

Speech notes : Sharks Leagues Club

Thank you, Jo. And thanks again for pulling this together.

Ladies and Gentlemen

Thank you all for coming to this event and for giving me the opportunity to talk to you about Australia's foreign and trade policy, and what it means for you.

But first, I'd like to say that, as a life-long Sharks supporter, it's great to be back here where, as a kid, I used to watch the late Steve Rogers play league like only he could.

The last time I was here in the club must have been around 1980, when I came to watch Richard Clapton play, along with an emerging support act by the name of INXS.

Later this year, I'll be hosting an event at the embassy in Mexico City for several members of that band.

It will be an opportunity to showcase to Mexicans and others just a little of Australia's pop cultural heritage.

Such can be the work of an ambassador.

But conducting Australia's foreign and trade policy abroad is nowhere near as much fun most of the time.

It can also be immensely frustrating, exhausting, tedious, upsetting - and sometimes dangerous.

My first posting, for example, was to Phnom Penh in Cambodia in 1993, when the genocidal Khmer Rouge were still active in Cambodia and even killing Australians.

I have served twice in Jakarta, including when our embassy was subjected to weeks of often violent demonstrations over our involvement in the events that led to East Timor's independence.

Many of you will also recall that our Jakarta embassy was once bombed.

You might recall also that other buildings were also bombed, including one hotel where two embassy colleagues were killed in the attack.

And some of you might know that several of the nine countries to which I am concurrently ambassador have the dubious honour of having the highest murder rates in the world.

So visiting them always has the potential of being a career limiting move.

But I want to stress that those of us working in our embassies do so primarily in the belief that Australians as a whole will be better off by our efforts.

Our country will be more secure.

Our economy will be stronger.

Our nation's prospects, and those of our children, will be brighter.

So foreign and trade policy, and the diplomacy we use to enact it, are not just some arcane game.

It is a serious business that we, as a nation, need to get right, especially in times of fundamental change, deep uncertainty and growing risk.

Achieving this has always been a matter of art rather than science.

In the complex and dynamic world we have been entering over the last decade or more, it is likely to be an even harder task than we've faced for a very long time.

Much of that difficulty lies in the complex reality of globalisation.

Globalisation is on one level an economic phenomenon – and one of which Australia has been an integral part as a major proponent of reduced tariffs and liberal trade regimes.

It is a function of the extraordinary technological change that has produced a quantum shift in the scale and mode of industrial production, and in patterns of consumption.

Capital, goods, people, ideas and information can now move just about anywhere at a rate that was unimaginable just two generations ago.

Along with the attendant neoliberal economic model that much of the world has adopted since the 1980s, globalisation has lifted hundreds of millions of people out of poverty into some form of 'middle class' – most notably in Asia.

It has accelerated the development of international corporations and movements which interpret and act in the world through a transnational prism.

It has generated a caste of 'international citizens', principally knowledge workers ready and able to swap countries and even adopt new nationalities like never before.

It inspired internationalists to conceive of, and work towards, a 'postmodern ideal', an increasingly borderless global order based on cooperation and shared interest in freer commerce.

But globalisation and neoliberal policies have also thrown up economic challenges that have become more glaring over the last decade, particularly since the GFC.

They have also increasingly given rise to serious political, security and social problems in many countries and regions.

These include powerful political reactions to worsening inequality.

They also include crises of national identity, particularly (but not exclusively) among those whose economic circumstances have stagnated or deteriorated over the last 20 years or more.

They also include transnational security threats such as narcotics and human trafficking, and especially virulent forms of terrorism, as embodied by ISIS.

In the last year or so we have seen how such domestic political reactions to globalisation, most starkly in the United States, can assume dramatic international dimensions.

These threaten to have profound consequences for Australia's national security and prosperity, and even for the nature and structure of the global and regional order.

In short, much of the world now stands at a crossroads.

Some countries look set to continue more or less on the same path.

Others are plainly looking at an alternative path, one that retreats to more economic interventionism, particularly protectionism.

For such governments, free trade agreements like the TPP are anathema, merely arrangements that serve vested interests and cost local jobs.

All this – and much more besides - is reminding us of the enduring power of nationalism.

Global political developments are also dispelling any idealistic misconception that we were moving beyond 'power politics' in international affairs.

Renascent or newly-emerging powers, such as China and India, are asserting themselves and their interests mainly because - thanks to globalisation - they now can.

As they have grown richer, countries have been transforming their wealth into power, either by how they direct flows of trade and investment, or by building and parading armed might.

How these states exercise their power – or perhaps rather how these states can be restrained from exercising it unjustly - is probably the single most important question facing the world today.

And since the most powerful of those states lie within the Indo-Pacific region, it is a particularly relevant question for Australia.

In fact, this phenomenon is as old as recorded history, and poses a similarly ancient question: what can and should states do when a more powerful state starts throwing its weight around?

As the ancient Greek historian Thucydides wrote nearly 2,500 years ago, without something preventing a bully from bullying,

‘the strong do what they have the power to do and the weak accept what they have to accept’.

The difference between then and now is that much effort has gone in to developing a system of rules and institutions to mediate and govern state behaviour.

This endeavour was an integral part of the history of the last century.

Initially, it failed miserably with the League of Nations after the First World War in 1919.

It moved to a more successful phase after the horror of the Second World War with the foundation of the United Nations and the Bretton Woods institutions, such as the World Bank.

These institutions have generally served the world well, including Australia.

Global efforts through the UN have resulted in concerted action on a wide array of global problems, such as arms control, the environment and health pandemics.

Less glamorously, UN bodies have set rules for the fair and safe practice of international activities such as maritime trade, aviation and even postal services.

UN peacekeeping missions in Indonesia, Korea, Timor-Leste and Cambodia have helped keep our region stable.

And the UN system has long served a global humanitarian need.

It vaccinates over 58% of the world’s children, provides food to 90 million people in 73 countries and mobilises many billions of dollars in aid during emergencies.

The problem we are increasingly facing now, however, is that these institutions have, like me, been increasingly showing their age.

They don’t accurately reflect the shape and nature of the world in which we now live.

The permanent members of the UN Security Council, for example, are simply those among the victors of the Second World War that carried the most weight in 1945.

The norms, rules and conventions of the system that these institutions established are now coming under great stress – and too often are simply being ignored.

In this context, in direct contrast to the aspirations of internationalists, we are witnessing the resurgence of geography in international affairs.

Some powers appear determined to re-establish ‘spheres of influence’ around their own territories, including by simply appropriating the territory of smaller neighbours.

Some states, most notably North Korea, behave with no regard to international obligations, thereby posing extraordinary threats to peace.

All this is going on while another gigantic factor in international affairs lurches inexorably towards us: climate change.

The problem is that everyone wants, and should have an equal right to, affordable energy.

But how does everyone get this while limiting the negative consequences of energy generation, particularly from fossil fuels?

This is an international policy dilemma that frequently generates fundamental disputes.

We need international cooperation to reduce emissions while accepting that individual countries will want to protect legitimate national interests that stand to be hurt by such measures.

The economic and security implications of how the international community responds to this problem – or doesn't - are too numerous and complex to cover here.

Suffice it to say that if we fail to mitigate emissions and adapt to climate change, the serious international challenges to Australia that current trends already look set to pose will only increase.

So, ladies and gentlemen, if this is the world into which we are heading, and the implications of that world are so enormous as to extend even to the Sutherland Shire, what can we do about it?

Plainly, that task entails much more than cocktails with INXS.

It is a multidimensional task that requires coordinated effort across government, and between government and the private sector.

It requires a strong economy, which successive Australian governments since the 1980s have sought to maintain through sweeping reforms that, along with a slice of good luck, have made us a uniquely successful developed economy.

It requires an effective defence force, which we can only sustain with a strong economy and enduring ties with allies and partners, above all the United States.

And it requires foreign, trade and development policies that can best advance Australia's national interests in so complex an environment.

That is where my Department fits in – developing and implementing those policies, whether bilaterally, regionally or multilaterally through such bodies as the UN and G20.

For Australia, foreign policy in particular is all about defining and pursuing both our economic and security interests, and our values, at the same time.

A critical aspect of this responsibility is striking the right blend of pragmatism and principle.

Our own geography and history have always shaped the blend, and will continue doing so.

We are a liberal democracy based essentially on the principles of the European enlightenment, such as the rule of law and the belief in universal human rights.

But we are located adjacent to countries in which the tenets of liberal democracy sometimes co-exist uneasily, if at all, with local notions of government and society.

As a country with global interests, we also frequently have to interact on political and security issues with countries far from us that have very different systems of government and that act in ways that often don't correspond to our values.

Our foreign policy is designed to accommodate this reality.

And to implement it effectively, we use our diplomacy to persuade other states to act in ways that meet our security and economic interests.

We work closely and tactfully with partners bilaterally - one-on-one - including with those with which we sometimes differ profoundly.

We are working to ensure regional bodies such as APEC and the East Asia Summit function to increase cooperation and help resolve disputes between regional countries, and thereby ease tensions.

We work to sustain and use constructively global institutions like the UN and the World Trade Organisation, that continue to offer the best means of collective action to resolve global problems.

A prime example of this type of global body is the G20, which most accurately reflects the world of today and the world we're becoming.

And we persist in the often frustrating tasks of reforming other multilateral institutions, and reaffirming the norms and rules that remain relevant and valuable for our peace, security and prosperity.

At the same time, we are a trading nation whose economic interests are predominantly - but by no means entirely - intertwined with the economies of Asia, with which our own economy is generally complementary.

We are a reliable and highly competitive source of services and commodities, as well as certain advanced manufactures.

But we need diplomats and trade officials to research markets for those goods and services, develop trade policies and strategies to access those markets, negotiate free trade agreements, attract much needed foreign investment, and promote our products.

I know some of you are particularly interested in the question of free trade agreements in particular, so let me cover this off briefly, and I'll be happy to field any further questions later.

The first thing to say is that Australia's openness to international trade and investment has been one of the keys to our current high standard of living

The evolution of Australia's trade policy, and shift away from protectionism, over the past 40 years has helped to deliver 26 years of uninterrupted annual economic growth

It has kept prices low – meaning your dollar has been able to buy more.

Competition from abroad has kept our businesses productive.

Open markets around the world mean our efficient farmers, among others, have a place to sell their agricultural and food products.

Free trade globally allows Australia to export what it does most efficiently, generating economies of scale and promoting income generation.

For example, Australia exports nearly two-thirds of our total agriculture production.

The removal of trade restrictions and distortions globally has helped make that possible.

Nowadays 1 in 5 Australian jobs is related to trade.

Free trade agreements are therefore integral to our enduring prosperity as a nation.

By contrast, a return to protectionist trade policies would neither increase economic growth nor improve living standards

Sheltering certain sectors from globalisation may provide a temporary lifeline in the short term, in the long term it will hurt workers, drive up prices, and remove the incentives for industries to innovate.

For Australia, then, the US withdrawal from the Trans-Pacific Partnership (TPP) at this time is disappointing

TPP signatories are grappling with next steps and there is a common desire to ensure the benefits of the TPP are not lost

Australia is considering a range of options, in consultation with other TPP signatories such as Mexico, including possible bilateral and regional deals.

Mexico

This issue has obviously been an important part of my embassy's work lately, and it will become my main priority for the foreseeable future.

My principal task is to do whatever most effectively boosts Australia's commercial relationship with Mexico and other countries in the region.

There are many good reasons for doing this – which perhaps too few Australians appreciate at the moment.

The region offers niche opportunities in the eight smaller economies to which I am ambassador, including in rapidly growing economies like Panama and the changing state that is Cuba.

But on the strength of its sheer size and growing importance, Mexico stands out, and so I'll focus my remarks on it.

I suspect some Australians still think of Mexico as a poor country where men ride around wearing large hats – or sometimes dance on them.

Many conjure up images of drug cartels or illegal immigration to the United States.

In fact, Mexico is an endlessly fascinating country with an extraordinary history and one of the richest cultural heritages on the planet.

It is home to no less than 28 world heritage sites – ranking it among the highest in the world.

These attractions and its natural beauty are now luring 90,000 Australian tourists every year, a number that's been increasing by around 10,000 annually.

Hopefully, in coming years we will see direct flights between our countries, which should boost tourist flows significantly, especially from Mexico to here.

Most important, Mexico is one of the world's emerging economic giants.

It is a partner of Australia in the G20, APEC, the WTO, the OECD and other bodies.

It has a predominantly young population of around 130 million.

It is already the world's 15th largest economy.

And it is on a path to becoming a top 10 economy by 2030.

It manufactures everything from planes to medical equipment and pharmaceuticals.

It exports more goods than the rest of Latin America combined.

It is the world's fourth largest exporter of cars, after Germany, Japan and Korea.

It is the world's largest exporter of TVs.

It is one of the world's great exporters of agricultural products, some of which are indigenous to Mexico, such as avocados, chilies, vanilla and chocolate.

It is one of the great producers of resources.

It is still the world's leading source of silver, as well one of the world's most important producers of many other minerals.

It has played a major role in the history of oil.

And it has a rich intellectual and creative tradition, notably in such fields as the arts – just think of Frida Kahlo and Diego Rivera.

Its universities churn out 100,000 engineers alone each year.

Its main university, UNAM, has a student population roughly the size of that of Canberra.

It has increasingly important research facilities.

For example, the global institution responsible for research into maize and wheat, CIMMYT, is located on the outskirts of Mexico City.

95% of the wheat grown in Australia comes from varieties developed at CIMMYT, often in collaboration with Australian researchers in universities like UQ.

All this offers great opportunities for Australian business.

My colleagues at the Embassy and I work to provide market intelligence and advice to the Australian government and Australian business about the commercial environment in Mexico as well as the other eight countries.

When necessary, we work with local authorities to address market access issues.

For example, my colleagues in the Embassy are working on an agreement between Australian and Mexican agricultural authorities that will allow the importation of Australian beef tallow into Mexico.

This will be great for Australian farmers who want to access this growing market.

A measure of our effectiveness is, I think, the almost exponential growth in the level of Australian investment now in Mexico, which has grown from a mere \$200 million seven years ago to over \$6 billion today.

Around 150 prominent Australian firms are now in Mexico, spanning such sectors as advanced manufactures, infrastructure, resources, tourism, and financial, digital, education and employment services.

These firms now include BHP Billiton, which a few weeks ago signed a landmark deal with Mexico's state-owned oil company to extract oil from deep waters in the Gulf of Mexico.

This could ultimately lead to BHP Billiton investing \$11 billion in what is the most important foreign venture since Mexico opened up its energy sector in 2014 more than 70 years after nationalising the industry in 1938.

We're also working to increase Mexican investment in Australia.

So far this is modest, but already we have a major Mexican food producer in Victoria that is not only producing flat breads and other products for the Australian market but also for Asian markets, including India.

On trade, Mexico is already Australia's largest trading partner in Latin America.

Our two-way trade stands at around \$3 billion, which is currently heavily in Mexico's favour.

Among other things like medical and telecommunications equipment, cars and tequila, it seems Australians have developed an extraordinary thirst for Corona beer – evidently we're Corona's third largest customer base outside of Mexico and the US.

An FTA with Mexico would expand market opportunities for Australian exporters – and therefore provide jobs back home.

I'm especially keen to promote Australian goods like wine and beef to Mexican importers and consumers – I'd like to see Mexicans drinking as much of our shiraz as we're drinking of their Corona and tequila.

So if by any chance any of you have any interest in the Mexican market – and I understand at least one of you is certainly interested in how to take advantage of the fad for Mexican food here - Austrade and DFAT can provide information and support, and the embassy would be happy to help.

In services, among other things we are working to increase the presence of Australian education service providers in the Mexican market.

Currently, between 2 to 3,000 Mexicans already study in Australia per annum.

But the opportunities for Australian institutions to help Mexico address its current and looming skills shortages are enormous; and we're working hard to realise this potential through different, innovative approaches to education service delivery.

I'd also like to mention another example of the embassy's work, this time in the area of security and transnational crime: tackling narcotics trafficking.

Mexico is a prime source of the methamphetamines that afflict Australian youth today.

DFAT, the AFP and Immigration and Border Protection have been working together with local authorities to stop this.

We are also linking with other governments across the region, from Panama to Guatemala, as well as with the United States, to address this and other related criminal activity.

Conclusion

So in conclusion, ladies and gentlemen, I trust you can see that your tax dollars are being properly used to protect and advance a diverse range of interests, in Mexico and in the other 100 odd missions we have across the globe.

That purpose often does entail attending cocktail parties – a task, incidentally, that in my experience can be far less fun than people often imagine, but which can often provide opportunities to influence people who matter.

As I've sought to highlight, my colleagues and I spend our time much less glamorously and more productively than that.

I can assure you that we never lose sight of the reason we're abroad: to serve the Australian government of the day, and ultimately to prosecute the interests of the country and its people.

That responsibility is often extremely taxing, for one's family as well as oneself.

But serving one's country abroad can also be very gratifying.

And it is always an honour.

Thank you.