



SPEECH

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The Hon Malcolm
Turnbull MP, Prime
Minister of Australia

LOWY INSTITUTE
FOR INTERNATIONAL POLICY

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THE 2016 LOWY LECTURE: THE PRIME MINISTER OF AUSTRALIA, MALCOLM TURNBULL

CHECK AGAINST DELIVERY

It is a great honour to be here tonight to deliver this Lowy Lecture and in the presence of my good friend, mentor, former leader and of course the deliverer of the first Lowy Lecture, John Howard. So wonderful to be here with John and Frank and you Shirley and your family, we want to thank you for the contribution you have made to Australia.

In every respect you personify the ideal of an active citizen. Engaged in every aspect of your life in business, in philanthropy, in sport, in public affairs. You're a true leader. Incurably curious about the world and you have a very old-school attitude to public service. You don't just write out a cheque, you get involved boots and all. And you're a dreamer, you're a big thinker. You've got big visions for Australia.

Whenever we talk it's about big things. About infrastructure and big investments and you had a great piece in the *Financial Review* about those ideas only the other day and I have to say that I often find that we are very much of the same mind so you're an inspiration. And of course the Lowy institute, in little more than a decade, has become Australia's unquestioned leading think tank on international affairs. It's deepened the debate in Australia about the world and it's given us a greater voice internationally. It really would be very difficult to imagine the foreign policy landscape in Australia today without the Lowy Institute, it's a remarkable achievement.

Now Frank you asked us to stand in a moment's silence in solidarity with the people of Belgium and showing our love and our condolences for the victims of the shocking attacks in Brussels. The Belgian Ambassador Jean-Luc Bodsén is here with us today and I say to you Ambassador that we are all united with Belgium in this battle against terror. Just as our forebears were 100 years ago on the fields of Flanders in the First World War. We are in the same struggle and we stand with you shoulder to shoulder. Sympathy, love, condolences but unflinching solidarity in the face of this global threat. We are with you.

The terrorist attacks in Brussels remind us once again of the global threat of terrorism, the need to be vigilant at home, to maintain the security of our borders, to ensure our laws provide our security forces with the tools they need to keep us safe and, of course, to continue to support our allies in the battle against the terrorists of ISIL in Syria and Iraq.

These attacks in Brussels are an unfortunate reminder of how violent Islamist extremism appears to have reached a crisis point in Europe.

European Governments are confronted by a perfect storm of failed or neglected integration, foreign fighters returning from Iraq and Syria, porous borders, and intelligence and security apparatus struggling to keep pace with the scope and breadth of the threat. Bernard Squarcini, a former head of France's internal intelligence service, described these factors as creating a favourable ecosystem for an Islamist milieu.

For all intents and purposes there are no internal borders in Europe, that has been a great achievement of openness, and the external borders are difficult to manage. Recent intelligence indicates that ISIL is using the refugee crisis to send operatives into Europe.

But this scourge of terrorism is not only a European problem. It is global. Whether it is Brussels or Paris, Ankara or Istanbul, Beirut, Bamako, San Bernardino, Jakarta, or Sydney — the world is so connected, Australians and Australia's interests are so widespread that everywhere today is close to home.

Al-Qaeda's core strategy was to undertake high-profile, well-planned, mass casualty attacks against Western targets such as the destruction of the World Trade Centre on 9/11.

ISIL's brand of terrorism uses different tactics. It promotes opportunistic, relatively unsophisticated random killings which can be amplified online, such as the use of automatic weapons on a tourist beach in Tunisia or in downtown San Bernardino.

ISIL is intent on demonstrating a growing operational reach, and this we believe is because it is hurting in Syria and Iraq, losing 22 per cent of its total territory and 40 per cent of revenues from its peak in 2014.

The early signs show that, that like the Paris attacks only four months ago, the bombings in Brussels were inspired, if not planned, by ISIL in its Syrian headquarters of Al-Raqqa. This underscores the importance of our military contribution against ISIL in Syria and Iraq, in which we have been the second largest contributor to the Coalition effort.

ISIL's ability to inspire, let alone direct, terrorism around the world will be largely eliminated if its so-called caliphate is decisively defeated in the field. Its defeat requires both military force and a political settlement and we are working with our allies to deliver both.

Now no government can guarantee the absolute absence of terrorism. The terror threat level here in Australia has been at 'probable' since September 2014. Australia, however, is better placed than many of our European counterparts in dealing with the threat of terrorism because of the strength of our intelligence and security agencies, our secure

borders and our successful multicultural society; one that manages to be both secure and free.

It is also why the Government has reformed our national security legislation to ensure our agencies have the powers they need to mitigate the threat of terror. Our allies regard our national security laws as among the world's best.

The advantage of our island geography, our effective border protection and counterterrorism agencies mean we have confidence that we know who is arriving.

Strong borders, vigilant security agencies governed by the rule of law, and a steadfast commitment to the shared values of freedom and mutual respect — these are the ingredients of multicultural success — which is what we have achieved in Australia.

In the fight against terrorism, we are fully committed to playing a leading role to finding the solutions to end ISIL in the Middle East, working with our counterparts in the region, in particular Indonesia and our other ASEAN partners, and continuing to remain vigilant at home.

However, we must remember to take care not to view our strategic circumstances solely through the prism of counterterrorism. Terrorism is an example of the propaganda of the deed — it is designed to frighten and intimidate. It is designed to deter us from our normal way of life.

That is why President Widodo was determined to ensure that Jakarta was back to normal within four hours of the terrorist bombing in that city in February and why Belgian Prime Minister Charles Michel is determined to return Brussels to business as soon as possible.

Terrorism is also designed to make us turn on each other. That is why my Government works hard to promote inclusion and mutual respect, ensuring that all communities and all faiths feel part of ours, the most successful multicultural society in the world.

I have a deep and personal appreciation of Indonesian President Joko Widodo's commitment to promoting a tolerant and inclusive Islam. He says again and again, Indonesia is proof that democracy, tolerance, moderation and Islam are compatible. And his powerful rejection of extremism resonates well beyond Indonesia.

Australia has a vital interest in seeing President Widodo's commitment to tolerance succeed, as my own discussions with local Muslim leaders have made clear to me.

Indeed, the Executive Director of the Islamic Council of Victoria, Nail Aykan, wrote to me to say that the mere fact of my mentioning President Widodo's example has helped in combatting extremism and promoting

better, more tolerant and mainstream understandings of Islam and the Muslim world.

This principle of mutual respect is fundamental to our relationships with our near neighbours — as indeed it is critical in our efforts to counter violent extremism in whatever form it takes in our own society.

Now, tonight I could talk at length about many aspects of Australia's engagement with the world. But I want to turn the spotlight closer to home.

Fraught as such projections are, I'll sketch what the next wave of growth in Asia might look like — and why it promises to be every bit as spectacular as the one that we've experienced.

While the Northeast Asian juggernaut may be slowing comparatively, the rest of the Indo-Pacific is only getting started.

Villages are being transformed into cities right across the Indian subcontinent, in Indonesia, and in the rest of Southeast Asia. Their citizens are connected to the global marketplace and to each other like never before.

It is here in our Asian region that the opportunities are most abundant. It is here in this increasingly crowded strategic space that the need for consistent, constructive and creative Australian engagement is greater than ever before.

But if we are to make the most of these exciting new opportunities in Asia, we first need to ensure we are resilient and agile at home.

We need first to make sure our industry, our services, our human capital, are best positioned to compete in these dynamic markets.

Our economy is successfully transitioning from the mining construction boom to a new and more diverse one — fuelled by innovation, the opening of new markets, and more investment in Australian enterprise. We've called it an ideas boom, because it is founded in innovation and unlike any other boom it can last forever, it can last for as long as our imagination and spirit of enterprise can last. I believe I know Australians, the Australian character, to know that those qualities will always be enduring in our people.

My Government's Economic Plan to drive economic growth, and create new higher-paying jobs in the future:

With a new innovation and science agenda, that incentivises investment in start-up companies, brings more great Australian ideas to market, ensures more of our research is commercialised here in Australia and ensures our kids learn the digital skills of the 21st century.

Our defence industry plan, part of the Defence White Paper managed so capably by our Defence Minister Senator Marise Payne, who is here tonight. This is investing \$1.6 billion, alone, as part of a huge program in supporting local advanced manufacturing and high-technology jobs in innovative industries.

The Defence White Paper is a plan for ensuring our defence forces have the capabilities, the physical capacities, they need to secure us in the 21st century. But it will also serve to ensure that as far as possible, every dollar that can be spent in Australia, in Australian industries, in Australian advanced manufacturing, in Australian innovation and technology, will be spent here.

Because we will make, through this plan, Australia more secure, not just in a conventional military sense but by building up that technology and industry base upon which our economy and hence our security depends.

We are reforming our competition laws to promote greater protection and encouragement for small and medium businesses. As you will have seen today we are retaining the Clean Energy Finance Corporation and the renewable energy authority but with an amended mandate so they will be investing in Australian clean energy innovation and technology.

As I said in Paris, at COP 21, that is the key to ensuring we can successfully combat climate change: technology, innovation, science.

We are driving investment in that regard.

Important institutions are not left unaddressed. As you may have noticed, if you have glanced at the news recently, we have effected some important reforms to the way in which the Senate is elected, that is half the parliament. To ensure it is voters, not talented preference whisperers, who get to decide who goes to Canberra and ensures our democracy is respected and not undermined.

Now this week, I have ensured that the Senate will reconvene on 18 April to make a decision on whether to pass another critical economic reform, to re-establish the rule of law at construction sites, where industrial disputation has imposed significant costs on construction in this country.

In the Budget on 3 May, we will include changes to the tax system that will be designed to generate jobs and growth and promote innovation and enterprise.

Every level of our policy effort, every lever, every angle, every measure is directed at ensuring Australia makes that successful transition to a new and more diverse economy. To a stronger and more agile economy, one that is better able to seize the extraordinary opportunities that we are presented with today.

Here we are in the fastest-growing region in the world, a region where more than half of the world's middle class will be residing before very long. A pace of transformation unknown, unprecedented in scale and pace in all of human history.

Forty years ago, which seems an eon to most of this very youthful audience, 40 years ago China was not engaged in the global economy at all and today it is, depending on who is doing the measuring, either the world's largest single national economy, or about to be the world's largest single national economy.

These are extraordinary times, these exciting times. And to succeed in seizing those opportunities, we have to be agile, we have to move faster in every measure we are undertaking. Every policy of my Government is calculated to ensure that we are better able to seize those opportunities.

So we need to redouble our efforts to keep in step with the Chinese, the opportunities of the Chinese economy. It is just one of the big opportunities in our region.

The China Free Trade Agreement is specifically designed to capture those huge export opportunities that will arise with the empowerment of Chinese consumers. Growth rates will be lower, undoubtedly, but from a much larger base. China is managing a difficult transition from an economy that was driven, fuelled by investment, particularly in infrastructure and real estate development and they are turning their economy around slowly so that it is being more driven, more fuelled, as our economy is and as most — all developed economies are by consumers, by consumption.

Therein lies enormous opportunities. And right across the economy, for services, soft commodities, every aspect of our Australian economy can benefit from that.

But we have to be fast, we have to be smart, we have to be at the cutting edge.

As growth in China continues but at a slower rate than we have had in the past, India is next in line to offer new and exciting opportunities.

India is one of the greatest political achievements — it has often been described by Indian historians as an improbable democracy and an unlikely nation.

Never before a nation in the form it became in 1947, India is diverse in every respect — all the world's great religions, 22 official languages in 11 different scripts — it's succeeded in creating a political unity through a common commitment to the rule of law and a settled democratic parliamentary system.

We wonder at the scale of the Chinese economic miracle and so we should — but my friends the Indian political miracle is just as remarkable and just as inspiring.

The Indian economy by 2050 could be as large as that of the United States and still growing fast, according to Treasury projections. Its working-age population is currently approaching the same size as China's, with a billion people aged between 15 and 64.

But while China's working-age cohort is likely to shrink by 20 per cent by the middle of this century — at which point its demographic descent could be steeper than contemporary Japan — this is the point that John Howard has often made that China faces the prospect of getting old before it becomes rich. John, I think it may become both actually at the rate they're going. But India's workforce will keep growing well into the second half of this century.

India's investment needs, its voracious appetite for energy and the rapidly expanding demands of its burgeoning middle class add up to another historic opportunity that we must seize, as we have with China and Japan.

Trade with India has not looked this promising for hundreds of years. I should note that for visitors from Victoria that the foundation of Melbourne was in part financed by Indian bankers so there is a long-standing tradition of Indian capital working in Australia.

That's why, to aid the transition to a new and more diversified economy, I'm placing a high priority on the conclusion of a Free Trade Agreement with India — as complex as those talks have been.

India demonstrates why there has never been a better time for a fresh look at the opportunities of our own region, as our neighbours vault towards middle-class prosperity in this increasingly connected world.

And there is no part of the regional transformation, however, that is more exciting to me than the one taking place right here on our doorstep.

Now, they say that no two neighbours are more different than Australia and Indonesia. In fact I think there are a few people in this room who have written those exact words.

Well, if this was ever true, then it is no longer.

Today Indonesia is a vibrant democracy with a growing middle class, it has as many mobile phones as people, and after the United States the nation with the largest number of Facebook accounts.

Our northern neighbour is already home to a quarter of a billion people, including 200 million of working age.

Like India, this 15 to 64-year-old cohort will continue to grow for decades to come.

Indonesia is on track to become the world's fifth largest economy around 2030, ranked behind four other Indo-Pacific countries: China, the United States, India and Japan.

Now we are doing everything we can to ensure our exporters are as well positioned to meet Indonesia's vast market opportunities.

It is a personal foreign policy objective of mine to strengthen those ties with Indonesia.

Lucy and I visited President Widodo and his wife, Ibu Iriana, last year — we found we had much in common — we had a long discussion about planning and infrastructure. Both President Widodo and Lucy are former Mayors and had plenty to talk about on urban issues. And my visit with the President was capped off by a Jokowi *blusukan* — an impromptu visit to a market, in this case one with thousands of people really excited to meet their president.

The President, I should say, who showed not the slightest discomfort, demonstrated his gallantry and empathy for me by joining me when I took off my coat and tie before I melted in the Jakarta heat.

Since then we have made good progress in providing certainty to our cattle trade with Indonesia, rudely interrupted — as you will recall, regrettably — by the Labor Government.

And last week we took a further step in this direction with Indonesia's Trade Minister, Tom Lembong, recommencing negotiations with Trade and Investment Minister Steve Ciobo on a new Comprehensive Economic Partnership Agreement.

It helps that eight Indonesian Cabinet ministers of the past ten years have been educated in Australia.

Foreign Minister Julie Bishop tells me that she is more likely to communicate by text message with her Indonesian counterpart, Retno Marsudi — naturally and instantly — than with any other foreign minister around the world.

In fact they are together today, co-chairing the 40-nation Bali Process and tackling the vexed cross-border questions of people smuggling and related transnational crime.

And much of what I've said about Indonesia can be extended right across Southeast Asia, where our relationships are increasingly defined by similarities and complementarities more than differences.

Now the greatest run of peace and prosperity this planet has ever known — centred right here in our Indo-Pacific region — was all made possible by the system of rules and institutions which the United States and its allies built from the ashes of World War II.

This system has been anchored by the United States and its framework of alliances, including of course ANZUS.

The challenge is that the tremendous growth in our region affects long-standing strategic balances.

In the next two decades, half of the world's submarines and at least half of the world's advanced combat aircraft will be operating in our region.

We simply have to do more and work harder to maintain our influence.

And that is what our new Defence White Paper is all about.

It is rigorous and fully costed. It is the blueprint that shows how we will develop our defence industries and continue to play our part in providing the measured balance upon which regional security depends.

The White Paper states that our strategic defence objectives are not only to defend Australia from attack but also include supporting the security of maritime Southeast Asia and the South Pacific.

It enables us to continue to make substantial contributions to global efforts to maintain a stable Indo-Pacific region and the broader rules-based system.

We believe it is imperative that differences between nations — whether land, air, sea, outer space or cyberspace — are resolved in accordance with international law.

In this context we look forward in coming weeks to learning the outcome of the case brought by the Philippines under the UN Convention on the Law of the Sea.

Now, I have spoken elsewhere and at length about China, its history, its future and what it means for us. So here I will be brief.

President Xi is right when he says China must seek to avoid the Thucydides Trap — the conflict that is caused when an incumbent power is made anxious by the rise of a rival.

However, it is undeniable that China's actions in the South China Sea are creating anxieties and raising tensions among its neighbours. They are therefore counterproductive — regardless of the legal merits on which, of course, we do not express a view nor make a claim.

Disputes of the ownership of the various reefs of the South China Sea, should be settled by international law, not by creating facts on the ground or in this case land in the water.

The extraordinary economic growth of our region, especially China's, has depended on a long period of more than forty years of relative tranquillity. There is too much at stake to risk disturbing it.

China in 2016 is part of a neighbourhood of strong and strengthening states, that I have been describing, not to speak of the continuing and essential vital presence of the United States.

In our Defence White Paper we not only accept this emerging multipolar reality, we embrace it.

The Defence White Paper is very clear-eyed about our circumstances.

This is why we are not only doing everything we can to work even more closely with the United States, but we're also deepening our partnership with Japan and our practical defence cooperation with countries across the region.

Japan remains the world's third largest national economy, with a population of 125 million, and a commitment to and continuing to comply with the rules-based international order.

That's why we are we are also working assiduously to build and strengthen defence cooperation with India whose working-age population is projected to be 70 per cent larger than any other nation at the end of the century.

The foundation of our strategic cooperation with India is a shared commitment to respect for international law and international norms, fundamental human rights and the peaceful settlement of disputes.

And it is why we're looking forward to working even more closely with ASEAN — our second largest trading partner if taken as a bloc.

As President Barack Obama told ASEAN leaders when he invited them to Sunnylands last month: "When ASEAN speaks with a clear, unified voice, it can help advance security, opportunity and human dignity not only for the more than 600 million people across ASEAN, but for people across the Asia Pacific and around the world."

And we believe that a stable, increasingly prosperous and democratic Indonesia will be an important partner for us in promoting regional stability and ensuring that all members of our region play by the rules.

The world has benefited mightily from China's rise, and no country more so than ours.

We have a huge stake in the success of China's economic transition and the great opportunities it brings.

The China-Australia Free trade Agreement — one of the most ambitious agreements of its kind and the highest-quality free trade agreement that

China has entered into with any comparable nation — means that our farmers and our services professionals — in tourism, higher education, health care providers, architects, lawyers and engineers — have now been given an inside lane.

And our new free trade agreements with Japan and Korea, and of course the 12-nation Trans-Pacific Partnership, are opening the door to new opportunities across our region.

It would be remiss of me not to observe that these free trade agreements were negotiated and concluded by our Trade Minister Andrew Robb, who has stepped down as Trade Minister because he is not running for re-election in the seat of Goldstein at the election this year.

Andrew's achievement has been remarkable. There has never been a Trade Minister in our history that has concluded — that has opened so many doors and his contribution to our future prosperity is extraordinary, and I, if you wish, I would like to give him a round of applause.

The new and more complex economic landscape emerging in China and across the rest of Asia will require more focus and hard work.

The same is true for our strategic environment, which is becoming increasingly complex.

In both the economic and security realms we have to be agile and resilient and above all very clear-eyed.

This is a time for a very keen focus on our national interest.

The costs of standing still are unacceptable, the opportunities for those who seize them are immense.

The attitude we're adopting here at home is the one we're taking abroad.

The great lesson from the post-war era is that prosperity and peace flows from open markets, diversity, progress and the rule of law.

The lesson from what we have seen — from what we're seeing from Syria and Iraq or overnight in Brussels is that none of this can be taken for granted.

Thank you very much

ABOUT THE SPEAKER



Prime Minister Malcolm Turnbull

The Hon Malcolm Turnbull MP was elected to Federal Parliament as the Member for Wentworth in 2004. After graduating from Sydney University with degrees in Arts and Law, Mr Turnbull won a Rhodes scholarship and completed a further Law degree at Oxford. During and after his studies, Mr Turnbull worked as a journalist. He began legal practice in 1980. In 1987 Mr Turnbull established his own investment banking firm and during that time co-founded a number of Australian companies and held a number of other positions including Chairman of the Australian Republican Movement. Since entering politics, he has served in a number of senior political offices, including as the Minister for Communications, the Minister for Environment and Water Resources, and the Leader of the Opposition. He was elected the Leader of the Liberal Party and Prime Minister of Australia on 14 September 2015.

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