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THE RISE OF CHINA AND THE STRATEGIC IMPLICATIONS  
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## P R O C E E D I N G S

MR. PASCUAL: Good morning. My name is Carlos Pascual. I'm the Vice President and Director of the Foreign Policy Studies Program here at The Brookings Institution. It's my pleasure today to be able to welcome you to this session with the Honorable Kevin Michael Rudd, the leader of the opposition Federal Labor Party in Australia's House of Representatives. It's a pleasure, as well, to be able to welcome Ambassador Dennis Richardson and his predecessor Ambassador Michael Thawley.

Today we are going to focus our attention on Australia-U.S. relations in the context of a rising China. Certainly China's economic growth, its vast use and burgeoning use of energy resources, its expanding military capabilities, its role on the international stage, its use or its position in the U.N. Security Council, and its potential use of its veto power have had a huge impact on the Asia-Pacific countries and have led to increased attention throughout the Asia-Pacific region on China. In fact, it's even had an impact on Washington's attention on China despite all of the focus that we have seen in Iraq and, if not Washington at least Goldman Sachs is certainly paying attention to what's happening in China these days as well.

For Australia, the issues related to China are part of its very lifeblood; and indeed if one might even not necessarily consider the direct importance of China today, if one looks ahead to the future and to the year 2050 when China will have the world's largest GDP, it will be the largest emitter of carbon; it will have the world's largest standing military and the second largest population in the world; and I think it would be fair to say that there will be no

problem in the world, whether its economic, political, security, or the proponents' very ecological sustainability that can be addressed without engaging China.

We have a great deal to learn from Australia, because it has really integrated this into the core of its foreign policy. It is part of Australia's lifeblood in the way that it looks at the world and the region, and so therefore we're really pleased to be able to learn today from what Kevin Rudd has to share with us.

There could be no one more qualified to speak about Australian perspectives on China than our speaker today. Kevin Rudd is a student of China. He speaks Mandarin. He served in China as a member of Australia's Foreign Service. If he becomes prime minister, Australia would have as its head of government a China expert unrivaled in other world capitals.

Kevin Rudd was elected to the post of Federal Labor Party Leader on December 4th, 2006. In that capacity, he is the Shadow Prime Minister of Australia. For American audiences who are unfamiliar with parliamentary politics, rest assured that that is certainly a title that Senator Clinton or Senator Obama or Senator Reed or John Edwards would be glad to aspire to.

Prior to serving as Shadow Prime Minister, Kevin Rudd served as the Shadow Minister of Foreign Affairs and International Security and the Shadow Minister for Trade. When political fate has taken away the term "shadow" from his title, he's also served as Director General of the Office of the Cabinet from 1992 to '95, and as Chief of Staff to the Prime minister from 1989 to 1992.

Ladies and gentlemen, I give you Mr. Kevin Rudd.

(Applause)

MR. RUDD: Thanks very much for that very kind introduction.

Distinguished guests, ladies and gentlemen, friends, one and all — and I see many people I know in this audience — it's great to be back in America; it's great to be back in Washington; it's great to be back at Brookings, and this is one of the foremost public policy institutes in the world, and I'm honored to be invited here today to address you on this important question for us all, and that goes to China's future and how we engage China.

This year marks the 35th anniversary of the signing of the Shanghai Communiqué and the unfreezing of the relationship between China and the United States that followed. This represents one of the great successes of U.S. foreign policy in the 20th Century. It ended 23 years of open hostilities between China and the United States, including the Korean War, several major crises across the Taiwan Straits, as well as China's military support for North Vietnam.

The term "historic" is one of the most used and abused in international relations. But President Nixon's visit to the Chinese capitol that year proved to be of truly historic dimensions.

Rapprochement between Peking, as it was then called, and Washington of course did not simply come about because the United States and China suddenly felt better about one another. It came about because of the cold war, the depth of the Sino-Soviet split, and the creative diplomacy of Secretary of State Kissinger and others on how to radically redraw the geopolitical balance against Moscow, and the bottom line is it worked, and what is truly remarkable is that this rapprochement and the normalization of Sino-U.S. relations survived and prospered once its original strategic rationale had collapsed, that is, with the fall

of the Soviet Union in '90-'91 and the end of the cold war.

For the last 15 years, Sino-U.S. relations have developed their own intrinsic momentum, and this is bane to the strategic and economic benefit of the entire Asia-Pacific region. Put bluntly, we would not be about to embark upon the Pacific Century were it not for the critical decisions taken back in 1972, each of which involved considerable risks to both parties. The history of the last 35 years could have been radically different. The question for policymakers today is will it last?

The task of our generation is to find a way to preserve and perpetuate the peace and prosperity dividend delivered by the past few decades of the China-U.S. relationship into the decades ahead, these first decades of the Pacific Century.

One mistake would be to assume that because the last 35 years have been peaceful the next 35 will be peaceful as well because peace is so obviously in everyone's interest and peace will somehow therefore automatically prevail all so the logic goes.

Another mistake would be to assume that conflict is somehow inevitable, that we in the Asia-Pacific region are fated by some ancient Greek gods to reenact the tragedies of the last century as rising powers fought for what they deemed to be their proper place in the international system while the established powers, or at least a number of them, fought to stop them. Neither unbridled optimism nor unbridled pessimism is a useful guide to policy — even less, foreign policy.

The truth is that this relationship between China and the U.S. is of

such importance to the entire region and for the world at large that it must continue to be nurtured and nourished by leadership and by statesmanship. Neither success nor failure is inevitable, but failure certainly becomes more possible if we do not deal with the challenges arising from the emergence of this new power and by deploying all the political and diplomatic energies at our disposal.

We do not believe it is anyone's interest for Asia to be divided into different camps on the basis of different political systems. One of the great contributions of ASEAN in Southeast Asia has been to meld radically different political systems into a common regional framework, which of itself has promoted peace and development. Thus far, this framework has prevented interstate conflict and promoted prosperity on behalf of the half billion people of this region. Whether, therefore, Pacific Century will in fact be Pacific will depend on the clarity of our strategic vision, the effectiveness of our bilateral diplomacy together with the robustness of the region's as yet fragile institutional architecture, including the ability of regional institutions to smooth the edges of the brittleness which, from time to time, will inevitably emerge.

How, therefore, do we, two great Pacific democracies — Australia and the United States — best analyze, anticipate, and act in a manner that positively impacts the future shape of the Pacific Century? The rise of China and later India represents one of the four or five mega challenges of our time together with nuclear weapons proliferation, the rise of militant Islamism, the challenge of energy security, the threat of climate change and the attendant impacts on food and water security, and the unfolding reality of major demographic change across

most of the developed world and a number of major developing countries as well.

In responding to these challenges, including the rise of China, Australia and the United States are guarded by our common heritage, our common core values, and our longstanding common commitment to each other's security. We are free peoples; we are robust democracies; and we believe in open markets. Our common interest is to enlarge the democratic and open markets project around the world by peaceful means, reinforced by the living example of our open societies and successful economies. We share common traditions forged across the battlefields of the world. The week before last, we commemorated the 90th anniversary of Australian and American forces acting for the first time as allies, at that time in the battlefields of France.

These common values — these common traditions and common interests — are reflected in the alliance which has served our countries so well for most than half a century. The Australia-U.S. alliance has survived and prospered through twelve American presidents and thirteen Australian Prime Ministers — both Democrat and Republican, both Labor and Liberal. The Australia-U.S. alliance is the dual legacy of both our major political parties in both our countries. Initiated by Curtin and Roosevelt in the darkest days of 1941 and consummated by Menzies and Truman in the ANZUS Treaty of 1951, it is an alliance of which we should both be proud and one which is destined to endure into the future whoever might form the next government in Canberra or in Washington, and it is within the framework of these alliance fundamentals that we should reflect intelligently on the rise of China.

China's modernizers have been dreaming of China's return to

national greatness since China's humiliation at the hands of the British during the opium wars. That was quite some time ago. This sense of national humiliation was reinforced during the later Ching Dynasty when seven other imperial powers obtained territorial and other treaty concessions from the Chinese Imperial Court. Then followed the Japanese annexation of Manchuria and later the full-scale Japanese invasion of the Chinese Republic. What modern Chinese history uniformly describes as China's century of humiliation from the 1840s to 1940s has dramatically shaped the world view of the last three generations of Chinese modernizers — in short, a desire for China to stand up and once again take its proper place in the comity of nations. This, in large measure, drove Mao's revolution, a revolution which was as much nationalist as it was Communist, and it certainly is what drove Deng's revolution 30 years later, the man who will emerge as one of the towering figures of the 20th Century.

It is remarkable in the 30 years since Deng Xiaoping's rehabilitation in 1977 China has transformed itself from the ashes of the cultural revolution to become the world's fourth-largest economy, depending on the measure, a country which when I went there to work in the early '80s exported about as much to the rest of the world as Australia did but a country which last month surpassed the United States to become the world's second-largest exporting country, and a country which now boasts \$1.2 trillion in foreign reserves, the largest foreign exchange reserves in the world.

A couple of weeks ago in Canberra, I had the privilege of sitting down with the regent senior statesman/minister/mentor Li Quan Yu of Singapore to discuss the rise of China. His (inaudible) as always are well informed. One

thing we did discuss was the recent central Chinese television blockbuster mini-series entitled "The Rise of Great Powers." I understand no expense has been spared on this series, as it tracks the rise of Portugal, Spain, France, Britain, Japan, and the United States.

The study of national power is of immense political and popular interest in China today, and imbued with a 2000-year-old Confusion tradition the Chinese are always active and keen students of history and what can be learned from it. This is reflected also in the political and academic debate in China about the terminology to describe China's rise and the process associated with it. In 2003 the orthodox term, which was used in China, was "heping jueqi" translated as the "peaceful rise" of China. Then this became "heping fazhan," translated as the "peaceful development" of China, given that a number in the foreign policy establishment in China were becoming jittery about the notion of talking about any sort of rise, peaceful or otherwise. And most recently, the new term to be used is "hexie shijie," translated as "harmonious world."

What's all this mean? This debate over terminology within China reflects the ongoing debate within the Chinese leadership itself about the form and shape of China's future participation in an international order. In Beijing, the think tanks are hard at work, just as they are in Washington. Contrary to some analysts, there is as yet no detailed authorized script outlining how all of this is intended to unfold.

It is worthwhile for a moment reflecting on the world as seen through the eyes of the Chinese politburo. Seen from Beijing today, let's reflect for a moment on what's likely to be China's top five national priorities. At the top

of the list is the maintenance of national unity, which for China primarily means reunification with Taiwan. Priority No. 2 is likely to be the maintenance of a peaceful regional and international order to accommodate China's economic development requirements. Third would be continued increases in China's living standards and how to lift those 400 million Chinese who still live in poverty into a better life. Fourth, energy security and all that that entails. Fifth, environmental degradation, including the loss of arable land, water supply, atmospheric pollution and its immediate impact on public health, together with the mega challenge of climate change itself.

China's scholars would debate this list of priorities, and certainly those here at Brookings would debate it today, but I believe it represents a reasonable lens through which to debate and to view China's political and policy priorities.

It should be noted that domestic political liberalization, democratization, and the events of human rights do not feature in the list of priorities I have just run through and regrettably are unlikely to do so for the foreseeable future. How, then, are these priorities — the ones that I listed just before, reflected in China's current international approach? In Taiwan, there is a policy of carrot and stick — Taiwan's increasing economic integration with greater China while at the same time China proceeding to rapidly expand and modernize its military capabilities targeted across the Taiwan Straits. Beyond Taiwan, China has sought to create a zone of peace around its immediate neighbors by seeking to accelerate the resolution of outstanding voter disputes, thereby enabling China to concentrate on the main task at hand, namely,

economic development.

Beyond its immediate neighbors, China, through skillful diplomacy, has sought to advance multipolarity wherever possible within the international system. We've seen this most recently in the aftermath of the Asian financial crisis, through China's diplomatic initiatives in support of ASEAN+3, and then the East Asian Summit. On energy security, China's results diplomacy around the world has been intensive (inaudible) in the Middle East, the Russian Far East, Central Asia, Africa, Latin America, and, of course, Australia.

China's overarching objective in all of this is long-term security of supply and reducing wherever possible supply-side cost pressures for its economy. We have yet to see the full shape of China's approach domestically and internationally on climate change, although this has now rocketed up the domestic political agenda within China itself and is now due to release its first national action plan on climate change later this year.

The Chinese leadership, as you can see from this, have been busy. Like all Chinese modernizers, they aspire to national wealth and power. This has been the dream of Chinese modernizers since the days of Yen Fu and others in the 1890s. But at this stage, there is no clear articulation of how wealth and power, once obtained, could be used to shape the future international order. This is the open question we all now confront, and we in Australia and the United States are now at a critical juncture on how best to shape the future characteristics of the regional and international order in which China will be playing an increasingly important part.

What we now do or fail to do on all of this will very much shape

the history of the Pacific Century. We find ourselves at one of those rare times in history, a period of unprecedented flux and change where new patterns, processes, and approaches to the emerging order have yet to be finally settled. It is therefore a time of great diplomatic opportunity.

In responding to the challenges of our time, we must look beyond the somewhat simplistic debate we have seen in the past between containment on the one hand and engagement on the other of a China's future place in the international order. This might have been an acceptable paradigm in the 1990s, but it's no longer that simple if ever, in fact, it was that simple.

The future peace and prosperity of the Asia-Pacific region ultimately depends on getting the strategic fundamentals right; that is, in turn, first and foremost, it requires continued U.S. strategic engagement in East Asia and the West Pacific anchored in the existing pattern of U.S. military alliances, including those with Japan and Australia. Based on these foundations, it also requires that we actively and affirmatively engage China in the maintenance of a regional and global rules-based order. This, in effect, is what the Council on Foreign Relations' Independent Task Force on China U.S. Relations recommended earlier this month, and I quote from them: "An affirmative agenda of integrating China into the global community by weaving them into the fabric of international regimes on security, trade, and human rights and balancing China's growing military power."

Eighteen months ago this concept was eloquently articulated by Robert Zoellick, then Deputy Secretary of State, in what he described as the concept of China as a responsible stakeholder in the regional and global order.

He posited that in the light of China's economic success and its rising political influence Beijing had an increasing interest, an increasing self-interest, in working with the international community to sustain and strengthen the international security order. Because China has benefited from that order and the economic growth that has proceeded from it, China therefore, according to the logic, has an intrinsic interest in sustaining that order and contributing to its sustenance.

Indeed, the concepts of responsible stakeholder and those associated with it are best demonstrated by China's serving as a mediator to bring Pyongyang back to the negotiating table after North Korea conducted its first nuclear test in October 2006. But the Chinese role has gone well beyond that of being a conciliatory host for the Six-Party Talks. China has played an activist, creative, and positive role drawing on its historically close relationship with Pyongyang together with its shared interest with the U.S. in maintaining a nuclear-free North Korea. While the so-called Six-Party accord has thus far not been implemented, and many things may arise which impeded or prevent its full implementation, it has been a better outcome than any of the alternatives on offer.

Bob Zoellick has also pointed to other challenges on the international agenda, such as Iran and Sudan, where China has yet to engage in similar fashion. Sudan is one of the places where China has invested heavily to ensure its energy security and diversity of supply. But tensions have arisen over China's support for the regime in Khartoum. Sudan is listed as a state sponsor of terrorism, and the Sudanese government has been arming and supporting the Janjaweed militias that have terrorized the people of Western Darfur. I was there

last year, and I saw some of the evidence of that.

But China has threatened to veto sanctions against Sudan at the U.N. China is also a major source of armaments for Khartoum, and Chinese firms have signed multibillion-dollar deals with Sudanese state-owned enterprises. Although there have been reports in the last week that China may now be making new representations to the Sudanese government concerning the future role of the U.N. in Darfur, it remains to be concluded as to how effective those representations might be.

Iran emerges also as a further challenge to the concept acting as a responsible stakeholder in the emerging international order. China's energy interest in Iran is self-evident. Iran's threats to the viability of the global nonproliferation regime are equally self-evident. How China responds to this challenge in the critical months ahead when Iranian policy is returned to the U.N. Security Council for further consideration will reflect China's own understanding of its emerging role as a critical stakeholder in the maintenance of a rules-based order, namely, the preservation of the integrity of the Nonproliferation Treaty and of the International Atomic Energy Agency, which acts as the monitoring agency.

A considered approach to Bob Zoellick's responsible stakeholder model on the part of the United States will always be complicated by the array of political pressures here in Washington and, more broadly, across the U.S. domestic body of politics, which the Chinese relationship itself presents from time to time. In recent times, these have been particularly focused on trade protectionism and parallel debates about the valuation of the Chinese yuan. While each of these concerns should be assessed on its merits, it is critical that

they do not derail an overall considered approach to the long-term U.S.-China relationship.

What of regional responses to the rise of China? It is in the Asia-Pacific region where China's shift to a proactive foreign policy from its historically isolationist stance is felt most acutely. In many parts of the region, China has successfully deployed its growing economic power into greater degrees of diplomatic influence.

The prospect of a new, rapidly rising China poses both opportunities and challenges for regional community building in the Asia-Pacific. China's expanded interaction with the Asia-Pacific through strategic multilateral institutions, ASEAN+3, the East Asian Summit, the Shanghai Cooperation Organization, and economic integration has drawn it into a thickening web of political ties which have, over time, fostered a greater degree of diplomatic influence than in the past.

Within the region, the evolution of Sino-Japanese relations is of critical importance. The China-Japan relationship has been characterized by considerable tensions during the period of Koizumi's Prime Ministership fueled by a range of questions left over from history, most particularly from the last world war; Shinzu Abe's first visit abroad after becoming prime minister of Japan — soon after coming into office, Abe expressed deep remorse over Japan's wartime actions against China; and China's Premiere Wen Jiabao, and his visit to Japan in mid-April for talks with his Japanese counterpart was significant, as it was the first visit by a Chinese Premier to Japan since 2000.

The agenda for economic and other cooperation on which the two

prime ministers agreed in April was a significant step forward in reestablishing a positive tone in the relationship between these two countries. But underlying fragilities remain. During his visit, Premier Wen Jiabao made a speech to the Japanese parliament in which he welcomed warmer relations between China and Japan but warned that Japanese insensitivity to historical Chinese grievances could quickly derail the relationship once again.

China, for its part, remains deeply concerned about Japan's rapid military modernization reinforced by a palpable shift in Japanese domestic public opinion towards Japan. There is much, much more to be done in fully normalizing Sino-Japanese relations if the prospect of a truly Pacific Century is to be realized in the period that lies ahead.

Australian responses to the rise of China have by and large been measured on both sides of Australian politics. Australia's modern engagement with China began at the same time as America's when Australian federal labor leader Gough Whitlam first visited the People's Republic back in 1971. On his return from China, the then conservative prime minister of Australia said that the Chinese Communists had played Mr. Whitlam like a trout. A short time later it was revealed to the world that U.S. Secretary of State Henry Kissinger had himself, it seems, also been played like a trout, having conducted a secret visit to Peking at about the same time in order to prepare for the historic visit of President Nixon the following year.

Australia has now had diplomatic relations with China for nearly 35 years. What began as a narrow diplomatic relationship, interspersed with the occasional shipment of Australian wheat, has now broadened into an economic

relationship which as of today renders China as Australia's second-largest trading partner after Japan. United States comes in as No. 3.

For Australia, like other regional countries, the China relationship presents a range of opportunities and a range of challenges. The economic potential is great. But, equally, China exhibits no signs of becoming a democracy. While there have been improvements in China's human rights record, significant human rights abuses continue, and the reality is that this tension will continue well into the new century. Australia's challenge therefore, as with United States, is to maximize our common economic interests with China while robustly asserting, both publicly and privately, our continuing points of difference and disagreement. Equally, Australian governments — both Labor and Liberal — continue to state in clear and unequivocal terms to our friends in Beijing the continued centrality of Australia's alliance relationship with the United States just as both sides of Australian politics support the recent joint security declaration between Australia and Japan, which seeks to enhance various forms of security cooperation between the two countries.

To conclude, how then should Australia and United States go about working with our friends in Beijing on this core question of China's role in the emerging international order?

First, I would propose that we embrace Bob Zoellick's responsible stakeholder framework for the future. This is respectful of China's prerogatives as an emerging power but is equally reflective of our common commitment to the maintenance and, where possible, expansion of a rules-based global and regional order.

Second, United States, together with its allies, should unambiguously articulate that the backbone of continued stability in the East Asian hemisphere rests on continued U.S. strategic engagement. Underpinning this engagement is the maintenance of strong U.S. military alliances in the region. Together, these form the foundation for other elements of confidence building and security cooperation but might also be constructed within the region.

Third, our countries should encourage China to pursue a positive and constructive stakeholder role in the United Nations Security Council. China's position as a permanent member of the UNSC affords Beijing greater international prestige. China should be encouraged to adopt the same sort of approach in the UNSC — for example, on the critical challenges of the Sudan and Iran — as China has already demonstrably adopted on North Korea through the Six-Party Talks.

Fourth, we should equally encourage China to adopt a proactive rather than defensive position within the World Trade Organization in order to encourage the further liberalization of international and Chinese domestic markets. This is particularly necessary within China's burgeoning services markets where current levels of protectionism are impeding China's long-term growth potential and, most critically, growth in less energy-intensive industries. Multilateral trade liberalization is also more likely to yield substantive benefit in contrast to a number of bilateral free-trade agreements that China has negotiated, which fall considerably short in some cases of what we would agree to be appropriate WTA standards.

Fifth, our two countries must engage China on the great moral,

environmental, and economic challenge of our generation, namely climate change. On this question, our respective national positions are compromised by our refusal to certify/ratify the Kyoto Protocol. Given that it is projected that China's greenhouse gas emissions will exceed those of the United States by 2009 or thereafter, the planet demands that all three of us engage in the necessary international governance arrangements to cap greenhouse gas emissions before it is too late.

Sixth, Australia and United States as founding members of APEC must continue to reenergize APEC's agenda, thereby reestablishing APEC as the principal pan-regional consultative and decision-making forum. The marginalism of APEC over the course of the last decade following the Asian financial crisis has resulted in part in the rise of ASEAN+3 and the East Asian Summit, the first time that significant regional institutions have excluded the United States. This is not a good development.

Prime Minister Howard has my support when he has indicated that the Sidney APEC Summit later this year should concentrate on an action agenda on climate change. This should provide a significant regional opportunity to engage China on its particular responsibilities in this area. It should also provide a further reason why this year's APEC Summit should positively consider the inclusion of India as a fully fledged member of APEC.

Seventh, it has timely deployed the ASEAN Regional Forum for the purpose of developing confidence and security-building measures across the region. The ARF has spent far too long as a regional talkfest. One practical area where we can begin building CSBMs is in the development under this ASEAN

Regional Forum umbrella of a regional counter-disaster coordination authority, an Asia-Pacific disaster management organization. Such an organization could take the form a regional counter-disaster headquarters staffed with personnel from across the region and tasked with the responsibility of coordinating the rapid response of disaster relief efforts. Such an organization would not have its own assets to deploy. It would, however, preplan the rapid deployment of dedicated national assets, both military and civilian, to the disaster area. The Western Pacific is particularly prone to natural disasters, and many isolated communities are especially vulnerable. We discovered this after the December 2004 tsunami where a number of regional states had to scramble and scramble rapidly to assemble and dispatch the assets needed to provide emergency assistance.

But beyond the immediate and practical benefit, a properly functioning regional counter-disaster organization within the ASEAN Regional Forum framework could serve to strengthen security-related cooperation across the region. That would include China's formidable assets as well, but should China itself suffer catastrophic natural disasters in the future, it would provide over time a natural mechanism for the normal deployment of foreign assets to assist China should China ever make such a request.

Thirty-five years after the Shanghai Communiqué, we need to begin thinking creatively once again about the future of the China-U.S. relationship and to do so in ways that enhance the security, stability, and prosperity of the greater Asia-Pacific region. The time is ripe to do just that, because the relationship now is in such good working order. There is no immediate crisis in the China-U.S. relationship today. We are enjoying a time

when we are not having to deal with day-to-day crisis management. We therefore have what may turn out to be a unique opportunity to reflect, to plan ahead, and to act. But for this to occur, we must have continuing strong American leadership.

For our part, we are proud of our longstanding Australian tradition of creative middle-power diplomacy whereby we can assist in encouraging, facilitating, and, where necessary, brokering some of the outcomes I have raised today. But for all this to be possible, the third part of the triangle is of central importance, and that is the disposition of China itself. China has achieved great things for its people over the last 30 years, lifting hundreds of millions out of poverty. The opening of China's markets, together with China's continued high levels of economic growth, have also helped bring further prosperity to the world. A positive partnership with China that strengthens the international order that has made these achievements possible would benefit us all. On balance, I am an optimist, that together with vision, energy, and commitment, together we can truly shape a Pacific Century.

I thank you for your time.

(Applause)

MR. PASCUAL: Kevin, thank you very much. It really was an outstanding presentation of the issues that are being faced with China's rise, its importance, the critical role that it plays in the international community, and how that's changed; and I think you've laid out very well the challenges that we face on how we adapt to that and how we include China as part of an international system that's actually helping to achieve the solutions. And I think the dynamic that you laid out, as well, between the domestic developments in China and what we're

seeing internationally I think are very clear and very important. I hope we can explore that further.

I'd like to begin the process of questioning, and then I'll turn to the audience in general, by picking up on some of the points that you made, the way that you've underscored the diplomatic opportunity that we have right now, as you just said, that we have this moment where we're not in a stage of crisis and we have potentially the capacity to shape something that we want to see emerge in a positive way; and the question I think we come back to is how to effectively engage China in this context, and in your recommendations you certainly highlighted the importance of reenergizing APEC and giving a concrete role to the Asian Regional Forum, and I want to bring you back to these points on regional structure and in comparison actually think a little bit about the European contrast.

Not that long ago, my colleague Jeff Bader and Richard Bush and others here participated with colleagues in China in a conference in Shanghai where we talked about regional institutions, and you named some that have proliferated — ASEAN, ASEAN+3, the ARF, APEC, the Shanghai Cooperative Organization, the East Asia Forum, and some now point to the Six-Party Talks as potentially a foundation for another forum of regional organization, and what we've seen in Europe is that in fact there is a wealth and a depth of institutions, but in many ways they function because you have two that are at the core. There's the EU and there's NATO, and they function because their members actually invest in their functioning, invest tremendously in their capacity to operate as organizations and staff who are there and organizations within their

host countries.

As we think about Asia and China, is this a model that we should emulate, or is it just too different? Do we just need to see an evolving process? How do you see this evolving and changing over time so that in fact we do have the right kind of regional structures that engage China responsibly and are suited to the needs and the dynamics of the region?

MR. RUDD: Well, thank you for that.

Can you hear me down the back? Fine.

There's almost three levels to this. The first I think is what you describe as grand institutionalism. Then there is — at the other end of the spectrum is what I describe as minimalist bilateralism and, always being a person of balance, I go for the middle ground, and the reason is I think that you have the existing form of institutions within the region, in particular in the shape of APEC and the ASEAN Regional Forum, which can grow real collaborative exercises but in the case of the ARF, also in the realm of security.

So, rather than add to the alphabet soup which already exists, my own predisposition is that it's far better to grow real security-related work, for example, out of the ARF. That I think of itself begins to construct de facto if not de jure for sort of competence in security-building measures which involve institutionally through things like the CSC process in Europe.

So, I think that is a useful way to go, but I would simply add to it what I emphasized on a couple of occasions in my formal remarks. It's only possible on the basis of the fundamentals of the strategic architecture being right, and that is predicated on continued U.S. strategic presence, U.S. continued

strategic engagement, and the solidity thereof and reinforced by U.S. military alliance structures in the region. That constitutes the foundation, confidence and security-building measures at the top that I just ran through in my remarks, and others can be built as a second layer on that, and I think a necessary second layer, given some of the brittleness which still exists in the relationships across the region.

So, in summary, I would grow practical security and other confidence projects of the existing institutions rather than go to the grand institutional route of creating something much more ambitious over the top.

MR. PASCUAL: Very good.

Let me turn to the audience for questions. Please, if you can introduce yourself as you're asking your questions.

MR. HERRIOT: Judd Herriot. I'm a documentary filmmaker. The economic projections to the year 2050 assume a lot of things. What I'm really interested in is your view of the long-term stability of the Chinese state, and by that I mean what really fascinates me is how can a one-party state, a Communist party state, survive in the face of a very rapidly growing and dynamic, new bourgeois class? When will that class start to exert its political voice? Thank you.

MR. RUDD: At times like these I always have to make a conscious decision about whether I'm in a seminar class or I'm running for national elective politics.

(Laughter)

MR. RUDD: And that's by way of an excuse in advance.

Let me put it to you in these diplomatic terms. The Chinese leadership have been I think wrestling with the internal tensions which the analytic community has been observing for a long time as well, that is, since the Deng revolution on the economy unfolded in the late '70s, the unleashing of market forces on the one hand, and if you look at the architecture of a market economy it actually has as its essence a radical decentralization of economic decision making and the privatization of economic life. That's the one dynamic. Then coming up the side of that is a privatization — let's call it personal and social life. And if you run around China today and look at the number of lifestyle magazines kicking around the bookstores, they are basically what you'd find on much of the newsstands here as you head up to the railway station to catch a train to New York. So, that's all heading in one direction. And over here you have a continued centralized political structure which has as its formula orthodoxy that of the Marxist state. And so applying European parallels to this coming out of the experience of Glasnost and Perestroika, people say therefore that one will inevitably collide with the other and therefore the Chinese political arrangement will not be sustainable.

This of course is a matter for the Chinese themselves. It's their country; it's their political system. I would simply add a word of caution, which assumes that any Soviet or East European models are in any way automatically applicable to what is unfolding in China today. The Chinese government is of the view that the direction of market-based economic reforms can be sustained while still running a centralized political structure under the leadership of the Chinese Communist Party. But I also believe that they can maintain a sufficient degree of

social liberalization within the country on lifestyle questions to meet the emerging needs of its community.

But this is a debate which continues within China itself, but I simply, again, caution against the automatic application of models derived from different cultural contexts. They don't necessarily follow.

MR. PASCUAL: We'll inevitably come back and get your thoughts on the 17th Party Congress, but let me go back to the audience again.

Second half from the middle?

SPEAKER: My name is Masahiro Matsumura, visiting here from Japan here at the Brookings.

Your current Australian administration has recently entered into the new security division (inaudible), Japan, short of former security treaty. This new relationship begs a series of questions of a strategic and political nature. Do you agree with or disagree with your prime minister (inaudible) a minister (inaudible) with having a new security vision with Japan, so will you elaborate your position and should you have any reservation for the new relationships also please give — please share your position view with us.

MR. RUDD: Prime Minister Howard recently traveled to Tokyo and on that occasion signed a new joint security declaration with the Japanese prime minister. We have supported that on a bipartisan basis. It contains within it a range of new forms of security cooperation between ourselves and the Japanese. We think this is a good thing. Japan is a forceful good in the strategic stability of — (inaudible) strategic stability of East Asia, and we think this is moving in a positive direction. We support that. I also have reflected that in my

formal remarks before.

MR. PASCUAL: Yes, please.

MR. WALKER: Tony Walker from the Financial Review of Australia.

Just following on from the question about Japan, I think, if I'm not mistaken, Mr. Howard referred to Japan as Australia's best friend in Asia. I wonder if you could comment on that characterization; and against the background of the joint security declaration, the debate in Australia has broadened or shifted to describe some sort of security arrangements that might involve India as part of a containment move towards China or an encirclement. I wonder if you can also give us your thoughts on that.

MR. RUDD: I think Australia has many friends in Asia. We have a good relationship with quite a number of countries. It's always hazardous to start beginning to list them. The relationship with Japan is of particular importance. It's not just our largest trading partner, but it's a country which is evidenced by the last question in which our relationship is involved in a further direction as well. I think — but there are other relationships across the region which have a different quality. Therefore, I'm not into the business of engaging in commentary on hierarchies of relationships within our region.

And the second of part of your question, Tony, was —

MR. WALKER: Related to the discussion or the debate in Australia about involving India in some sort of security arrangement that would either contain China or encircle China.

MR. RUDD: In terms of containment theory in general, I'm not an

advocate — never have been, never will be, and for a range of reasons — and if the objective is to have China increasingly comfortable, engaged in, in support of all, then contributing to a regional and global rules-based order, I do not think a containment strategy is the best means towards that end. So, that's my point there.

Specifically in terms of security cooperation between Canberra and New Delhi, I think there is a range of security projects in which we can comfortably engage with India on the detail of those. I've not had any discussions with the Indian government. I'm not quite sure what the Australian government is up to on that front. But plainly, India is an important country with a significant contribution to make beyond the subcontinent as well, and we would welcome a continued security dialog with our friends in New Delhi.

MR. PASCUAL: Yes, on this side, please.

MR. LEVEL: Malcolm Level, George Washington University.

You mentioned Taiwan — relationship between China and Taiwan as a major problem which needs to be resolved. What are the options there?

MR. RUDD: The option is resolving Taiwan.

(Laughter)

MR. RUDD: With — there's a bad one, there's a good one.

(Laughter)

MR. RUDD: With Doug Powell in the audience here today, I'm very reluctant to answer that question, as he's the Taiwan point man in this town, or has been in recent times, and —

MR. PASCUAL: You can invite him to comment.

MR. RUDD: — and knows — and he should comment on this, too, and knows more about this subject than I think practically anyone else in the room combined.

I think the Chinese in recent times have adopted an appropriate tempered response to their diplomacy with Taiwan. I think when it comes to the attitude of President Chen Shui-bian of Taiwan itself, from time to time it has been through his declaratory statements not all that hopeful. That position has been made clear to him by a range of governments publicly and privately over recent years.

I think on the question of maintaining the temper of those complex relationships, I think one of the unheralded but I think most significant contributions to peace and stability in East Asia for the last half decade or more has been the success through which this administration in Washington has handled Taiwan policy. It's been done very effectively, by and large below the radar. But as you can see, the public temperature in terms of crises management, which we've had to experience from time to time in the past on the Taiwan question, has been much, much less in recent years, and I think the region is well served for that.

I'll leave my remarks there.

MR. PASCUAL: Do you want to —

UNIDENTIFIED SPEAKER: I'll talk to him privately.

(Laughter)

MR. RUDD: (Inaudible).

(Laughter)

MR. PASCUAL: Martin, please.

MR. INDYK: Martin Indyk from the Saban Center at the Brookings Institution.

Kevin, it's clear you have a fairly sophisticated and well-articulated view of the architecture of what you call the Pacific Century. I'm wondering how six years of American preoccupation with Iraq has affected the development of that architecture, and given the great difficulties that the United States is now having in Iraq, does that affect the credibility — do you see that from your Australian perch that American credibility has been affected in the Asian Pacific region and do you see that as a problem in the future for your — for the architecture?

MR. RUDD: On the question of American foreign policy priorities and foreign policy preoccupations, that of course is a matter for this administration and the Congress in how it's handled. On the substance of whether or not American standing within East Asia has suffered in recent years, my experience as someone who has traveled and continues to travel extensively across East Asia is that it has not suffered. The key question is for the period ahead and for the continued period in office of this administration to use this time wisely.

As I said in my formal remarks, when it comes to the key relationships in East Asia, we are in a remarkably benign set of circumstances. The China relationship is in good order. We have good news on the Korean peninsula. We have now at least an early spring in the Sino-Japanese relationship and, more broadly, across the ASEANs there is no particular emerging crisis

which would command abnormal attention in terms of day-to-day crisis management.

So, therefore my thesis is this. This is a great window of opportunity, and given the fact that the arrangements which should be in place between China and the U.S. have largely been shaped by the agreements reached back in '72, we do have a great political and diplomatic opportunity over the next 18 months to start work on some of the proposals I outlined in the speech. It's quite rare that you get clean air, a spic in time, diplomatically to do these things.

The challenge within the administration here in Washington is their ability to dedicate the resources necessary to do that, and I understand how crowded the agenda space here is in Washington. I understand the complexity of the policy agenda arising from the challenges in the Middle East in particular — and Iraq of course. What I simply say is, as a person from the region, that I think there is an enormous set of opportunities right now, and I'm not quite certain how long that door remains as wide open as it currently is.

MR. PASCUAL: That's very helpful.

Let me turn to the — see if there's anybody in the second half of the room? All the way in the back?

SPEAKER: Thank you. (Inaudible) from China (inaudible) U.S. Institute of Peace.

I understand this year Australia will host the APEC Summit meeting and you have you just mentioned the need to reenergize APEC. So, could you share with us your source for this subject? Thank you.

MR. RUDD: I think, as I said in my earlier remarks, APEC has

failed so far to realize its potential. APEC has been going for a long, long time, and so a critical question for us all is what now to do about it. And I think the practical challenge which we face as the country hosting APEC this September is what we should do about it.

As I said before, Prime Minister Howard I think quite correctly indicated that he wants this APEC summit to focus on what we can practically do in a pan-regional sense on the great challenge of climate change. Unless China is engaged nationally and internationally and including within international governance arrangements on greenhouse gas emissions, then we are not dealing effectively with the global challenge of climate change. Therefore, I would recommend that APEC this year have as a principal agenda item what we as regional states can do together on the question of capping greenhouse gas emissions.

This is a complex debate. I understand the sensitivity of it within China. I understand the entire debate about China's current state of economic development. I understand entirely the arguments which China has in relation to the emissions record of developing countries and economies. I understand that full well. But the time now is for genuine creative diplomacy on what is becoming, as I said before, the great moral, environmental, and practical economic challenge of the age as the Stern report indicated most recently in the United Kingdom. The economic cost of not acting on climate change is of an order of magnitude that rarely enters the day-to-day political debate. It needs to, because if we fail to engage this great question, I fear how we're going to deal with the challenges of a decade's time.

MR. PASCUAL: Let me bring you back to one of the points that you made at the close of your speech that how — the progress of the diplomatic opportunities in the international environment really depends in effect on how China addresses the demands and needs of its own people. And here we have a situation with these massive structural changes or tensions between wealth and poverty between the coastal regions and internal requirements, as you indicated on this phenomenal drive for energy and in particular energy that's largely been driven by the coal sector and the environment — just environmental survival, and I wonder if you could reflect on those and then the 17th Party Congress coming up. And what's your — putting your China hat on, what is your perception of whether and how these kinds of tensions might be reflected in that 17th Party Congress? What might we expect in terms of impact on leadership or policy that we see emerging out of it?

MR. RUDD: (Inaudible) is about making projections about what's going to happen with party congresses. My last job in the Australian Foreign Service — or second last job — was in the Policy Planning Bureau, and I remember being asked to write a paper once in the mid to late '80s on whether Gorbachev, Glasnost, and Perestroika would ever amount to anything. I took three months off and concluded (inaudible) the Foreign Service that I thought not.

(Laughter)

MR. RUDD: So —

MR. PASCUAL: There we go.

(Laughter)

MR. RUDD: That's my disclaimer and I'm sticking to it. But then

again I never claim to know anything about the Soviet Union.

On the question of China and the 17th Party Congress, I think what is plain to see is the emerging debate within China might be broadly described as the equity agenda. Back in the '80s there was a debate about this which had to do more with — let's call it the question of ideological rectitude and whether in fact China's economic reform direction was representing too much of a departure from Marxist Orthodoxy, and if you look at the debates of the '80's between Chen Yun on the one hand and Deng Xiaoping and those associated with him on the other, this was quite a clear division within the leadership, which subsequently was resolved.

Now, beyond that theoretical debate you have the practical debate which emanates from it almost 20 years later, which is the demonstrable disparity in living standards right across the country. If you're doing — if you're living in urban coastal China, by and large you're doing okay; if you're living in the immediate hinterland China, you're doing not bad; and if you're living west of there you're not doing so well and there are exceptions to that rule as well.

What is interesting is that that, together with associated issues, including land tenure, and the reaction of local peasants to the unlawful expropriation of their property as they would argue it is that these questions have not fueled themselves into a very lively debate within the Chinese Communist Party, and I think these debates will be reflected very much in the outcomes of the 17th Party Congress.

What does that mean in terms of China's downstream policy direction? Is China likely to abandon its policy of market-based economy with

international economic openness? No. But I think you're going to see forms of social policy intervention of the type we haven't seen for the first 25 to 30 years of China's modernizing economic experiment. What do I mean by "social policy intervention"? Whether it's in forms of social security payments, structural adjustment, or other forms of labor market intervention of the type which the Chinese historically have not seen as being necessary.

Of course, reinforcing all of that is this: the changing structure of the Chinese family itself and demographic change, the one-child family, etc. Therefore, the need for state intervention to provide these sorts of social supports to militate against the harshness of the capitalist system is now much more likely to be apparent.

The precise shape of what I've described and how that will unfold out of the Congress I couldn't possibly predict nor, I think, is it worth anyone's salt to make predictions on personnel decisions likely to emerge from the Congress as well. That's something only for internalists working in policy planning bureaus. At the State Department I'm sure they're currently taking bids on who gets up and who doesn't.

MR. PASCUAL: Jeff, do you want to follow up?

MR. BADER: Kevin, I wonder —

MR. PASCUAL: Is that a prediction as well?

MR. BADER: I'll pass.

Jeff Bader with Brookings Institution.

Kevin, I wonder if you could say something about what you see as the role of democracies like Australia and the United States in terms of

encouraging protection of human rights and rule of law, development of democracy in China. Do we have a role and how should we exercise that role?

MR. RUDD: Human rights policy in China is of critical importance. When I was back in university days I did my honors thesis on (inaudible) Sheng and translated his trial from Chinese into English, and so I've had an active interest in human rights and how it's unfolded in China in the period since then.

I said in my formal remarks if you are being an objective analyst of China's human rights performance, there have been significant improvements against the Chinese reality of the 1970s.

And in terms of the question of opening up a greater private space within Chinese life for people to exercise greater degrees of personal liberty, it is considerably different and better than what it was. Equal to that, however, is that significant human rights abuses continue. Religious dissidents, other dissidents are still experiencing various forms of persecution and oppression.

I think, therefore, the appropriate response to it is in two categories — one, in our bilateral engagement with the Chinese never to be silent on these questions. It's important that we are robust in articulating difference. There's a way in which you can do that, and you can be respectful about the language which you deploy, but not to pretend that this is not a difference; it is a difference.

The second thing, though, must be based on this. The process which I just described, which is the greater liberty that we see in Chinese life today compared to 20 or 30 years ago has been almost exclusively the product of China's economic development process and the rise of China's middle class, the

rise of the expectations associated with that in terms of quality of life; and therefore China's continued implementation and prosecution of the market economy is really important in that direction.

So, if we're being intelligent and realistic about the end point, which is to see greater human rights changes in China over time, I think any realistic strategy must have those two arms to it but not one in isolation from the other.

MR. PASCUAL: I'll take two more questions. Here, please.

SPEAKER: Jeff (inaudible) from the Australian Newspaper.

You made mention in your speech of the need for America to stay strategically engaged in Asia. I guess I'm asking a question that's a little bit like Martin here. He stole my fun a little bit. Why do you need to make that call? Why do you need to urge America to stay involved in the Asia-Pacific? Does it imply that you think there's a risk that it won't? And I ask that question, too, given the loss of some of the Asia-Pacific talent, if I can call it that, out of the administration — you know, the likes of Armitage and Zoellick, and recently Admiral Fallon has been taken out of the Pacific Command and is now in Iraq, so I wonder if you can answer that. Thanks.

MR. RUDD: No, I don't identify any particular deficit on that score here. My name's Kevin. I'm from Australia. I'm just here to help.

(Laughter)

MR. RUDD: So, the — that's more on these lines, that I think it's incumbent on any ally of the United States, and an ally which is mindful of the strategic realities of East Asia, to restate with clarity our view.

America has its own views about its own interest as served by its strategic engagement in East Asia both past and future. I think it's important for allies to restate our view, and our view — but as the alternative government of Australia — is that in the post-'75 order in East Asia, the enormous economic growth and prosperity that we have seen emerge from that order have been predicated on one central fundamental fact, and that is the strategic ballast which precedes from America's continued strategic presence. Were it not there, it is difficult to contemplate what shape East Asia would have been in over the last 30 years.

So, I think it's important to restate these fundamentals. Often if you don't restate these fundamentals, people begin I think to luxuriate and dream of other alternatives which are not mindful of the fundamentals. The other things we've discussed today about how to add to the security equation in East Asia is only made possible if those fundamentals exist.

And let me just conclude by saying there's a lot of downcastness, I find, in D.C. about the situation in Iraq. I understand the reasons for that. But it's also important for allies, like Australia, to remind our friends in the United States the view of allies, which is that America remains an overwhelming force for good in the world, and that is the view, whatever — however it may be reported in various newspapers around the world — that is the view held extensively in many parts of the world and in most governments of the world. It's certainly a strong view held in our part of the world.

So, whatever complications and ups and downs that may be experienced in the question of Iraq, people here should not lose confidence in the

fact that the world still looks to America for leadership, but that's underpinned by our view that America has been, continues, and will be an overwhelming force for good in the world. People in this town need to take continued confidence in that, that that is a seasoned and reasoned regional view of America's role in the Asia-Pacific as well.

MR. PASCUAL: I might comment just briefly on that. There is a danger that given the failure of unilateralist approaches and policy, it leads to an emphasis that one either needs to leave things to multilateral regional organizations and not so much have a direct American approach, bilateral approach, and I think part of what you're emphasizing is that multilateral and regional engagement is not contradictory with an intensive direct American role, that the two in fact can actually be complementary to one another and be woven together and —

MR. RUDD: I think that's right. Again, what I was trying to emphasize in my speech is the historical view that there is somehow some gain between being a bilateralist-realist on the one hand and someone who actually thinks that some good things can come out of multilateral security cooperation. That somehow these are mutually exclusive propositions is I think such a false dichotomy, and when applied to the strategic reality of East Asia, as I said, bilateral security arrangements underpinned by the strategic (inaudible) of the United States, that's the fundamentals. Add to that the next layer: multilateral forms of competence and security-building measures. It all helps, the end point being a global rules-based order in which we can all have confidence whatever the objective power realities may be in 20, 30, 40, 50 years' time. It's shaping that

reality now given the opportunities we currently have which drive so much of my interest, professional and political, in these questions.

MR. PASCUAL: Back of the room.

SPEAKER: Thank you. My name is (inaudible), currency visiting Fellows at the Brookings. I am from Taiwan.

Listening the final part of the looking into the future, especially when you mentioned Australia and U.S. need to work together, and one of the area it's very encouraging when you said that APEC should be energited (sic), and I found that it is very interesting at least to another two queries. No. 1 is currency as you know that China, ASEAN together are moving into another direction, which at the other one Japan is leading to — very close to U.S.-Australia line, which may include Australia, New Zealand, and India, and I do know at this moment Australia, if you were prime minister, how would you convince China to work on — rather than APEC — to work on this APEC — sorry, ASEAN+3, because ASEAN+3 has been consider the main force for the future of regional cooperation. This is No. 1 query.

The second one is last year in November, President Bush went to Hanoi together with a FTA in Asia-Pacific proposal, and all the leader agreed that they should have confirmation perhaps later this year in Canberra and how exactly this may replace perhaps as a kind of another momentum for the Asia regional cooperation. Thank you.

MR. RUDD: I think the overarching challenge which I see for the Asia-Pacific region for the decade ahead is to ensure that the major regional institutions include rather than exclude the United States. I think that's important.

Now, the great thing about APEC is that it included United States, China. It also included Taiwan, which I thought was a politically innovative piece of diplomacy on the part of the former Australian Labor Prime Minister, Paul Keating, and I think that's been a good thing.

Part of my concern about what emerged over the decade following the Asian financial crisis is the emergency of other regional institutions which excluded the United States. I think if we could — to have an effective Pacific Century, which is generally based on peace and prosperity, it is far better we all conclude that America is in rather than out, and that is something to which I am personally committed.

On the question of the Hanoi meeting and the question of the Sidney meeting, which comes up later this year, and on the proposal for a pan-regional free-trade agreement, this in many respects reflects the proposals put again by former Australian Labor Prime Minister Paul Keating back in '90, '94, the Bogo Declaration, which called for free trade effectively, removal of protectionism according to different time scales for developed and developing countries within the APEC family. I think rediscovering this vision is important. If APEC can enhance the WTO multilateral free-trade agenda, that is all to the good, because not only does it lift prosperity across the region, it also has I think an intended benefit in terms of political and security relationships as well. And the detail of how that's considered in Sidney, I'm not in the government, and I won't be in the government come September unless Mr. Howard calls an early election and the people decide to vote for me. But we'll be watching it closely.

MR. RUDD: Kevin, in closing maybe if I can bring you back to

one of the points you made early on in your speech and said that as two countries with common values — the United States and Australia — one of the things that was incumbent on us was to continue to enlarge the democratic project by peaceful means. And this is an issue that has come under some tension, especially as some have interpreted democracy promotion as Iraq, which I don't think is necessarily the case, but just having this opportunity to hear a little bit more about your values and approach to foreign policy generally, how you see this concept of democracy influencing the values of how Australia should conduct its foreign policy, I wonder if you can comment a little bit further on how you would view that as a principle in the conduct of your foreign policy.

MR. RUDD: Well, enlarging the global democratic project should be part of the inspiring vision for all liberal democracies. The debate in foreign policy is how it is best done and not the legitimacy of the objective. And of course that debate has become acute in recent times because of the Iraq experience and the attendant debate within the realist school of foreign policy, which that represents. So, I don't intend to go there.

Where I do intend to go to is what you can productively do enlarge the democratic project, and I think a range of mechanisms, both informal and formal, are productive ways in which we can enlarge democracy around the world.

We should never lose sight of the fact that one of the most commanding influences which democracy has around the world is the success of our own societies. American soft power around the world, be it through Hollywood or be it through other public media means, has had an enormous

influence on the way in which people view the value of open societies, and the same for other democracies, including our part of the world in Australia. I think we should not lose focus of the fact that that of itself speaks volumes and has its own impact on peoples around the world.

Secondly, in terms of dealing with political elites which are not democratic, as I said before, it's important always to hold up the benchmark and not to depart from the benchmark, to be clear cut about where we stand but to understand that megaphone diplomacy is not likely to produce an outcome by 9 o'clock the next morning. In fact, depending on how the megaphone is used, it could produce a worse outcome by 9 o'clock the next morning. Clear articulation of democratic principles is important, because it's the civilizational standard from which we proceed and of which we are proud, and we should stand by that.

How it has executed individual diplomatic relationships, however, requires the classic skills of diplomacy in order to maximize the effect rather than, in fact, to undermine that project.

The last thing I'll say is this. What is done by non-government organizations — and there are many of them in this town and some from Australia as well walking around the region engaged in capacity building of democratic institutions. It is very important. We as a political party, for example, have a cooperative relationship with a whole bunch of political parties in Indonesia, for example, and this is a relatively new experience in democracy for the Indonesians. There you have the largest Muslim country in the world — an effective democracy really only in the last six or seven years. They've been through some difficult times. When I look at practical challenges about how you

sustain a democratic project, I look next door and say there's a very big Muslim country. It's right next door to us. What can we do to help? And I think assisting those political parties refine their electoral processes, normalize the way in which their democratic systems operate is I think a practical way forward, and whatever non-government organizations can do and individual political parties do, as I know the Republican and Democratic parties do through their international agency arms themselves here in the United States, I think is all to the good. So, I think we should not despair about these softer, less dramatic means by which — of expanding the democratic community of nations.

MR. PASCUAL: Kevin, fascinating discussion, a brilliant presentation. Thank you very much.

(Applause)

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