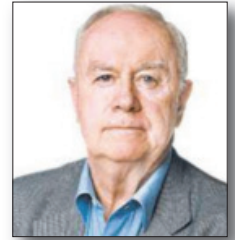


## 2022 Sir Hermann Black Lecture: 2022 - the year in review



A paperbased on a presentation to the Institute in Sydney on 13 December 2022 by

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*The year 2022 witnessed governance by the previous Liberal coalition, and the current Labor governments after the recent federal elections. Both the governments faced and continues to face significant political, diplomatic, economic and social challenges in the dynamic national and international environment. Increasing Chinese forays in the Pacific region have revived the strategic alliances between Australia, United States, United Kingdom, Japan and India. AUKUS and Quad are two significant strategic engagements impacting the defence and national security of Australia. In light of these challenges, the previous Liberal and the current Labor governments have chartered their respective responses wherein bipartisanship between the two in the defence and national security space have upheld the Australian strategic vision and values.*

**Key words:** defence and security; strategic; strategic challenges; defence; defence spending; foreign affairs; diplomacy; AUKUS; bipartisanship.

It gives me great pleasure to deliver the annual Sir Hermann Black Memorial lecture. I am delighted to return to speak once again at the Royal United Services Institute for Defence and Security Studies of New South Wales (RUSIDSS-NSW). I recognise the role and the extraordinary long history of the Institute. The role of the Institute is more important than ever given the challenges that Australia now faces.

To add a personal touch, while I have no pretensions whatsoever in a military sense, my long-standing interest in our defence and security does fit my background. As a young boy we moved regularly to different parts of Australia including Ingleburn and Seymour in my early years, as my father was a regular army veteran of the 9<sup>th</sup> Division in World War Two and then of the 51<sup>st</sup> and 31<sup>st</sup> Battalions in Bougainville.

Since then I have taken a keen interest in military history and visited a number of World War One and Two battlefields in particular. Having seen the photograph on the wall in the Anzac Memorial, Sydney of the commemoration of Alamein, I was at Alamein for the 70<sup>th</sup> anniversary in 2012. I was also a member of Prime Minister Tony Abbott appointed committee recommending the creation of the Monash Centre at Villers-Bretonneux which was opened on 24 April 2018; an event attended by both the former Prime Ministers Malcolm Turnbull and Tony Abbott.

To review this extraordinary year 2022, significantly, we have had two governments. For the first five months of the year the Liberal coalition Scott Morrison government and the current Labor government under Prime Minister Anthony Albanese.

### Where are we now?

I begin with three overarching aspects on where

Australian polity is at the moment.

The first is that Australia is now in a unique and unprecedented situation never faced before. From 1788 to the early 1940s, the protection of Australia was underwritten by British power and the Royal Navy. That changed in the early 1940s and from then on we became closely allied with the United States; formalised in the early 1950s with the ANZUS treaty, and thereafter during the Cold War and the post-Cold War period. This was a period of international primacy and supremacy of the United States. We were participants and beneficiaries of that, however, in recent years we have seen a new situation emerging with the rise of China.

China is a powerful country with a very substantial population that has gone through an economic boom over the recent decades. When I first went to China in 1976 there were no cars on the streets of Beijing, people rode bikes, and almost everyone wore Mao uniforms. Looking at the transformation of China over the last 50 years, there has been nothing similar in world history.

China not surprisingly aspires to be the regional hegemon; a country with a fascist/communist government whose values in no way coincide with the values of liberalism or democracy. The strategic analyst Alan Gyngell stated this very effectively a few years ago - "...there's no doubt in my mind that the post-Second World War order that suited Australia so much has come to an end, it is not being challenged, it is not changing, it is over, it is finished". That is a sharp and accurate statement reminding us of where we are today.

In recent years under the current Chinese leadership we have seen a very assertive strategy,

making it absolutely clear that China does not intend to adhere to the existing global norms. China wants to change those global norms and China's strategic aim, although it does not say so but is very clear, is to secure the withdrawal of the United States from East Asia. If that happened the consequences for Australia would be enormous.

I think the right way to look at China is to recognise that the interests of Australia are no longer to maintain American primacy in East Asia; that is not possible or feasible. Our interest is to maintain a balance of power in East Asia, in which we see China's power balanced against other countries. Those other countries involve the United States, Japan, India, Australia and some countries of Southeast Asia. The issue really is the changing balance of power in the region; the fact is that we do now face a unique situation not seen before in our existence since 1788.

The second aspect is that the challenge for Australia is not just in defence and security spheres. We have got to look at our strategic situation and how we relate to that situation as a country, to economic performance, productivity, technological sophistication, our unity as a country, our capacity to agree on the challenges we face and decide what to do about them collectively as a nation. The challenge relates to our trading relationships, our cyber security, and the quality of our diplomacy.

The way to understand the challenge we face is to accept it is not as a challenge in just one silo, but as a challenge to the whole of government/nation. We see this looking at the recent global pandemic where we did not see co-operation between the United States and China to manage the issue, instead we saw rivalry. One of the fundamental differences was the capacity of countries to manage the pandemic. The United States struggled in terms of its inability to effectively manage the pandemic. China now has got itself into internal policy trouble as well. Australia fortunately in terms of our relative performance did well.

We now see a global energy crisis, wherein the capacity of countries to manage the crisis will be important in terms of their overall resilience and capability. This underlines the point I emphasise when we look at the challenges in the world today; we have to see them with a wider lens.

The third aspect relates to defence and national security. Currently, we are spending 2% of the GDP on national defence. An expenditure that is comprehensively inadequate with regard to the statements made on defence policy by the previous Morrison and the current Albanese governments; and the sheer national security challenge we face. Looking at the recent AUKUS nuclear-powered submarine deal, there is no way we can proceed with that deal without taking defence spending significantly above 3% of the GDP. That would imply 50% increase in defence spending.

There are enormous ramifications for any government in terms of sourcing defence spending given that we face a substantial budget deficit against pressing spending demands on aged care, in the welfare sector, the health sector, NDIS etc. So funding of defence, let alone advancing the quality of defence and security decision making is going to be fundamental.

### **Change of Government**

2022 was a year in which we saw a political transition from the coalition Liberal Morrison government to the Labor Albanese government. Like all election campaigns this was fairly intense and somewhat bitter.

However, while there have been significant differences between Labor and Liberal parties, it is also true that there is a deep strategic bipartisanship. This is fundamental for Australia because one of the challenges we face is our capacity to work together politically. We must have quality in our national unity. We have seen the extent to which internal domestic division in the United States is weakening the internal strength and resilience of the United States and that may play out in terms of America's role in the world. Similarly, it is enormously important for Australian political parties to work together to prevail and maintain that sense of strategic bipartisanship.

### **The Morrison Government**

Although the former Prime Minister Scott Morrison was inexperienced in foreign policy when he became the Prime Minister in August 2018, was not a natural diplomat or spoke the language of diplomacy, however, he understood political power and made credible conclusions as the Prime Minister.

The first was that China's economic and strategic coercion against Australia was designed to break Australia's will and force us into accommodating foreign and security policies favouring China. China's economic coercion against Australia had international significance. While China had engaged in trade and economic retaliation against a number of countries, the aggressive posture on Australia was direct, specific and was directed against a close American ally. Designed as far as Morrison was concerned, to break Australia's will and to break his will as Prime Minister and see him submit to China. Morrison saw the challenge as not just a personal and political challenge but one that went to his strength and resilience as the Prime Minister of Australia.

The interesting feature about China's economic coercion against Australia was that it maintained rather than disrupted our internal unity. A number of people have disputed this assessment. If someone had stated about eight years earlier that China would engage in economic coercion against Australia in blocking the import of a whole range of Australian products, would Australia have had the resilience to

stand up to China, or would we have backed down to an extent and made concessions? I felt there was a risk that we might back down and make concessions, but in the end that did not eventuate. I think this is really important in terms of the measure of Australian resilience.

The second aspect was that Morrison deepened and broadened our strategic ties with the United States. Morrison felt that in a changing world with the rise of China, with China flexing its muscles, it was enormously important that Australia build upon its existing alliance with the United States and add value to that alliance. This was not an easy thing to do. Donald Trump then was the American President and was hostile to the alliance system. Trump on many occasions stated that America had been exploited by its allies, particularly by European allies who had become free riders, reliant on the USA for their defence and security with the corresponding costs covered by American defence spending. The management of Trump in this situation was crucial; as evident in the phone call between then Prime Minister Malcolm Turnbull and Donald Trump, where the existing alliance engagement became precarious. However, under both Turnbull and Morrison governments we got through that uncertainty in our strategic security alliance. Australia thence managed relations with Trump more effectively than many other American allies.

Under Morrison we saw the AUKUS agreement emerge. AUKUS was Morrison's idea and initiative. There have been very few such significant globally important strategic initiatives originating from Australia. Essentially, Morrison got a lot of leg work done by the Department of Defence over the course of 12 months to review whether it was possible for a country not having a civil nuclear industry to nonetheless be able to maintain nuclear-powered submarines.

When he got an answer that it was technically possible, he had to consider strategically whether it was wise to proceed with the idea. That meant terminating the existing submarine contract with France, with adverse consequences. I think he did not sufficiently appreciate the magnitude of the difficulties that would be involved, given what transpired subsequently in the responses by President Emmanuel Macron of France. Morrison however decided to press ahead with the initiative.

Morrison engaged with the Prime Minister Boris Johnson of UK on the submarine deal, leading to forming a *de-facto* partnership with the UK. I think what was really important in the approach later with President Biden of the USA was that this was not an Australian approach by the Australian Prime Minister, but it was a joint Australia-UK approach, leading to the trilateral meeting between the three leaders of Australia, UK and the USA.

Although they had been briefed beforehand by Biden's advisors Jake Sullivan and Kurt Campbell, that Biden would probably respond enthusiastically, Biden however had reservations. At the trilateral meeting, Australia and Britain were subsequently able to successfully negotiate the reservations and the resultant announcement made it a formal AUKUS agreement.

The AUKUS agreement is an incredible challenge for Australia, considering there is no other country which does not have a civil nuclear industry but maintains nuclear-powered submarines. Australia has a number of years to build our high-tech capability, our nuclear expertise and our engineering capability. The task is enormous with regard to training our submarine force operating nuclear-powered submarines.

Morrison's approach was very committed to working with the regional partners as well. This had its expression in terms of the Quad, a strategic four-way security engagement between the United States, Japan, India and Australia. Morrison wanted to build and enlarge the scope of the Quad. The Japanese were keen as is currently evident in the growing bilateral relationship between Australia and Japan, both, under the former Liberal government and the current Labor government. The growth of Quad is visible now with the alliance now operating and committed to at the respective leaders' level. This is significant, following a change of leadership in two of the countries that the commitment to the AUKUS agreement from the heads of government in the three countries has been maintained.

Morrison was alert to working with the region in terms of strengthening Australia's influence, strengthening diplomacy, and fundamentally about the strategic task of containing an emerging and changing balance of power in the region.

### **The Albanese Government**

The current Prime Minister Anthony Albanese is a warrior of the Labor left. A few overarching points about the new government and its approach to the global affairs requires emphasis.

The three senior positions in this government, in international diplomacy, defence and foreign policy are all committed Ministers in their allocated portfolios. Besides the Prime Minister, the Deputy Prime Minister Richard Marles is also the Defence Minister. The number three Minister in the government and leader of the government in the Senate Penny Wong is also the Foreign Minister. It has been long since the three most senior figures in a government have all been committed in portfolios that relate to Foreign Affairs, Defence and Security, and this is an important aspect to governance.

In relation to the outlook of the Prime Minister Albanese as the previous opposition leader, he committed to bipartisanship on defence and foreign policy.

In particular, he gave in-principle support to the AUKUS agreement; and made it clear that he supported the deepening relationship with the United States, and that he had strategic concerns about China. He said this for two reasons, firstly, because it was in his political interest to say so; he did not want to give then Prime Minister Scott Morrison the leverage to run an election campaign based on defence and security. I believe Albanese accepts this as a matter of principle that his support was not for electoral reasons; rather he believed in it.

On diplomacy Albanese is not a natural diplomat since he has not had experience in international affairs or diplomacy. Herein the close political association with the Foreign Minister Penny Wong has assisted Albanese into the realm of diplomacy. Albanese has thus far been impressive with the poise he has displayed in foreign policy matters.

The senior functionaries in the Labor government have moderated the tone the party uses with regard to foreign policy. They criticised the former coalition Liberal government for the foreign policy tone they used in dealing with warnings on China; the mistake in talking-up fears about China and the potential threat of war. Prime Minister Albanese, Defence Minister Richard Marles and Foreign Minister Penny Wong have changed the rhetoric, the language and the tone which is a welcome change; and the discipline with which they have done this is impressive.

The sheer energy that the three of them - Albanese, Marles and Wong - have brought to the table is to be commended. Penny Wong's performance as the Foreign Minister leaves the previous Minister in the Liberal coalition government in the shade. Wong is enormously effective in terms of her personal dealings with other Foreign Ministers and the heads of government. She has travelled extensively overseas as the Foreign Minister, and made Australia's foreign policy initiatives in the South Pacific and the South East Asian regions a priority. To this end Wong visited the South Pacific nations often, attempting to build constructive relationships with the nations in the region. Engagement with Indonesia, the closest geographical neighbour of Australia has received particular attention.

Correspondingly, the Defence Minister Marles has displayed the required commitment to the alliance relationship with Japan. We now see on the ongoing AUKUS engagement, the United States and Australia talking about a possible role for Japan in terms of the AUKUS technological agreements. Herein we are witnessing significant strategic deepening in Australia's partnership with Japan.

Albanese, Marles and Wong have collectively focussed to establish a strong and engaging relationship with US President Biden. Albanese has effectively used the climate change issue, enormously relevant to the Biden administration and to the Albanese govern-

ment as well, to strengthen that particular bond. Overall the engagement is about working together on strategic issues. The indications thus far have been that the Labor government has made an effective transition in terms of relations with the Biden administration, and in terms of the defence cooperation built under Prime Minister Scott Morrison.

The Quad engagement has seen a strong commitment from Labor. Labor came on board with the initiatives taken by Prime Minister Scott Morrison. It sees the four regional players, US, Australia, Japan and India engaging together for a common purpose. The responses by China from time to time show the Quad is clearly of concern to them now and how it might evolve for them in the future.

In relation to Australia's engagement with China, the Labor government has been highly effective, in that a formal meeting has been conducted at the heads of government level between President Xi Jinping and Prime Minister Albanese. It would be fair to state that a meeting would not have occurred if Scott Morrison had won the election since the relations between Canberra and Beijing were bitterly alienated, and the rapport and communication would not have been established.. The current engagement with China is a tribute to the rhetoric, the messages and behind-the-scenes diplomacy conducted by the Albanese government.

### **A New Approach**

The Defence Minister Richard Marles in recent speeches emphasised a new approach to defence, where Australia can project power, shape outcomes and deter threats to national security. The emphasis is also in terms of defending our nation at strategic distance from our continent.

In early 2023, Marles commissioned the Defence Strategic Review to be undertaken by the former Defence Minister Stephen Smith and former Chief of the Defence Force Sir Angus Houston. The final report of the Review will be delivered in early 2023. Significant changes to defence procurement and the overall defence strategy are expected. The purpose is to review the configuration of our defence force, at our capacity in terms of missiles and other capabilities, and our capacity to project power.

Essentially one of the objectives is to address some of the unsuccessful and protracted defence procurement programs. Also, in March 2023 Marles and Albanese after consultations with the US and the UK are expected to announce details on how the AUKUS agreement is going to proceed; especially the outcomes, the timetable, building infrastructure, bridging the capability gap, financing the industry etc to demonstrate that Australia is able to undertake the AUKUS nuclear submarine project. A series of decisions in relation to the AUKUS agreement and the nuclear-powered submarines will be unveiled there-



after. The difficulty for the government will be to justify how the current defence budget can accomplish the submarine project, which therefore will have to have significant increase in the budget allocation.

The Albanese government has made significant progress in their defence and foreign policy framework. The government re-established dialogue with China without committing to any concessions; a commendable achievement. China has accordingly reassessed their engagement with Australia, suggesting that they have decided that it is in China's interest to re-engage with Australia.

The US-Australia relationship is progressing as well. It is likely that the former Prime Minister Kevin Rudd is being considered as the Ambassador of Australia to the United States. There are probably different views on the appointment which may or may not be wise in the future.

### **Taiwan significance for Australia**

Taiwan currently is the single most difficult issue. A military conflict over Taiwan will be a catastrophe for any country involved and for the region. Maintaining status quo in relation to Taiwan will be favourable in the current geopolitical environment. That means strategic ambiguity; not spelling out exactly what the United States would do if there was a threat to Taiwan from China but leaving open the possibility of the United States getting involved. The focus should be to deter China on the one hand and ensure on the other hand that Taiwan does not take anything for granted.

The ongoing Ukraine war will sober China in assessing what would happen if it embarked on a military option in relation to Taiwan. China would pay a substantial price, especially in the current unstable domestic environment. Besides, the days of high Chinese economic growth are diminishing. Kevin Rudd, whose study and understanding on China is of path-breaking importance stated, *"I think that we might soon be talking about "Peak China", that is whether we have seen the zenith of China's growth and that growth is now going to be slowing with all the problems that involves for China"*.

Maintaining the status quo in the Taiwan Strait relates significantly to the United States. A few weeks ago I interviewed former President Donald Trump's former National Security adviser John Bolton. Bolton stated that he thinks that the next Republican candidate for the presidency will encourage Taiwan in terms of a declaration of independence. Bolton may or may not be right on that point. However, I would reiterate that Australia should be making a strong representation within the United States executive and Congressional system to prevent a conflict in the Taiwan Strait.

The Chinese have been absolutely upfront that any declaration of independence by Taiwan means war. That would be a complete departure from the current

status quo and a violation of the current arrangements. It would be an utter humiliation for Beijing and would not be acceptable to them without taking some offsetting actions.

In the context of the rise of China the last thing we want in this country is to have a major political and foreign policy dispute with the United States about Taiwan. But if America moved towards encouraging and supporting independence for Taiwan as a way of trying to boost Taiwan's military strength vis-a-vis the mainland, that would be an American approach. I do not think either side of Australian politics would be prepared to countenance such a position and we need to bear in mind what that would mean of our deepening strategic partnership with the United States.

### **Australian Labor - Liberal Party bipartisanship**

It is interesting to note what the Prime Minister Anthony Albanese and the Liberal Opposition Leader Peter Dutton say in statements about foreign policy. They interact fairly well unlike Albanese and the previous Liberal Prime Minister Scott Morrison. Dutton as the Opposition Leader is talking in a different approach to how he made statements as the Defence Minister in the Morrison government where he attempted to score political points off Labor. Dutton has now stated clearly that he will support the Albanese government where he feels they have done the right thing and oppose them where he feels they have not. In other words, Dutton has made absolutely clear that as the Liberal Party leader he will support the government on a range of foreign, domestic and defence issues where appropriate. Dutton hence has laid the foundations for ongoing bipartisanship; a bipartisanship in which we see Albanese as the Prime Minister and Dutton as the Opposition Leader, though there are going to be respective political and policy differences. With the Albanese government charting and maintaining an effective strategic pathway of which Dutton is unlikely to endorse all of that, however, he will most likely endorse a lot for the prospect of ongoing bipartisanship on key strategic aspects relating to Australia.

### **The Author**

Paul Kelly is Editor-at-Large of *The Australian*. Previously Editor-in-Chief, he writes on Australian politics, public policy and international affairs. Paul has covered Australian governments from Gough Whitlam to Scott Morrison, and Anthony Albanese currently. A regular television commentator on Sky News, Paul also has authored nine books including *The End of Certainty* on the politics and economics of the 1980s. His recent books include *Triumph and Demise on the Rudd-Gillard era* and *The March of Patriots* which offers a re-interpretation of Paul Keating and John Howard in office.