

THE BROOKINGS INSTITUTION

AUSTRALIA, THE UNITED STATES AND THE ASIA PACIFIC
REGION

Washington, D.C.

Monday, March 31, 2008

Introduction:

JOHN L. THORNTON
Chairman of the Board
The Brookings Institution

Moderator:

JEFFREY A. BADER
Senior Fellow and Director, John L. Thornton China
Center
The Brookings Institution

Featured Speaker:

THE HONORABLE KEVIN RUDD MP
Prime Minister of Australia

* * * * *

P R O C E E D I N G S

MR. THORNTON: Good morning, everyone. And I have the wonderful job this morning of introducing our honored guest, the Prime Minister of Australia. The Prime Minister is accompanied on his trip to the states by his wife, Therese Rein, sitting right here in the front row, welcome. And also accompanied by the Ambassador from Australia to the United States, Dennis Richardson, welcome.

I first met the Prime Minister a few years ago in Cambodia, of all places, when we were together at a small seminar. I was immediately struck by his very vigorous intellect, his charm, sense of humor, but most importantly for me was his profound knowledge of China, because that's my own personal obsession.

And I want to make a particular note of that because you all have read about his manner and speaking ability. But more importantly is his profound knowledge of the culture and the country. And I believe this is incredibly important in the beginning of the 21st century, that a major western power has as its leader

someone who really understands China. And I think this will accrue not just for the benefit of Australia and Australians, but to other western countries trying to grapple with the rise of China. So against that background, it won't surprise you to know that just about a year ago exactly, the Prime Minister was here at the time, Leader of the Opposition, and gave a major speech on the rise of China and its implications on Australia and American relations.

If you haven't read that speech, I encourage you to get your hands on it. That same 21st century orientation and that same orientation about the interdependence of people surfaced right away when he came into office. And the very first act as Prime Minister was to ratify the Kyoto protocol, which had been sitting dormant for too long. And the first act of the government and parliament was to offer a formal apology to the indigenous people of Australia for the so called stolen generation, another thing that had been too long in the making.

So that orientation has been present and I think very impressive, and the people of Australia have awarded it. I noticed in the polls last month that he was pulling higher approval ratings than any prime minister in the history of the country, saying to me that you give strong forward looking leadership and people appreciate it. And I'm hoping that in our own country we get the same thing out of the elections coming up this fall. Finally, I had a chance to read a speech he gave just a few days ago in which he talked about Australia having under his leadership an engaged and creative, what he referred to as middle power diplomacy, and I thought to myself that we're middle power, I thought that may be accurate, but under his leadership, it will be middle power boxing well above its weight.

So without further comment from me, please join me in giving a warm welcome to the 26th Prime Minister of Australia, the Honorable Kevin Rudd.

MR. PRIME MINISTER: Thanks very much, John. Actually, I just remembered when we did the first -- at

ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190

-- at an Asia Society conference in Cambodia, and we were touring the Great Temple, of course, of Angkor Wat with Norm Ornstein, another friend here from D.C., and I remember climbing the Temple with John and with Norm and up, and up, and up, and up we went, and there we saw this impeccable site of a young saffron robed Buddhist Monk sitting out on a precipice at the edge of this extraordinary Temple.

And we got to the same level that the monk was on, and he looked at us, a bunch of foreign tourists, and he was there in an appropriate mediative posture, and we respectively greeted him, and he beckoned me out. It was a bit on a ledge, and I'm not really keen on heights, but Norm and John said you go first, which is a reflection of our relationship, and so off I went and edged closer, and I said in a very tentative briefing how honored I was to be with him in such a holy place, I said this very, very slowly and deliberately, and asked how long he had been here, and was he meditating, and he said, no, mate, I'm from Sydney, I'm just up here because mom and dad sent me.

It was his time to do his two months in a Buddhist monastery, I thought that was wonderful. There you go, that's Australian, that's the world, and it's a great time to be alive.

It's a great pleasure to be back at Brookings. And it's always a please to be at one of Washington's oldest and most distinguished think tanks. I would like to acknowledge John Thornton, Chairman of Brookings, and Strobe Talbott, President of Brookings.

John's thoughtful contributions on China in recent editions of Foreign Affairs magazine, his direct support for the China Center here at Brookings, and his role as visiting professor at Tsinghua University in Beijing fall within the best traditions of contributing to American public policy debate.

Strobe Talbott, of course, is synonymous with scholarship on the Soviet Union of the past and the Russian Federation of the future. Substantively speaking, these guys cover the ground from Petersburg to Peking, standing as a colossus astride the great

Eurasian land mass in the great traditions of Brookingssonian expansionism.

Brookings has also been kind to me over the years in opening its doors to its rich array of scholars, researchers, and public policy professionals for which I genuinely thank you.

One hundred years ago this year, President Teddy Roosevelt's Great White Fleet arrived in Sydney. Thousands stood on the harbor to catch a glimpse of 384,000 tons of white painted steel gliding through Sydney heads. The American fleet was, of course, given a warm welcome, not least because we in Australia are always up for a party.

The British, and I acknowledge the President here, the presence here of the British Ambassador, the truth be told, were not entirely happy about this, this level of interest on the part of their recently federated colonies in Australia towards this visit by the blue water navy of their former rebellious colonies in America. It was less than a century before that, of course, the British had left their own particular

calling card on the city of Washington in the War of 1812. We Australians always spot an opportunity, however, when one comes along. First, the Australian government set about leveraging the Great White Fleet's visit to sway the Australian Parliament to fund the building of our own Australian fleet. Second, we then rejected London's suggestion that our fleet merely be incorporated as a squadron of the British Imperial Fleet. And so was born as a consequence of that the Royal Australian Navy.

And so 100 years later, I thank publicly Teddy Roosevelt and the hero of San Juan Hill for his contribution to the birth of our own Australian Navy, which soon will celebrate its own centenary.

U.S. Naval visits to Australia have continued ever since in peace and in war and have always been welcome. Our troops were soon to fight side by side for the first time in the Great War. In the Battle of Hamel on the 4th of July, 1918, 90 years ago this year, American troops first took to the field in battle in

that first World War. And they did so under an Australian commander, General Sir John Monash.

The foundation of our alliance came into being in 1941/'42, when Australia faced the real threat of foreign invasion. In the words of our then Prime Minister, John Curtin, Australia looks to America, free of pangs as to our traditional links of kinship with the United Kingdom. In the darkest days of World War II, Australia and the United States stood together, fought together, died together, to restore peace in the Pacific.

This was a critical turning point in Australian strategic thinking. The next step was the formation of our formal alliance. Signed in 1951, the ANZUS Treaty remains the bedrock of Australian strategic policy.

Since then, our alliance has been supported by 12 U.S. Presidents, Republican and Democrat, and 13 Australian Prime Ministers, Labor and Liberal. Our alliance is based on common values. We are robust

democracies. We are prepared when necessary to fight to defend the values for which we stand.

Our alliance is also based on our common strategic interests. For Australia and the United States, strategic stability in the Asia Pacific is of crucial importance, both now and for the future. We are both committed to market economies in an open global economic order.

Our alliance is steeped in history. But it is also part of our framework for meeting the challenges of the future. The purpose of my remarks today is to reflect on the continued importance of U.S. global leadership, to reflect on the new Australian government's foreign policy framework, and to make some observations on how we both might engage China in the future, and how we might shape together China's engagement with the global and regional architecture of the future.

My view of the United States role in international affairs in the future is very simple. I believe the United States to be an overwhelming force

for good in the world. The U.S. has used its political, military, and economic power to provide the strategic ballast necessary to underpin the post-war global order.

The U.S. vision for post-World War II international order began with the Atlantic Charter when Churchill and Roosevelt agreed that a new order should emerge from the ashes of the war based on the dual principals of political freedom and economic cooperation.

There then followed the San Francisco Conference that gave birth to the United Nations, the Bretton Woods Conference that created the IMF, the World Bank, and led to the GATT, and then the Marshall Plan to save Europe. We should not forget the importance of these institutions. We should not forget that these institutions provided the framework under which the world was developed and prospered over the past six decades. Nor should we forget that U.S. global leadership gave rise to these institutions. More than half a century later, various of these institutions are

under strain and in need of reform, reform that, once again, must be driven by U.S. global leadership.

In the Asia Pacific region, this ballast has been provided in part through the U.S. Alliance System with Japan, the Republic of Korea, and Australia. The strategic stability has allowed the countries of the region to focus on economic development. Countries have been able to focus on competing for market share rather than competing for local or regional strategic superiority.

This has allowed the Asia Pacific region to lead the world in economic development over the past three decades and more. The United States has been less centrally involved in the evolution of East Asian and Asia Pacific regional architecture. There is no U.S. NATO equivalent in the region.

We have ASEAN, a home grown body that has made a remarkable contribution to establishing stable relations between the countries of Southeast Asia. We have APEC that Australia, Japan, and Korea are instrumental in developing. In the security space, we

have the ASEAN Regional Forum, still the only body in the region that brings all the major players together to focus specifically on security challenges. More recently, we've seen the emergence of other ASEAN-based bodies, the 10 plus 3 mechanism that began with an informal summit in 1997 and was institutionalized in 1999.

And most recently, we've seen the East Asian Summit that crucially brings in India, Australia, and New Zealand into a dialogue mechanism of the countries of East Asia.

Notably, three of these bodies exclude the United States altogether, making it more difficult, therefore, for the U.S. to engage directly in the reform of these institutions, although there are other opportunities in the United States to become more regionally directly engaged. This presents some complex challenges for the future that need to be addressed.

The new Australian government I lead is committed to building a strong, prosperous, and outward looking Australia. Our strategic goals are to maximize

global and regional stability and to ensure the global economy remains open. Through this, we believe we can enhance our economic prospects, not just for Australia, but for all nations. We approach our task as a nation that is one fully committed to global engagement. We're the 15th largest economy in the world. Our stock market is valued at over \$1 trillion U.S. dollars, three times the size of that of Singapore, around half the size of the Hang Seng, which, of course, includes many mainland Chinese companies on its bourse, and responsible for more foreign listings each year than any other Asian bourse.

Because of National Competition Policy Reforms we undertook in the 1990's, we have developed a world class funds management industry, which now has the world's largest, world's fourth largest pool of funds under management.

We are a major supplier of energy and resources to the major economies of East Asia, China, Japan, and the ROK. Our resources exports to India are

growing and will continue to grow into the future. Our military budget is the 11th largest in the world.

We have a sophisticated foreign policy establishment deeply in mesh with the countries of Asia and the Pacific. We are a country, therefore, with both global and with regional interests. In the prosecution of these interests, our foreign policy has three pillows, our alliance with the United States, our membership in the United Nations, and our policy of comprehensive engagement with the countries of the Asia Pacific region. Some might argue that these are mutually exclusive propositions. I regard them as mutually reinforcing propositions.

To prosecute them, the government intends to deploy what I've described as a creative middle power diplomacy, both globally and regionally. This means, for example, that you will see Australia being more active in global efforts to meet the challenges of climate change following our ratification of the Kyoto Protocol within a week of taking office.

This means we'll be doing more to work with our partners around the world to get real progress against the Millennium Development Goals, particularly among Pacific island nations.

Last month I visited Papua New Guinea, and announced that Australia would seek to develop what I've called Pacific Partnerships for Development with each of the island states of the Pacific. Under these arrangements, Australia and our Pacific partners will set mutually agreed development outcomes. In return, Australia will be prepared to offer more by way of direct development assistance. The strategy is to provide better assistance targeted at real progress against measures of health, education, and basic economic infrastructure. More broadly, our foreign policy intention is to prosecute a more activist foreign policy in partnership with our allies and friends, and through the United Nations, the wider community of nations, in areas where we believe we can make a difference.

For too long, our voice has been too quiet in the councils of the world. The first pillar of our foreign policy is our alliance with the United States. I am committed to deepening our strategic engagement with America. Closer engagement with the United States gives us the tools to better meet the challenges of the future, both regional and global. The threat from terrorism is still alive and well.

The war in Afghanistan is a crucial front in the fight against terrorism, because it was from there that the insidious attacks were made and orchestrated against this country seven years ago. We cannot allow Afghanistan to again become an unfitted safe haven for terrorists. This should be a concern for leaders around the world, in Europe and in Asia, as much as here in the United States. We have a responsibility to help the people of Afghanistan build a stable future for themselves. Published surveys have recently shown that the people of Afghanistan strongly support the U.S. led action in their country to rid them of the Taliban. That's why in Bucharest I'll be arguing in close

cooperation with the U.S. Administration for a more coordinated military and civilian strategy for Afghanistan.

The Australian government is committed to Afghanistan for the long haul. But we must have a common strategy with credible burden sharing if we are collectively to prevail.

Consistent with my commitment to the Australian people, we are changing the configuration of our involvement in Iraq. Our ground combat forces will be withdrawn, our air and naval elements remaining, and we are significantly increasing our civilian aid program.

I also want to see greater practical cooperation between the U.S. and Australian militaries more broadly. Importantly, this means making it easier for trade and defense goods between us. I hope the Defense Trade Cooperation Treaty will be able to pass the Senate here in Washington soon. My vision for a closer relationship between our two countries extends beyond the realm of strategic cooperation. We also need

to expand our economic relationship. We already have a free trade agreement that provides the framework for further development of the trade relationship, especially in services. I was pleased on Saturday to announce that Christopher Cox, the Chairman of the SEC, that Australia and the United States would commit to developing a part of the program for mutual recognition between the U.S. securities regulatory regimes to enhance capital flows between our two economies, a global first for the SEC, a global first for the SEC equivalent in Australia, ASIC.

In the current climate of global financial instability, it's also crucial that Australia and the United States and our other partners around the globe work closely together to coordinate responses. That is occurring through both multilateral and plurilateral mechanisms like the Financial Stability Forum, the G-20 and the IMF. In my meetings on Friday with the President, the Chairman of the Federal Reserve and the Secretary of the Treasury, responding

to the financial crisis was a central focus of our discussions. We agreed that the global nature of the problem demands a global response based on greater global transparency.

The great thing about the Australia-U.S. relationship is also about the depth of our personal ties. More Australians visit the United States every year than anywhere else in the world except New Zealand. Nearly half a million people make the trip here each year. About the same visit Australia from the United States.

Later today, I'll be witnessing the signature of an Open Skies Agreement between Australia and the U.S. In a new era in the aviation links between us that began back in 1928, when Sir Charles Kingsford Smith and Charles Ulm made the first aerial crossing of the Pacific from the U.S. to Australia. The aim of this agreement is to make it easier and cheaper for even more people to make the journey across the Pacific to add more to the strands of our common ties.

A second pillar of our foreign policy is our membership in the United Nations. The government is also committed to increasing our engagement with the U.N. The U.N. and the U.N. charter are central to a global rules-based order. Australia is a foundation member of the United Nations. We are proud of the role we played in the establishment of the United Nations. We're proud of the fact that we were part of the drafting committee for the U.N. charter.

We're also proud of the part that we've played in U.N. peacekeeping operations over the years, too many to mention. Today, we have people serving in U.N.-led or U.N.-approved peacekeeping operations around the world, in Sudan, the Sinai, the Solomon Islands, East Timor. We are currently the 12th largest financial contributor to the U.N.'s peacekeeping operations.

On Saturday, in New York, I met with the U.N. Secretary-General. I told him that Australia was committed to reinvigorating its engagement with the U.N. I also told him that Australia would in 2012 be

seeking a seat on the U.N. Security Council for the 2013-14 term.

I also discussed with the Secretary-General the situation in Darfur. I said that we wanted to see Darfur again raised in the Security Council. The government in Khartoum has been less than helpful to the U.N., and we need to do more to get an effective response underway, a response that provides real security for the people of Darfur.

I said that Australia was committed to providing further humanitarian assistance and was considering whether we could make a modest military contribution to Darfur to supplement the police and military personnel we already have there serving under the U.N. mission in the Sudan. The world cannot simply stand idly by while the people of Darfur continue to suffer as they have now for so long.

I also informed the Secretary-General that Australia will be increasing its official development assistance budget to a level of 0.5 percent of GNI by 2015. A particular focus will be working to get real

progress against the Millennium Development Goals. We are already at the halfway point on the timeline established in 2000 for the MDGs. Progress has been, at best, mixed.

We need to make sure that all our efforts are delivering results. We want to be part of the solution on global poverty. We do not just wish to be intelligent and well-informed descriptors of the problem. We want to work at a practical level with our global and regional partners to deliver real progress against these goals on which we all, all of us, solemnly agreed back in the year 2000.

I said to the Secretary-General that Australia was ready to make a strong contribution also to reforming the United Nations to make it more effective. In this, the role of the United States is also important. Just as the United States drove the establishment of key international organizations, reforming those selfsame organizations will require active U.S. engagement and leadership.

It's the same for the WTO. U.S. leadership

will be crucial to getting a breakthrough so that we can get an ambitious outcome on the Doha round of talks this year.

Other institutions also have to meet new challenges. The IMF has a real opportunity to play a leading role in the response to the current financial crisis. The World Bank, like the United Nations, would benefit from reform, and I support the reform proposals currently being advanced by Bob Zoellick.

The third pillar of Australia's foreign policy is our engagement with the Asia Pacific Region. The aim of the new Australian government is to develop closer bilateral and regional relations with our neighbors. Australia has an exceptionally close relationship with New Zealand. This is based on common security concerns and common action in our immediate region in the South Pacific. It's also based on the strength of our economic relationship reflected in the closer economic relationship which has now operated between our two countries for 25 years.

Within the region, Australia has a longstanding and close friend and partner in Japan. There is a strong economic strand to our relationship. Japan has been our largest export market for 40 years, and Japanese investment provides many jobs in Australia, particularly in the manufacturing sector.

We also have a close and deepening strategic engagement with Tokyo. Bilaterally, Australia has, in recent time, strengthened our defense cooperation with Japan.

There's also the important trilateral element to our cooperation. The Trilateral Strategic Dialogue between Australia, Japan and the United States is an important mechanism that allows three close partners in the region to discuss the interests we share, the challenges we face and to deliberate on appropriate responses to the same.

Australia also has a close relationship with the Republic of Korea. Korea's economic rise in the seventies and eighties was a remarkable achievement. This led to a close relationship between our two

countries, particularly in the supply of natural resources. Korea's global giant steel company, POSCO, is one of Australia's single largest customers.

Our relationship also has a strong military component. Under U.N. forces, Australian soldiers, sailors and airmen fought and died in the defense of South Korea during the Korean War. Security on the Korean Peninsula remains important for us today. I look forward to working with the new administration of President Lee on our shared economic and strategic interests.

In Southeast Asia, Australia has a number of vital partners. Indonesia is our closest ASEAN neighbor and now a fellow democracy. It is also the world's most populous Muslim country. Indonesia has achieved remarkable things in the past 10 years. It has made the transition to democracy, embarked on economic reform and been a solid partner in the fight against terrorism. Indonesians, like Australians, like Americans, know the pain of terrorist attacks on their own people.

Indonesia is also a partner with us in the region. As the biggest country in Southeast Asia, it plays a natural leadership role. Bilaterally, our cooperation covers nearly every conceivable field, from working against people smugglers to closer security cooperation under the recent Lombok Treaty.

We also work with our friends and partners in Southeast Asia including Malaysia, Singapore, Thailand and the Philippines, both bilaterally and through ASEAN mechanisms. For us, closer engagement with the region, particularly in building an open, inclusive regional architecture that can underwrite stability into the future, is crucial.

Elsewhere in our region, we are witnessing the rise of India. I want to see Australia and India develop closer relations at all levels. I'm committed to developing a broadbased relationship with New Delhi, political, economic as well as embracing a more substantive security dialogue as well.

Australia wants to see India included in regional bodies. India's inclusion in the EAS adds a

crucial dimension to that new institution. We strongly support India's membership of APEC. The question of the adequacy of our existing regional architecture, however, given the demands of the future, is also one that will require our common efforts going forward.

The dynamic change-drivers in the Asia Pacific Region are clear to everyone. One of the biggest drivers of those changes is the economic emergence of China over the last 15 years or more. China started its domestic reform and global opening process 30 years ago this year, October, 1978. The first steps toward economic reform were measured. There have been setbacks along the way, but the results that have been achieved over the longer term have been unmistakable. The living standards of the Chinese people have been lifted dramatically.

In the process of developing itself and its people, China has made a critical contribution to global economic growth. It has become a trading power and is now becoming an investment power. China holds

nearly 500 billion U.S. dollars worth of U.S. Treasury bonds, second only to Japan's holdings. The economic transformation of China has seen a big shift in the personal choices also available to the Chinese people.

Human rights remain a real problem as demonstrated by recent violence in Tibet, problems that require dialogue, problems that require restraint. China's legal system is still developing. It's come a long way from the turmoil of the 1970s but in a globalized world where intellectual property needs protection, a fully functioning, transparent and independent legal system is crucial for investor confidence.

We have to recognize that China's leaders also face staggering challenges domestically. A recent Brookings research note co-authored by my friend, Jeff Bader, for the upcoming presidential election noted the scale of the challenge. Per capita GDP in China is still only \$1,600. The population is aging, and there are big inequalities between coastal and western regions and between urban and rural areas.

Air pollution is a major problem. Lack of water is a serious problem across northern China, and China has to cope with moving up to 13 million people a year into urban centers, the biggest urbanization movement in human history.

China's leaders recognize that they cannot make progress against these significant international challenges in a hostile international environment. So China's focus has instead been on stability. In this context, the single most important element of China's foreign relations is, of course, its relationship with the United States. Since the Nixon visit of 1972, the United States has been actively engaging China.

On Friday, in my discussions with President Bush, I commended the administration's handling of the China relationship. The wide range of new senior dialogue mechanisms gives Washington and Beijing, channels to deal with emerging challenges before they become real problems.

An important development in U.S. policy towards China was in 2005 when then Deputy Secretary

of State Bob Zoellick outlined his concept of China as a responsible global stakeholder. His argument was that China has benefited from the current global international order in both economic and security terms and, as a growing power, China should be more than just a passive member of the international order. It should work actively to sustain that order that has enabled China's success.

Bob Zoellick's logic is powerful. It points to the interests that China shares with other members of the international community. China's own approach is to publicly emphasize its focus on its economic development and the priority it therefore places on a stable global order.

China has articulated this approach as one of the Peaceful Rise of China, the Peaceful Development of China or, more recently, that of a Harmonious World. The idea of harmony is not new in the Chinese body politic. In the early 1900s, the Chinese thinker, K'ang Yu-wei, wrote about the great unity or the great harmony and proposed a future

utopian world, free of political boundaries.

It is worthwhile thinking through how we might try to draw these differing concepts of responsible stakeholder and a harmonious world together. The idea of a harmonious world -- this is in China's explanation of the term -- depends on China being a participant in the world order and, along with others, acting in accordance with the rules of that order. Otherwise, my argument would be harmony is impossible to achieve. Therefore, there is, in my argument, on the face of it, a natural complementarity between these two philosophical approaches and a complementarity that could be developed further in the direction of some form of conceptual synthesis.

In a political and foreign policy system as large and as complex as China's, this provides a potentially useful framework to start bringing together these two world views. Differences, of course, will continue. But common ground, where found, should be consolidated, developed and, if possible, built upon. What we should consider then is

a course of practical action that may assist in building on the complementarities already inherent in these two approaches.

Specifically, we should welcome any efforts by the United States, China and Japan and others to extend the Six Party Talks mechanism into a broader security mechanism, one that would later be broadened to include other countries. Given Australia's strong economic and strategic interest in North Asia, we would see ourselves as a participant in any such mechanism at the earliest opportunity, but the opportunity should be taken to advance a broader regional security mechanism that may help remove some of the brittleness that might otherwise characterize security policy relationships across what remains a strategically fragile theater.

Second, the ASEAN regional forum may provide a mechanism to develop greater regional cooperation on humanitarian responses to natural disasters and to questions of energy security and stability, of energy supply, including through open sea lines

communication. This would provide a further institutional mechanism for engaging China constructively and nonconfrontationally in some of the broader security policy challenges of the region.

Third, China should be encouraged to play a more active role in bringing the Doha round of WTO talks to a successful conclusion. China, as a global trading power, has a vested interest in so doing.

Fourth, China could also be encouraged to play a more high profile role in climate change negotiations. As a major economy and a major emitter, China's participation in efforts to find a solution to global action on climate change will be crucial as we negotiate the torturous Bali Roadmap to its conclusion in Copenhagen in late 2009.

Finally, as China makes the transition from development assistance recipient to donor, China should be encouraged to work with other donors to develop appropriate OECD-consistent norms for development assistance delivery. Having made the transition, China's experience would be invaluable to

other developing nations. For Australia, getting development assistance to the Pacific island nations on a stable footing is crucial, and we'd be happy to partner with China in some pilot projects.

In short, we look to China to make a strong contribution to strengthening the global and regional rules-based order. There is no simple one-line answer on the question of how we should seek to engage China. It's a huge country with complex global, domestic and historical currents that influence its current policy decisions. But one key is to encourage China's active participation efforts to maintain, develop and become integrally engaged in global and regional institutions, structures and norms.

At the same time, we also have to recognize that China is rapidly increasing its military spending. China is developing its intercontinental ballistic missile force and other shorter range rocket forces. China's maritime capability is also expanding. We should not, at one level, be surprised that a more affluent China seeks to spend more on its

military, but China also needs to be aware that its modernization drive also has an impact on the region.

It is, in part, a question of transparency. It is also, in part, a question of uncertainties concerning long-term strategic purpose. We must remain vigilant to changing strategic terrain, but strategic vigilance must not be allowed, of itself, to become a self-fulfilling prophecy. There is nothing predetermined about a U.S.-China conflict in the future.

We decide the future by our actions today, and we need to give ourselves the best chance to choose the best future for us all. We need to have strong regional and global institutions, a China that is positively engaged in those institutions as a responsible stakeholder, contributing to a harmonious global and regional order and continued good management of the China-U.S. relations by both sides.

For Australia, the single core question of whether ours will be a Pacific century, a truly Pacific century, rests on the long-term management of

this most critical relationship between America and China.

To conclude, our predecessors in 1944-45 faced great challenges in building international order out of the ruins of the last global war, but out of their actions arose a stable international order built on the United Nations, the Bretton Woods institutions and the continued strategic ballast provided by the leadership of the United States. That order has delivered remarkable prosperity and stability for more than half a century.

Our mission for the century ahead must be to enhance that stability and prosperity by meeting the challenges that lie now ahead and meeting those challenges head on rather than pretending that these challenges might simply go away because they won't. Australia stands ready to assist in dealing with these great challenges of the future. I thank you for your time.

(Applause)

MR. BADER: I'd like to thank you, Mister Prime Minister, for those insightful, enlightening, and comprehensive remarks. I have to get used to calling you Mister Prime Minister. I know how formal you Australians are and I have to stop calling you by the name I'm used to.

I'm Jeffrey Bader, by the way. I'm Director of the John L. Thornton China Center at the Brookings Institution, so we have the prime minister sandwiched in between John Thornton and his eponymous center.

The speech today recalled another speech that I think was alluded to earlier. Many of us read the prime minister's speech February 13 to the Australia Parliament about treatment of aboriginal people. We have had a lot of great speeches in the U.S. campaign this year. If you'll forgive me this brief intrusion into Australian internal affairs, for those of you who haven't had the pleasure of reading that speech, you really must. You can find it on the web, and it brought tears to the eyes of many of us.

We have a few minutes for questions. We have about 10 to 12 minutes. If I can abuse my privilege as moderator to ask the first question, Mister Prime Minister, you referred to the common values and common strategic interests between the U.S. and Australia and the alliance. I wonder if you could say something about how you see the respective roles of values and interests in the formulation of Australian foreign policy and our own foreign policy. Do you see them as competing, compatible, and how you weight them, particularly noting that your final remarks had to do with China which I guess is the greatest challenge on thinking about that issue.

PRIME MINISTER RUDD: When you're dealing with the great debate between values and interests, you're dealing with almost the axiomatic debate of foreign policy and international relations which is driven by universal values or driven by national interests and the two great schools of international relations theory, idealism and realism, proceed

accordingly. So the dynamics of that debate have been around longer than I've been around.

I think however there is a tendency to believe that these approaches to the prosecution of foreign policy are so inherently contradictory that you therefore as a government must fall into either one school or the other. I don't come from that tradition. You see, at the end of the day, foreign policy cannot be disconnected from who we are as peoples, and I think that is particularly the case given the changing global reality in the last quarter century. I've said elsewhere this simple point, that there is now no longer a clinical divide between the national and the international, the foreign and the domestic, the internal, the external, as the great divide collapses. So much of what we do internationally is an extension of what we do nationally. And to be effective in what we now do domestically we have to be in parallel terms active externally. Climate change is a classic case in point, but then to go down to the great dilemma of

human rights. We cannot divorce who we are as peoples domestically from our international posture as well. So that's all the reality underpinning it.

Where the rubber hits the road of course is in terms of our direct foreign relationships, and China you mentioned is always going to be a difficult challenge. If you put China in its historical context, when I first went there to work nearly 25 years ago, China was an authoritarian dictatorship and you would see the impact on people's personal liberty at the extreme end. I think any honest observer of China over the last 25 years is that people's personal liberty has improved considerably. Does that mean in some zero-sum gain that human-rights abuses do not occur today in China? Of course not, but there has been a change across that spectrum, and it would be analytically dishonest to assume that that hasn't occurred.

So the question for international engagement with China is therefore what works in enhancing that particular prosecution of what we would regard as

universal values, and that is the respect of human rights. Plainly, the prosecution of the economic liberalization program in China which they've initiated domestically 30 years ago is a core part of it. Plainly also, engaging robustly with our Chinese friends when human-rights abuses occur as occurred recently in Tibet must also be part of it. These are not mutually exclusive propositions. They are actually part of an integrated policy. So I all for being robust and up front about where differences occur and engaging the Chinese accordingly and not pretending that these differences don't exist, at the same time recognizing that the underlying big drivers of change in China on this score and in other areas have come off the back of now three decades of market liberalization.

MR. BADER: Questions? And if you can wait for the microphone and identify yourself and your institution.

MR. INDYK: Martin Indyk, Director of the Saban Center for Middle East Policy at Brookings.

Prime Minister, welcome to Washington and congratulations on your victory.

PRIME MINISTER RUDD: When are we going to get you back, Martin? When are we going to get you back in Australia?

MR. INDYK: Fortunately I get to ask the questions.

(Laughter)

MR. INDYK: I was struck in your speech by the fact that you began by noting the arrival of the American fleet in Sydney Harbor. But in terms of America's role in the Asia Pacific region, you seem to confine that to the big relationship between the United States and China. And I wondered whether if this is because America has essentially been absent with its Iraq and Afghanistan and Middle East projects for the last 8 years. Do you feel the absence or has this actually created a situation which seemed to be implied in your speech where Australia together with Japan, South Korea, and others can actually fill the

role that the United States used to play in the Asia Pacific region?

PRIME MINISTER RUDD: I think the thing to be said about U.S. engagement in East Asia and West Pacific, and this is a core part of what I was seeking to emphasize in the speech and elsewhere in public remarks that I've made is that it is perhaps invisible to many people that the underpinning strategy ballast which has given rise to the great economic development across the East Asian hemisphere at least since the mid 1970s, that ballast has been the United States. Were it not for that, then the region would have, I think, unfolded in a quite different direction and one which would not have made possible the extraordinary dividend to regional and global growth which has occurred. That's the first point.

The second is that the United States has not only maintained that balance by its own forward basing policies in the region, but also through its alliance structures which I referred to in my remarks before as well with Japan, the ROK, and ourselves.

But there is a third element which is that of shall we say softer security policy cooperation through the region's unfolding architecture. I have long said, and going back to previous Democratic administrations as well, that this is a space in which we would like to see the United States more actively engaged. The reason is if you look at it, and I think I said in the speech as well, there is a certain fragility to this strategy theater. Therefore, there is a great opportunity through regional security architecture to build genuine confidence and security building measures. We're aware of what happened over time in Europe. There are some parallels with what could happen over time in East Asia. So what I outlined today was just one of two practical ways in which that might unfold, an extension of the Six Party Talks into something bigger and better, also using some of the existing machinery, for example, the ASEAN Regional Forum to undertake cooperation between the security forces of various regional states on

humanitarian intervention and particularly on the back of national disasters.

I think it has been the absence of that which has been noted and felt, but there is still time for us collectively to act and we look forward to working very much with this administration and the subsequent administration on how that might best be done. But I think the time is now right for the emergence of that accommodating architecture and we've got some work ahead of us to do.

MR. BADER: We have time probably only for one more question.

MR. TALBOTT: Prime Minister, I think I should grab the mike in part to give you an institutional answer to your question to Martin: you can have him back from time to time is the short answer to that.

I would like to pick up on this theme that you've developed in your remarks and that Martin asked you about which has to do with institutional architecture. You talked about using existing

mechanisms. About 20 years ago Gareth Evans made a proposal for an East Asian version of OSCE which has been part of an institutional architecture in that part of the world that has made it largely a zone of peace. Do you see either the desirability or the plausibility of a new mechanism of some kind or do you see your part of the world with us participating working with the existing mechanisms?

PRIME MINISTER RUDD: Coming from a farm in rural Queensland, I have a basic approach to foreign policy which is what works, and therefore for me what works is what produces the end point and the end point is, shall I say, soft and middle levels of cooperation on common security policy endeavors across the states of the region which have historically not done that with each other. That's the end point. Because that of itself produces confidence and transparency in systems. It doesn't remove all strategic problems and rivalries, of course not. There is no zero-sum gain in this either. It's one of a multiplicity of engagements.

But then you go to the second question which you right raised, Strobe, of what's the best show in town to do that. Someone wrote recently that you kind of need a navigational guide and a computer program to negotiate your way through the alphabet soup of East Asia's current architecture. There are some there I haven't heard of before either. But if you go through ASEAN, the ASEAN Regional Forum, ASEAN Plus Three, the East Asia Summit, proposals for an East Asian Community, then you move on to APEC, and I'm sure I've left some out on the way through, I begin to become concerned that we so much into design lose point of rapidly getting to an end point which is actually doing some stuff together.

So where do I come out on that? If there is political will at present with our friends and partners in the United States and in Japan and in China and elsewhere toward taking the Six Party Talks mechanism further, I say let's give that the big tick. We of course have always been helpful and believing that we've always got something to offer would like to

be part of that as well. But the key thing particularly given the historical strategic cockpit that Northeast Asia has been is to get something working beyond the immediate challenge difficult as it is of the Korean Peninsula and some of those broader questions around wider Northeast Asia. And if that is unfolding as the most likely mechanism on the security policy front, then I'm pretty relaxed about that. I'm more concerned about a mechanism which works and delivers the end point.

Of course, historically leaders of Australia, Japan, and the ROK, 20 years ago had this as part of their long-term vision for APEC. APEC in the historical thinking of then Australian Labor Prime Minister Bob Hawke was to create a piece of pan-Pacific, pan-regional architecture which brought together China and the United States in a common regional body which would evolve from an economic dialogue into something which became a security dialogue. It was actually quite far-sighted. APEC hasn't reached that point, one of the complications of

course arising from the particular form of its membership and the Chinese concerns over the inclusion of Taiwan. So if APEC can unfold further in terms of economic integration and be given a more substantive agenda in the future and if at the same time we have a new mechanism which can produce genuine CSBMs, confidence and security building measures, and if that comes off the back of Six Party Talks, I think that's going to help and we certainly would lend every level of support at our level of government to making sure that it was successful.

MR. BADER: The Prime Minister has a brutal schedule today. We have to keep on schedule unfortunately. Could you all please join me in expressing your appreciation for what we've heard today from the Prime Minister?

(Applause)

MR. BADER: And if everyone could please just remain seated while the Prime Minister and his immediate party exit the room so that they can get on

to their next event, and we'll let you out of here
shortly thereafter. Thank you all.

* * * * *

ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190