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Joint Standing Committee on Foreign Affairs, Defence and Trade

Inquiry into the implications of the COVID19 pandemic for Australia's foreign affairs, defence and trade

Committee Secretary
Joint Standing Committee on Foreign Affairs, Defence and Trade
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Parliament House
Canberra ACT 2600

Submission by Australia21 Limited

Australia21 is an Australian registered charity based in Canberra, which was established in 2001 to undertake research with a view to ensuring an informed national debate that leads to evidence-based policy that benefits all Australians. We make the results of our investigations and research widely available, across multiple platforms so that policy developers, industry, media and the public can benefit from our work and the insights we have. We are funded by donations from the public, philanthropic grants, government grants, academic and industry partnerships.

Our submission is directed to the term of reference that concerns national resilience, but we will also address:

- The strategic implications of COVID19
- Implications for Australia's foreign affairs, defence and trade
- Threats to the global rules based order
- Supply chain integrity/assurance

Resilience

In order to form “an ongoing effective national framework to ensure the resilience required to underpin Australia's economic and strategic objectives” it will be essential to have a very clear technical definition of what resilience is, and an understanding of the factors that contribute to building it, and those which tend to undermine it. Australia21 has undertaken and published a significant amount of research on resilience, and what follows draws on our February 2007 discussion paper *How Resilient is Australia?* prepared by Steven Cork, Brian Walker and Ross Buckley.

A useful definition of resilience is “the capacity of a system to absorb disturbance and reorganise so as to retain essentially the same functions, structure and feedbacks – to have the same identity”. Put another way, it is in this context the capacity of Australia’s social and economic processes to maintain their general structure and functions in the face of disturbance, even though they must adapt and change in various ways. It is the ability of our “system” as a whole to stay in its current regime and avoid being pushed over a threshold beyond which it is unable to return to its original identity.

It is important to emphasise that resilience is not about resisting change. Research on how social and ecological systems have responded to change in the past shows that resisting change is a recipe for a system to be overwhelmed by it and to lose its essential functions and identity.

It is important also to note that during the pandemic the Australian public has shown that it can accept major policy change when it is seen to be for the common good. The pandemic has opened a window for substantial policy innovation if we are willing to trust the science and look forward rather than trying to restore a version of the old order.

Research on resilience has identified a number of features that need to be recognised if the concept is to be used consistently and without confusion:

1. Understanding resilience is largely about recognising the different regimes of states in which systems exist and the processes that discourage the system from moving from one regime to another (e.g. a society moving from a peaceful and productive “state” to a state of civil unrest or economic decline).
2. The slowly changing variables are those that tend to catch us unawares. An example here would be the steady change over many years in the relative power and influence of China and the United States in the Asia-Pacific region. Other examples would include the steady changes brought on by climate change, and the development of antibiotic resistance in bacteria.
3. The resilience of systems is most tested when they are hit by sudden shocks that have the potential to push them to a different regime of states (e.g. the 2008-09 Global Financial Crisis and the current COVID19 crisis).
4. In any system resilience is expressed at multiple scales: it is appropriate to consider not only the resilience of the nation, but of the states, regions, cities, towns and households that make it up
5. Trying to enhance resilience at one scale can reduce it at others
6. The difference between general resilience, and specified resilience (resilience of what, to what) matters
7. A system cannot be understood or managed by focusing only at one scale of particular interest; in order to understand a system, it is necessary to consider at least the dynamics of the system at the scale above and the scale of embedded systems below, and the interactions across this hierarchy of scales.

What the above amounts to is that in order to consider Australia’s resilience in the defence, foreign relations or trade and economic spheres, it is essential to consider, inter alia:

- The resilience of the global economic systems in which we are embedded. In 2008 the global financial system (and important national financial systems) proved to be

less resilient than we would have liked it to be, and the same can be said about global public health systems, and important national public health systems, in 2020. Both have delivered severe shocks to Australia

- The resilience of the network of relationships in which we participate. How resilient is our immediate region, and how resilient is the ally upon whom we depend so much?
- The resilience of constituent entities that make up Australia's "identity": our major cities, our regional communities, our transport systems, our production of food and fibre, our industries, including especially those that are required to support our defence capabilities
- Resilience at the community level, in relation to which we would argue that social integration, characterised by equal opportunity for, and mutual respect between, Australians of different faiths, ethnic backgrounds, occupations, genders, and sexual orientation are vital to community resilience, as is the availability of access to education, health and appropriate safety nets.
- Social integration must include recognition of our Indigenous history and its implications – including especially the history of dispossession and disadvantage. We urge serious and respectful consideration of the Uluru Statement from the Heart, as a way of strengthening our core identity and hence our resilience.
- Resilience at the household level: we would argue that inequality of wealth and income, and the emergence of extraordinarily high levels of household debt, make households less resilient, thereby making individual communities and the nation as a whole, less resilient. Access to education, health and appropriate safety nets is also important at the household level.
- The slowly-changing variables that are likely to catch us unawares: climate change, environmental degradation, loss of biodiversity, contamination of the landscape and the oceans by chemicals and plastics etc.

Australia21 has examined Australia's resilience several times since 2007. Consistently, it appears that official (largely governmental) processes have acted to reduce or limit Australia's resilience to major shocks, while unofficial (community, private) efforts have worked to increase resilience. Included in Australia21's report has been considerable advice specifically regarding pandemic preparedness. An interesting theme that has arisen more than once is that where Australia has managed to deal effectively with a shock (e.g., global financial disaster and possibly the current pandemic), emergency action has been possible largely because Australia was in a good position due to luck.

To elaborate, in 2007 Australia21 ran a roundtable asking the question "How resilient is Australia?". That roundtable led to three subsequent publications: the reports "How Resilient is Australia?" and "Brighter Prospects" and the book "Resilience and Transformation". The latter examined, in depth, key aspects of Australia's resilience. The original roundtable discussed 15 characteristics of Australia's resilience at that time.

Participants thought that 11 of these were trending in an undesirable direction:

- Official encouragement of diverse ideas, skills, and viewpoints
- Official efforts towards clarity of values and directions

- Official encouragement for sharing of, and respect for, alternative ideas and information
- Capacity to achieve consensus and commonality of purpose
- Exploration and identification of challenges and opportunities
- Members of the Australian workforce with time and motivation to invest in ideas and build and maintain social connections and cooperation
- Investment in innovation
- Motivation, optimism and the capacity of individuals to deal with social and economic problems
- Trust and respect
- Spare capacity to deal with the unexpected
- Complexity of the way Australian society functions (including bureaucracy, regulation, information, human interrelationships, and economic systems)

There were some characteristics thought to be trending in a desirable direction, but these were largely occurring outside official processes:

- Generation of new ideas, skills and viewpoints outside official processes
- Unofficial debate to clarify values and directions
- Unofficial sharing of, and respect for, alternative ideas and information
- Retired members of society with time and motivation to invest in ideas and build and maintain social connections and cooperation

It appears that the situation has not changed greatly since 2007, or perhaps the undesirable aspects have become worse while the desirable aspects might have improved.

Strategic implications of COVID19

Following COVID19 Australia needs an expanded concept of national security, one which embraces not only traditional defence of Australian territory, counter-terrorism and defence against espionage and subversion, but the expanded notion of national security outlined by The Australia Institute's Allan Behm in his [20 April Guardian article](#), in which he said, inter alia:

Prosperity and individual security are now key considerations in national security policy. If we are to deal with the disruption that now characterises the global economic, climate, health and political environments, it is imperative that we rethink the foundations of national security policy.

Social inclusion, the protection of rights, the promotion of values and resilience – all of them supported by a strong economic base – are basic elements of security policy. The scope of national security policy needs to transcend traditional defence and law enforcement models by comprehending climate change, human security against pandemics, environmental (and soil) degradation, food security, water shortages and refugee flows – to identify just a few issues.

A key challenge for Australia is to build these changing concepts of security into our national governance.

There can be no reliable national security policy that fails to take account of all of the risk factors that threaten the security and wellbeing of individual Australians.

Consistent with that, we would commend to the Committee the work of the recently established [Commission for the Human Future](#), which has identified ten catastrophic risks facing mankind:

- Decline of key natural resources and an emerging global resource crisis, especially in water
- Collapse of ecosystems that support life, and the mass extinction of species
- Human population growth and demand, beyond the Earth's carrying capacity
- Global warming, sea level rise and changes in the Earth's climate affecting all human activity
- Universal pollution of the Earth system and all life by chemicals
- Rising food insecurity and failing nutritional quality
- Nuclear arms and other weapons of mass destruction
- Pandemics of new and untreatable disease
- Advent of powerful, uncontrolled new technologies
- National and global failure to understand and act preventively on these risks.

In the post-COVID19 world, all public policy frameworks need to be viewed through a resilience lens. Among the many consequences of this thinking:

- Small government is not always good government, and "effectiveness" is every bit as important as "efficiency"
 - In deciding what action to take in response to the public health threat from the pandemic, the government clearly went for public health effectiveness rather than do some kind of cost/benefit trade-off
 - Similarly, no one faced by a bushfire threat ever complained that there were too many firefighters or too much firefighting equipment was brought to bear – effectiveness was their key concern
- Policies need to be founded on an understanding that society and the economy operate within, and are dependent upon, the environment.
- The large debt overhang from which we will emerge from COVID19 will intensify the case for identifying and discarding expensive white elephant policies which cost us billions of dollars annually for little if any identifiable benefit, and replacing them with more effective, safer and more cost effective policies. Among these we could enumerate
 - The social and economic costs of the law-and-order approach to illicit drugs, the so-called "War on Drugs", which has long been a proven failure
 - The enormous cost, as well as the human misery inflicted, of keeping asylum seekers in indefinite detention.
 - The inadequate, ineffective, internally inconsistent and economically costly Federal climate and energy policies, which are resulting in increasing loss of Australian lives and livelihoods.

- Explicit recognition of the need to reduce inequality, which is harmful not only to the individuals in the lower socio-economic strata, but to social cohesion, and is harmful to economic growth.
- The need to restore science and other technical knowledge and skills to their proper place as the foundation of evidence-based public policy
- The need to rebuild public trust in our institutions:
 - Parliament must again become an institution in which serious matters are debated seriously by serious people and the views of non-Government MPs are heard and respected
 - Policy-makers need to learn to think further ahead and to take more account of the long-term risks inherent in the policies they adopt
 - How to develop this way of thinking is the subject of Australia21's Mindful Futures project, and has been recently outlined in the European Commission's report: [Understanding Our Political Nature: How to put knowledge and reason at the heart of political decision-making](#). This EC report highlights that humans do not always think rationally and basing politics on the assumption that they do is problematic. Motivated reasoning is the tendency to arrive at conclusions about evidence that match people's pre-existing beliefs – so that if an argument threatens an individual's political ideology, they will fight it vigorously and if it supports their worldview, they may accept it without much objection. Misperceptions are different from ignorance - misinformed people do not think of themselves as ignorant – they hold facts which they believe to be true. Thinking collectively can often overcome individual bias and significantly improve the quality of outcome, but only if collaborative processes are carefully designed.
 - There is a crying need to reskill a public service whose capacities have been seriously degraded by the outsourcing of so much of their traditional policy advisory and service delivery functions.
- We need to construct our future on the basis that we are a society, not just an "economy" in which people are mere units of economic production and consumption, and recognise that the economy is meant to serve the people, not the other way around.

In addition to the discarding of expensive "white elephant" policies, considerable confusion, waste, duplication and overlap could be achieved by the application to Australia's three tier political system of the principle of "subsidiarity" – the idea that responsibility and power should be devolved to the lowest level in a hierarchy that can deal with the issues effectively. It is not evident to us that it is a good use of Commonwealth time to be considering which local sporting clubs are most deserving of an upgrade to their change rooms, kitchens or playing surfaces: issues like that would be better dealt with by local decision making, perhaps with less well off local government bodies being assisted with grants from the relevant state.

Nor is it evident to us that the Commonwealth should be closely involved in decisions like which regional centres need a hospital upgrade or which roads need improvement.

Effective application of the principle of subsidiarity will require two things:

- Large-scale winding up of the system of Commonwealth intervention in matters constitutionally the responsibility of the States via specific purpose payments under s.96 of the Constitution.
- Reform of the taxation system to give the States access to efficient taxes on a scale commensurate with their responsibilities.

The situation regarding specific purpose payments is best outlined by quoting *in extenso* from the Executive Summary of [Specific purpose payments and the Australian Federal System](#) (Parliamentary Research Service Research Paper No. 7, 2007-08):

- Specific purpose payments (SPPs) are grants the Commonwealth makes to the states, usually subject to conditions as to how the money is spent, in areas such as health and education, which the states administer.
- A feature of Australia's federal system is that power over spending and policy-making is becoming increasingly concentrated in the Commonwealth.
- SPPs are a major mechanism for centralisation because they allow Commonwealth involvement in areas beyond those stipulated in the Constitution. Consequently, the Commonwealth now shares with the states many functions which were formerly the preserve of the states.
- Whilst there are valid reasons for the Commonwealth to provide SPPs, some see the Commonwealth's use of SPPs, especially the trends towards using SPPs for short-term political purposes and as a means of imposing the Commonwealth's priorities on the states, as undermining the federal system of government.
- Problems associated with SPPs include a lack of accountability, duplication of administration, and blame-sharing. One estimate has the fiscal cost of these problems at \$9 billion annually.
- Numerous proposals have been advanced to improve the operation of SPPs but few have been implemented. The proposals include focusing on outcomes, the pooling of Commonwealth and state funds, and expanding the states tax base. The Commonwealth's extensive use of its SPP powers will continue while the states lack own-source revenue. But no moves are afoot to give the states greater taxation powers because this would entail fundamental change.
- The Commonwealth's involvement in ever more functions through SPPs has led to the perception that the Commonwealth is primarily responsible for a function even when responsibility rests primarily with the other tiers of government. This involvement is leading to ever greater expectations of the Commonwealth government.

Constitutionally the States have the power to levy income tax (they did do so until World War II, at which time the Commonwealth took it over as a temporary measure to assist with financing the war). It would be hard to imagine any State unilaterally introducing an additional tax on income; nor would this be desirable. The solution we advocate would be for an agreed share of income tax collections to be passed on unconditionally to the States, for them to spend as they see fit in accordance with their constitutional responsibilities.

Failing that, the States will in all probability find themselves unable to eliminate taxes like payroll tax and stamp duty on property purchases, both of which are a significant drag on the economy.

Implications for Australia's foreign affairs, defence and trade

The application of resilience thinking to our foreign affairs, defence and trade would indicate that:

- We would be wise to place much less reliance than we do on a single powerful ally that may or may not come to our aid when it comes to the point
- Similarly, we would be wise to seek to diversify both the composition and the destinations of our exports. This is not a comment per se about China being our greatest trading partner, nor is it a comment that we need to find new markets for our iron ore. Rather, it is a question whether it is wise for the pattern of our trade to be such that a single trading partner accounts for 33% of our exports, or for us to be so reliant upon the export of commodities like iron ore, coal and natural gas, which together accounted for about 40% of our exports in 2018-19.
- Our pattern of exports is a reflection of our domestic priorities and policies. We cannot export what we do not produce. Accordingly, we would recommend that all Australian Governments commit to increasing the nation's R&D effort, in both the public and private spheres, with a view to developing over time an export pattern that is less dependent upon commodities and made up to an increasing extent of goods and services that are not easily source elsewhere.

Threats to the global rules-based order

The COVID19 crisis has intensified rather than created threats to the rules-based order.

- Trade multilateralism has been breaking down for many years.
 - The great multilateral trade negotiation rounds like the Uruguay Round (1986-93), the eighth of the multilateral trade negotiation rounds conducted within the framework of the General Agreement on Tariffs and Trade (GATT), have effectively stalled. The Doha Round was officially launched in 2001 by the World Trade Organisation (WTO), the successor body to the GATT, which was brought into being as an outcome of the Uruguay Round. Unfortunately, negotiations broke down in 2008, and several subsequent attempts to revive them proved unsuccessful, and [the relevant page of the DFAT website](#) states that the Round is effectively over. It goes on to say:

Australia remains supportive of ensuring the institutional credibility of the WTO is promoted and upheld. Australia will continue to work with other WTO Members to develop a new negotiating agenda for the WTO which includes important outstanding Doha issues – such as agriculture – as well as new issues relevant to the modern global trading environment.

We support this position and urge that it become central to Australian trade diplomacy.

- The difficulties with the Doha Round have led to an increasing emphasis on bilateral free trade agreements, but this is leading to a fragmented world trade regime rather than a world in which all WTO member states trade with each other under the same set of rules

- It is also a world in which the United States in particular feels free to change at will the basis on which other countries can trade with it; this has been the experience not only of countries towards which the US is hostile, eg China, but its neighbours Canada and Mexico, and traditional allies and trading partners like the EU and its member states
- Furthermore, it is a world in which the United States is prepared, without UN authorisation or support, not only to impose “crippling sanctions” on countries with which it has an hostile relationship, but to use its economic muscle to deter other countries or non-US businesses from trading with them (and indeed, in the case of Iran and Venezuela, to insist that they may not trade with each other). This is not a “rules-based system” and we should not encourage, support or comply with this behaviour.
- Most notably, the rules-based order has been breaking down in the military sphere.
 - Central to the maintenance of international peace and security are the obligations laid down in Articles 2.3 and 2.4 of the United Nations Charter:

2.2 All Members shall settle their international disputes by peaceful means in such a manner that international peace and security, and justice, are not endangered.

2.3 All Members shall refrain in their international relations from the threat or use of force against the territorial integrity or political independence of any state, or in any other manner inconsistent with the Purposes of the United Nations.
 - These obligations are reflected in the ANZUS Treaty, Article I of which provides:

The Parties undertake, as set forth in the Charter of the United Nations, to settle any international disputes in which they may be involved by peaceful means in such a manner that international peace and security and justice are not endangered and to refrain in their international relations from the threat or use of force in any manner inconsistent with the purposes of the United Nations.
 - These obligations are routinely violated by a number of states. Of particular relevance to Australia as an ANZUS partner is the fact that its US ally can hardly be said to be notable for its willingness to refrain from the threat or the use of force. According to [this 7 April 2020 article](#) in the US publication Business Insider, in 2019 members of US special operations forces operated in 141 countries.
 - A spectacular violation of the obligations laid down in both the UN Charter and the ANZUS Treaty was the US-led invasion of Iraq in 2003, in which Australia participated, apparently in the belief that Australia's future security would be enhanced by this demonstration that we were a reliable ally.

Viewing these matters from a resilience perspective, we would argue that Australia should not rely so heavily upon a single point of assurance – the assumption that a single powerful ally will come to our aid as and when needed. Our concerns in this regard are intensified by the commentary in [this 25 May 2020 article](#) by Brian Toohey, to the effect that we are too tightly tied into the Pentagon's force structure and that the US denies us access to source

codes that are essential to enable us to operate key electronic components in its ships, planes, missiles, sensors and so on. The Australian public needs to be assured that the ADF can do more than participate as a junior ally in US-led operations.

We would also argue that our system will be more resilient if decisions to deploy the ADF are authorised by the Parliament, in which a plurality of views can be aired, and the objectives and critical success factors can be identified, rather than being the decisions of a small group within the Executive.

We would argue that, as an advanced, wealthy and militarily capable nation, Australia should seek

- To maximise the self-reliance of the Australian Defence Force, ensuring in particular that it is able to maintain, upgrade and operate all weapons systems etc., and that they can be fully supported by Australian defence industry
- Ensure that the ADF force structure is designed for the defence of Australia and not for participation in military operations remote from Australia's shores.
- To place increasing reliance on the development of a network of collaborative arrangements with countries in our region
- To support the above with an enhanced diplomatic (including "soft power") and development assistance effort, for which purpose we will need to strengthen our diplomatic assets and our aid program.

Supply chain integrity/assurance

The COVID19 experience has demonstrated that we cannot expect to rely on global "just in time" delivery systems for the provision of goods and services for which we must be assured of continuity of supply.

Fuel supplies are a particular concern. It is not evident to us that maintaining crude petroleum in underground storage in the United States enhances our fuel security, especially as we have permitted our domestic refinery capability to wither.

We suggest there should be a systematic process of identifying which goods and services must be produced in-country. At the same time, we want to ensure that to the maximum extent it is prudent to do so we continue to enjoy the benefits of international trade. Accordingly, it will be important to ensure that the identification of vital goods and services is immune to lobbying by vested interests.

Concluding observations

In Australia informed debate about matters of foreign, trade and defence policy tend to be conducted between relatively limited circles of highly informed individuals within relevant governmental organisations and academia. There is little meaningful debate about it in Parliament and relatively little of it reaches the general public. Treatment of it in the mainstream media is superficial at best.

We are aware that some scenario planning has been undertaken within the Australian Government and that the Departments of Defence and Home Affairs have been involved in this work. It is unfortunate that very little of this scenario thinking is communicated to the

general public. Those who are familiar with scenario planning well understand that scenarios have their most educative effect upon those who are involved in developing them, not just on those who read the final product. We recommend that the Government make strenuous efforts to involve the general public in the development of its thinking about the future of our foreign policy, our trade and economic policy and our defence and strategic policy. Narratives about our future should be developed by all Australians through processes that help them think seriously about alternative futures, to the point where they almost experience those futures. Keeping the public uninformed or, worse, feeding them unrealistic narratives about the present and future, will leave us unprepared and unresilient. Policy which is not understood will not last.

Specific Recommendations

1. National security policy must be seen as encompassing all issues that bear upon the security and wellbeing of the Australian people
2. All policy for the post-COVID19 world should be formulated with due regard to the ten catastrophic risks identified above
3. Similarly, due regard should be had to the issues related to resilience described above
4. The formulation of policy must have regard to longer term risks and consequences as well as perceived short-term benefit
5. In support of recommendations 1-4, all policy should be based upon the best evidence and knowledge that are available; science and other technical knowledge and skills must be restored to their proper place as the foundation of evidence-based public policy
6. Expensive "white elephant" policies (notably those identified above) need to be identified and discarded as rapidly as practicable
7. The principle of "subsidiarity" should become an organising principle of the Australian Federation. Pursuant to that the Commonwealth should begin a transition away from the current emphasis on Specific Purpose Payments to the States, in favour of passing on an agreed share of income tax collections
8. Australia should seek a more diversified pattern of trade based upon a diversification of our domestic economic activity, supported by an enhanced R&D effort
9. In pursuit of the (re)establishment of a rules-based international order, Australia must be prepared via its diplomacy to insist that all of the rules apply to all international actors all of the time.
10. In the multipolar world which is emerging Australia should rely less for its defence upon a single powerful ally, and seek assurance from a network of relationships in the region. Pursuant to that it should maximise the self-reliance of the Australian Defence Force.

We would be happy to attend a hearing of the Committee at a mutually convenient time.



(Paul Barratt AO)
Chair, Australia21
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