

Address to the Asia Society AustralAsia Centre

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## **The Hon Kevin Rudd MP**

Prime Minister of Australia

at the

### **Asia Society AustralAsia Centre Annual Dinner**

held in Sydney on 4 June 2008

## **It's time to build an Asia Pacific Community**

The Government's mission is to build a strong and fair Australia capable of meeting the new challenges of the 21st century.

That means planning for our long-term future.

Planning to meet our long-term domestic challenges.

It also means planning to meet our long-term international challenges.

Australia must above all enhance our regional and global economic competitiveness if we are to secure our future.

Domestically we need to lift our productivity growth.

We need to have the best-trained, best-skilled work force in the world.

We will need world-class infrastructure, including high-speed broadband.

We are committed to policies that will lift work force participation rates – a critical need with an ageing population.

And we are committed to continuing population growth, underpinned by a continuing migration program.

We are committed to taxation reform and business deregulation.

And underpinning all must be a commitment to responsible economic management – injecting every effort to maintain macro-economic stability.

But Australia faces additional regional and global challenges also crucial to our nation's future – climate change, questions of energy and food security, the rise of China and the rise of India.

And we need a strong system of global and regional relationships and institutions to underpin stability.

We also have to make sure that the open, rules-based system of global trade is maintained and expanded.

It is the system that has underwritten our prosperity, just as it has underwritten the prosperity of the region.

When Australia looks intrinsically to the Asia-Pacific region, we can see significant future challenges.

In the South West Pacific the challenges are great.

Many of the smaller states in the region will need to work hard – and we will work with them – on establishing the foundation for a secure and sustainable future.

Terrorism in South-East Asia will remain a continuing challenge.

And across wider Continental Asia, the rise of India and China represent great economic, environmental, energy policy and security reverberations for the future.

A core challenge for Australia is – how do we best prepare ourselves for the Asia Pacific century – to maximise the opportunities, to minimise the threats and to make our own active contribution to making this Asia-Pacific Century peaceful, prosperous and sustainable for us all.

Tonight I would like to respond to that question by talking to you about the third pillar of the Government's foreign policy – our policy of comprehensive engagement in the Asia-Pacific region.

Our alliance with the United States is the first pillar of our foreign policy and the strategic bedrock of our foreign and security policy.

Since forming Government, we have reaffirmed our support for the alliance, including in March in Washington when I met President Bush.

The alliance – the relationship between Australia and the United States – transcends political parties and Administrations on both sides of the Pacific.

I have also spoken about the United Nations – the second pillar of our foreign policy.

The Government's policy is that a strong rules-based international system is in Australia's national interest.

In March in New York I met with the UN Secretary-General

I announced after that meeting that Australia would seek a seat on the UN Security Council in 2013-2014.

If Australia wants an effective United Nations, we have to be comprehensively, not marginally, engaged.

And that means engaging with key multilateral partners around the globe that share our goals, in particular our partners in Europe – a principle of multilateral cooperation with our European partners I re-affirmed in meetings with the European Commission in Brussels in April.

Tonight I want to talk about the third pillar of our foreign policy, comprehensive engagement with Asia.

It is a pillar of our foreign policy because this Government is committed to strong, close, cooperative relations with the countries of Asia.

We have interests that we want to pursue in the region.

And we believe that we can also make a strong positive contribution to the region – to its long-term stability, prosperity and sustainability.

We want to build on our history of political, strategic, economic and development contributions to the region in the years ahead.

Tonight I'd like to talk about the future of two of our critical bilateral relations in the region – Japan and Indonesia.

And I'd also like to talk about the future of the regional architecture of the wider region.

The changes now taking place in the global economic and strategic terrain are of historic proportions.

Put simply, global economic and strategic weight is shifting to Asia.

For the first time in the settled history of this continent, we find ourselves in the region that will be at the centre of global affairs.

This is a process that began half a century ago – and it has at least that long left to run.

Japan led the way with its remarkable post-war recovery and rapid economic growth.

Korea, Taiwan, Hong Kong and Singapore followed.

The countries of South East Asia – in spite of the 1997 financial crisis – have continued to show strong growth.

Then, in the 1990s China and India began to grow rapidly.

By 2020, according to one study last year, Asia will account for around 45 per cent of global GDP.

By 2020 it will account for around one-third of global trade.

By 2020, Asia's share of global military spending will have grown to nearly one quarter.

Militaries throughout Asia have sought to modernise and continued economic growth will encourage the acquisition of higher technology military systems.

And the region contains continuing potential flashpoints – Kashmir, the Taiwan Strait, the Korean Peninsula.

But there is more to the story of a changing Asia than the economic and strategic picture.

Demographics are changing.

The countries that developed first have ageing populations.

China's population continues to grow, but it too is ageing.

China expects its population to peak at around 1.5 billion in the 2030s.

India's population will remain young and will continue to grow in the decades ahead.

It will become the most populous nation in the world by the middle of the century.

The overall population of the region is continuing to grow – by 2020 it is projected to be 4.6 billion (out of a total global population of 7.7 billion).

A growing population and higher standards of living are putting increasing pressure on resources.

To drive these growing economies and to provide the standard of living these populations require, demand for energy is growing dramatically.

APEC estimates that among its member economies demand for energy will grow by around 40 per cent by 2020.

Overall, Asia's energy consumption could grow by around two-thirds by 2020.

Or, to put it another way, more than half of the increase in global energy consumption to 2020 will come from Asia.

Wealthier populations are also demanding more and better food.

We have already seen the rising cost of food, globally not just in Asia.

The rising population needs more water too.

We will see more people in water stress because much of the population growth in the years ahead will come in developing countries that already face fresh water supply pressures.

The changes and challenges for Asia will be great.

So, for Australia, engagement with Asia is not just a matter of historical recognition of the requirements of geographical proximity.

Our engagement with Asia for the future will be about engaging with a region of global significance in its own right.

It is the coincidence of several imperatives – geographic, economic and strategic.

It is engagement with a region that will be of crucial importance for the future of our planet.

How, then, do we best prepare for the Asia-Pacific century?

First, we have to get our national house in order to maximise our global competitiveness.

Then we need to have good economic and security relations with the countries in our region.

But there is a brittleness in a foreign policy based only on bilateral relations.

To remove some of that brittleness, we need strong and effective regional institutions.

Strong institutions that will underpin an open, peaceful, stable, prosperous and sustainable region.

We need them because regional institutions are important in addressing collective challenges that no one country can address alone – and they help us develop a common idea of what those challenges are.

Challenges like:

Enhancing a sense of security community (we have something to learn from Europe where centuries of animosity have been transformed into an unparalleled degree of transnational cooperation);

Developing a capacity to deal with terrorism, natural disasters and disease – problems that definitionally transcend national boundaries;

Enhancing non-discriminatory and open trading regimes across the region in support of global institutions;  
and

Providing long-term energy, resource and food security.

I believe it is time that we started to think about where we want to be with our regional architecture in 2020.

It is nearly 20 years since the first APEC meeting in Canberra.

When APEC started, we spoke about the gradual evolution of regional architecture.

And that architecture has evolved in the intervening 20 years.

We have APEC, the ASEAN Regional Forum, ASEAN Plus Three and, most recently, the East Asia Summit.

Each has its own positive role to play.

But the core question is what should the long-term vision for our region's architecture be?

We believe that we need to anticipate the historic changes in our region and seek to shape them; rather than simply reacting to them.

We need to have a vision for an Asia Pacific Community, a vision that embraces:

A regional institution which spans the entire Asia-Pacific region – including the United States, Japan, China, India, Indonesia and the other states of the region.

A regional institution which is able to engage in the full spectrum of dialogue, cooperation and action on economic and political matters and future challenges related to security.

The purpose is to encourage the development of a genuine and comprehensive sense of community whose habitual operating principle is cooperation.

The danger in not acting is that we run the risk of succumbing to the perception that future conflict within our region may somehow be inevitable.

At present none of our existing regional mechanisms as currently configured are capable of achieving these purposes.

That is why the new Australian Government argues that we should now begin the regional debate about where we want to be in 2020.

Such a debate does not of itself mean the diminution of any of the existing regional bodies.

APEC, the ASEAN Regional Forum, the East Asia Summit, ASEAN Plus Three and ASEAN itself will continue to play important roles, and longer-term may continue in their own right or embody the building blocks of an Asia Pacific Community.

There will be wide ranging views about this across the region – some more supportive than others.

New bodies and new ideas will continue to emerge.

Australia would welcome the evolution of the Six Party Talks into a wider regional body to discuss confidence and security building measures in North East Asia and beyond – and we support the United States in this.

I would also argue that an Asia Pacific Community by 2020 is consistent with President Bush's call for the development of a Free Trade Area of the Asia Pacific – an ambition we have consistently supported as a long-term goal.

The European Union of course does not represent an identikit model of what we would seek to develop in the Asia Pacific.

But what we can learn from Europe is this – it is necessary to take the first step.

In the 1950s, sceptics saw European integration as unrealistic.

But most people would now agree that the goal of the visionaries in Europe who sat down in the 1950s and resolved to build prosperity and a common sense of a security community has been achieved.

It is that spirit we need to capture in our hemisphere.

Our special challenge is that we face a region with greater diversity in political systems and economic structures, levels of development, religious beliefs, languages and cultures, than did our counterparts in Europe.

But that should not stop us from thinking big.

The Association of South-East Asian Nations (ASEAN) is an example of the benefits of long-term vision.

In a diverse region, ASEAN has brought together a varied group and forged a common outlook on many questions.

ASEAN has built habits of cooperation and dialogue.

And ASEAN has played a critical role in building and maintaining peace in the region through its work.

To take forward the vision for an Asia Pacific Community during the next six months, the Australian Government will dispatch a high-level envoy to the capitals of the wider region to discuss this proposal.

Subject to that further dialogue we would envisage the possibility of a further high-level conference of government and non-government representatives to advance this proposal.

I fully recognise that this will not be an easy process – just as the establishment of APEC was not easy 20 years ago.

But the speed and the scope of changes in our region means we need to act now.

That is why I am announcing tonight the appointment of Dick Woolcott as Australia's envoy on this important matter of unfinished regional business – to continue and hopefully complete the work he began on Prime Minister Hawke's behalf 20 years ago.

I said before that this is the Asia Pacific Century.

Ours must be an open region – we need to link into the world, not shut ourselves off from it.

And Australia has to be at the forefront of that challenge, helping to provide the ideas and drive to build new regional architecture – something we have not done for over a decade.

We also need to invest in our relationships with our partners around the region.

In North East Asia we will need to continue to build our relationships with the economic powerhouses to which we are so closely linked – China, Japan and Korea.

In South East Asia we have to add even more depth to our relationships with our key partners – Indonesia, Malaysia, Singapore and others.

In South Asia, we need to re-energise our relationship with the other rising giant, India.

But, ahead of my visit to Japan and Indonesia next week I want to explain how our Government sees its relations with these two crucial partners.

In many ways, our relationship with Japan is one of the foundations of our regional engagement.

The relationship between Australia and Japan is a comprehensive strategic, security and economic partnership – and beyond that we have an enduring friendship.

And I am committed to adding even more depth and breadth to that partnership.

Over the past 50 years, developments in our relationship with Japan have often led the way in our engagement with the region.

From our trade treaty in 1957, through to working together to establish APEC in the 1980s under Bob Hawke's leadership, and to our security cooperation, developments in our relationship with Japan have been at the forefront of our regional engagement.

Japan is an ancient culture.

Japan is a global economic power – the world's second-biggest economy.

Its economic presence has made a critical contribution to many economies around the world – including Australia.

It is a major provider of development assistance around the globe.

Japan is also one of the United Nation's strongest supporters.

It is a clear voice on the world stage for non-proliferation of nuclear and other weapons – bringing to the debate its unique and terrible history as the only country to have suffered the effects of a nuclear weapon.

Japan also represents a significant security presence in our East Asian hemisphere.

So, for Australia, engaging with Japan is a core priority.

We have an enduring economic relationship.

But we can still do more to secure a strong future economic relationship.

I will be talking with Prime Minister Fukuda about how we can accelerate our negotiations for a free trade agreement (FTA).

We are also strategic partners.

When I meet with Prime Minister Fukuda next week I hope to be able to take forward concrete proposals for strengthening our security engagement – both bilaterally and trilaterally with the United States.

Prime Minister Fukuda and I will also look at how Australia and Japan can cooperate more both regionally and globally.

Regionally, we can look also work more closely together on our development assistance efforts in the Pacific.

Globally, we can also work together on climate change.

Prime Minister Fukuda has invited me to attend the G8 outreach meeting in Japan in July.

Climate change will be a major focus of the outreach session and I will be talking to Prime Minister Fukuda about how we can work together on the science and the policy of climate change.

Underlying the economic relationship, the political relationship and the strategic relationship are the people to people links.

It includes students travelling in both directions – including those who spend time on home stay programs, learning the language and culture of the other country.

Japanese is the most studied foreign language in Australia – more than 220,000 Australians are studying Japanese at public high schools.

I have to acknowledge here the problem of whaling.

We have had, and continue to have, a frank dialogue with Japan on this.

But I am hopeful that we will be able to find a diplomatic solution to what is an important disagreement among friends.

Next week will be my second visit to Indonesia since becoming Prime Minister – my first having been to the Bali climate change meeting in December.

I am looking forward to sitting down again with President Yudhoyono and talking through the future of our relationship.

We already have a great history to build on.

Australia – under the ALP – took the initiative to represent Indonesia's interests at the United Nations in 1947.

We were a strong supporter of Indonesian independence in 1949.

And, since that time, our histories have been inseparable.

Our relationship has now matured and we have a true partnership.

I have watched Indonesia's remarkable development in recent years.

And it is worth revisiting some of the fundamentals about Indonesia.

Indonesia is the largest democracy in Asia after India.

It is the world's most populous Muslim nation.

Since the financial crisis in 1997 Indonesia has made a strong recovery.

Its economy is growing at over six per cent annually.

Its transition to democracy and its economic recovery in the past decade have been remarkable.

In Australia we should have a better understanding of these changes because our relationship with Indonesia is so important.

It is important to us because of the joint challenges we face and the need we have to develop common responses to these challenges.

For instance on climate change.

I have already had a discussion about increasing our climate change cooperation with President Yudhoyono when we met in Bali – and I want to acknowledge the President's leadership on this.

Exploring ways to further this cooperation will be a top priority for my visit to Indonesia next week.

I hope to be able to outline a way forward for Australia-Indonesia climate change cooperation during my visit.

In particular, I believe there is real scope for us to cooperate on the problem of deforestation.

We also have a strong base of people-to-people links.

Nearly 400,000 people travel back and forth between Australia and Indonesia each year.

And around 15,000 Indonesian students study in Australia.

I am keen to make sure that more people in Australia learn about Indonesia.

Indonesian is one of the target languages of our Government's investment of \$62 million dollars over the next three years to boost Asian language study in Australian high schools – building on the 170,000 Australians who already study Indonesian at public high schools.

And I am keen to see Indonesians learn more about Australia too.

An important part of this mutual learning process is inter-faith dialogue.

There have been a number of rounds of this dialogue so far.

It is a good initiative and one that I hope can be broadened over time.

Our shared global interests and the good people-to-people links that we share give us a good base to further develop our bilateral relationship.

We need to have a vision of where we want to take the bilateral relationship and we need to work towards that vision.

For me, it is a vision of a partnership built on mutual respect and mutual benefit.

Developing our economic relationship is an important part of that.

We need to keep working on our free trade agreement study.

Our goal is simple – to make it easier for our business communities to interact with each other.

We also have to build our defence and security relationship.

We have a good basis for cooperation in the Lombok Treaty, but we need to do more.

In particular, we need to further our cooperation in the security field given our common challenge in terrorism.

Beyond our bilateral relationship Australia and Indonesia can yield better results for the region and for the world when we work together in a diplomatic partnership that goes beyond the traditional bilateral preoccupations.

For Australia, cooperation with Indonesia on regional matters – including the East Asia Summit – is of central importance.

Natural disasters in Burma and China in recent weeks – both with terrible death tolls – have reminded us of the need to for regional cooperation to have practical results, by improving coordination of disaster response efforts for instance.

Here APEC has an important role to play.

Australia and Indonesia are co-chairs of an APEC task force on emergency preparedness and response.

It was established after the Indian Ocean tsunami in 2004.

And it has already done some good work.

When I visit Indonesia next week, I will be discussing with President Yudhoyono how we can lift the tempo of the task force's work.

I have some specific proposals to take to the President about how we can do more to bring together disaster relief experts from around the region – because when a crisis hits, our people need to have ready made networks so we can respond in a timely fashion.

In doing so, we will need to build on important initiatives already advanced elsewhere in the region – most recently by Prime Minister Fukuda of Japan.

As we look to build a new regional architecture for 2020 and beyond, Indonesia will be one of our critical partners.

For Australia, Indonesia is a partner in nearly every field of endeavour.

We are committed to building a closer relationship between our people, our parliaments and our institutions.

We are partners in tackling climate change.

We are partners in building the region.

Next week in Indonesia, I look forward to talking with President Yudhoyono about how we take this partnership forward.

About 30 years ago I first set foot in the wider region.

That experience – and my study of Asian history, language and cultures at university – opened my eyes to the importance of the region for Australia.

And it has left me firmly of the view that Australia has to make itself the most Asia-literate country in the collective West.

Asia is a diverse continent and we have to put great effort into building and maintaining our engagement into the future.

Our businesses, our academic institutions and our government agencies need to understand Asia.

This Government will be investing more in this direction.

Because we in this nation have a unique requirement to fully comprehend and engage with the great new global dynamics of the Asia-Pacific century.

Australia must play its part in shaping the region's future.

And that is what the new Australian Government intends to do.