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THE COMING ASIA-PACIFIC CENTURY:

WHAT IT MEANS FOR THE AUSTRALIA-U.S. ALLIANCE

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Featured Speaker:

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P R O C E E D I N G S

MR. INDYK: Good afternoon, ladies and gentlemen. Welcome to Brookings. I'm Martin Indyk, the director of the foreign policy program here at Brookings. On behalf of the 21st Century Defense Initiative, which is one of our projects that does national security studies in the foreign policy program at Brookings, I'm very glad to have the opportunity to welcome the Honorable Stephen Smith, Australia's Minister of Defence, to our Statesmen's Forum.

Steve, as I've known him for many years, was sworn in as Minister of Defence in September of 2010. Prior to that he had served since 2007 as the Minister of Foreign Affairs. He hails from Western Australia, has been active in Labor Party politics in Australia for many years, came to Canberra as an advisor to Prime Minister Keating and then was elected to be the member for Perth in the Australian Federal Parliament in March of 1993.

This is, I think, Steve's sixth visit to Washington, five as foreign minister, now one as defence minister, but it's his first visit to Brookings, or first appearance here, and so we're delighted to welcome him. He's going to speak for a few minutes, then we're going to have a little bit of a conversation up here, and then we'll turn to you for your questions.

So, without further ado, ladies and gentlemen, please welcome Mr. Stephen Smith. (Applause)

MR. SMITH: Well, thanks very much, Martin, for that kind introduction. You're quite right, it's my sixth visit to Washington as a minister from Australia, my first as defence minister, and as I tell everyone, the difference between being defence minister rather than foreign minister is that defence is foreign policy with assets, cash, and capability. But it's my -- and I'm very grateful to the institution for the invitation to speak today.

Because of the standing of Brookings as an institution of careful and considered thought, I've prepared a paper and I will mercifully not read all of it, but that will be published for you to examine in due course. I will speak for more than a few minutes, but I'll leave plenty of time for questions.

But my paper today is about the Asia-Pacific century and the Australia-United States alliance, and in its 60th year the Australia-United States alliance is the indispensible, enduring feature of Australia's strategic and security arrangements. Since the first formative meeting of Australia's great World War II prime minister, John Curtin, and the United State's great World War II president, Franklin Roosevelt, in South Carolina on ANZAC day, on the 25th of April 1944, the alliance has been supported

and developed by both major political parties on both sides of the Pacific -- Labor and Liberal in our case, Democrat and Republican in the case here.

Since the Battle of Hamel on Independence Day, the 4th of July 1918, the first occasion on which Australia and the United States forces fought together, and on that day, under the command of Australia's greatest general, John Monash, Australia has stood side-by-side with the United States in every major war the United States has fought in the past century, including the Second World War, the Korean War, the Vietnam War, Iraq, and now in Afghanistan. That's our unique record.

The formal alliance that has underpinned our unique record of shared commitments has changed, but that commitment remains unflinching. Today, Australia and the United States troops are again fighting side-by-side, this time in and around Oruzgan Province in Southern Afghanistan where we are working together under the flag of the International Security Assistance Force in a combined team to Oruzgan. Australia's strong view is that it is in our national interest to be in Afghanistan, not just with our alliance partner, the United States, but with the 46 other members of the International Security Assistance Force, ISAF, operating under a United Nations mandate.

Australia is the largest non-NATO troop contributor in Afghanistan, the 10th largest troop contributor, and importantly, the third

largest contributor of Special Forces. Our mission in Afghanistan is clear: to prevent Afghanistan, especially the Afghanistan-Pakistan border area, from again being used by terrorists to plan and train for attacks on innocent civilians, including Australians in our region and beyond. To achieve that goal, we must help prepare the Afghan government to take responsibility for providing security for the Afghan people. To do so, we must stabilize the security situation and mentor and train the Afghan Security Forces so that they can take the lead for security.

The international community now has both the military and political strategy in place, the resources to match it, and the people on the ground to deliver it. It's taken the international community too many years to get to this point, but the NATO-ISAF surge, the surge in Afghan Security Forces, and our Special Forces operations are working.

ISAF and Afghan resources have enabled combat and enforcement operations to occur with more confidence and to greater effect. There are more Afghan soldiers and more Afghan national and local police officers, and they are more capable.

Partnered Special Forces operations have killed or captured insurgent leaders, taking them off the battlefield and disrupting insurgent activity across Afghanistan. We know the Taliban will strike back, both on the ground and through high profile propaganda style attacks including

assassinations.

Australia remains confident that between now and the end of 2014 we will effect the transition to Afghan-led responsibility for security in Oruzgan Province. We know that our objective in Afghanistan will not be achieved by military solution alone, but these military gains are essential in building the pressure on the Taliban to open up possibilities for reintegration, reconciliation, and political settlement. As a result of these military gains and the pressure that has been put on the Taliban, there have been what then Defense Secretary Bob Gates described as the early signs or preliminary outreach for political settlement.

Australia's strong and continued commitment to the Australia-U.S. alliance is based on our assessment that it is Australia's national interest to do so. It is also unambiguously in Australia's national interest for the United States to be active and engaged in the Asia-Pacific as economic, political, military, and strategic influence shifts to the Asia-Pacific, to our part of the world.

In this century, the Asia-Pacific will become the world center of gravity. The rise of China is a defining element in Asia's growing influence, but it is far from the only story or the story. Everyone sees the rise of China, but the rise of India is still underappreciated, as is the impact of the rise of the ASEAN economies combined. The major and enduring

economic strengths of Japan and South Korea also need to be acknowledged. So must the great individual potential of Indonesia as it emerges from a regional to a global influence.

The ongoing shift in influence is, however, not just about economics or demographics, it's also about military power. The Asia-Pacific is home to four of the world's major powers and five of the world's largest militaries: the United States, Russia, China, India, and North Korea. The implications of this historic shift continue to unfold. Some seem to implicitly assume that the economic and strategic influence of the United States, the world's largest economy and superpower, will somehow be rapidly eclipsed overnight as a result of this new distribution of power. That is not Australia's view.

In Australia's view, the United States has underwritten stability in the Asia-Pacific for the past half century and will continue to be the single most important strategic actor in our region for the foreseeable future, both in its own right and through its network of alliances and security relationships, including with Australia.

This stability has enabled economic and social development and prosperity, as well as the creation of a regional framework based on OPEC and ASEAN. The United States does need to remain engaged, supportive, and most importantly, visible in the Asia-Pacific. Indeed,

Australia sees greater United States focus on the Asia-Pacific region as the demands on current operations reduce and the United States' strategic priority returns to the Asia-Pacific.

Australia has greatly benefitted from the Asia-Pacific region's long period of peace, security, stability, and prosperity. We owe this in part to the creation and growth of regional institutions like ASEAN and its related forums, institutions that continue to build habits of dialogue and cooperation in the region, but we also owe it to efforts of successive Australian governments following in Curtin's footsteps to shape Australia's strategic environment in cooperation with our regional partners.

Australia's contemporary, comprehensive relationship with China, for example, has been underpinned by the Whitlam government's recognition of the People's Republic of China in 1972 when it was not necessarily fashionable to do so. The Hawke government's push for APEC's establishment in a rapidly growing region built consensus around open markets, trade, and investment. The Keating government's elevation of APEC to a leader's led organization consolidated APEC as a driving force for economic growth and prosperity in our region.

Since coming to office, the Rudd and Gillard governments have both advocated the need for a regional leaders meeting, which can consider both strategic and security matters as well as economic matters

with all of the relevant countries of our region in the same room at the same time. And that is why we very much welcome the entry of the United States and Russia into the East Asia Summit this year and why Australia so strongly supported the inaugural meeting of the ASEAN Plus Defense Minister's Meeting in Hanoi at the end of last year.

The ASEAN Plus Defense Minister's Meeting is the defense minister's equivalent of the expanded East Asia Summit for presidents and prime ministers and foreign ministers. It is made up of the ASEAN countries plus Australia, China, India, Japan, New Zealand, the Republic of Korea, Russia, and the United States. This creates a forum for the key regional players to discuss peace and security cooperation, build stability, and promote greater defense cooperation.

With the rise of the Asia-Pacific region comes a range of challenges. Some have been with us for years; others are more recent, nontraditional security challenges. Our region contains a number of conventional security problems, some of which, like the Korean Peninsula, are leftovers of past conflicts, and others stem from past grievances and unresolved territorial disputes.

Amidst continuing tensions on the Korean Peninsula, we commemorated this year the 60th anniversary of the Battle of Kapyong. It was for its actions in the Battle of Kapyong that the 3rd Battalion, the

Royal Australian Regiment, was awarded a U.S. Presidential Citation for "extraordinary heroism and outstanding performance of combat duties in action in helping stop the Chinese Communist Army's final attempt at breakthrough to Seoul." Almost 60 years later, in November of last year, we saw the shelling of Yeonpyong Island. This followed reports of North Korea developing a sophisticated uranium-enrichment program in defiance of United Nations Security Council resolutions and the earlier North Korean attack on the South Korean corvette, the *Cheonan*, which claimed 46 lives. These events have been deeply troubling and threaten stability on the Korean Peninsula and in North Asia.

Tensions have also increased over maritime and territorial disputes in the South China and East China Seas. Australia does not take a position with respect to competing territorial and maritime boundary claims in the South China Sea or elsewhere. We simply encourage all states to invest in their own continued prosperity by resolving maritime disputes patiently and calmly, through multilateral security and negotiation mechanisms consistent with international legal norms.

In Bali last week, ASEAN and China agreed on a set of guidelines to implement the ASEAN code of conduct in the South China Sea. Australia welcomes this agreement, which calls for peaceful resolution of territorial disputes in the South China Sea in line with

international law and for restraint from the use of or threat of force. This is a good starting point, but more needs to be done. The recently established ASEAN Defense Minister's Plus meeting offers real opportunities for practical cooperation in maritime security. As a maritime nation, Australia is acutely interested in the need and the potential for regional cooperation in maritime security. The establishment of an ASEAN Defense Ministers' Plus expert working group on maritime security is an opportunity for a positive and constructive dialogue to improve maritime contribution in the region and help address maritime security challenges as they emerge. That's why Australia is pleased to co-chair with Malaysia the Expert Working Group on Maritime Security, the first meeting of which occurred in my own hometown, Perth, just last week.

In addition to the Australia-United States alliance commitment to "act to meet the common danger," a bilateral defense relationship ranges across military operations, extensive intelligence cooperation and sharing, and the development and acquisition of common capability platforms. For almost 50 years, through the Joint Defence Facilities in Australia, we've made a significant contribution to United States national security by hosting or supporting some of the United States' most sensitive and critical strategic capabilities. These include systems related to intelligence collection, ballistic missile early warning,

submarine communications, and satellite-based communications.

Collaboration on defense capability is another area where cooperation is mutually beneficial. For Australia, the most obvious benefit is access to developmental, leading edge, United States capabilities and proven, off-the-shelf platforms. These acquisitions help make Australia a reliable partner of effective and interoperable capability.

In my prepared remarks I go through a range of capability issues where Australia and the United States are cooperating.

With the Asia-Pacific region going through a range of geopolitical change, it is important to assure that our alliance continues to grow and develop to meet the strategic and security challenges we face. John Curtin laid the groundwork for such an approach in his “Call to America” speech in December 1941, when he encouraged Australia to think through problems itself and to apply an independent and creative approach to international challenges. He articulated a clear-eyed view of Australia’s place in the world, supporting a new global order based on international law, and setting the stage for alliance relationship with the United States.

Curtin was pragmatic, hardheaded, and far-sighted when it came to protecting and defending Australia’s national security interest. He forged a close and essential relationship with the United States, one that

has matured into the friendship and the alliance that we see today. He also forged a practical new framework for Australia's security in the face of the terrible challenges of World War II. In doing so, Curtin negotiated the parallel demands of Australia's history and Australia's strategic imperatives through a process of invention and innovation. This process of invention and innovation remains important to this day to ensure that our alliance relationship continues to respond to new and emerging security challenges.

In my prepared remarks I detail the joint work that Australia and the United States are doing on the United States Global Force Posture Review and the work that Australia itself is doing with its own recently announced Force Posture Review. I also deal with some of the new areas of focus so far as Australia and the United States are concerned, in particular cyber and space activity. I also deal with the emerging importance of India and the Indian Ocean and the continued, in my view, underappreciation of the role of India. I also make some remarks with respect to China which reflect Australia's policy position so far as China is concerned.

John Curtin, living in a very different time and looking out to a very different region, would not have foreseen the detail of these developments, both in the Asia-Pacific region and the Australia-United

States alliance, but he would nevertheless recognize the judgments about national and national security interests that lie behind them. He would also recognize the process of argument and advocacy inherent in defining and advancing Australia's national security interest amid the Asia-Pacific century. He would recognize the importance of building the habits of dialogue and communication, which will help us withstand and resolve serious tensions if and when they arise. He would recognize the importance of creative and constructive diplomacy in building the regional architecture and institutions that can help us manage emerging security challenges. He would recognize the pragmatic and hard-headed assessment of national security interests that seek to find a role and place for emerging great powers such as India and China. Finally, he would recognize the process of invention and innovation that continues to see the Australia-United States alliance continue to grow and develop to meet the challenges of the Asia-Pacific century. And he would also recognize this: the analysis of Australia and the United States' mutual collaboration, though well worth reiterating today and detailing in my paper, has been made before -- Australia's confidence in continuing United States engagement, likewise.

A point not so often made, however, is how Australia's strategic value to the United States is changing. The balance of

geopolitics is shifting and Australia is at the southern tier of that central dynamic. Apart from our geographic position, Australia is the world's largest coal exporter and one of the largest uranium exporters. In 10 years' time, we are on track to be the largest exporter of liquefied natural gas. We have the fourth largest amount of funds under management. We sell to China and we invest in the United States. Nine thousand Australian companies do business in the United States. They pay an average wage of $70,000 U.S. per employee per annum. These employees include your largest shopping center owner and two of your largest 20 banks.

For the United States, Australia is an ally that adds value. We're not a consumer of United States security who imposes tough choices on the United States military or United States public policy. We value add and we do so from a vantage point of respect, not dependency. Thank you very much. (Applause)

MR. INDYK: Thanks very much, Minister. The speech we will be putting up on our 21st Century Defense Initiative website, on the Brookings website, you'll be able to read it there. I'm sure that your ambassador will oblige you by putting it up on the embassy website, too, just in case.

That was great and thank you. I wanted to kind of focus on a few of those issues first before we go to the audience.

You opened your remarks with Afghanistan and you seem to be cautiously optimistic about how things are working there whereas I think in this town the prevailing view is pessimistic about what, in fact, will happen once we and you withdraw. But it's always seemed to me to be very useful to get an Australian perspective on these things, partly because you're on the ground, partly because you see things a little differently to what we do, so what's the basis of your cautious optimism there?

MR. SMITH: Well, the phrase "cautious optimism" is a phrase that I, myself, used the last time I returned to Australia from a visit to Afghanistan, which, as defence minister, I've already done too. On my first visit there it struck me that Kabul had much more of the impression of a workable Asian city, South Asian city, than on my previous visit there, which was a couple of years before hand.

On my most recent visit, which was in April of this year to coincide with ANZAC day, all of my conversations with our people on the ground in Oruzgan Province and in Kabul, both International Security Assistance Force advisors, United States advisors, and our own, led me to the conclusion that we had made substantial progress on the ground.

In a counterinsurgency often it's the anecdotal thing that brings home facts and figures. I was out at one of our forward operating

bases with a range of young Australian diggers who'd been there for seven months and I said, what's the difference now, seven months after you arrived, to which they said, the locals are much friendlier, which is a sure sign that you've made some security ground up to enable the locals to start living an almost normal existence, but that the cooperation and warmth between the providers of security and the locals is a good one.

So, all of our analysis is that over the last two years, 18 months to two years, we have made up substantial combat or security ground. There's no doubt that's the result of a number of factors: the U.S. and NATO and ISAF surge, the substantial growth in Afghan capacity, Afghan army, Afghan national and local police. And we now -- and when the surge drawdown of United States troops concludes, for example, at the end of next summer, we'll still have thousands of United States troops in Afghanistan, but we'll also have an Afghan security force of 300,000. So, there's also been -- and this point, I think, is underappreciated -- a substantial growth in Afghan Security Forces both in quantity and in quality over the same period of the surge.

It's also the case, as I detailed in the speech, that our Special Forces operations have had a significant adverse impact so far as the Taliban is concerned and degraded and denuded their capacity. So, that's the analysis for cautious optimism.

At the same time we know the Taliban have and will strike back, both on the ground in Afghanistan itself, and also with high profile, propaganda-style attacks, and regrettably we've seen another successful one overnight with the assassination of the mayor of Kandahar. That is aimed at degrading, denuding, and inhibiting political will in the United States, Australia, and Europe because our central, single problem in terms of political will in Afghanistan is that we've been there 10 years.

When the history of Afghanistan during this period is written, I think it will show that over the last two years with the Riedel review, the Obama review, the political and military strategy we now have in place and the resources to match it, we are actually making progress. It's taken us about six or seven years too long to get there, and that's what saps political will.

We think we're on track for the transition of security, authority, and responsibility, but Australia, just as the United States, just as NATO, has also made the fundamentally important point that when the transition occurs by the end of 2014, and there is a drawdown of troops as a result of that security transition having occurred, there will still be a role for the United States, NATO, the international community including Australia, and we've said we envisage ourselves being there in some capacity. It may be a continuing training capacity, institutional or

otherwise; it may well be Special Forces for counterterrorism purposes; it may be security over watch. It will certainly be capacity building, development assistance, institutional building, and the like.

In addition to the security efforts, the thing that we have now, which has been lacking as a coherent political strategy as well, the single most important piece of evidence, in my view, that we're making combat or military or enforcement progress is the very early signs of political outreach or conversation with the Taliban about a political settlement, and I agree entirely with Bob Gates' analysis and weight of that. We've been arguing for some time that you can't be successful in Afghanistan with just a combat strategy, you've got to have a political strategy as well. There has to be a political settlement in Afghanistan and that needs to be a political settlement which is supported, or at least not opposed, by Afghanistan's neighbors. The Taliban will fight back. They are a formidable foe. But our singular public policy objective, which sees our presence in Afghanistan continue, is that we believe if we in the international community left now, we would create a vacuum which the remnants of al Qaeda and other international terrorist groups would fill, and again see the Pakistan-Afghanistan border area providing a breeding ground for attacks on our civilians. And like citizens of the United States, we've been on the receiving end of terrorist attacks in Bali, in Jakarta, in

Europe, and here itself.

So, that's a long answer about a simple question about cautious optimism. We're a long way from getting there, but I think we're in a better position now after the last 18 months than we have been in all of our time in Afghanistan.

MR. INDYK: Interesting. Thank you. China. You skipped over what you were going to say, so I wanted to give you an opportunity to say it anyway. Because, you know, China is probably the fastest growing military force in the world these days, and you're looking up at them from Down Under, as it were. How do you assess what they're doing in terms of capabilities and intentions?

MR. SMITH: Well, I didn't want to bore people, you know, too unnecessarily over lunch, so there were healthy slabs of the paper that I didn't read.

The central thesis, if you like, is this: influence is moving to our part of the world, to the Asia-Pacific, political, military, economic influence. Most people just see the rise of China. It's not the rise of China. It's the rise of China, the rise of India, the ongoing central importance of the United States, the combined economic power now of the ASEAN economies combined, the ongoing strength of Japan, the Republic of Korea, and the emergence of Indonesia.

So, how do we grapple with that? In my paper I put India first because I do have a very strong view that India is underappreciated, and we've worked very hard to enhance our engagement with India and the countries of the Indian Ocean rim. And we're also investing a lot of effort into the Indian Ocean itself, not just because I come from the West -- I have a weakness for the west of any country or continent, including your own -- but Australia touches two great oceans: the Indian and the Pacific. People of the United States are of course innately familiar with the Pacific, we're innately familiar with both the Indian Ocean and the Pacific.

When it comes to China, China -- to use a Chinese expression -- Australia's confident that China will emerge into a "harmonious environment" or, to use Bob Zoellick's phrase, as a responsible stakeholder. China is itself grappling with its emergence as a superpower and all we ask of China is that as it emerges that it is a responsible member of the international community, that it ascribes to international norms and issues are settled through dialogue and observance of international norms.

On China's military expansion, as any country's economy grows, and the same has been true of historically the United States, also historically of Australia -- whilst we are a country small in population, less than 25 million, we are a member of the G-20, so we're in the top 20

economies, indeed we're in the top 15 economies. We're in the top dozen when it comes to defense and peacekeeping spending, and so we are, in an economic sense, a significant nation. And as our economy has grown historically, so has our military capability and capacity in conjunction with our alliance partners.

So, as China's economy grows, it's entitled, perfectly entitled, on any historical analysis, to also grow its military capability and capacity. All we ask of China is that it is transparent when it comes to its strategic intentions. China's response to that is to say, well, we publish a whitepaper every two years. I said, that's good, we publish one every five. And so in the end, it's transparency about strategic intention that is important. And it's also important that whatever tensions there are, and these apply particularly to South China Sea, and to a lesser extent East China Sea, that those issues are resolved in accordance with law of the sea, in accordance with international law. But we do have to manage, as a regional and as an international community, the obvious tensions that will occur as a result of shifting power balances, and that's why, from a strategic point of view, we have very strong urgers of the expanded East Asia summit configuration, both at leaders, foreign ministers, and defense ministers' levels.

From Australia's selfish perspective, that configuration gets a

range of key countries in the same room at the same time able to have a conversation about economics, trade, prosperity, but also peace and security. United States, China, Japan, India, Indonesia, Australia, and there are a range that you could add to that, but Indonesia is our closest neighbor, emerging as an international and global influence. Japan, China, United States, India, will be, in very many respects, the significant powers in the second half of this century.

MR. INDYK: Just finally before we go to questions, you talked about new and emerging challenges, and you just mentioned in passing cyber security. This is a big topic, but I just wonder how you see it in terms of as a threat to Australia and how you're defending against it.

MR. SMITH: Well, I passed over cyber as I passed over India and China, so it should be viewed in that context. Indeed, General Hurley, our new chief of the Defence Force, is here, and when General Hurley was appointed he was asked by the Australian media what did he see as some of the challenges. And he surprised very many of the Australian media by listing cyber as one of the great challenges, and I share that view.

Australia's been working very hard on cyber issues itself, but also in close conjunction with the United States and also with the United Kingdom. The institutional trapping of our alliance relationship is the

annual, sort of AUSMIN, the Australia-U.S. Ministerial Council meeting, which is secretaries of state and secretary of defense and foreign and defense ministers. When we met last in Melbourne, and we'll meet again in San Francisco in September to mark the 60th anniversary of the signing of the alliance by Foreign Minister Percy Spender in San Francisco in September 1951. In Melbourne, Bob Gates and I essentially entered into a Memorandum of Understanding on cyber security and joint efforts on cyber security.

Just as the rise of India is underappreciated, then so is the danger or the challenge of cyber underappreciated. Most people regard cyber as a challenge or a problem for nations, particularly in the security or the defense or the intelligence or information area. Nothing could be further from the truth in this respect. Cyber is not an area where we see the traditional potential conflict or tension between nation states, it's a proliferation of non-state actors. And if I was advising business or industry, which I don't do other than gratuitously, then from an industry point of view we know that there are a range of examples, not just in Australia, but elsewhere, where substantial industry players will spend lots and lots of resources on intellectual property to make sure that their patents are protected only to subsequently discover that all of their intellectual property is being lost off the back of a BlackBerry or a laptop.

So, this is a very significant issue for industry and for the economy, and so far as nation-states are concerned, this is not just a nation-state versus nation-state issue. There are non-state actors out there who are as ferocious in their efforts to get access to information as there are nation-states. We don't get in the business of focusing or highlighting or identifying any one particular nation or nation state in this area, but this is a significant challenge for all of us, and one which, in terms of the standard conflict scenario, if you can attack someone at a cyber level, then often you don't need to worry about the kinetic traditional method because you have destroyed communication systems, destroyed the capacity for response, and the like.

So, it's a substantial challenge for all of us, but it's a challenge, which is, at an individual level, at a business and industry level, and at a national level as well, and it's one of those modern challenges where a nation-state can't act by itself. You've got to be acting in conjunction with your international colleagues and in the long-term we need all now to start working on what we'd regard as international norms and practices in the area of cyber because there are too many adverse experiences for all of us.

MR. INDYK: Is there something starting on that? Is Australia trying to take an initiative in that regard?

MR. SMITH: Very early stages. I think if you said what's the most important fundamental we could do at the moment, the most important fundamental thing we can do at the moment is to get everyone educated into the notion that this is a risk for all of us and people need to respond accordingly.

MR. INDYK: Your chief of staff might be interested that the outgoing chairman of our Joint Chiefs here at Brookings a little while ago said that the greatest threat the United States faces was not cyber security but the debt.

MR. SMITH: Well, I've been asked by -- I'm an Australian minister traveling, so I make myself available to Australian journalists both here and in Australia -- and other than, you know, the odd sort of, you know, issue like Joint Strike Fighters or submarines or Afghanistan, the most regular question I've got is, how's the debt issue going? To which I've behaved myself and said, it's not for me to give gratuitous advice to the Administration or to Congress, but I'm sure this issue will be resolved before the death knock.

MR. INDYK: Okay, let's go to your questions. I ask you to wait for the microphone, there are people who will pass it around, and please identify yourself to the minister and please make sure you ask a question. Up here at the front.

MR. WARD: Rob Ward, DACOR. Mr. Minister, thank you so much for excellent and insightful remarks. You mentioned in your remarks the need for openness and transparency on the path of China, among many others. Would you care to discuss whether you've been able to undertake military-to-military talks and what would you like to do in discussing these issues with China?

MR. SMITH: Well, we, I think in my remarks, described the relationship we have with China as a comprehensive bilateral relationship and that's right. Our relationship with China, the modern day relationship, started with our early recognition of China back in 1972 and this continues to be greatly appreciated by our Chinese friends.

Our original or early contact or bilateral relationship with China was an economic one, particularly through minerals resources and then petroleum resources largely from my own state of Western Australia, but over the years it's now grown to a comprehensive bilateral relationship. And in 2008, in January/February of 2008, as foreign minister I conducted the first strategic dialogue at the ministerial level that we had with China.

Our relationship now, because it's comprehensive, also includes security, strategic and defense and military aspects. Our military have got a very good working relationship with the PLA. Recently we've

engaged in Navy exercises, including live-fire Navy exercises for the first time. I've committed to traveling to China this year as defence minister to meet with my counterpart. On an annual basis we have meetings between the chief of our Defence Force and his equivalent, General Chen Bingde. And those talks, the chief of the Defence Force is accompanied by the secretary of our department, and those talks -- they're now in their, from memory, 11th or 12th annual occurrence. And we are looking at more exercise, contact, and the rationale for doing this is we have a comprehensive relationship with China so we should engage in all aspects of the relationship. But also it is, to use the traditional phrase, it's a confidence-building measure. We want to -- if we proceed on the basis that we want China and China's military intentions to be, it's strategic intentions to be transparent -- the best way of having a strategic conversation is a military-to-military conversation. The best way to understand technical and strategic intentions is to do the exercise, to have the conversations, and to get to know each other and each other's nuances.

Often one can see a tension go to or escalate to a conflict or a miscalculation of simply not knowing each other and not knowing how each other operates. So, we regard that as a very important aspect and we've been pleased with the progress that we've been making on that

front over the last four or five years.

MR. INDYK: Sounds like you're considerably ahead of the United States in terms of mil-mil discussions. Back there, the gentleman in the blue shirt and red tie.

SPEAKER: Hello, Mr. Minister. Very good to see you. I served many years ago at one of the joint bases with the U.S.-Australia base, in Western Australia, Harold E. Holt. I don't know if we're there anymore, but --

MR. SMITH: Yup, you are. As are we.

SPEAKER: That was during the Cold War. I know that before World War II Australia usually stood shoulder-to-shoulder with the British during the Empire days in the South Pacific in various endeavors. After World War II you stood with the Americans shoulder-to-shoulder in numerous military encounters. But now it's the 21st century and the dynamics in the region are completely different from those two eras and because of the rise of China and because of the importance of China to your economy, and this is irrefutable. And I start to wonder, these things become very complicated and I'm wondering, do you ever see a situation where Australia might say no to the United States if a military situation comes up and Australia looks at its own national interest and says, hmm, maybe this is not the best way to go? So, do you ever see a situation

where Australia might say no to the United States when it comes to some kind of military situation in East Asia or the Asia-Pacific?

MR. SMITH: Well, a number of issues there. In my prepared remarks I made some point of the great work of John Curtin, one of our wartime prime ministers who had to do the very tough job of shifting our strategic relationship from the trappings of old empire to the United States, and that was all about Australia's national interest and protecting and defending our interests in Australia and effectively from the war in the Pacific. And in the war in the Pacific, Australia and the United States have got a terrific history of working together. My town of Perth, its port city is Fremantle. Fremantle was the second largest submarine port of World War II after Hawaii. There were plenty of United States, British, and Dutch submarines going through Fremantle.

So, we obviously worked very closely during World War II. And whilst that strategic alliance shifted, our relationship with the United Kingdom today is much more than just what most people see, which is an historical, and a people, and a cultural link. After the United States it is true to say that our strongest strategic, security, intelligence, cooperation relationship is with the United Kingdom. It's much less evidenced by a physical presence or by joint operations and the like, but from a strategic, security, intellectual, intelligence, assessment sharing point of view, it is,

after the United States, our closest.

Harold E. Holt continues to operate as a joint facility, and that's a fine thing.

I made the point in my speech that Australia has stood shoulder-to-shoulder with the United States in every conflict the United States has been involved in since World War II. That's unique, if only because the British weren't involved in Vietnam, but on every occasion that we made a decision to enter into a conflict, we made that decision on the basis of what we regarded Australia's national interest and national security interest to be.

In Afghanistan, for example, we triggered the U.S. -- the ANZUS alliance, we triggered that alliance in the aftermath of September 11th and that was the original rationale for our entry into Afghanistan. Our rationale for our ongoing presence in Afghanistan is twofold. We are there to help stare down international terrorism and we're there under United Nations mandate. Now, of course we're there shoulder-to-shoulder with our alliance partner, but our decision to enter into a conflict and to stay or go is something that we determined with the focus or the view of our own national interest in mind.

And at the conclusion of my paper I said that we're an alliance partner with the United States where my assessment, my analysis

is that over the last decade the practical cooperation has never been better, not just on the ground with troops shoulder-to-shoulder and Special Forces, but also intelligence and information sharing and assessment sharing, so I don't think that the alliance relationship has never been better. And I made the point that we come to that alliance relationship, from our perspective, from a position of mutual respect. We are not a dependency, we are a partner, and we bring value and we add value.

I think, Martin, you made the comment earlier that we're Australians, we see things differently and we see things through the eyes of our region, and that does bring with it advantages.

So, in any future conflict we would make a judgment on the same basis, which would be do we believe that an entry into a conflict here is in our national interest and our national security interest. One factor which we would always contemplate would be the presence or the absence of our alliance partner, and certainly a compelling factor would be if our ANZUS treaty requirements were triggered, as they were formally in the aftermath of September the 11th. So, we do not enter into conflicts simply because any of our friends or partners enter into a conflict, we enter into a conflict if we regard that as being necessary to protect and defend and enhance our national security interests.

MR. INDYK: The United States is involved in Libya, albeit in

a limited way, but I don't think Australia is, at least militarily.

MR. SMITH: No.

MR. INDYK: Why was that? What was the decision there?

MR. SMITH: Well, we strongly supported the notion of a no-fly zone, and we strongly supported that notion because we've got, if I say so myself, a proud history of peacekeeping, but also an emerging history and good record in peace-building, and we're strong supporters of the notion of responsibility to protect and we want to see that, to use the jargon, operationalized and become one of the norms of international law and conduct. And in the face of the potential for terrible atrocities by Qaddafi against his own people, we supported the no-fly zone. That occurred at about the time that there was a NATO-ISAF meeting in Brussels, which Australia attended for Afghanistan purposes. And I made it clear to my NATO and ISAF colleagues at that time, including Bob Gates, that whilst we strongly supported a no-fly zone and whilst we would, if there was a need for urgent humanitarian assistance, make a C-17 aircraft available for that purpose, we didn't see a responsibility or a need or rationale for Australia to make a military contribution to Libya for two very important reasons. Firstly, it was best done by neighbors and friends and partners from the region itself, and secondly, we're very fond of the Mediterranean, but North Africa is a fair way from our bailiwick.

MR. INDYK: Didn't stop you in World War II.

MR. SMITH: No, and in World War II, there was initially the pang of empire and then, secondly, there was the instinct of self protection, which saw us retreat to the Pacific.

MR. INDYK: Right.

MR. SMITH: But it's a fair way from our bailiwick, firstly. Secondly, we thought the primary responsibility came from the region itself. I mean, Afghanistan is a fair way out of our bailiwick, but there is a rationale there, which is the staring down of international terrorism. But more importantly, in some respects, as I say, we're a country of less than 25 million people and the truth is, we are, if we're not careful, operationally stretched. We have stabilization missions in East Timor, in the Solomon Islands, we make contributions to United Nations mandated peacekeeping operations, and, as I said, we are the 10th largest contributor in Afghanistan. And so we just thought that that would, in some respects, be a bridge too far if something else popped up in our own backyard. We are seen in the Pacific as being the lead nation primarily responsible for disaster relief and humanitarian intervention and also, as history has shown, if there is a problem in East Timor, if there is a problem in our region, generally nations will ring us and say, how could you have let this occur, and by the way, how are you fixing it? So, we do have our

responsibility operationally in the Pacific.

MR. INDYK: Another question over here, the man holding up the white paper.

MR. CHEN: Chow Chen, Bethesda, Maryland. Thank you for your coming. And in Australia 2009 Defence Whitepaper, you're going to have 12 new submarines. And my question is this, when it would be available. And suppose in 1920, how many new submarines you're going to have, and your purpose to be interoperable with the United States and what would be the strategy and purpose of that kind of operation. And you mentioned that Afghanistan, East Timor, so my question is this, are you going to prepare more fighting on land than more fighting at sea in the future? Thank you.

MR. SMITH: Well, a couple of issues there. Firstly, on submarines. We currently have a fleet of six submarines, Collins class submarines. I've said publicly on a range of occasions that we have had maintenance and sustainment challenges with our Collins class submarines, and I'd like to get more of our submarines in the water. And I've asked John Carls, who's a UK expert, to review the way in which we maintain and sustain our Collins class submarines to get more operational activity out of them.

Why do we have submarines and why have we committed

ourselves to a new submarine program as part of our 2009 whitepaper? We're an island country, we're an island continent, we're a maritime nation, and we believe having that capability is necessary for the protection and enhancement of our national security interests.

One of the capability issues that I've discussed both with industry and with our United States friends in my visit here has been our new submarine fleet, which is a fleet of 12. It's a long-term project. It'll be the largest defense project that Australia has embarked upon, and the ambition is to see submarines from our new fleet emerge in the 2030s and the 2040s. So, this is a long-term project.

And I've had discussions with our alliance partner, which I've made -- effectively made public along these lines, which is we are allies. The United States has a nuclear submarine fleet, we have a conventional submarine fleet. It makes sense, with our alliance partner, for those fleets to be strategically complementary, and we are working through what we regard as the strategic issues and also working through what we regard as the technical issues. The building of 12 submarines is never -- is not an easy task, and whether it's the United States, whether it's Australia, whether it's Japan, the Republic of Korea, a submarine fleet is always challenging.

So, we have committed ourselves to this capability because

we believe as a maritime nation we're entitled to use submarines to protect and defend our interests. We are in Afghanistan because we see the need to help stare down international terrorism, not just in Australia's interest, but in the international community's interest. Our efforts in East Timor and in the Solomon Islands are stabilization and peacekeeping missions and we are very hopeful in the case of East Timor that after their elections in 2012, that we will be able to substantially downsize if not remove entirely that stabilization force.

We are a civilized and dignified nation. We are a peaceful nation, and we intervene with the use of military force where we regard that as being mandated by international law and consistent with our national and international interests. We don't go on the lookout for a scrap. But as Bob Gates once said to me, he would divide countries into those countries who fought when you have to and those countries who don't, and he put Australia in the column of those countries who would fight when it was necessary to fight.

I'm old-fashioned, I regard the use of force as being an absolute last resort, but there are occasions when, from time-to-time, that if you don't have the capacity and the capability to use force, then you have neglected the protection and enhancement of your citizen's national security interests.

MR. INDYK: There was an implication in the question of are you shifting, though, from a focus on land-based forces to sea-based forces in your own projections of the threats that you have to defend against.

MR. SMITH: Well, because we are a maritime country with sea routes to our shores and air routes to our shores, we have to have capability both in navy and in air force, both a defensive capacity and a strike capacity. The Australian Army is also an army which we believe needs to have the capacity not just to protect and defend our shores if that's required, and that has not been required for a substantially long period of time, but also to embark on expeditionary forces, whether that expeditionary force is a peacekeeping force in East Timor or a United Nations mandated mission in Afghanistan.

So, we try and keep modern capability for all of those arms of the services, and it was the Australian Army -- and this is a matter of great pride to us -- it was the Australian Army who formed the peace contingent that was utilized on the first occasion by the United Nations when the U.N. Committee on Indonesia asked Australian forces to separate the Dutch from the fledgling Indonesian forces in Indonesia in 1947, to successfully repatriate the Dutch forces, which we did. So, we've got proud traditions in all three of our forces.

Some people say that the weight of the whitepaper in 2009 was in the maritime and the aerial capability, but at the same time, over the last decade, slightly longer, our army has effectively been involved in a land war for a decade: Afghanistan, Iraq, Afghanistan. And we've seen in the course of that period, an ongoing build of capability and expertise. Like any nation, we need to have capacity in all three of the services and we do.

MR. INDYK: Well, unfortunately, our time is up, but I want to thank you very much. We don't often get a chance here at Brookings, or indeed in this city, to talk about the ANZUS relationship, so it's also an opportunity for us to thank you for the friendship that Australia has shown the United States through all of these decades on the battlefield and elsewhere as well. So, thank you very much. (Applause)

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CERTIFICATE OF NOTARY PUBLIC

I, Carleton J. Anderson, III do hereby certify that the forgoing electronic file when originally transmitted was reduced to text at my direction; that said transcript is a true record of the proceedings therein referenced; that I am neither counsel for, related to, nor employed by any of the parties to the action in which these proceedings were taken; and, furthermore, that I am neither a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

/s/Carleton J. Anderson, III

Notary Public in and for the Commonwealth of Virginia

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