Looking out and looking in -

some policy challenges of change in our region.

Thank you Professor Lawrence for that introduction.

I acknowledge the traditional owners of the land on which we meet and their elders past and present.

It is a great pleasure for me to deliver the 2014 Reid Oration, sponsored by the University of Western Australia through the UWA Institute of Advanced Studies and by the Institute of Public Administration (WA). The Oration honours Gordon Reid and his contribution to public policy, public administration and public life, including through his scholarly work at this University and as Governor of Western Australia. I particularly acknowledge members of the Reid family, Ruth and Robert.

I am very pleased to acknowledge Western Australia Governor designate Kerry Sanderson, our State's first female Governor, and thank her for the honour and respect accorded by her presence to Governor Reid and his family. I suspect this may be the first public occasion where we see the presence of both our State's first female Governor and Professor Lawrence who became our State's first female Premier nearly a quarter of a century ago in February 1990.

I first attended this University as an undergraduate Arts student in the early to mid 1970's, before commencing at the Law School. Like thousands of young UWA Arts students did in
those days, Politics 1O was one of my courses. It was in that capacity that - like so many other young students - I first came across and met Professor Gordon Reid, and was subsequently exposed to his publications on Australian and Western Australian politics and public administration.

Later, as Principal Private Secretary to the Attorney General of Western Australia in the mid to late 1980's, I would from time to time see from a relatively close distance his work as Governor of the State.

It struck me at the time both as a UWA student and a Western Australian State Government Ministerial officer that this was a thoughtful and decent man, conscientious in his study not just of politics and political personalities per se, but in the study of the art of public policy and public administration. To me, it was clear that he believed that careful learning and diligent consideration of public administration could help improve it and, as a consequence, improve economic and social outcomes in our State and National interest.

Thinking about public policy challenges at the State and National level was very much a core business imperative for Gordon, just as it needs to be for our Nation and State today.

If Gordon was observing events today, I suspect that, like most of us who have been around in some public or political guise since the 1970's or the 1980's, he would be surprised by the enormous pace of change in and around our region: the rise of China, the ongoing strategic, economic, political and military strength of the United States, the rise of the ASEAN economies combined, the emergence of Indonesia as a global influence
not just a regional influence and the still under appreciated rise of India.

That change and the pace of it has seen over the last decade or so a natural and inevitable focus on the implications of this change for Australia’s Foreign, Defence and National Security policy approach and arrangements. A concentration of minds on National Security dimensions both onshore and offshore has been reinforced by the post September 11 threat of non state actors and international terrorism and, more recently, the potential of a small number of home grown "lone wolfs" with experience or expertise garnered from off shore conflicts or by repugnant and zealotry ideological influences.

As well, hand in hand with this consideration has been contemplation of the external trade, investment and prosperity challenges and opportunities which come from such economic growth in our part of the world. It is invariably the case that growth in political, strategic and military influence or power follows on from growth in economic prosperity, often backed up by a large population - China, India and Indonesia being cases in point.

Less emphasis to date has, in my view, focussed on what Gordon Reid may have seen as worthy of his serious and forensic study, namely, what domestic public policy and public administration implications this transformation of our region has for Australia and its constituent States and Territories, and in particular, from our perspective, our own State of Western Australia.

Before dealing with a few of these possibilities, for example, what domestic implications such developments have for our
State's economy, for education or indeed for public administration itself, let me make some remarks about aspects of Australia's Foreign, Defence, National Security and Trade policy approach as viewed from Perth, Australia’s Indian Ocean capital.

One of these is the way in which we actually describe our region or our part of the world. While it will obviously be the case that any analysis of mine is in substantial part derived from my previous experience as Foreign and Defence Minister, it has been enlivened by my recent and ongoing experience as a private citizen.

Indeed, all of the challenges presented to our Nation and our State by the exponential growth in our region to which I have referred, present themselves in the micro to those organisations with which I currently work: how does, for example, a Perth based Law School, or a Perth based think tank exploring strategic and economic issues in our region, or indeed a Western Australian University, survive and thrive for its students and researchers into the midpoint of this Century in the face of such regional competition from Universities in China, or closer to home in the Indian Ocean Rim, from India and Indonesia? How does a standalone Perth based law firm find exciting legal opportunities off the back of the inevitable growth of direct foreign investment into Western Australia from or through China, India, Indonesia or Singapore? How does Australia's most successful modern day international mens and womens sporting teams, our Kookaburras and Hockeyroos, continue to be world class or world dominating in the face of hockey's slumbering giant, India, wanting again as India itself rises, to be a great hockey nation both on and off the field, just as it is a great cricket playing nation.
These challenges for every day Australian or Western Australian organisations or activities are in the micro the same challenges that our Nation and State face in the macro. Or to put it another way, it won't much matter if this Century is described as the China Century, the Asia Century, the Asia-Pacific Century, or most correctly, the Indo-Pacific Century, if Australia is not a part of it, if Australia does not play a role in its peace, security and stability, and most importantly, takes its share of the prosperity unleashed by the growth in our region for the benefit of our own people.

I say the Indo-Pacific Century because this inherently acknowledges the rise of China and the ongoing central importance of the United States, but also the rise of India and the emergence of Indonesia. It also acknowledges that Australia is an island continent which touches not just the Pacific but the Indian Ocean as well. It also acknowledges the strategic and economic importance of the Indian Ocean Rim, including Africa, itself destined to be a continent of over a billion people.

In this context, it is pleasing to see this week in Perth, including with an event at this University, the Council of Ministers Meeting of the Indian Ocean Rim Association, which Australia Chairs for the period 2013-2015, following on from our Vice Chair to India, the Chair during the 2011-2013 period.

Australia's role in IORA is a good illustration of the mainstream of Australian diplomacy and foreign policy, namely successive Australian Governments, whether of the same or different domestic political persuasion, working on and adding to the
incremental steps of its predecessors in Australia's national interest.

Australia was at the first Ministerial meeting in 1997 when IORA as now named was launched and in recent years has worked closely with both India and Indonesia as Chair and Vice Chair respectively. Foreign Minister Bishop is continuing and has indeed added to this good work in her capacity as Ministerial Chair of IORA. As India and the Indian Ocean Rim continues to rise in importance, and as IORA takes on an increasingly important role as a piece of our regional architecture, this good work will auger well for our future in IORA.

This is but one of any number of such examples. While it is the case that successive Australian Governments and Oppositions may seek to highlight any differences in foreign, defence or national security policy approach, however so nuanced, from their immediate predecessors, or indeed their domestic political opponents, it is invariably the case that the very substantial proportion of policy approach in this essential area builds sensibly and incrementally on the work of predecessors.

The good work which Minster Bishop and Prime Minister Abbott have done in our national and national security interests at the United Nations Security Council, and supported by the Opposition, whether on the downing of MH 17 or on international terrorism and ISIS, follows on from the successful Security Council election campaign waged by the current Government's predecessors.

The fact that the current Government when in Opposition vocally opposed that campaign is now frankly neither here nor there - the opportunity is now being taken and taken well to
utilise Australia's position as a temporary member of the Security Council to our national interest advantage. Time will tell, but given what has transpired, I believe it will be a long time before what I regard as a restored bipartisan approach to Australia from time to time seeking temporary membership of the Security Council is again supplanted, as it was for the first time since the end of World War Two, by Prime Minister Howard's veto over Foreign Minister Downer's desire to pursue Security Council membership in the mid 2000's.

Failure to acknowledge this incremental building block approach to the mainstays and fundamentals in these policy areas is not of course restricted to or unique to governments or oppositions of the day.

More than one interested observer has, for example, over the years criticised various Defence Ministers from and including Brendan Nelson for proposing to purchase or for actually purchasing Super Hornet FA/18 aircraft. The rationale for such criticism was said to be that such a purchase would get in the way of securing the sanctity of the F35A Joint Strike Fighter and a one combat aircraft RAAF fleet. The fact that the Ministerial rationale for purchasing the Super Hornets was to avoid a gap in air combat capability between Classic Hornets and the JSF - with the JSF project suffering lengthy delays - appeared lost on these observers.

Some of these same observers are today quite correctly supporting the Australian contribution to Iraq against ISIS, led of course by 8 of Australia's 24 Super Hornets. JSF capability is not yet available to Australia, given that the first of Australia's JSF has only in the last week or so been handed over for testing purposes.
When in April this year the Abbott Government announced the decision to place an order for a further 58 JSF to bring the total Australian order to date to 72 JSF, the Prime Minister correctly made the point that the order and announcement was a result of the work of successive governments of different political persuasions since the beginning of this century. He also said that the order for Australia's biggest Defence procurement purchase to date was able to be placed without the need for the provision of new money because that work by successive governments had included the sensible husbanding of resources for Defence for that purpose.

This put paid to the political assertion by some observers of defence capability matters that the previous government had somehow run Defence as an institution into the ground. This has more recently been underlined by the Australian Defence Force (ADF) having the start up capability to perform whatever operation asked of it by the current government to date, whether the Iraqi ISIS mission with Super Hornets, C-130J's, and a KC-30 refueller, all of which came on stream under the previous government, or the use of C17's for humanitarian purposes, the operational availability of which fleet doubled under the previous government. The Australian response to MH 370 and MH 17 as well underline the ADF's ongoing capacity to respond in a first class way to high profile unanticipated operations.

All of the above can be easily placed under the "looking out" portion of the topic for this evening's Oration. It is in the "looking in" that I suspect Gordon Reid would have spent some considerable time contemplating, namely, the domestic public policy and public administration challenges for Australia and
Western Australia in the decades ahead as a result of this deeply significant external change in our region.

Before one starts to contemplate the challenges of that dynamic, it is a given that how we are governed through public policy and public administration cannot be a static thing. That this is a fact is made undeniable by the use of the internet for national and global communications - in 1995 1% of the world's population had an internet connection, today it is 40% and growing. This will continue to transform economies and service delivery, whether commercial or public administration.

Even apart from the impact of the internet, public administration will not be up to the task if it does not constantly adapt, change and improve in the face of increasing complexity in many policy areas, where the challenges do not these days necessarily fit neatly into one Ministerial Portfolio or Department or Agency or even neatly into a Federal or a State jurisdiction. And this in a context where there seems ever increasing expectations on the part of the general public; exponential demographic change, including the ageing of our population; ongoing technological change and disruption to established industries as a consequence of technological change, and the impact of domestic population growth, with its significant impact on domestic public administration.

I speak now using rule of thumb measures, not as a statistician or population demographer: since I attended UWA as a student, Perth's population has increased by over a million to now be a City of two million people. Estimates see Perth as a City of four million people between 2040 and 2050. On the scale of a China or India, a two million increase in population is neither here nor there, but for Perth, that's a doubling of its
population in a short space of time. The upside is that a City of four million people has its own critical mass, like a Melbourne or a Sydney. The down side is the hard work required now to sensibly plan for it.

On the other hand, Indonesia currently has a population of 250 million. Estimates see it with a population of between 350 and 400 million people by 2050, the fourth or fifth largest populated country, together with China, India, the United States and Nigeria.

So by the midway point of this Century, a population of 4 million for Perth, a population for Australia between 30 - 40 million, and a population for Indonesia of between 350 and 400 million.

And in very many respects more importantly, at some stage on that same time line, Indonesia's economy becomes larger than Australia's and subsequently becomes the fourth largest economy in the world, while Australia will be at risk of slipping out of the G20 as a result of the relative decline of the size of our economy, as compared with potential new and emerging economies such as Argentina, Nigeria and Vietnam.

As well, Indonesia's population growth will magnify its economic growth as Indonesia captures even small increases in per capita outcomes, which will see large GDP increases when multiplied across its huge population.

Australia must continue to have a first class long term relationship with Indonesia. But we also continue to have a great deal of work to do to position ourselves to take advantage of the huge opportunities that await Australia and
indeed Western Australia as Indonesia emerges on our doorstep as a top four major world economic power.

This is in some respects an entirely new challenge for Australia. As the comparative economic strengths of our two countries change, it will require new levels of political and international engagement skills at both the State and Federal level and business and industry levels. The risk on the downside is to be relegated or sidelined by regional competitors such as China, Japan and Singapore and not be in the front row of economic partners with a top four economy Indonesia.

As Indonesia emerges as the world's fourth largest economy, some predict an economy growing at more than 5% average per annum. These same predictions postulate Indonesian GDP growth three times larger than Australia by 2050. Such growth will pull hundreds of millions of people out of poverty and see a burgeoning Indonesian middle class demanding a wide variety of goods and services, which potentially Australia could provide, whether from agribusiness, infrastructure, financial, health or education services. Indonesia's transformation is at the heart of one prediction I have seen, namely, that the ASEAN ten's collective middle class will grow from 25% of total ASEAN population to 75% of total population.

If Indonesia is important to Australia’s long term future, then it applies even more so to Western Australia’s future prosperity. After Darwin, Perth is the closest Australian capital city to Jakarta. As a consequence, it strikes me as inexplicable that the Western Australian State Government would choose to close its Trade and Investment Office in Jakarta, at precisely that the point in the cycle when a Western Australia presence is critical to help assist and position Western Australian trade,
industry and commercial investment interests for the enormous opportunities of the future.

Such a presence is also essential to building profile, relationships and trust with the State and its commercial and industrial sectors so that Indonesia understand that Perth and Western Australia will provide into the future a range of reliable and safe investment opportunities in a City and a State with a growing population and invariably a Gross State Product higher than national GDP.

This is all a part of the international trade and investment engagement skills that our State now needs to take to a higher level. And we must get our locations for the future right - our State Singapore office is widely regarded as working well. Western Australia suffers now from the lack of a representative office in Kuala Lumpur, at the same time as Victoria’s presence in KL is very successful. Resource constraints are always issues for government, so invariably priorities count. For the long term, despite the ongoing high level of foreign direct investment from the United Kingdom and Europe, a better allocation of resources would be a full time presence in Jakarta now and thinking about a presence in India, rather than a substantial ongoing presence in London, where the need for government assistance and advice to nurture Australian businesses is substantially less by a considerable margin.

Starting then with Indonesia, how is Australia to survive and prosper in these challenging and changing external circumstances and what are some domestic public policy changes might assist that?
Indonesian language, culture and history education in Australia

A reinvigorated focus on Indonesian language culture and history in Australian schools should encourage young Australians to study Bahasa Indonesia. Bahasa has been taught in Australian schools and Universities since the 1950s. It has consistently been on our educational agenda, as can be seen from the *Australia in the Asian Century White Paper*.

Historically, the demand for Bahasa Indonesia language study in Australian schools has been driven by government rather than as a direct response to the needs of local speakers of the language. There have been a number of government policy initiatives largely for economic or national security reasons that have supported the teaching of Bahasa Indonesia since its introduction.

The importance of being able to communicate and conduct business with our closest neighbour, an increasingly important security partner and trading partner has, despite these efforts over the years, never had the impact such a national priority demands. The study of this language is actually in decline.

Since 2004, six Australian Universities have closed their Indonesian language programs. There has been a forty per cent drop over the past decade in the number of Australian students studying Indonesian at our Universities. At the primary and secondary levels there are about 190,000 students studying Bahasa Indonesia. In 2009 there were fewer students studying Bahasa Indonesia at year 12 level than in there were in 1972.
Despite this regrettable analysis, there is in my view a real strength, warmth and depth in Australia's relationship with Indonesia, reflected by the multiple levels of respective government agency interaction and cooperation. However, despite these relationships, Indonesia remains one of our least understood neighbours by Australians at large.

Studying its language is one small first step toward building an Australia and a Western Australia that much more understands the modern Indonesia. These efforts should also include a redoubled effort in our schools and Universities to broaden the teaching of Indonesian culture and history. And such is the importance of the economic engagement with the State of Western Australia itself, something which the State itself should more vigorously pursue in addition to ongoing Commonwealth efforts. While I leave myself at risk of criticism from curriculum developers, one could do worse, for example, than make Peter Church's "A Short History of South East Asia" a starting point.

Let me now briefly deal with a small number of domestic policy issues relevant and important to capturing the prosperity to flow from the economic change around us. I am not in any way seeking to cover the field, as the essential nature of some ongoing areas of activity, for example, our world class minerals and petroleum resources industries, go without saying.

Tourism

In tourism, major prospects are ahead if we invest in the infrastructure to capture them. With the substantial rise of the Asian middle class, tourism can be a major driver of growth. By 2020, almost 200 million Chinese tourists are expected to travel internationally, doubling of current numbers. Australia can
capitalise on this rising demand, but we will need significant investment in tourism infrastructure if we are to realise our potential in that market, not to mention the Indian and ASEAN market potential.

Australia’s share of global tourism has been in decline for more than a decade. In its final report of the *Jackson Report*, the National Long-Term Tourism Strategy Steering Committee identified a 14 per cent reduction in Australia’s global share of tourism expenditure between 1995 and 2008. For tourism to compete with discretionary spending alternatives, marketing remains a key factor.

Visitors from emerging Asian markets comprised less than 40% of all international holiday visitors to Australia for the year ending March 2012. Australian holiday destination infrastructure needs to be of the same or superior quality as those in competing destinations around the world. In Australia today these types of high quality accommodation and high quality retail shopping areas are not in abundant supply.

Tourism Australia’s analysis suggests there are key trends influencing current tourism distribution and how it may evolve:

- the changing nature of arrivals to Australia - a decade ago international visitors to Australia were from the traditional markets of New Zealand, the US, Canada, and Europe. Asia is now emerging as our best tourism market;
- the growth in internet use - today, consumers have the ability to connect directly with travel and tourism products through the use of the internet and social media. This means they are no longer reliant on intermediaries to facilitate a transaction;
• the growth of low cost carriers (LCCs) flying within the Indo-Pacific and to and from Australia nearly doubled in the period 2007 to 2011.

Australia’s reputation as a tourism destination has to be founded on high quality accommodation infrastructure. This is essential to Australia’s future success as a global tourism destination.

**Agriculture**

In agribusiness, Australia is exceptionally well placed to help meet our near neighbours’ emerging demand for the reliable supply of safe, premium quality food. Population and prosperity growth is estimated to increase world food demand by almost 80% by 2050.

To meet this potential, substantial foreign direct capital investment will be required, as will consolidation of land holdings and operations, and water in reliable supply.

The Western Australia agriculture sector needs access to productive soil and reliable water resources to expanding and increase production to meet this demand. This will require investing in undeveloped areas to establish new irrigated agricultural opportunities.

There is currently 50,000 hectares under irrigated agriculture in Western Australia. The Western Australian Department of Agriculture and Food says that the State could have up to 10 million hectares under irrigation.

Much of this growth could occur in the Kimberley.
Pockets of the Kimberley receive as much rain during the wet season as parts of the south west land division gets annually, but fattening cattle during the dry season for the live export market has always been a challenge for northern pastoralists. Wet season fodder does not last the whole growing season.

Irrigation is a key to a cattle industry that can guarantee reliable quality supply to markets.

The Kimberley has large reserves of in-ground water and some of the largest water carrying rivers in the country. Managing, storing and conserving these water reserves provides a major challenge, but there is a huge upside if we are technically component and environmentally sensitive enough to harness this resource. Such irrigation research and investment needs to be a National and Western Australian State priority.

**Education**

Often in the past when new opportunities for Australia were mentioned, one could be forgiven for thinking that from time to time some assumed that education would be a simple and easy foreign exchange earner for Australia, that Australian Universities would simply declare themselves open for business, and foreign students, particularly Asian students would come. Particularly at this venue, I stress this is very much an off campus impression!

This view or impression fails to appreciate the economic, cultural and technological imperatives of the day. Students can choose Universities in the United States, the United...
Kingdom, or, increasingly, their own home countries of, for example, China, India or Indonesia.

As well, Universities are coming to them in the form of online courses delivered over broadband. As a consequence, the education export of the future will almost certainly need to include partnerships with host countries and host Universities. And, as the Colombo Plan Mark Two recognises, must be based on mutual respect where students from Australia are exposed to the learnings and the culture of Asia in the same way students from Asia are exposed to our learning and our culture. This will be the most effective way of qualitatively growing people to people links with countries in our region, as our respective students become lifelong ambassadors for both countries.

**Participation in public administration**

Investment in key areas such as Asian languages and culture, tourism, agribusiness and other infrastructure and education is not the only requirement to maintain and enhance Australia’s prosperity in a vastly changing world.

To position Australia for the midpoint of this century, where we find India, China, the United States and Indonesia as population and economic giants, we need public policy and public administration practitioners of the highest quality. And this is not restricted to Members of Parliaments and Ministers, but to attracting quality minds and practitioners to our State and Federal Public Services.
In Australia today there are reputational disincentives to people becoming involved in Parliamentary life or public administration - public service as it was once known as.

It has become increasingly difficult to attract or encourage publically spirited people to contemplate entering Parliament. Twenty four hour media cycles, constant personal scrutiny, the voracious appetite of social media for content all now mitigate against public life.

From Western Australia it has always been difficult to encourage members of the community who have not been political activists to contemplate Canberra. These days the same challenge is true for all political Parties at the State level.

Greater prosperity as a result of nearly a quarter of a century of continuous positive economic growth has increased private commercial opportunities, making it more difficult to attract capable young people into public service.

It will not necessarily in my view be mechanistic measures that turn these issues around. What is required is a rebuilding of respect for the task and an understanding of how important such contributions are for our National and State interests into the future.

1 per cent of Australians are now involved in political parties, compared with 5 per cent who are active in environmental and animal welfare groups.

The ALP's membership is half what it was at the end of World War II.
The Liberal Party is facing the same membership issues. In its traditional stronghold, Victoria, in 1945 it could boast 49,000 members. By 2008, it was just over 13,000. Almost 90 per cent of members were over 60 years old, while just 6 per cent were under 30.

The major political parties have never before faced such stiff competition for talent. For example, online activist group GetUp!, now has 380,000 members - more than all the Australian political parties combined.

Political parties the world over are experimenting with reforms. United States style primaries to pick candidates are now thought about outside the US, the thinking being that public interest will be stirred if members of the community, as well as members of the Party, have a say.

My own view for some time has been that it would be in the interests of my own political Party, the Australian Labor Party, and our State and Nation, if Labor was to move to a system of Registered ALP Supporters who would play a role in Parliamentary candidate selection in conjunction with Party members.

All these issues would have seriously interested Gordon Reid. He would have recognised the need for quality contributions to public administration in the world which now surrounds us. He would have instantly recognised that in such a challenging world it was perhaps even more important than before.

But I suspect he would have done that not on some basis of looking back to how things were, but on the basis of looking out
to see what the challenges were, and then looking in to see what changes for the better could be made in public policy and public administration.

I thank the Institute of Advanced Studies and the Institute of Public Administration (WA) for the privilege of presenting the Reid Oration 2014 and I thank you for your attendance.