

Foreign Policy

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Published

2013

Book Title

Agenda for Change: Strategic Choices for the Next Government

Version

Version of Record (VoR)

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4. FOREIGN POLICY

Russell Trood

But for the attention certain to be given to the issue of asylum seekers, it is unlikely that foreign policy will play much of a role in the forthcoming election campaign. That's regrettable, as there are several international issues and relationships that could well be handled differently depending on who wins the approaching poll. The full extent of the differences is difficult to articulate as neither Labor nor the Coalition has yet released its policy platform, but already there's been enough in various statements by the leaders, ministers and shadow ministers to indicate that there's certain to be a measure of product differentiation.

While policy change is likely, there's often strong continuity in the conduct of Australian foreign policy. Incoming governments inherit a policy legacy and are also successors to an Australian foreign policy tradition—a national style of acting in international relations. The legacy and the style can change over time, but initially they can act as constraints on policy innovation and reform. The style is by definition more enduring, so we can expect the incoming government to act in some wholly familiar ways. For example, it will remain committed to Australia's strong tradition of alignment in international affairs; sustain a wide network of relationships across the globe and in multilateral organisations; emphasise the importance of engagement with the countries of the Asia-Pacific; and seek to address global and regional problems practically as a contribution to problem solving. It will also demonstrate, in JDB Miller's rich morsel of a phrase, a certain 'dogged low-gear idealism'—in more recent parlance, good international citizenship in the conduct of our foreign relations.

This paper, however, is less about trying to predict the things an incoming government might do than seeks to explore the issues that arguably should receive priority on the foreign policy agenda. Central among them are:

- restoring the Department of Foreign Affairs and Trade (DFAT) to organisational and budgetary health
- consolidating key relationships in Asia
- responding to change in the Pacific
- advancing the stalled trade agenda
- reconsidering priorities in AusAID.

Department of Foreign Affairs and Trade

DFAT's a department in organisational and budgetary distress. At a time when governments have to rely more, not less, on the effectiveness of their political and economic diplomacy to protect and advance their national interests, one of the key agencies of Australia's national security community continues on a path of steady, seemingly ineluctable, decline. Addressing the department's budget situation shortly after taking over as DFAT's new Secretary late last year, Peter Varghese commented unsentimentally and rather ominously that 'we've reached the end of the line' with the 'magic pudding' idea that DFAT should do more with less: 'If we get less, we are going to do less.'

Indeed, the situation is now so parlous that even Defence Department officials concede privately that DFAT needs more resources.

DFAT's budgetary squeeze began well over a decade ago, has continued virtually unabated and is now having a broad impact on the department's capacity to continue serving Australia's foreign policy interests in its traditional fashion.

First, it's forcing a further contraction in Australia's representation abroad. We now have the smallest diplomatic network of all G20 countries, and our 95 missions are way below the OECD average of 135. This means:

- fewer resources for representational activities, particularly bilaterally but also in international organisations
- a struggle to support consular services (one of DFAT's fastest growing responsibilities)
- a reduction in political and intelligence reporting (the very stuff of good policy back home)
- less public diplomacy (an increasingly significant area of diplomacy)
- lost opportunities to advance Australia's economic interests (the key to our prosperity in the 21st century).

Second, the decline seriously threatens DFAT's ability to provide the government of the day with sustained, high-quality policy advice. Good foreign policy demands contestability of ideas and sound policy options, and few perspectives are more critical than those provided by our professional diplomats. DFAT is now struggling to retain core skills and policy expertise. The erosion of a traditional strength is not only alarming, but a precursor to dysfunctional policymaking and eventually to policy failure.

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DFAT officers in Canberra now have less and less time for strategic policy reflection as fewer and fewer of them struggle to respond to incessant demands for information from overseas and the bureaucracy at home. Not surprisingly, DFAT's efficiency, credibility and reputation for sound policy advice and for creative solutions to challenging problems are leaching away. Entirely predictably, as its skill base erodes its capacity to justify more resources becomes more tenuous and its case less persuasive.

Third, the underfunding of the department is having a serious impact on the morale of its staff. This might be a less serious issue if DFAT were not a frontline agency and Australia's public face to the world, but its role is critical. One of the reasons it's been such a great national asset is that its employees are almost without exception extraordinarily able, well-trained, highly dedicated professionals committed to doing the best they can in difficult circumstances.

They're working longer hours, under greater pressure, sometimes in dangerous environments, with fewer opportunities for promotion, more limited prospects for overseas service and, overall, less job satisfaction. Staff are leaving the stressful DFAT environment and moving to better opportunities in other agencies. That DFAT is able to perform as effectively as it does is testimony to the work ethic and professionalism of its people.

Central to DFAT's problems has been a refusal on the part of successive governments to decide, other than by way of budgetary austerity, whether DFAT should continue its traditional role as the key policy agency in the conduct of Australia's foreign policy. Holding back resources suggests a significant shift in sentiment, one that accepts DFAT playing a less influential, more marginal role in policymaking and largely assuming the status of a service delivery agency. Yet there's been no formal decision to that effect, nor, it seems, any reduction in expectations that it will continue to provide all of the advice and service that it's traditionally delivered.

This is unsustainable, certainly poor public policy, and a reform challenge the incoming government should confront. A careful and systematic review of DFAT's role and responsibilities within the context of Australia's wider national security community would be one approach. Alternatively, the government might consider producing a new foreign policy white paper—there have only ever been two, the last in 2003. This larger, more ambitious enterprise could look closely at DFAT's resourcing and managerial challenges. It would also offer an opportunity to review the implications of over a decade of sustained change in international affairs and its impact on the conduct of our foreign relations. In particular, it would enable the incoming government to examine comprehensively all of Australia's foreign policy interests, not merely those focused on the Asia–Pacific. This is long overdue.

Addressing the challenges facing DFAT is a task that governments have consistently resisted. It's now so critical that it should no longer be avoided.

The Asia–Pacific or, perhaps the Indo-Pacific?

One of the more useful things a new foreign policy white paper could do would be to examine rigorously the utility of the 'Indo-Pacific' concept as a key organising principle of Australia's foreign relations. The *Defence White Paper 2013* argued that extending our thinking on the Asia–Pacific to the broader Indo-Pacific 'adjusts Australia's priority strategic focus to the arc extending from India through Southeast Asia to Northeast Asia.' The white paper thus appears to elevate the Indo-Pacific concept to a new status as the foundation for Australia's strategic planning.

This is truly grand and creative strategic design, but is it to be preferred over the more widely accepted Asia–Pacific formulation in defining Australia's primary region of strategic interest? The two concepts may be similar, but they imply different policy priorities. Having different agencies of government use them interchangeably and simultaneously is a recipe for confusion and incoherence both in the making of policy and in its conduct. If the Indo-Pacific concept is the new normal in Australia's security thinking, there are very good reasons for it to be closely aligned with our foreign policy thinking. At the same time, if it's to be of any value as a foundation for defining key interests and a guide to policy development, the incoming government will need to invest it with substance and ensure that its implications for the crafting of Australia's foreign relations are spelled out more clearly.

India and the United States

One place where the new government might start to grapple with this challenge is New Delhi. Despite the existence of an agreement to elevate the India–Australia relationship to the level of a 'strategic partnership' in 2009, our relations with India haven't been well handled in recent years. Disappointments, inconsistencies and frustrations have given both sides good reason not to explore their potential. The Indo-Pacific concept, which some Indian leaders find attractive, establishes common ground and a useful rationale, were one needed, for Canberra and Delhi to build on the new partnership.

Indo-Pacific tilt or not, the foundation for expanding this relationship is in place and there's been some progress towards greater cooperation in the energy and minerals sectors with a series of 'action plans'. The task is to find ways to expand collaboration. We'll need patience: opportunities with India may abound, but seizing them and converting them to collaborative activities is notoriously difficult. A constructive starting point for the incoming government would be to strive for an early conclusion to the negotiations for a civil nuclear cooperation agreement—the necessary precursor to the commencement of uranium sales. Another exists in the opportunity for institution building as Canberra and Delhi share the leadership of the Indian Ocean Rim Association for Regional Cooperation.

One risk in the articulation of the Indo-Pacific concept may lie in downgrading the significance of Australia's most important security relationship, with the US. With key strategic and economic interests spread liberally throughout

the Indian Ocean area and Washington's frequently stated view that it's long been, remains and will continue to be a strategically engaged Asia-Pacific power, this anxiety is arguably misplaced. But America's strategic engagement in Asia is a crucial issue for Australia. Aside from everything else that defines the Australia-US relationship, the way Canberra and Washington seek to manage their shared interests in Asia's future will be one of the most important items on their bilateral and multilateral agendas.

Despite this, in all of the Gillard government's recently published statements of policy there's little indication of the serious thinking one hopes is being done about this complex issue. Welcoming the Obama administration's policy of Asia-Pacific rebalancing is little more than the starting point for this work. Further analysis and exploration of collaborative options with Asian allies and partners and the risks they might entail need to follow. One option, as Rod Lyon pointed out recently, might involve reviving the all too long neglected Article 8 of the ANZUS Treaty, which envisages the ANZUS Council as a vehicle for maintaining consultative relations with regional Pacific states and organisations. Whatever the value of this idea, it's an example of the creativity that the new government will need to find to ensure that Australia's most important security relationship can continue to adapt to the transformations shaping its Asian future.

The China relationship

Given China's sensitivities, this is not without significant challenges. All of Labor's recent policy statements make clear that Australia accepts China's military growth and expanding regional role as a legitimate outcome of its growing economy and broadening interests. Were there to be an incoming Coalition government, it might perhaps be more circumspect in its language, but whether Labor or Coalition, it's hard to overstate the significance and attention the new government will need to give to its relations with Beijing.

The overwhelming need is to place the relationship on a stable, mutually respectful, collaborative foundation, much as the Howard government was eventually able to achieve with its 'common interests and mutual respect' formula. This is unlikely to be easy. For all our shared economic interests, there are profound policy differences which have the potential to sharpen as time goes on and might easily throw relations off course. Managing our future together is an enterprise requiring clarity of purpose and some clear-eyed, unsentimental Australian thinking about the possible limits of the relationship. It will also demand more consistency in policy implementation—something that's eluded both sides in recent years.

For the moment, there's reason to be optimistic as the relationship expands and deepens rapidly beyond economic interdependence. The basis of a new bilateral 'architecture' was established with the new 'strategic partnership' agreed during Prime Minister Gillard's successful visit to China in April this year and the commitment to hold annual prime ministerial dialogues. The challenge for the incoming government will be to invest greater meaning and substance into this embryonic structure, while balancing it against other key national interests. This will be an enduring long-term project for Australian foreign policy, but in the short term it should be high on the post-election prime ministerial agenda.

In acknowledging the importance of the strategic partnership with China, the new government should resist any inclination to see it as a zero-sum exercise relative to Australia's other friends in Northeast Asia—Japan and South Korea. Those countries were our second and fourth most significant trading partners in 2011, and we have extensive political, strategic and societal linkages that have been growing strongly over recent years. We should see those links as the bedrock for a further strengthening of ties. This means looking for new collaborative opportunities with both countries, not just bilaterally but through closer multilateral cooperation. With Seoul in particular, South Korea's simultaneous membership of the UN Security Council with Australia offers a unique chance to explore these prospects.

Southeast Asia and Indonesia

The Indo-Pacific pivot naturally draws attention to the importance of Australia's relations with Southeast Asia. They're generally in good repair, but for too long have been of only marginal importance. Our aspirations for strengthening them into the future are poorly defined, and almost all of them tend to be hostage to a rather lazy formulation of valuing cooperation but giving it limited effort and low priority in the expectation that it will nevertheless continue. Cooperation could be sustained on that basis, but the rapid changes taking place in Southeast Asia justify a more concerted policy commitment to build linkages and collaborative structures covering mutual interests and, where possible, mutual policy goals. Securing a regional buy-in to combat people smuggling is one such issue, but there are others in trade, finance and other non-traditional security areas. Working collectively with ASEAN to strengthen the regional economic and security architecture is one of Australia's essential interests and while hardly easy, deserves as much commitment, energy and policy creativity as we can summon.

A flexible, differentiated approach to the countries of Southeast Asia enables Australia to recognise Indonesia as uniquely important, both regionally and as a bilateral partner. It's been 25 years since the foreign minister of the day, Gareth Evans, famously remarked that the main challenge for Australia and Indonesia was to bring greater (economic) ballast to their relationship. Much has changed in that time, but perhaps not as much as we think or might have hoped. Indonesia has changed enormously and continues to do so, consolidating its democracy and transforming its rapidly developing economy. Our defence linkages have expanded, we've cooperated in counterterrorism, and our economic ties have developed, although with some problems (the live cattle export trade debacle and the challenge of asylum seekers come to mind).

Nevertheless, the relationship still lacks the wide, deep, strong and shared economic and political foundations we need to ensure not merely cordial relations but more intimate and productive links in the future. On the Australian side, there is certainly need for a more mature and sophisticated understanding of the changes taking place in Indonesia and of the complex political, economic and social challenges it faces. Peter Jennings may well have been right when he noted recently that at least part of the explanation for the lack of progress might be the four 'problem Ps'—priorities, politics, perceptions and Papua. That they continue to be lead in the saddlebags of what should be one of our most important bilateral relationships is deeply troublesome and should concentrate the mind of the incoming government.

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Indonesia is on its way to a far more influential role in the region with a capacity to more profoundly affect Australia's interests. In these circumstances, the Australia–Indonesia relationship requires a serious commitment of policy time and energy and a large measure of sensitivity on both sides about areas where we have clear differences. The *Australia in the Asian century* White Paper's proposal to build a comprehensive strategic approach to the relationship is a useful starting point. As Natali Sambhi from ASPI has suggested, it could blossom into something more ambitious, perhaps along the lines of the Indonesia–US comprehensive partnership concluded in 2010. Equally encouraging is Tony Abbott's declared intention to make Indonesia his first international stop soon after the election if he becomes prime minister—although, if he goes with only a narrow focus on 'turning back the boats', the idea will certainly require more workshopping.

As Hal Hill from the Australian National University pointed out not long ago, the advent of a new government offers the opportunity to push the reset button on the relationship and begin anew, taking the collaborative elements of the relationship to the bank and investing in a broad new agenda of cooperation. We're a long way from where we should be in this relationship, and that's as depressing as it is unacceptable, 25 years on from Gareth Evans' call for more ballast.

The Pacific

Save for Fiji's lack of support, few regions of the world were as strongly behind Australia's candidature for a UN Security Council seat last year as the Pacific. We are in a unique position of influence in the region, where we're a major economic partner, aid donor (now A\$1.1 billion) and political interlocutor. But the Pacific is our neighbourhood and it's changing and we can't afford to be complacent about the way those changes may play out and affect our interests.

Australia's relations with two regional countries should be high on the next government's agenda—Papua New Guinea and Fiji.

Papua New Guinea (PNG), under the confident leadership of Prime Minister Peter O'Neill, is now more outward looking than in the past. It's seeking new regional and international relationships, and aims to place its partnership with Australia on a fresh, more diverse and more evenly balanced basis. The changes are reflected in former Prime Minister Gillard's recent visit, opposition foreign affairs spokesperson, Julie Bishop's frequent attention to PNG, and the 2013 Defence Cooperation Arrangement between Canberra and Port Moresby which initiates a new phase in the bilateral relationship. But there's further potential for moving this relationship beyond its traditionally narrow, dependent and asymmetric boundaries, and the new government should be prepared to seize that opportunity.

Our relationship with Fiji is arguably more challenging. The Bainimarama administration's interpretation of its interests and their intersection with democratic practice are clearly at odds with some strongly held views in Canberra. That seems likely to continue: even after years of Australian sanctions, some of which are hurting politically, Suva hasn't been cowed into submission. At the same time, the Australian policy stance is at odds with the more pragmatic posture adopted by most of the region's small island states. It's hard to see how the dysfunctional relations between Canberra and Suva are serving the interests of either government or the region more generally.

Suva's movement towards the restoration of democracy (although not all we might hope for) gives an incoming Australian Government the opportunity to move away from our principled, but so far unrewarded, policy and seek constructive dialogue. It won't be easy, as shown by Canberra's difficulties since late last year in trying to secure the passage of the new High Commissioner to Fiji, Margaret Twomey. On the other hand, the conjunction of Fiji's hesitant return to a form of democratic governance and an Australian election creates a historic opportunity too important to ignore. It's worthy of the close attention of the incoming government's foreign minister.

The multilateral agenda

Australia has consistently relied on multilateralism to pursue some of its key foreign policy interests. We've been a member of the UN and many of its specialised agencies, such as the World Trade Organization, the International Civil Aviation Organization and the International Atomic Energy Agency, since their foundation and our multilateral engagement in the Asia-Pacific region is no less impressive. A Coalition election victory might see the rhetoric of engagement shift from current settings, but it would be surprising if a new Abbott government were to abandon our primary engagement strategies.

One reason is that multilateral diplomacy isn't merely about supporting an organisational mandate. In most cases, it offers potentially important mechanisms to advance key bilateral relationships. This is particularly so in the Asia-Pacific region, where our membership of APEC, the East Asia Summit, the ASEAN Regional Forum and other groups

and our status as an ASEAN Dialogue partner all strengthen our bilateral relationships. Over time, the incoming government will be presented with opportunities (and challenges) related to Asia–Pacific regionalism, but in the short term its multilateral horizons will necessarily be global and some of the earliest foreign policy decisions it might need to make could involve the UN Security Council and the G20.

Against many expectations, Australia won its two-year non-permanent seat on the Security Council last year relatively easily. This was testimony to a strong campaign and the high regard for Australia in the international community. Much that the Council does in the area of international peace and security is reactive presenting Australia with unique opportunities to assist conflict resolution. But Council membership also allows us to offer diplomatic support to Council friends and allies, such as the US, leverage membership in pursuit of our own policy goals and, from time to time, as the Council's president-for-a-month, press one or two high-priority issues of international significance.

The first of these presidential occasions occurs in September this year, the month of the Australian federal election. Adding to the awkwardness of the date, September is usually 'leaders month' in New York—an opportunity for diplomatic profile-raising and agenda-setting at the General Assembly. There are many issues that Australia might seek to raise and press during our time as Security Council president in September—peacekeeping, nuclear nonproliferation and the responsibility to protect ('R2P') among them. The important consideration, however, is that this important diplomatic opportunity doesn't fall prey to domestic partisan political differences. This means that as the election approaches, the government and the opposition must agree on a Security Council policy agenda well beforehand, so that it can be pursued seamlessly whoever claims victory. More generally, the incoming government should be conscious of the high expectations created by our election to the Council among small and middle-sized countries and ensure that it has a well-developed strategy to maintain faith with them.

Australia will be hosting the G20 summit in Brisbane in November 2014, but well before that, later this year, we will be taking over the chair of the G20 from Russia. Its G20 summit will take place at another supremely inopportune time: in St Petersburg in September, possibly within weeks, if not a few days of our election. So far, Australia is the only country to have failed to send a leader to a G20 summit, so it's especially important that the Prime Minister be there, particularly in our chairmanship year.

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The G20 chairmanship is a great diplomatic opportunity for Australia, one that needs to be seized with enthusiasm and undertaken with ambition. It is a chance to show leadership in an arena where other governments are likely to appreciate Australia's particular talent for practical problem solving. Our credentials as a constructive contributor to the G20 agenda were strengthened following the first Rudd government's contribution to energising the organisation's response to the 2008 global financial crisis. Here's an opportunity to build on that contribution. Since the crisis, as Mike Callaghan from the Lowy Institute has argued, the G20 has become burdened by a range of agenda items that detract from its primary role as the main global forum for international economic cooperation. The Brisbane summit would be a good opportunity for Australia to help guide the G20 back to its core responsibilities and to introduce several process reforms, emphasising greater transparency and accountability. By doing so, we would not only bring a much-needed focus on the G20's mandate but seize an opportunity to consolidate our own status as an indispensable member of the group.

The trade agenda

Within the foreign affairs portfolio, trade is another very obvious area of policy needing concerted attention. This imperative has a wider domestic policy resonance as the Australian economy faces some severe structural problems and as competition in key export markets becomes more intense. We've long been one of the most open and least protected economies in the developed world, so trade issues are a matter of immense practical importance to our economic future and demand early action from the incoming government.

At the multilateral level, it's been evident for quite a while that the Doha round of trade liberalisation now has little prospect of succeeding. The embryonic Trans Pacific Partnership has a much smaller group of participating countries and geographical coverage. Nevertheless, with the first and third largest global economies now part of the negotiating group and a focus on the dynamic Asia-Pacific region, it may eventually offer high-level liberalisation benefits and thus deserves strong backing. While those negotiations may take considerable time, the new government should concentrate maximum resources on trying to advance the so far glacially slow talks for bilateral trade agreements with Japan, China and South Korea.

Those negotiations have been going on for seven, nine and five years, respectively, and desperately need a renewed injection of political will and policy creativity. Recent policy developments in Japan suggest that an agreement on that front may be close, although we've been on that path before and little has eventuated. While securing a deal demands compromise on both sides, Canberra needs to do some serious thinking about whether its cautious policy stance and current interpretation of 'high-quality' agreements are the best benchmarks for success, particularly in markets, such as South Korea and Japan, where Australia's competitors are expanding market share at our expense.

The incoming government should consider an immediate audit on all of these negotiations, revisiting their premises and reviewing negotiating positions in conjunction with key industry partners as the precursor to a rapid resumption of negotiations and a commitment to bring them to a swift conclusion.

AusAID

AusAID now has a budget of \$5.7 billion for multilateral and bilateral aid across the globe, but with a heavy geographical emphasis on the countries of the Asia-Pacific. A few years ago, a bipartisan committee reviewing aid effectiveness made a series of recommendations that have been progressively implemented and considerably tightened the process of aid administration. Aid delivery, however, remains a dynamic area of public policy, and the incoming government should give it a shake-up.

While Australia earns considerable international accolades for its sustained commitment to comparatively high levels of international aid, sustaining that commitment in the current budgetary environment is likely to be difficult.

Several issues are on the agenda. The first is the sustainability of the hitherto bipartisan commitment that our aid program should aim to reach the current government's aspirational goal of 0.5% of gross national income by 2015. While Australia earns considerable international accolades for its sustained commitment to comparatively high levels of international aid, sustaining that commitment in the current budgetary environment is likely to be difficult. A solution would be to maintain increases in the budgetary allocation to at least the level of real growth, but to further extend the deadline to reach the target.

A second issue is the growing movement to integrate aid more effectively with recipient countries' economic and developmental goals and create stronger linkages with private sources of project and infrastructure financing. This places less emphasis on aid as donation and more on using it to leverage public-private partnerships to better achieve sustainable economic growth, and may be a more effective way of spending aid dollars. Although it might demand more complex mechanisms for aid administration and accountability, it's a reform that reflects contemporary better practice and deserves support.

The third issue is the geographical focus of Australia's aid programs and whether more should be directed to our own region and away from recipients in places such as Africa. Policy may be trending this way: the *Australia in the Asian century* White Paper made a strong commitment to the AsiaBound program, and the Coalition proposes a New Colombo plan focused on Asia. Some tweaking of geographical priorities might be desirable to help pay for these schemes, but not before we evaluate the extent to which the proposed recipients, especially among the countries of the Pacific, can effectively absorb additional aid. Similarly, if the debate over targeting anticipates a reduction in Australian aid to Africa, the incoming government should take a very cautious view. The percentage of aid going to African countries is relatively small, effective and well targeted, as the Joint Committee of Foreign Affairs, Defence and Trade concluded in its report on Australia's relations with Africa several years ago. Moreover, it's a modest strategic investment in Africa's rapidly developing economic and political future, is consistent with Australia's considerable mining investments there and has the potential to pay dividends to Australia down the track.

Conclusion

The foreign policy agenda for the incoming government is lengthy and could easily be expanded further. For example, as Anthony Bergin and others have pointed out recently, our engagement in Antarctica, which has a rich heritage in Australian foreign policy, is being slowly degraded through declining investment and policy inattention. Our status at the forefront of efforts to build greater rigour into the nuclear nonproliferation regime, including through strengthening controls on the supply of materials, is certainly worthy of inclusion on the list. The 2010 proposal for a treaty-level bilateral Framework Agreement between Australia and the European Union to place the relationship on a new 21st century foundation, remains to be concluded and deserves to be pursued. Finally, the burgeoning expansion of Australia's relations with the countries of South America should not be neglected.

Nevertheless, the agenda items detailed in this paper are the most important and most urgent.

If this looks like a challenging agenda before an election, it will probably not become any easier afterwards. All these issues will need to be managed in the almost certain knowledge that however expertly the incoming government plans and approaches the challenges it faces, it will also need to prepare for the unexpected. Another global financial crisis may be unlikely, but unwelcome and unforeseen events and crises have a habit of confounding and subverting the best laid plans for the sound and orderly conduct of Australia's foreign relations.