted Australian citizenship, with citizens of the People's Republic of China third. The United Kingdom topped this list.

However, even if the White Paper does focus primarily on economic trends and power, the reduction of the region under review from the Asia Pacific (that includes the United States) to Asia (that does not) is problematic. In the terms of reference's policy time frame of up to 2025, the similarities between the United States as a strategic and an economic actor globally and in the Asia Pacific are significant.

The Defence White Paper focused on how to best manage a relative decline of American strategic power from a very high position in 2009 that will not be surpassed by 2030 and a relative rise in power of China and other regional

powers. The United States and rising regional powers' strategic relations to the United States are central to its analysis of Australia's policy settings.

Economically, the United States is in a period of relative decline from a very high position with a relative rise in power of China and other developing economy regional powers. Certainly, the economic decline is quicker than in military terms as is the rise of the other powers while the developing economy status of both China and India suggest their rapid growth may continue for years ahead. However, in 2025, the United States may still be the largest economy in market exchange rate terms and just as there is no clear replacement for America's security partnerships globally, there is none for the American dollar as the world's preferred reserve currency. The importance of the temporary bilateral swap agreements by the Federal Reserve for Asian countries like South Korea during the Global Financial Crisis was testimony to the enduring structural financial power of the United States as was the appreciation of the dollar during the crisis. How the United States responds economically to its relative decline in the face particularly of China's rise will be a key geo-economic factor in the 'Asian Century'.

The second problem with the missing ocean is the implied reduction in focus of the Australia-US relationship to the ANZUS alliance. This narrowed appreciation, even if inadvertent or simply symbolic, may aggravate the flawed tendency to see that Australia's security present and future is tied to the United States while its economic present and future is tied to Asia and China. Particularly when it comes to investment, the United States is the major partner for Australia followed by the United Kingdom. The two-way stock of foreign investment between the United States and Australia is roughly 1 trillion dollars, about thirty times larger than the two-way stock between China and Australia. In 2009, total investment inflows from the United States to Australia amounted to \$94 billion. Chinese inflows amounted to \$8 billion. The issue papers on the *Asian Century* website note this American investment primacy.⁶ American investment in Australia plays an important role in the burgeoning of China-Australia relations. The largest China-Australia liquified natural gas deal is between ExxonMobil and PetroChina drawing from the Gorgon project that is led by Chevron.

For consistency sake the *Asian Century* White Paper, as guided should treat the economic parts of the terms of reference as paramount and find its missing ocean.

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⁶ 'Department of the Prime Minister and Cabinet, *Australia in the Asian Century*.