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Keynote Address to the Asia-Pacific Regional Conference for German Business

Perth by the Hon. Julie Bishop MP, Foreign Minister of Australia

5 November 2017

JULIE BISHOP: Thank you Dr Gorawantschy and good afternoon. Welcome to my home town of Perth, and I certainly welcome the largest ever German delegation and conference in Australia, which included my very good friend President Steinmeier. In fact, Frank-Walter graciously hosted me in Berlin in September 2016 at our inaugural Australia-German 2 + 2 Defence and Foreign Ministers meeting when he was Foreign Minister, and we are the only nation with whom Germany has such a format.

State Secretary Beckmeyer and Senior Government Parliamentary Business representatives from Germany, I acknowledge my Cabinet colleague Senator Mathias Cormann, my counterpart Singaporean Foreign Minister Vivian Balakrishnan and other ministers from our region.

I've had a number of meetings with other ministers and I have given them all this koala, and I take this opportunity to put in a plug for Australia – we are standing for election to the World Heritage Committee in Paris later this month, and this koala is wearing a little hoodie that says, 'Australia

World Heritage Committee 2017 to 2021'. These will be available to anyone who has any influence over anyone who is voting.

Your children and grandchildren will adore them.

I want to congratulate the Business Council of Australia and the German-Australia Chamber of Industry and Commerce for bringing together such an extraordinary group of leaders from Australia, Germany and the Asia-Pacific. While this is called the Asia-Pacific Regional Conference, I more often refer to Australia's place as being in the Indo-Pacific region. It's a concept that brings more contemporary perspectives to the profound geostrategic shifts that we are witnessing. It also brings Perth directly into the frame, Australia's Indo-Pacific capital, a city that looks west to the Indian Ocean, home to over 200 nationalities, and we share the same time zone with 60 per cent of the world's population.

At a time when a number of the countries of the Indo-Pacific are emerging onto the global stage, I believe our next panel discussion will provide the basis for a fascinating dialogue and hopefully cover many global and regional issues. In the meantime allow me to make some observations to set the scene for our discussion.

Celebrated Australian author and historian Professor Geoffrey Blainey published a seminal work in 1967 titled, 'The Tyranny of Distance' in which he argued that Australia's geographical isolation was integral to shaping our national character. There's little doubt that such isolation has been fundamental to our sense of self-reliance, resilience in the face of adversity, resourcefulness and enterprise.

Today globalisation, the internet and faster transport links have done much to overcome that geographic isolation. For example our national airline Qantas first flew passengers from Sydney to Europe in 1947 and the journey took several days with stops first at Darwin and then in Singapore, in India, Pakistan, Egypt and Libya.

I recently attended the launch of the new Qantas Dreamliner which will be flying Perth-London non-stop from April next year. Just think of it, with on-board wireless internet these flights won't represent any disruption at all to your work, or your decision making. Some might say it is not a technological advance we should embrace!

Nevertheless globalisation in the form of the internet, for example, facilitates the instantaneous exchange of information globally and has supported the development of global supply chains where manufacturers all over the world can and do contribute parts that are assembled into a wide array of products.

Globalisation and open markets have brought greater prosperity to almost every corner of the globe, particularly in this region of the Indo-Pacific.

While economic power is shifting from West to East, Europe remains a global leader in a wide array of fields from energy to space and science and innovation, and Australia is a major beneficiary through our bilateral relationships.

For example, Australian Universities have entered into more than 500 partnerships and agreements with German counterparts, while German research institutes work closely with Australia's scientific body, the CSIRO.

We are major trade and investment partners. German companies are significant employers in this country including a number represented here today. Australian companies also have significant employees in Germany.

In geostrategic terms, Europe has played a major international role since the devastation of World War II and continues to support the rules based order it helped to establish. This international order – primarily implemented, upheld and defended by the United States – is a web of treaties, alliances and institutions underpinned by international law. This order has been critical to the relative peace in Europe, the rise of many developing nations, and has seen the largest expansion of wealth and prosperity in human history.

However, the international rules based order is currently under strain, and likeminded nations must work even harder to support it. Some state and non-state actors are seeking to destabilise, undermine or ignore the rules based order. The most egregious example at present is North Korea, which is in flagrant violation of numerous UN Security Council resolutions that prohibit its development of ballistic missiles and nuclear weapons.

There are also anti-free trade and protectionist sentiments emerging in nations around the world. Australia is an open, export-oriented, market economy. We are reliant on access to markets and the free movement of goods and services around the world. Strengthening that order will be a key focus of the Australian Government's upcoming Foreign Policy White Paper which will be launched shortly.

Our Paper will seek to establish a framework that will guide and support foreign policy makers over the next decade in what will undoubtedly be a more contested and uncertain international environment, how the rise of China will affect our region, the role of the United States as the world's superpower, how technological advances will affect the way we live, work and engage.

We will of course be seeking to build stronger linkages with like-minded nations and Germany will be among the forefront of that engagement. For example, we're very keen to finalise a free trade agreement with the EU and we'll be grateful for Germany's influential voice in the EU on that issue.

Australia is exquisitely located for the establishment of regional hubs from which companies can reach out to the fast growing consumer middle class of the Indo-Pacific.

The Australian Government has prioritised more open markets, and has successfully secured free trade agreements in the last three years with the big three in North Asia: China, Japan and South

Korea. We continue to support the Trans Pacific Partnership as the TPP 11 because we know that lower trade barriers and greater economic reform will deliver jobs, growth and prosperity.

Our ongoing economic reforms have delivered us a world record this year. We are entering our 27th year of unbroken, uninterrupted economic growth.

We're an energy and minerals global power exporting the resources needed to drive economic growth in the region. We're actually a proven superpower – a lifestyle superpower – the vibrant city of Melbourne for example, has now been ranked by the Economist as the world's most liveable city for seven years running – and I have to say Perth has made the top 10.

Our White Paper will also reflect the significant investment Australia is making and will continue to make in our relations with the nations of the Indo-Pacific.

One of our most significant Asia engagements in soft diplomacy is the New Colombo Plan. This is a government funded student program that supports Australian undergraduates to take part of their university course at a university in our region while also having the opportunity to undertake work experience, or an internship in a public or private sector entity in the host country.

This program began in 2014. By the end of 2018 our New Colombo Plan will have supported more than 30,000 Australian undergraduate students from 40 Australian universities to live, study and undertake internships in 40 locations across the Indo-Pacific.

Thousands and thousands of young Australian undergraduates are returning to Australia with new perspectives, new insights, new skills, contacts and networks and friendships from their experiences in the region so that our next generation of leaders are more Asia-literate. It is a long term investment to ensure that our relationships in the region endure.

Around 240 private sector organisations have signed up to support the program, offering internships and mentorships in the region to our scholars.

Together with public sector entities and civil society our students are receiving transformational opportunities to gain real life experience in our region. This will ensure that our future leaders and more aware of Australia's place in the world which will add value to Australia as a partner for the rest of the world.

There is vast mutual benefit to Europe and to the Indo-Pacific from greater economic engagement and integration underpinned by a robust and respected rules-based international order. Germany is a welcome partner in that endeavour and I look forward to working ever more closely in the years ahead.

PERSPECTIVES FROM SELECTED PANELISTS

Cool heads must prevail amid the geopolitical turmoil – Peter Jennings PSM

North Korea's growing nuclear threat, China's global ambitions, continuing terrorism strikes: the world order is more unstable than it's been for generations. Navigating this terrain demands focused and strategic leadership.



North Korea's entry into the nuclear club is challenging a generation of leaders largely untouched by prolonged major conflict and the shadow of nuclear war. For Australian leaders, this is new and complex territory. Australia must work harder to encourage strong US engagement in the Asia-Pacific and support strategies that bolster the credibility of America's extended nuclear deterrence to discourage allies (Japan, South Korea) from considering their own nuclear capabilities.

Australia needs to strengthen its own capacity to be a regional leader in security. I'm not sure we are really up to that task. It takes more money, effort and engagement than we are usually comfortable with. A nuclear-armed North Korea underscores the point that we can't hide from our own region when it comes to major security challenges. So, a key lesson is that we need to do more for our own security interests, as uncomfortable as that might be from a defence spending or foreign policy engagement perspective.

What we need right now is calm, strategic, focused leadership from politicians able to take (and reject) advice and with a capacity to think laterally beyond current policy settings.

China – a complicated challenge

China's ascendancy challenges the current liberal international order. As a dominant power, China is a repressive one-party state that denies many of the freedoms we regard as essential to Australia's way of life. If they were to dominate our region, it's likely that they would want to impose an order that we, and many of our neighbours, would find uncongenial. Can China be persuaded to accept the international liberal global order? In my view, that's not likely under the current Chinese leadership.

On capability, many factors complicate China's possible rise to global dominance – the Party; internal corruption; the role of the military; pollution; demography – the list is as familiar as it is long. I doubt

that China will or can achieve a globally dominant position, but it certainly is well on the way to being a regionally dominant power, which is almost as complicating for Australia.

Substantial strategic differences

We have had the benefit of China's economic growth for a generation, which has reshaped the Australian economy. Now come the challenges of having allowed ourselves to become too dependent on a country that defines its strategic interests quite differently from us. It turns out that China isn't just a large economy operating with a similar set of values to liberal democracies. China expects that our economic dependence on them should extract political and strategic concessions from Australia: a weakened alliance with the US; signing up to its 'One Belt, One Road' initiative (OBOR); shutting up on the South China Sea. None of these are sensible policy responses for Australia. The challenges of dealing with a stronger China are very substantial.

OBOR is part of an integrated strategy that blends Chinese political and strategic goals along with economic ones. The long-term challenge for the West is to resist being drawn into a web of economic OBOR relationships that undermine our political and strategic freedom of action. OBOR is ultimately designed to advance Chinese objectives. It seems naïve to imagine that it's always going to offer win-win outcomes for other countries.

Big threats ahead

As the world order evolves, global trade and commerce continues regardless – but the backdrop is increasingly unstable and dangerous. There are a series of threats Australian business and political leaders should anticipate, among them the risk of a major conflict on the Korean Peninsula. I put this at about 50 per cent in the next six to nine months. There is also the inevitable risk of a terrorist attack on Australian interests both here and in South-East Asia sometime over the next 12 months.

Cyber-attacks and/or cyber-facilitated IP theft on business interests are happening daily. There is also the danger of an incident in the South or East China Sea leading to a ship sinking or aircraft downing. I put the likelihood at 20 per cent in the next 12 months. Regional instability is major concern: instability in the Pacific Islands region, leading to the deployment of Australian forces to stabilise an area (50 per cent in the next few years), and instability in China or a policy dispute with China that leads to a downturn in Australia's economic relationship with Beijing (50 per cent).

Overall, our geostrategic outlook is worsening, becoming increasingly unpredictable and leading to a greater risk of instability and conflict. In particular, the situation on the Korean peninsula could potentially become as serious as the Cuban missile crisis of October 1962. The potential for a devastating conflict on the peninsula in 2018 is worryingly high.

Peter Jennings PSM is Executive Director of the Australian Strategic Policy Institute and a guest speaker at the Asia-Pacific Regional Conference in Perth from 3 to 5 November.

Two ancient cultures are rapidly reshaping global business and geopolitics in a highly volatile 21st century context – Prof Dr Brahma Chellaney



China seeks a multipolar world but a unipolar Asia. China is taking the gloves off, confident that it has acquired the necessary muscle. Given China's strategy to become the dominant player, Asia's power dynamics will remain fluid, with the US-China power equation being a central driver. We could see the emergence of a constellation of democratic powers, with common interests, working together to ensure a power equilibrium in the Asia-Pacific region.

India – a natural 'bridge'

Because of its geographical location, India is the natural bridge between the West and the East, and between Europe and Asia. India has moved from its long-held non-alignment to a contemporary, globalised practicality.

In essence, this is resulting in India becoming multi-aligned. By building close partnerships with different powers, especially democratic powers, India is seeking to pursue a variety of interests in diverse settings and advance its core priorities. Through forward thinking and a dynamic foreign policy, India could truly play the role of a bridge between the East and the West.

Growing energy competition

Energy poses a special challenge for global leaders as it is the leading contributor to the carbon emission problem. Even as the shale revolution has eroded US reliance on energy imports, competition over energy resources remains a key dimension of the new Great Game.

The global shifts in economic power are reflected in the changes occurring in the energy and materials sectors, with the growth in demand moving from the developed to the developing world, principally Asia. The resource-related risks range from mercantilist policies to lock up long-term energy supplies and volatility of energy prices to energy resources serving as a driver of territorial and maritime disputes, as illustrated by Asia.

Trade and territorial risks

As the world order evolves, global trade and commerce continues regardless – but the backdrop is increasingly unstable and dangerous. There are a number of threats and challenges facing the Asia-Pacific region, including efforts to unilaterally change the territorial or maritime status quo, sharpening competition over natural resources, the rise of illegal maritime non-state actors such as pirates, terrorists and criminal syndicates, the accelerated military modernisation programs, and attempts to employ trade as a political weapon to punish other states.

Trade can be used as a cudgel by informally boycotting goods from a targeted country, erecting non-tariff barriers to keep out foreign competition, subsidising exports, halting strategic exports, or encouraging consumer boycotts or domestic protests against specific foreign businesses. The Asia-Pacific region must also deal with climate change, overfishing, and degradation of coastal and other marine ecosystems.

Mixed outlook ahead

Some pundits romantically saw the Cold War's end as heralding a new age in which geoeconomics would dictate geopolitics — a thesis reminiscent of the nineteenth-century liberal belief that growing trade and financial interdependence would make war obsolete. That trade is not constrained by political differences in today's market-driven world, with rival countries boasting fast-increasing bilateral trade, has not stopped powers from playing on the grand geopolitical chessboard.

In the coming years, the geopolitical outlook will likely remain murky as major powers compete for greater influence and relative advantage.

Brahma Chellaney is a Professor of Strategic Studies at the Centre for Policy Research in New Delhi, and a specialist in international security and arms control issues. He will be a guest speaker at the Asia-Pacific Regional Conference in Perth from 3 to 5 November.

China's global ambitions pose complex challenges for leaders – Prof Dr Joachim Krause



China's rise is reshaping the political and economic order against a backdrop of volatility and rampant nationalism. How political and business leaders navigate this uncertain landscape is critical to future stability and growth.

China's rise as a global power is a challenge to its regional neighbours and to the world at large. The main problem is that China's tributary-style approach towards regional security contradicts basic elements of the international order, in particular the principle of equal state sovereignty and the non-use of force in international relations.

Long-term, China's regional neighbours have two choices: accept Chinese suzerainty or fight for sovereignty. Neither prospect looks appealing, and all governments in the region are trying to avoid making such a decision, especially given the uncertainty around the leadership the US is prepared to exercise. This dilemma will only grow with the size of the Chinese economy and as the People's Liberation Army acquires new capabilities.

'One Belt One Road' –a complex agenda?

The 'One Belt, One Road' (OBOR) initiative is China's attempt to create a global infrastructure that will serve China's economic as well as military interests. To a certain degree, Beijing is emulating what the US established after World War Two in many parts of the world. The concern is that unlike the US, which was doing this in the name of a liberal international order based on free trade, non-use of force, good governance and individual freedom, the Chinese understanding of the international order looks far different.

Aside from their preference for free trade, there are few elements in China's approach towards the international order that other nations might find attractive. China is not a benign hegemon, whose superiority is accepted by others in return for it delivering social goods such as peace and economic prosperity. Only authoritarian leaders might find it interesting to co-operate with China. Hence, while OBOR might be seen as an interesting approach towards improving international infrastructure, there are growing concerns about the long-term strategic interests associated with this initiative.

New risks in the changing world order

China's ascendancy creates a range of challenges for the US, Europe and Western nations such as Australia. The liberal international order of past decades was dominated by the West, in particular the US. This dominance is being tested by China and other rising powers such as India, Iran and Turkey, and by the declining power, Russia. Prudent diplomacy requires the readiness, on the one hand, to stick with

this liberal order and defend it wherever possible. On the other hand, we must accept the realities of a world in which non-liberal powers have grown in size and where strategic competitions are playing out that entail new risks.

The West needs strategic vision and leadership, but it is hard to find it. The traditional leader of the Western world, the US, is no longer fulfilling this role. President Trump shows no understanding of the complexities and challenges of the international world and he has a very short-sighted understanding of America's global role. There are many responsible politicians in the US who are trying to keep this leadership role alive as much as possible (both in the Administration and within Congress), but their influence is limited. The reluctance of the US to assume global leadership was already evident during the presidency of Barack Obama, but under President Trump this retreat has accelerated.

New strategy needed for North Korea

North Korea's entry into the 'nuclear club' creates another layer of complex diplomatic and security risk. I don't know what the most prudent response is. What I do know is that so far no one seems to have a strategy to deal with North Korea. Prudence alone is not a strategy, since it could further aggravate the situation. A bold strategy, however, might provoke a major war that kills millions of people on the Korean peninsula and beyond. The problem is that we don't know all the dimensions of the strategic challenge we are facing. We haven't seen the whole picture yet.

Over the past two years, North Korea has surprisingly accomplished major strides in its missile program and with its nuclear weapons. All experts agree North Korea doesn't have the technological and industrial base to achieve such accomplishments. Who has helped them? It's hard to believe that this assistance has come through black market forces alone. Rather, it is prudent to assume that some kind of political complicity was involved –most likely by Beijing and Moscow. I wouldn't exclude the possibility that either Russia or China has actively supported the missile program and the miniaturisation of nuclear warheads. If true, how should we now regard China's and Russia's role in this crisis? Is China really a responsible actor that seriously seeks a 'political solution'? Or are China and Russia provoking the US through a proxy such as North Korea in order to put the US position in East Asia in limbo?

Beware the unstable new playing field.

As the world order evolves, global trade and commerce continues regardless –but the backdrop is increasingly unstable and dangerous. There is one thing political and business leaders should understand: we are back in a period of international strategic competition. It is no longer the competition between the free world and the communist world, and it isn't a return of the 19th century balance-of-power system. What we face is a still-loose coalition of authoritarian-ruled states and kleptocratic power verticals who fear the spirit of democracy and freedom and who see the weakness of the Western world as an opportunity to deconstruct the liberal international order that was formed by the US and its allies in the decades after World War Two. Unlike the Cold War period, trade relations between the West and those states don't have a pacifying effect on international politics.

The nationalism and protectionism that we're witnessing are more or less a direct consequence of a growing inequality in our societies. They also reflect the loss of trust in the future and in our political institutions and in basic tenets of our societies. A major factor for explaining these developments is the de-industrialisation that has bedevilled all Western states. Nevertheless, the causes for the loss of trust in institutions have much deeper sources.\

Against this backdrop, there is a growing need for the Western world and its allies to co-operate in multilateral institutions. The problem is that many of the existing institutions don't function anymore because of strategic competition (such as the UN Security Council or the G20), while other institutions are limited geographically (NATO) or by scope (G7, OECD). We lack a Western caucus where matters of economy, finances, security and international order are addressed simultaneously.

Overall, I'm currently not very optimistic. This period of Western dominance is coming to an end and the opponents of the Western world, of democracy and open societies and liberal institutions, are gaining momentum. We must remain vigilant about the possibility of dramatic shifts in international relations with far-reaching consequences. The times, they are a 'changing.

Professor Joachim Krause is Director of the Institute for Security Policy at the University of Kiel in Germany and a guest speaker at the Asia-Pacific Regional Conference.