

**“SECURING AUSTRALIA’S FUTURE PROSPERITY”
LOWY INSTITUTE FOR INTERNATIONAL POLICY**

PRIME MINISTER KEVIN RUDD

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Full transcript

When people consider how they intend to vote in our national elections, their sense of personal economic security is central to their decisions.

For the Australian Labor Party, jobs lie at the very heart of our policy agenda.

We understand both intuitively and analytically the importance of employment security to the security and well-being of all Australians.

This has been our history for over a century. This guides our policy direction today. And it continues to be our lodestar for the future.

Having a job is about human dignity.

Having a job is about economic opportunity.

Having a job is about family security – because if there are no jobs, there is no household pay packet and therefore no security for individuals and families.

Having a job is the bedrock for any family dealing with cost of living pressure.

We therefore know in our hearts that everything that happens in national government boils down to one principle: it’s fundamentally about the economy, growth and jobs.

Protecting the jobs of Australia’s people today, building the new jobs of tomorrow, and managing the transition from one to the other, constitutes the number one priority of the government which I am proud to be Prime Minister of.

The truth is, no economy is an island.

Our economy is buffeted by the ebbs and flows of the global and regional economy of which we are an integral part.

And the international economy is in turn buffeted by our global and regional security environment of which we are equally a part – be it by conflict in the Middle East, strategic tensions in North East Asia, or the continued challenge of global terrorism.

One thing that seldom gets attention on the election trail is the critical role that foreign and security policy play in creating the conditions that nurture our national prosperity.

Economic prosperity is not therefore just a function of domestic policy.

There is a fundamental connection between a nation's place in the world and its prosperity at home.

That's what I would like to talk to you about today.

We live in a great country.

We have always been one of the great trading nations of the world. And the resources boom has delivered great growth to our economy over the last decade.

But the end of the phenomenal investment phase of the China resources boom requires us to look to other sectors for additional growth opportunities for the future.

In order to generate the jobs of the future.

To ensure future prosperity, we must diversify our economy so that all our eggs are not in one basket.

Creative middle power diplomacy

Ensuring our economic prosperity requires an intelligent, forward leaning global and regional perspective that actually anticipates the challenges and opportunities that lie ahead, not just passively responds to them.

We should whenever possible seek to shape events.

We are not a small country.

We are not a poor country.

We are a middle power with both regional and international interests, and motivated by universal values.

Early last year I gave a speech in London at the Royal Institute of International Affairs.

I said that:

“Effective foreign policy should [never] be ... disempowered by a notion that we are helpless to change what is happening around us.”

I said:

“We should be mindful of history, but equally creative, optimistic and above all, resolute about the future. Mindsets, left unexamined, can become self-fulfilling.”

Royal Institute of International Affairs, London, 24 Jan 2012

Here I was referencing various regional doomsday scenarios about the inevitability of future conflict between China and the United States.

I have never had a determinist view of history.

Even less do I have one about the future of the region in which Australia finds its home.

We are currently witnessing an historic shift in economic and political power from the West to the East.

We are now living in the Asian century.

This is no longer a prospect.

It is a reality.

Asia now equals one third of global GDP.

By 2030 this will have risen to about one half.

It is estimated that middle-class consumers in the Asia-Pacific will grow to 3.2 billion by 2030.

This will mean that the Asia Pacific will account for around two-thirds of the world's middle class by 2030.

These are extraordinary figures.

And their impact for our future is profound.

China is the world's second largest economy and is likely to be the largest before the end of this decade.

India is now the world's third-largest economy, and projected to overtake China as the world's most populous nation by 2030.

Its growing middle class is estimated to reach over 600 million by 2030.

Japan remains of course a formidable economy.

Indonesia is emerging as the great economic powerhouse of Southeast Asia.

With a GDP of US\$1 trillion, it is the 15th largest economy in the world – and estimated to become the 4th largest by 2050.

It now has a consumer class of 45 million people – more than double our entire population.

This is estimated to grow to 135 million by 2030.

Implications for Australia

So what does this mean for Australia?

Our trade and investment with Asia is already a significant part of our economic landscape.

Eight of our top 10 trade partners are from Asia.

We share \$125 billion worth of trade with China – now our largest trading partner.

The United States and Europe will remain important elements of our economic engagement with the world.

But our economic landscape is changing rapidly.

Asia's growth, particularly China's, saw an unprecedented, sudden, and sustained increase in demand for Australia's resources and energy.

This rise in our terms of trade was responsible for nearly half of Australia's income growth for the first decade of this century.

This equation is now different.

Asia is changing.

China is changing.

China's economy is maturing.

Its growth model is changing.

China's demand for energy and raw materials is no longer growing as rapidly as it did before.

This is what we mean when we say the end of the China-fuelled mining boom.

And it has one large implication for Australia's economic future.

And that is this: Australia's prosperity is simply no longer assured on the back of the China mining boom alone.

As the pattern of China's economic growth changes, so too must Australia's own growth strategy for the future.

It means we cannot afford to have all our eggs in one basket.

The potential market represented by China's and Asia's growing consumer class is great.

Capitalising on this demand requires having a new look at creating and strengthening our comparative advantages.

This is a highly globalised and competitive world.

We should deploy all our national talents and our assets – our people as well as our natural resources – to build a new frontier of trade and investment with Asia.

A new frontier

So what would this new frontier look like?

As Asia's middle class continues to grow, so too will its demand for clean, green agricultural products.

Global real estate firm Jones Lang LaSalle estimates that China's second and third tier cities, the so-called "China50" make up an economy of US\$2.9 trillion. On its own it would be the fifth largest economy in the world.

Australia is in a prime position to help meet Asia's food security needs, both through quality food products, innovations in agribusiness and new agriculture technologies.

Australia possesses enormous potential to meet the changing pattern of Asia's consumption.

Asia's middle class will also increasingly demand high-quality services – financial services, insurance services, legal services, education, health, design, project management and tourism services.

In China's case, these new opportunities are represented in the largest 50 cities – as for the first time in China's history, many people now live in the city and not in the countryside.

This is a global economic revolution unfolding before our eyes – the 21st century equivalent of the industrial revolution of the 19th century.

Positioning Australia to take advantage of these opportunities – to ensure they generate jobs and growth – requires investment, education, training, and systemic, not episodic commitment by governments.

This Government has been making significant progress building our key relationships in Asia.

We now have:

- Annual leaders' meeting with China and Indonesia;
- A strategic partnership with India and Indonesia; and
- Annual 2+2 defence and foreign ministers talks with Indonesia, Japan and South Korea.

These relationships have never been stronger.

But there is always room to grow further.

Last year the government under Prime Minister Gillard released the Australia in the *Asian Century White Paper*, the most comprehensive review of Australia's regional engagement strategy for 20 years.

The Paper identifies five key relationships – Japan, China, India, Indonesia and South Korea – and outlines a blueprint for how to progress these relationships across community, business and government to 2025.

I have already launched country strategies for Indonesia, South Korea and India. Today I am pleased to launch our country strategies for China and Japan.

These strategies set goals for Australia becoming comprehensively Asia literate in our schools and universities, for strengthening links between chambers of business and commerce, for further

expanding government to government engagement well beyond the traditional domain of traditional diplomacy.

Multilateral trading system

One in five jobs in Australia is trade related.

The trade sector accounts for 42 per cent of our GDP [\$620 billion in 2011-12].

A priority of any Australian government will always be to further liberalise global trade to create new markets and new jobs for our people.

This Government has built deeper links with the 10 dynamic economies of the ASEAN region through the ambitious ASEAN-Australia-New Zealand Free Trade Agreement, our first multi-country FTA – creating a total economic market of more than \$3 trillion.

We have signed a Free Trade Agreement with Malaysia and commenced negotiations on an FTA with China, Japan and the Republic of Korea, as well as negotiations on a comprehensive economic partnerships with India and Indonesia.

The Trans Pacific Partnership, which includes 12 APEC member economies, is scheduled to be substantially complete this year.

And we have progressed the Regional Comprehensive Economic Partnership built around the 10 ASEAN nations and those countries with which they have FTAs; and the PACER Plus negotiations with our Pacific Island neighbours.

Together with the US, we are leading discussions on a Pluri-lateral Services Agreement in the WTO aimed at developing a new path to global services trade reform. Our Trade Ministers will meet in December in Bali to progress these discussions.

G20

Securing our future economic prosperity is also about coordinated macroeconomic policy settings with the rest of the global economy.

Allow me to step briefly back in time for a moment.

At the time of the GFC, we saw many national economies fall off the cliff.

Many are yet to recover from the crisis.

The United Kingdom's economy is still some three per cent smaller than it was in 2007.

The euro area economy is 2.5 per cent smaller than it was in 2007.

And total employment in the United States is still some two million jobs below what it was in 2007.

Australia's economy is currently 14 per cent larger than it was when we came to Government in 2007.

And Australian businesses have created nearly a million new jobs since 2007.

The crisis, and the events that followed, highlighted to all of us that in this globalised world, it is critically important that countries work together to coordinate and regulate effective financial and economic management.

The elevation of the G20 from a finance ministers meeting to a leaders meeting gave an unprecedented boost to these efforts.

As Prime Minister, I was directly engaged in the global decision-making process that led to the G20 Summit process in 2008

And it meant that for the first time in our history, Australia had a seat, at leaders' level, to the premier forum on global economic decision making.

Prospects for world growth have improved since the depths of the crisis of 2007/09, but the road to recovery is at best bumpy, and at worst highly uncertain.

Next year Australia will host the G20, including the leaders' summit in Brisbane.

This will be a critical opportunity to promote our agenda on global growth, jobs growth, and especially for global youth unemployment.

Australia will take an activist role in shaping the agenda of the 2014 G20 summit in Brisbane in order to maximise jobs growth both in Australia and beyond.

As with our domestic economic policy settings, employment will be the core organising principle for the Brisbane Summit.

International security

Ladies and gentlemen.

The eternal maxim of international relations is that you can't have economic prosperity in the absence of strategic stability.

The stability of our Asia-Pacific region is not assured.

The Korean peninsula is the most heavily armed military theatre in the world today.

In the East China Sea, the Diaoyu Dao / Senkaku islands dispute is impacting the political and economic relationship between China and Japan.

The region of the South China Sea is more unstable than it has been at any other time over the past 40 years.

There remain unresolved disputes between India and Pakistan.

I have said before that we have the hopes, aspirations and potential of a twenty-first century regional and global economy riding on a set of security arrangements in Asia which are positively nineteenth century in their character.

I have continued to argue that Australia must work to strengthen our regional architecture.

We must work with others in the region to build – collectively – a shared political, economic and security agenda.

As a start, this could in part be achieved through the development of a rules-based order for the Asia Pacific.

This means strengthening the East Asia Summit and the ASEAN Defence Ministers' Meeting. The EAS is the best mechanism because it involves annual Leaders' level meetings with all 18 East Asian powers as well as India, Russia and the United States, and has both a political, economic and security agenda.

Once again, Australia is proud of the diplomatic role we played in expanding the EAS to include the United States.

I believe the future East Asia Summit should also include over time a regional dispute resolution mechanism along the lines outlined in the Treaty of Amity and Cooperation in Southeast Asia and the ASEAN Code of Conduct.

UN Security Council

Our security, however, does not just depend on events in our region.

It depends on events across the globe.

As well as the G20, Australia now has a seat at the UN Security Council, as a result of a formidable diplomatic campaign waged over four years, and against formidable domestic political opposition from Mr Abbott who argued that this was not a priority for Australia.

As of today, for the first time in our history, we sit on both the premier institution of global security and the premier global institution for the management of the global economy.

These are achievements of which all Australians should be proud.

As with our management of the Global Financial Crisis, so too it is an unassailable fact that this government has got the big calls right for our enduring national interests – with our wider role in the world – the G20, the UNSC and the expansion of the EAS to include America.

Our seat at the Security Council gives us a direct say in how the world responds to key challenges to the world's peace and security.

This week, Australia will become the President of the UN Security Council for the first time in more than 27 years.

When I launched Australia's bid for the UNSC on 30 March 2008 in New York I said that the time had come for Australia to put our best foot forward.

It constitutes an appropriate opportunity to demonstrate what I have long described as Australia's creative middle power diplomacy.

Our place on the Council comes with a significant international responsibility.

Today, in one form or another, the Council now meets every working day of the year.

It mandates 15 peacekeeping missions, deploying over 90,000 UN troops and police.

In the Council we chair the Iran, Al Qaeda and Taliban sanctions committees where we helping to strengthen the international response to proliferation and terrorism.

We are also leading efforts in the Council on Afghanistan where we are helping manage its transition post 2014.

Syria

We assume the Presidency of the UN Security Council at a time when the Syria crisis is at its highest.

Without doubt, Syria is now the world's greatest political crisis and unfolding humanitarian disaster.

An estimated 100,000 have lost their lives and 6.8 million are in need of humanitarian assistance.

This is a crisis of historic proportion.

Neighbouring countries such as Lebanon and Turkey are now hosting around two million refugees.

It has been said that it is always the victors who write history.

But there are no victors in wars such as these.

History will judge us all on the decisions we make today.

Just as it judged us on Srebrenica and just as it judged us on Rwanda.

In the last week I have spoken to the Secretary-General of the United Nations, Ban Ki-moon; President Hollande of France; and this morning President Obama.

We have discussed how to chart a way forward.

The international community is increasingly concluding that chemical weapons were used, and that the Assad regime is in all probability responsible.

If true, this would be crime against humanity and a violation of international law.

It would not be without consequence.

President Obama is considering options.

Our priority remains working with all corners of the world through our global diplomatic network to ensure Assad allows full and unfettered access to UN inspectors.

The crisis in Syria demonstrates to us the changing and unpredictable nature of our international security landscape.

Australian Defence Force

Ladies and gentlemen.

National security will always be the primary priority of any government.

It is a fundamental responsibility.

Both the global and regional strategic security landscape is without doubt changing and we need to ensure our defence forces and their force posture adapt.

It is why the Government introduced an inaugural National Security Statement in 2008 with periodic reviews.

That is why the Government appointed Australia's first national security liaison in the same year to coordinate the various national security agencies of state including the ADF.

That is also why in 2013, the Government established a National Security Strategy to articulate our objectives and how we achieve them.

The Government also released a Force Posture Review in 2012, and Defence White Papers in 2009 and 2013.

These assessments make clear that looking beyond our immediate neighbourhood, Australia's strategic environment is shaped fundamentally by the changing global distribution of power, particularly the shift to the Asia-Pacific.

They also underline that our enduring interest lies in the stability of the Indo-Pacific – ranging as it does from Australia's East, to its North and East.

This interest, and the shifts in power in our region, reinforce the need for an Australia posture that supports:

- ADF operations in Australia's northern approaches;
- Humanitarian and disaster relief operations and stabilisation operations in our neighbourhood; and
- Enhanced cooperation with the United States and regional partners.

This will require enhancing the further capabilities of the ADF, and most particularly the Royal Australian Navy.

Some of this work is already underway.

Both Army and Navy are improving their coordination and developing greater amphibious capability, to deal with regional natural disasters and other challenges.

The Government is also acquiring major new assets, including the Canberra Class Amphibious Assault Ship (also known as a Landing Helicopter Dock) and the Air Warfare Destroyer.

The LHD project will provide the Australian Defence Force with one of the most-capable and sophisticated air-land-sea amphibious deployment systems in the world.

These vessels (HMAS Canberra and Adelaide) at 27,500 tonnes, will be the largest ever ships commissioned for the RAN.

Defence announcement

Looking ahead at how we best orient current assets and capabilities, the 2012 Australian Defence Force Posture Review also recommended that the Government give consideration to an alternative location for Fleet Base East, currently located at Garden Island.

It recommended (recommendation 14) that *“Defence should commence planning now on long term options for establishing a supplementary east coast fleet base at Brisbane for the Future Submarine and large amphibious ships.”*

The same Report also recommended (recommendation 29) that *“Defence should develop options to allow large amphibious ships to embark Army units based in Brisbane and (as a lesser priority) Adelaide, in addition to Townsville and Darwin.”*

I can announce today that, if re-elected, the Government will establish the *Future Navy* Taskforce that will provide advice to the Government on implementing these recommendations and other recommendations of the Australian Defence Force Posture Review and 2013 Defence White Paper that offer operational advantages, enhance capability sustainment requirements and relieve future pressure on the current location of Fleet Base East in Sydney.

The Taskforce will provide advice on the timing, proportions and implementation of moving some or all of Fleet Base East to Queensland and Perth and developing, upgrading or expanding Darwin and Broome.

If the government is returned, the three person Taskforce will be co-chaired by the Chief of the Defence Force and the Secretary of Defence, with the Chief of Navy as an ex officio member.

The Taskforce, whose work is expected to take 24 months, will provide advice to the Government on implementing recommendations from the Force Posture Review and 2013 Defence White Paper that ensure naval force posture planning optimises Australia’s ability to respond to future challenges in our immediate regions to our north-east, north and north-west.

The government would expect the relocation of Fleet elements north and west to be completed by 2030.

The Taskforce will be asked to include staff from Infrastructure Australia, the Departments of Prime Minister and Cabinet and Finance and Deregulation, and other relevant agencies and departments.

This would include a major strategic decision to deploy the Navy's most important ships where they will be best-placed to protect Australia's interests and quickly respond to challenges.

It would ensure the Australian Defence Force could carry out effective military operations in Australia's north by basing most of the Navy's fleet closer to key Army units.

The relocation of Fleet Base East would also deliver economic benefits for New South Wales and Queensland.

It would open up Garden Island for the possibility of exciting new uses such as greater public green spaces on Sydney's foreshore, appropriate heritage protection, as well as possibly providing berths for the burgeoning cruise ship industry as a further boon to Sydney's economy.

It would create new jobs in Brisbane, Perth, Darwin, Townsville and Cairns.

The naval presence in those cities would be expanded and port facilities would be upgraded, generating opportunities for local business and industry in supplying and supporting the new naval bases.

Fleet Base East currently supports a large part of the Navy's active fleet including four Guided Missile Frigates, three Frigate Helicopter ships, two landing ships and two support ships.

From 2014 it will be the home port for the two new Amphibious Assault Ships, and by 2020, three Air Warfare Destroyers (AWDs).

The 2012 Defence Force Posture Review concluded that the LHDs and AWDs should be based at Garden Island in the short term but recognised challenges basing large amphibious ships and mounting operations from Sydney Harbour.

Relocating some or all of Fleet Base East to Brisbane, Townsville, Cairns, Darwin and HMAS Stirling off Perth would offer benefits including:

- Locating naval assets closer to the Army's future amphibious capabilities and operational and training areas.
- Taking advantage of Brisbane's location as a transit point to operational areas for submarines and amphibious ships and to amphibious mounting bases at Townsville and Darwin.
- Ensuring the ADF can support high-tempo military operations in Australia's north and west.

- Addressing capacity pressures at Garden Island which will intensify with the introduction of larger new ships and encroaching commercial activities, including cruise industry requests for berth access; and
- Promoting strategic, economic and social benefits in NSW and Queensland, the NT and WA – the latter also as part of the government’s overall Northern Australia Strategy.

Conclusion

I started this morning with the ambition of conveying one key message: As much as our economic prosperity depends on what we do at home, it is absolutely dependent on our ability to engage fully with the world – through our global economic diplomacy, our political diplomacy both in Australia and at the UN, as well as the best management of our security policy footprint in our immediate region.

It’s vital that we understand the inter-connected complexity of all the above.

But still, when you boil down all of the complex activities that happen in federal politics, for the average Australian, there is but just one truth about national government: It’s fundamentally about the economy and jobs.

Without a weekly pay packet, families have no security.

Without a job, families can’t get ahead; they can’t pay for their kids’ school expenses; and they can’t afford a weekly trip to the movies or a week at the beach at Christmas.

And that is why the policy postures and decision I have elaborated on today are deeply mindful of the economic, defence industry and employment dimensions of all the above.

That’s why my core focus for the next 10 days and the next three years will be the economy and advancing and protecting the jobs of all Australians.

In fact, if re-elected, my job as PM is to do everything possible to protect the jobs of all Australians.

This week I will continue to outline the key elements of Labor’s plan to prepare our economy for the challenges ahead.

I will remind Australians of Labor’s proud record in helping to creating one million jobs since 2007.

And I will outline more of my practical policies to keep building jobs for the future.

I’ll be talking about jobs in small business, mining, agribusiness, construction, transport and the service industries.

I will be talking about how Mr Abbott’s plans for \$70 billion in spending cuts is a direct threat to the economy and to people’s jobs, their schools, their hospital, and their NBN.

Cuts of this order of magnitude equivalent to almost 5 per cent GDP, would deliver a hammer blow to the Australian economy – possibly throwing it into recession and with it of thousands of Australians into unemployment.

Of course, the key to new jobs is greater competitiveness – making our nation more dynamic and more productive – as I have argued in relation to our New Competitiveness Agenda for Australia.

The Government is also committed to maximising Australian industry's participation in major investment projects.

That is why in April, 2013 as part of its \$1 billion Plan for Australian Jobs, the Government passed the Australian Jobs Act (Jobs Act).

The Jobs Act mandates that all projects over \$500 million complete Australian Industry Participation (AIP) plans, to ensure they provide every supply opportunity to Australian industry.

This means that these projects can no longer use global supply chains by default or lock local businesses out of work on major projects.

The Jobs Act is estimated to bring in between \$1.6 and \$6.4 billion of extra work to Australian industry. Work that would bring with it more jobs.

In addition, the Jobs Act established the Australian Industry Participation Authority, which will administer Participation Plans and bring all Government initiatives designed to improve access for Australian business, both to projects here and abroad, under one roof.

Mr Abbott voted against the Australian Jobs Act.

I believe in batting hard for Australian industries and Australia's jobs.

Defence industries are critically important for Australian jobs and we are committed to supporting these industries.

Defence modelling indicates that Australia's defence materiel industry will employ around 24,000 – 25,000 people during 2013-14.

This workforce is forecast to rise to around 29,000 – 30,000 by the end of the Forward Estimates period.

For me, these jobs are important.

For me, these industries are important.

Any Australian economic nationalist would have this view.

I do because as I have said on multiple occasions, I don't want to be Prime Minister of a country that doesn't make things any more.

And, as I have explained today, the Government understands that our capacity to create jobs and build a strong economy is inextricably linked to our ability to manage our position within the complex political and economic factors at play in the broader world, particularly in our own region.

ENDS

Transcript courtesy of www.kevinrudd.org.au