Submission No 15

Inquiry into Australia's Overseas Representation

Name: Andrew Shearer, Senior Research Fellow and
Director of Studies
Fergus Hanson, Research Fellow and Director of
the Lowy Institute Poll
Alex Oliver, Research Fellow

Organisation: Lowy Institute for International Policy
PO Box H-159
Australia Square NSW 1215

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Joint Standing Committee on Foreign Affairs, Defence and Trade

LOWY INSTITUTE
FOR INTERNATIONAL POLICY

Submission to the
Joint Standing Committee on Foreign Affairs, Defence and Trade
Inquiry into Australia's overseas representation

Andrew Shearer, Director of Studies and Senior Fellow
Fergus Hanson, Research Fellow and Director of the Lowy Institute Poll
Alexandra Oliver, Research Fellow
Lowy Institute for International Policy, Sydney, Australia

30 November 2011

This submission responds to the referral by Federal Government on 13 September 2011 to the Joint Standing Committee on Foreign Affairs, Defence and Trade of an inquiry into Australia's overseas representation.

The inquiry terms of reference are to examine and report on Australia's overseas representation, in particular:

- the activities that Australia's diplomatic posts must undertake
- their geographic location and spread
- the appropriate level of staffing, including locally engaged staff; and
- the effect of e-diplomacy and information and communications technology on the activities of diplomatic posts.

The submission is in two parts:

Part 1	Submission by Andrew Shearer and Alexandra Oliver, addressing the terms of reference – page 1
Part 2	Submission by Fergus Hanson, addressing in particular the term of reference dealing with ediplomacy and information and communications technology – page 17
Attachment A:	Blue Ribbon Panel, Lowy Institute for International Policy, *Australia's Diplomatic Deficit: reinvesting in our instruments of international policy*
Attachment B:	Alex Oliver and Andrew Shearer, *Diplomatic Disrepair: rebuilding Australia's international policy infrastructure*

PART 1

Andrew Shearer,
Director of Studies and Senior Fellow,
Lowy Institute for International Policy

Alex Oliver,
Research Fellow,
Lowy Institute for International Policy

30 November 2011

Introduction

For almost three years the Lowy Institute has sought to draw attention to the serious problems afflicting Australia's overseas diplomatic representation.

Diplomacy is one of the most important tools for government to influence Australia's external environment. Effective diplomacy can pre-empt the need for far more expensive military and humanitarian interventions, and help support Australia's prosperity and security at a time of global economic instability and uncertainty created by power shifts in Asia.

> *"… in an increasingly multipolar world …in an increasingly globalised order, [or] what might be called the age of globalisation of everything, this Australian foreign service will become more important to the prosecution of our national interests, not less."* [1]

> Kevin Rudd, Minister for
> Foreign Affairs, 2010

Despite the importance of maintaining an effective foreign service in an increasingly complex and competitive world, the number of diplomats serving overseas has been slashed over recent decades and Australia has insufficient diplomatic missions, particularly in emerging global centres of power. Funding is an inadequate $890 million annually.

By contrast the Australian government spends $26 billion annually on defence and $4 billion on aid, while it outlays less than $1 billion each year on diplomacy: [2]

Defence, DFAT and ODA spending 1996-2015

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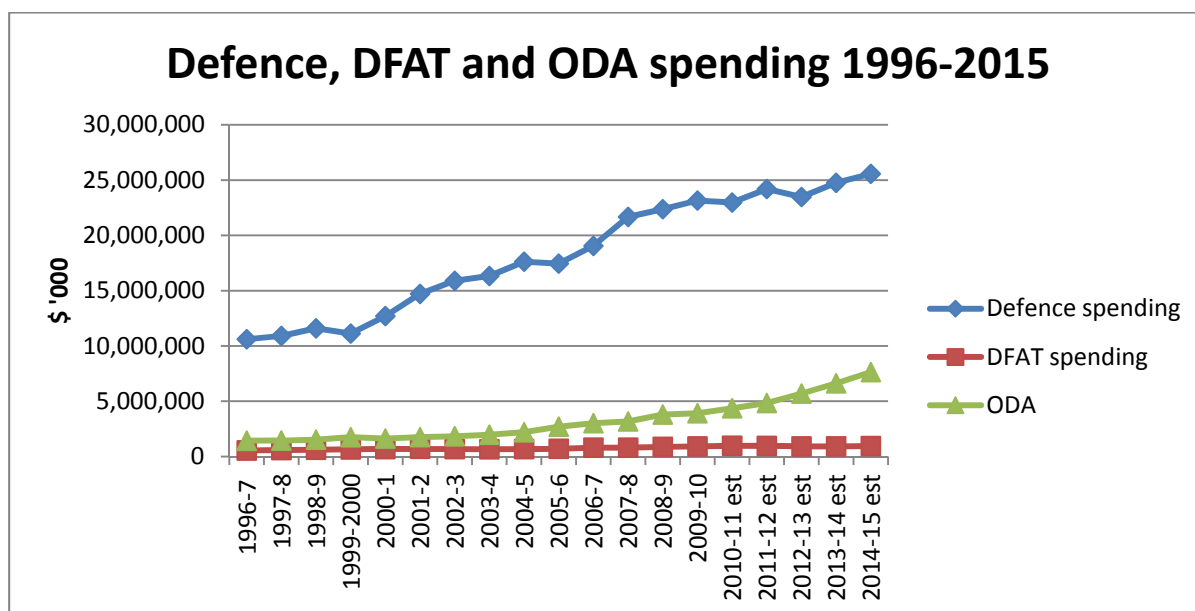
[1] Kevin Rudd, The future of the Australian foreign service. Commemorating the 75th anniversary of the establishment of the modern Department of Foreign Affairs and Trade, Canberra, 18 November 2010, p 5.
[2] Defence expenditure 2010-11, Mark Thomson, *The cost of defence: ASPI Defence budget brief 2011-12. Seventy-two million, seven hundred & sixty-six thousand, six hundred & nineteen dollars & eighteen cents per day*. Australian Strategic Policy Institute, 2011. Aid expenditure 2010-11, rising to $4.7 billion in 2011-12. *2011-12 Australian Government Budget*, Portfolio Budget Statements; DFAT expenditure from DFAT 2009-10 Annual Report

This is a bipartisan problem. Both sides of politics have contributed to it. Fixing it requires long term bipartisan commitment. Yet following this month's mini budget DFAT is likely to face further cuts.

In 2009 the Lowy Institute appointed a "blue ribbon" panel of independent experts from a variety of backgrounds, including business leaders, scholars and former senior diplomats to review Australia's instruments of international policy. The overseas diplomatic network was a major focus of the panel's report, *Australia's Diplomatic Deficit*.[3]

The panel reported that Australia's diplomatic network had been hollowed out by years of underfunding by successive governments, and rising demands, particularly for consular services. It had not kept pace with our interests or with a changing world. Australia was diplomatically underrepresented abroad, particularly in emerging centres of power. Our overseas representation compared very poorly with almost all other developed nations', including those located in more stable neighbourhoods and enjoying the diplomatic benefits of belonging to a regional bloc such as the European Union. A shortage of diplomatic posts and of diplomats, combined with critical skills shortages – particularly in foreign languages – was constraining the ability of the Department of Foreign Affairs and Trade (DFAT) to build and sustain the networks of contacts needed to understand, interpret and influence Australia's rapidly changing external environment. In a world where non-state actors such as foreign publics, media, MGOs, extremist networks and multinational corporations were becoming increasingly important, our panel found that the government's public diplomacy was lacklustre and use of new digital platforms almost non-existent. In short, our diplomatic infrastructure was in a parlous state of disrepair. A copy of the panel's report is at Attachment A.

In August 2011, we published a report, *Diplomatic Disrepair: rebuilding Australia's international policy infrastructure*, which revisited the Lowy Institute's 2009 study and addressed some new issues. Our full report is at Attachment B.

Despite several positive developments since 2009, *Diplomatic Disrepair* found that Australia in 2011 has fewer diplomatic posts than any other member of the G20 group of nations and remains near the bottom of the OECD league table in terms of the extent of its diplomatic network abroad. Australia is a highly globalised nation situated in a fluid region and facing an increasingly uncertain international security and economic outlook., These shortfalls are seriously compromising our ability to deal effectively with the world. Unless they are remedied, our report argues, Australia's economic, political and security interests could be seriously jeopardised.

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[3] Lowy Institute for International Policy, Blue Ribbon Panel report, *Australia's diplomatic deficit: reinvesting in our instruments of international policy,* March 2009.

Australia's diplomatic network faces unprecedented challenges and rising demands

The events of the last few months have demonstrated the fragility of the global economy following the global financial crisis. The besieged Eurozone and continuing US debt crisis are evidence of a highly vulnerable international economy, with real ramifications for Australians' jobs, savings and standard of living.

Shifting power balances in Asia are creating uncertainty about the future of the existing regional order and the open economic system on which Australia's security, prosperity and political autonomy have rested for decades.

Unexpected developments in Indonesia, our sprawling northern neighbour, can have serious consequences for Australians – as demonstrated by the interruption to the $300 million live cattle trade this year. Political instability in Papua New Guinea, the continuing stand-off with the military dictatorship in Fiji and a growing Chinese economic and aid presence have underlined the continuing volatility of our immediate neighbourhood.

The political reform movement sweeping much of North Africa and the Middle East is transforming a region of increasing economic and strategic importance to Australia.

Terrorism remains a threat, and other transnational threats such as natural disasters, energy, food and water insecurity, and piracy continue to challenge Australia and other countries to work together in new ways to find effective solutions.

Australia is overdue to serve a term on the UN Security Council and clearly merits election based on its many contributions to international peace and prosperity, including peacekeeping and development assistance activities. Yet it needs to be acknowledged that that the tough campaign for a seat on the Council in 2013-14 is further stretching DFAT's thinly spread diplomatic resources, as would servicing a place on the Council if the bid is successful. More lastingly, the elevation of the G-20 and the East Asia Summit as institutions engaging important Australian global and regional interests is also creating additional demands on the department's diminished policy development and advocacy capacities.

The number of Australians travelling and engaging with the world continues to grow, exacerbating demand for and expectations of consular services. Over 7 million Australians now travel every year, and the number of passport applications has soared by almost 16 per cent in the last two years. Since 2009, DFAT's tireless and largely unacknowledged consular staff have responded to terrorist attacks in Mumbai and elsewhere, civil unrest and airport closures in Bangkok, revolution in Tunisia, Egypt and Libya and protests across the Middle East, as well as devastating natural disasters in New Zealand and Japan.

To make matters worse, Australia and many of its other traditional partners, including the United States, Britain and Japan, are facing these challenges in much more constrained fiscal circumstances. The United States, Britain, the Netherlands and New Zealand, for example, have all been forced to cut their diplomatic services since our last review.

Progress since 2009 has been insufficient to redress serious shortfalls

Against this disturbing backdrop, and following the *Diplomatic Deficit* report of 2009, the government made some very modest investments in DFAT. Within the Department, some steps were taken to address the deficiencies identified in our report:

- The 2009 Budget allocated $300 million over four years to boost DFAT's funding base and build Australia's diplomatic presence in India, Pakistan, Africa and Latin America (although a portion of this was removed in later budget adjustments). The 2010 Budget added $61 million over four years to enhance engagement with India. These were all regions we had identified where Australia's growing interests were not supported by an adequate diplomatic presence. Despite more difficult budget conditions, DFAT avoided major cuts in the 2011 Budget.
- Australia has established four new diplomatic posts: Addis Ababa, Ethiopia; Lima, Peru (re-opened); and Mumbai and Chennai, India (both previously Austrade offices). Nonetheless, Australia's ranking among an expanded OECD (of 34 member states compared with 30 in 2009) remains a lowly 25th place.
- DFAT has established 55 new diplomatic positions abroad, increasing the total from 520 to 575.[4] As a result, the proportion of 'small' diplomatic posts (three or fewer DFAT diplomatic staff) declined slightly from 40 to 37 per cent.
- The 2011-12 Budget included a one-off $4 million boost to consular services.
- Spending on language training has increased 69 per cent in the past two years. The number of diplomats with a working-level proficiency in an Asian language rose from 227 in 2008 to 266 in 2011.
- DFAT has made a few very tentative moves towards adopting e-diplomacy tools, including introducing a generic Twitter account and ad hoc use of video clips on its headquarters website.

These are only very small steps, however, considering the scale of the problem caused by over two decades of neglect. Meanwhile the demands on Australia's overstretched diplomatic network have continued to grow apace.

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[4] 30 June 2011. Twenty of these positions were added in the last financial year (2010-11).

Australia's diplomatic footprint is deficient

For a highly globalised country facing a more challenging external environment, Australia's diplomatic footprint remains too limited. Australia has the smallest diplomatic network of all G-20 nations, and only nine of the 34 OECD countries (all far smaller than Australia) have fewer diplomatic missions. Most of them enjoy more stable geopolitical surrounds and/or can rely on the added diplomatic weight derived from membership of a regional bloc such as the European Union.

Our diplomatic service is still too small. The current Secretary of DFAT, Dennis Richardson, has acknowledged this consistently since he commenced his role as Secretary in January 2010. In Senate Estimates in October this year, he stated:

> *"To put it simply in a broad context I would agree with the general proposition that we are underdone in our international representation … we are still not back to where we were in the early 1990s"*[5]

The staff cuts which began in the early 1990s continued right through until DFAT's lowest point in 2003-4, where its staff size was almost a third less than in 1988.

12 other countries in the world have larger economies than Australia;[6] only 12 spend more on defence;[7] and only 10 spend more on overseas development assistance.[8] By these measures and others Australia is a serious country. Yet considering the nature of our economy, our geography and our relatively small population , Australia's diplomatic representation is feeble: it lags behind Finland, (population 5.3 million), Sweden (9.3 million), Norway (4.8 million), Belgium (10.8 million) and the Czech Republic (10.5 million).[9] These are all much smaller countries located in a far more stable part of the world.

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[5] Hansard, Senate Foreign Affairs, Defence and Trade Legislation Committee, Estimates, Thursday 20 October 2011, Canberra, p 8

[6] Gross domestic product 2009, World Development Indicators database, World Bank, 1 July 2010 (latest available data).

[7] The International Institute for Strategic Studies, *The Military Balance 2010*, Table 39, International comparisons of defence expenditure and military manpower, 2008 latest available data, pp 462-468.

[8] Among OECD nations; OECD.statExtracts, net ODA disbursements by donor, current prices USD, 2010 data updated 6 April 2011.

[9] Population data from World Bank, World Development Indicators.

Number of missions - OECD nations
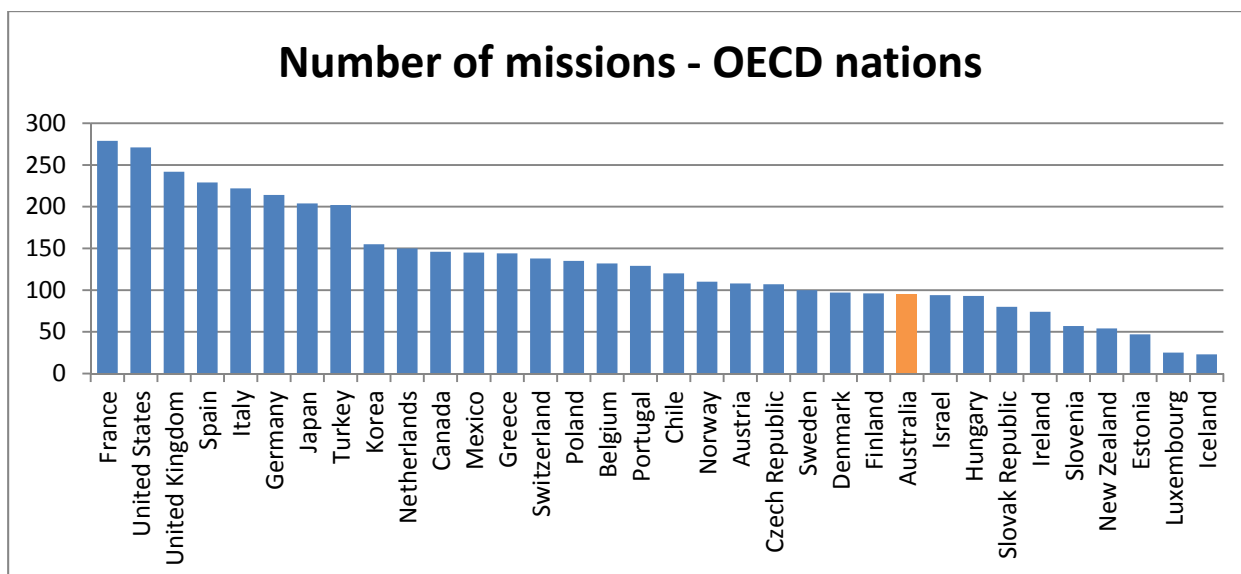
Note: Latest available information, provided either directly by the relevant governments or from information in the public domain such as embassy websites, annual reports and press releases. Count includes embassies, high commissions, consulates-general, consulates and multilateral missions with separate ambassadors/heads of mission. It excludes trade and cultural offices and consular sections of embassies. For Australia, Austrade manages 13 additional consular offices. If these were included, Australia would share equal 20th position with Austria.

The four new diplomatic posts which Australia has opened since 2009 are a welcome addition, and are consistent with Australia's expanding economic and other interests in these regions. They have not, however, meaningfully lifted Australia's diplomatic profile in comparison with other OECD member states. And as a member of the G20, Australia fares even worse: it has the smallest diplomatic network of all G20 nations.

The average number of posts for an OECD nation is 133. Australia has only 95, and sits at 25th of 34 nations in the OECD league table of diplomatic representation – numbers which are wholly incompatible with Australia's standing in the world.

Australia has a correspondingly small number of diplomats posted overseas. Even after recent additions, DFAT has 37 per cent fewer A-based[10] staff abroad today than it did in 1988-89.[11] Locally engaged staff numbers have also fallen by more than 20 per cent. New research conducted for the *Diplomatic Disrepair* report revealed almost a quarter of a century of decline under both Labor and Coalition governments, followed by a plateauing in the number of diplomats serving abroad. The nadir may have come between 2003 and 2005, when DFAT's overseas workforce[12] fell below 500, from a high of 908 in 1988-89 (a remarkable shrinkage of over 45 per cent), but the decline began in the late 1980s. Today's 575 overseas-posted staff[13] represent a workforce over a third smaller than it was at its highest point in 1988.

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[10] Australian employees posted overseas, as opposed to staff employed at missions who are citizens of or resident in the host foreign country ('locally engaged staff').

[11] The high point in staffing levels over the 24-year period 1987-8 to 2010-11.
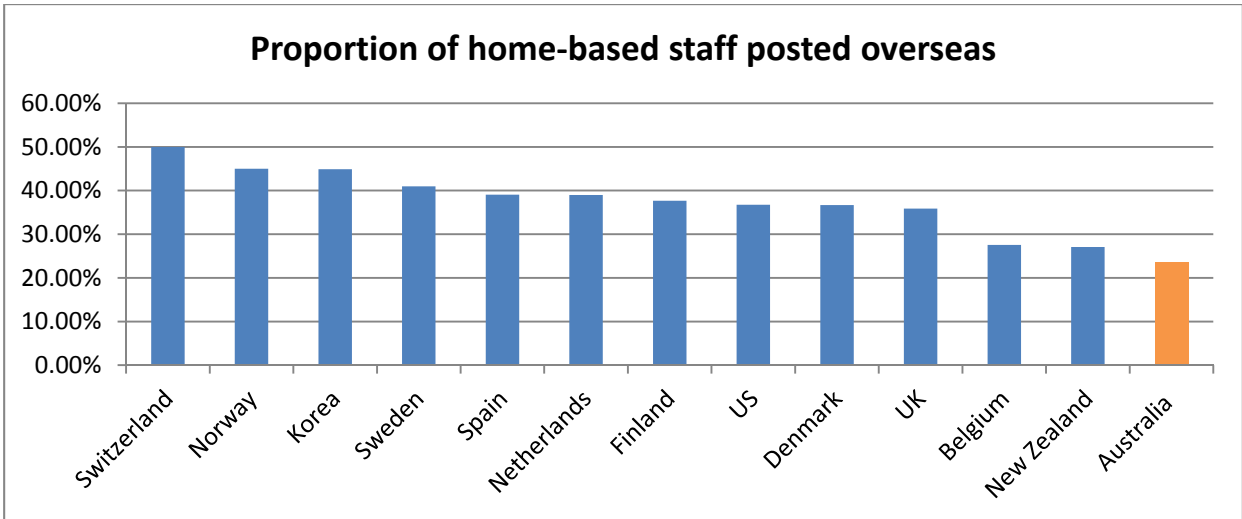
[12] Australia-based.

[13] Information provided by the Department, June 2011, for staffing levels as at 31 March 2011.
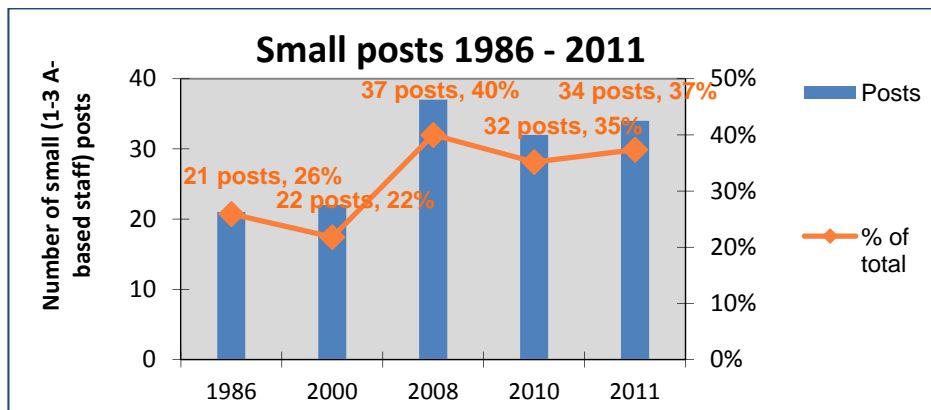
DFAT historical staffing
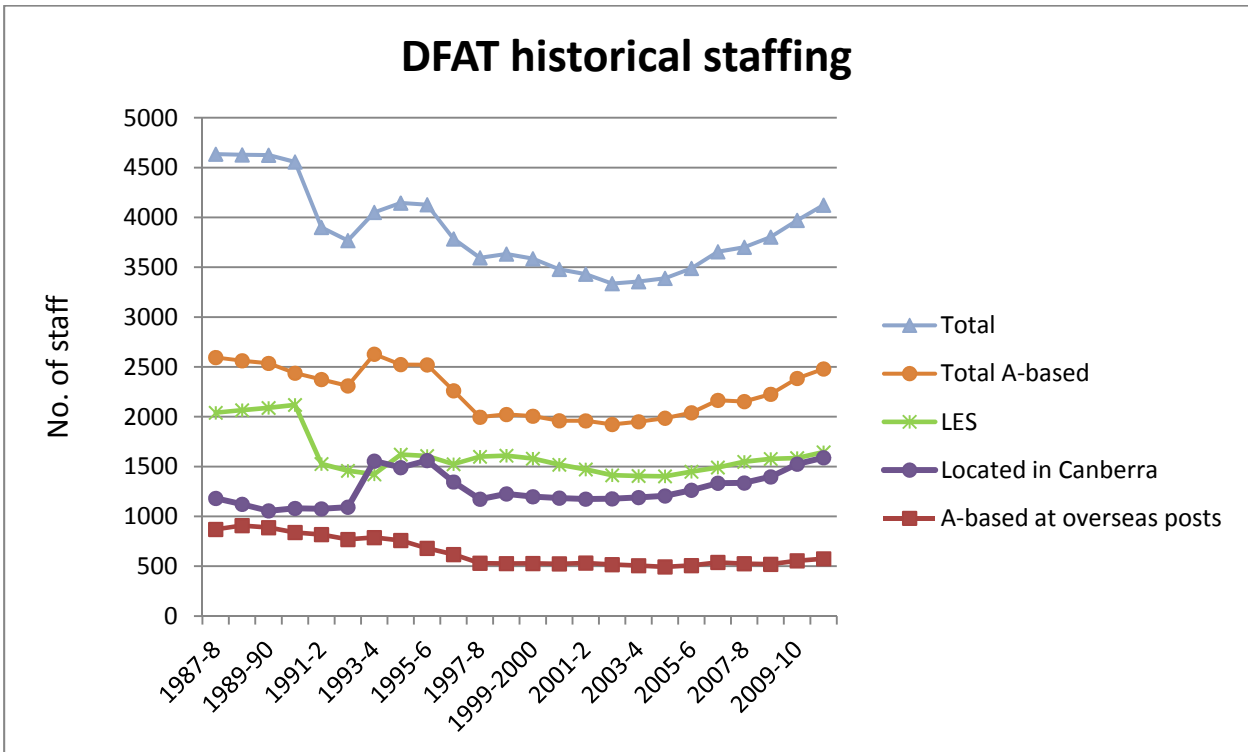
Note: 2010-11 data as at 30 June 2011, provided by DFAT. All other data from historical DFAT annual reports. Overseas posts data differs from DFAT annual reporting from 2007. All overseas posts data excludes officers on language training or short-term missions. The spikes around 1994-5 and 1995-6 are attributable to significant staffing increases in Program 3: services for other agencies (388 staff added between 1994 and 1995), and in Program 4: secure government communications and security (103 staff added between 1994 and 1995).

The chart above shows some relatively modest gains in total staffing since 2005. For the most part, however, these new positions have been located in Australia (largely at the Canberra DFAT headquarters) rather than abroad.

Strict comparisons are not always possible, as no two diplomatic services are alike. But Australia's diplomatic 'tooth-to-tail' ratio looks poor compared with others: the proportion of DFAT staff serving overseas is the lowest of the 13 diplomatic services we reviewed. This underlines the fact that a sustained increase in funding is only part of the solution to DFAT's problems: further steps need to be taken to reduce the administrative burden, remove unnecessary layers of management and streamline work practices.

Proportion of home-based staff posted overseas

[Bar chart showing proportion of home-based staff posted overseas by country]

| Country	Proportion
Switzerland	~50%
Norway	~45%
Korea	~45%
Sweden	~41%
Spain	~39%
Netherlands	~39%
Finland	~38%
US	~37%
Denmark	~37%
UK	~36%
Belgium	~28%
New Zealand	~27%
Australia	~24%

Compounding the difficulties confronting the overseas network, the number of small posts (those with three or less Australia-based officers) has grown significantly over the last two decades. These posts are often accredited to a number of countries and are severely constrained in their ability to carry out core diplomatic activities in addition to growing administrative and consular burdens. Despite the recent addition of staff on overseas postings, there remain at least 18 posts with only two A-based officers.[14]

Small posts 1986 - 2011

Number of small (1-3 A-based staff) posts

Year	Posts	% of total
1986	21 posts	26%
2000	22 posts	22%
2008	37 posts	40%
2010	32 posts	35%
2011	34 posts	37%

Australia's diplomatic network, while far too small, is unevenly distributed and does not match the nation's trade interests and aid commitments

Since the publication of *Diplomatic Disrepair*, we have conducted an analysis of Australia's overseas representation, its geographic distribution and staffing, cross-referenced against Australia's trade interests and aid commitments. The results are striking:

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[14] DFAT, *Incoming government brief prepared for the Minister for Foreign Affairs*, p 15.

DFAT representation vs Australia's trade and aid expenditure
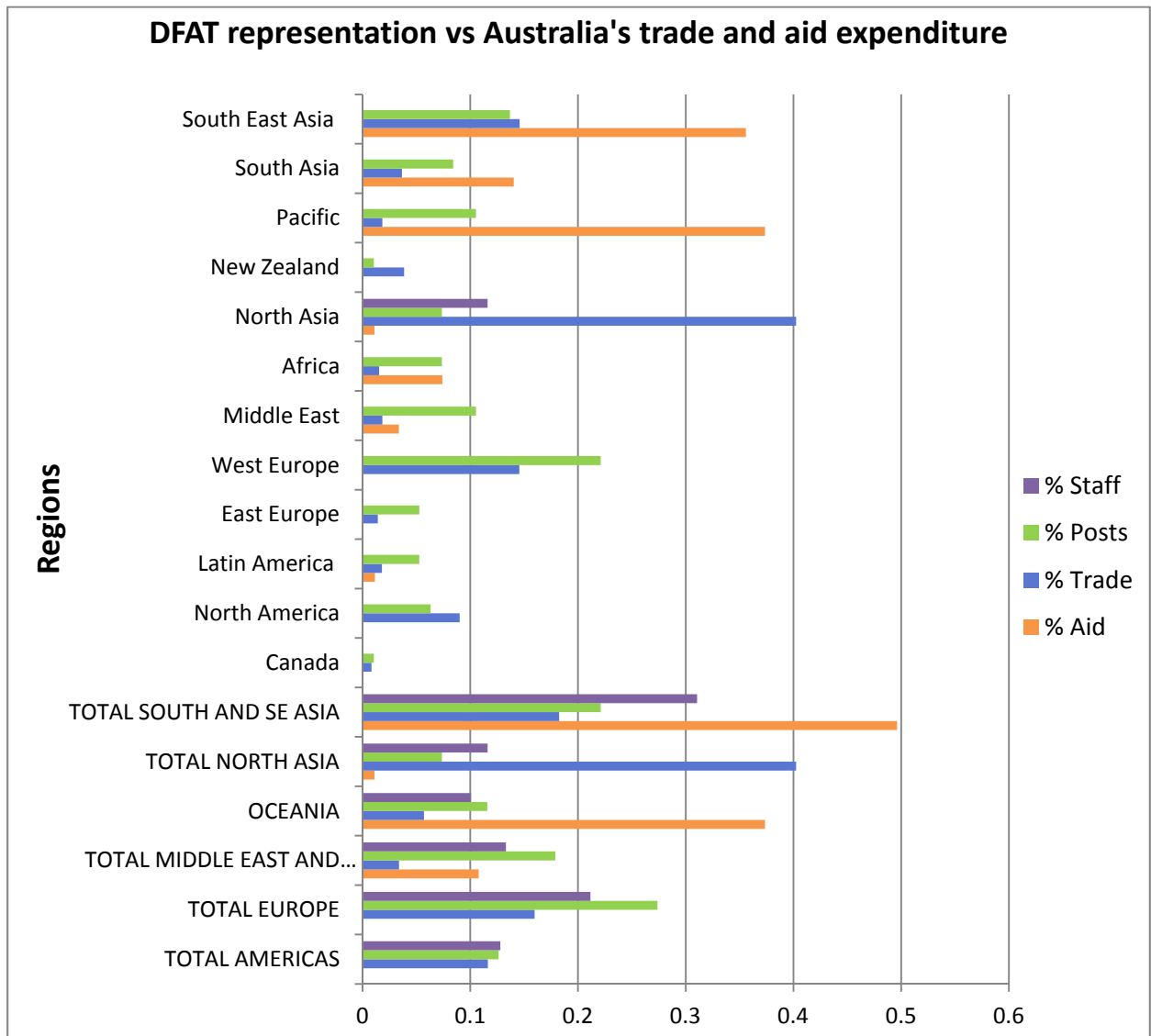
Some "% staff" bars are absent because a full breakdown of staff numbers (as opposed to posts) by geographic region is not available due to DFAT reporting methods. Trade includes merchandise and services trade. ABS publishes services data for only 34 countries, the remainder classified as "other" countries. "Other" countries account for $19,904 million in services trade, out of a total $552,351 in total annual trade, so that the maximum total error is 3.6%. The error for any one particular data point is correspondingly smaller than 3.6%. Aid data 2010-11 estimated actuals from 2011-12 Budget; trade data from DFAT *Composition of trade Australia 2010*.

Australia's diplomatic network is significantly underweight, and its 95 posts should be boosted to achieve a network **at least the size of the OECD average of 133 posts**. However, absent a major boost in resources to open new posts, such a lean diplomatic representation necessitates an extremely well-aligned allocation of resources. Yet our analysis shows that there are some clear mismatches between our international interests and the distribution of our network. Key observations from the chart above are:

- in terms of trade interests, we are dramatically underrepresented in the powerhouse region of North Asia (which includes China and Korea). This region represents a

only 7 per cent of DFAT's posts are located in the region, and only 12 per cent of our diplomats,

- Australia is potentially underrepresented in South East Asia (including Indonesia), given the extent of our aid commitments there,
- we have a disproportionate number of posts located in Europe, particularly Western Europe, and
- the Middle East benefits from a significant level of Australian diplomatic representation.

Australia must urgently address its underrepresentation in China if it is to properly service its vital trade interests there. Australia's only diplomatic missions outside Beijing (apart from Hong Kong) are in the traditional coastal centres of Shanghai and Guangzhou. We have no permanent diplomatic presence in the massive new inland cities such as Chengdu and Chongqing where new economic opportunities are opening up. This is something that DFAT's Secretary, Dennis Richardson, has repeatedly acknowledged:

"I believe we are underdone in our representation in China. If you go back 15 or 20 years we were leading the pack in representation. We have now fallen off the pack…"[16]

However, China is far from the only gap in Australia's network. Australia's interests in South East Asia (where Indonesia is our closest neighbour and largest recipient of aid) are insufficiently represented. Despite the decentralisation of power to the provincial level in Indonesia, for example, Australia is not represented outside Jakarta and Bali. Korea is Australia's third largest export market, yet we have only one mission there, in Seoul. By contrast, the combined EU in its entirety is only Australia's fourth largest export market (behind Korea), yet we maintain 21 posts in Western Europe alone. There are good reasons for this, including important trading ties and strong links between European communities and Australia's diverse and frequently-travelling population. However, contrasts such as this are striking and should be reviewed if the pressure on DFAT's resources continues.

Australia's public service has grown strongly while the nation's diplomacy stagnated

Despite growing demands on its services, DFAT has not kept pace with the growth of other government agencies. The size of the Commonwealth public sector has expanded by 61 per cent since 1997-98. Over this period Australia's development assistance agency, AusAID, nearly doubled in size and the Department of Defence grew by nearly 40 per cent. The intelligence

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[15] See for example, Kevin Rudd, Minister for Foreign Affairs, Australia-China 2.0, the next stage in our economic partnership, Speech at Guangdong University of Foreign Studies, Guangdong, 22 May 2011

[16] DFAT Secretary Dennis Richardson, Hansard, Senate Foreign Affairs, Defence and Trade Legislation Committee, Estimates, Thursday 20 October 2011, Canberra, p 8

community also grew significantly. The Department of the Prime Minister and Cabinet took on new responsibilities, but its staffing expanded by a massive 650 per cent. By contrast, DFAT staffing has essentially flat-lined. Budget comparisons tell a similar story.
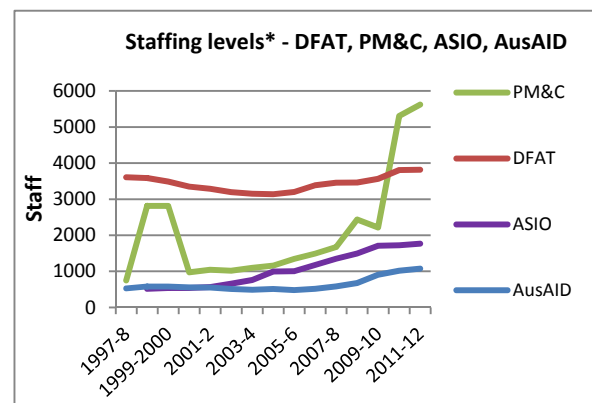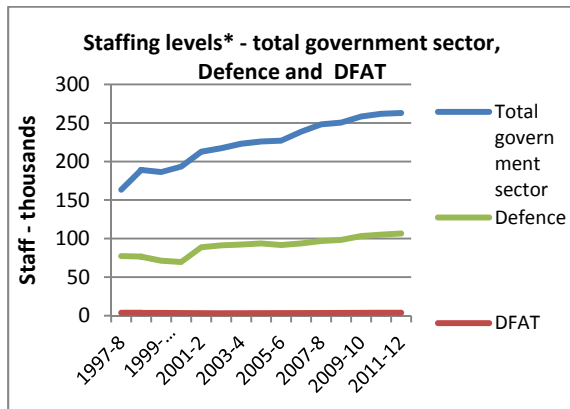
*Estimated actuals from Budget Papers. All data taken from subsequent year's budget papers, and estimates of actuals (Budget Paper No. 1). 1998-9 and 1999-2000 data for PM&C includes ATSIC and related agencies; 2010-11 and 2011-12 increases in PM&C staffing owing to acquisition of arts and sports functions, including National Gallery, Library and Museum, Screen Australia, Australian Sports Commission et al.

Diplomatic deficit pointed out that almost all government departments now have dedicated international divisions and have increased their international representation dramatically over the last two decades. It is tempting, therefore, to assume they are shouldering a considerable portion of the diplomatic and policy-making role that was traditionally DFAT's sole domain, and that DFAT's workload has eased accordingly. There is no doubt that representatives of other agencies at posts are doing some of the work that DFAT used to perform. But the full reality is more complex than a straightforward transfer of responsibilities. The other government agencies are generally co-located with DFAT's overseas mission, and rely heavily on the diplomatic skills, local knowledge and contacts of heads of mission and DFAT staff. In theory, the specialised knowledge of other agencies should contribute to the overall strength of the mission; the risk is, though, that they work in silos, with the burden of coordination and administration falling on DFAT as the lead agency at the mission.[17]

Australia's consular capacity is stretched to its limits

Demand for consular services continues to far outstrip resources. With the explosion in international travel (the number of Australians travelling overseas has more than quadrupled since the late 1980s – from 1.7 million annual trips to more than 7 million in 2010-11[18]), the number of cases of consular assistance provided by DFAT has risen by more than 50 per cent

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[17] *Diplomatic deficit*, pp 36-38.
[18] Australian Bureau of Statistics, 3401.0, Overseas Arrivals and Departures, Australia, July 2011.

over the last five years to over 200,000 cases annually.[19] By contrast, funding for consular operations has remained almost static, as has staffing.

Demands on staff at post
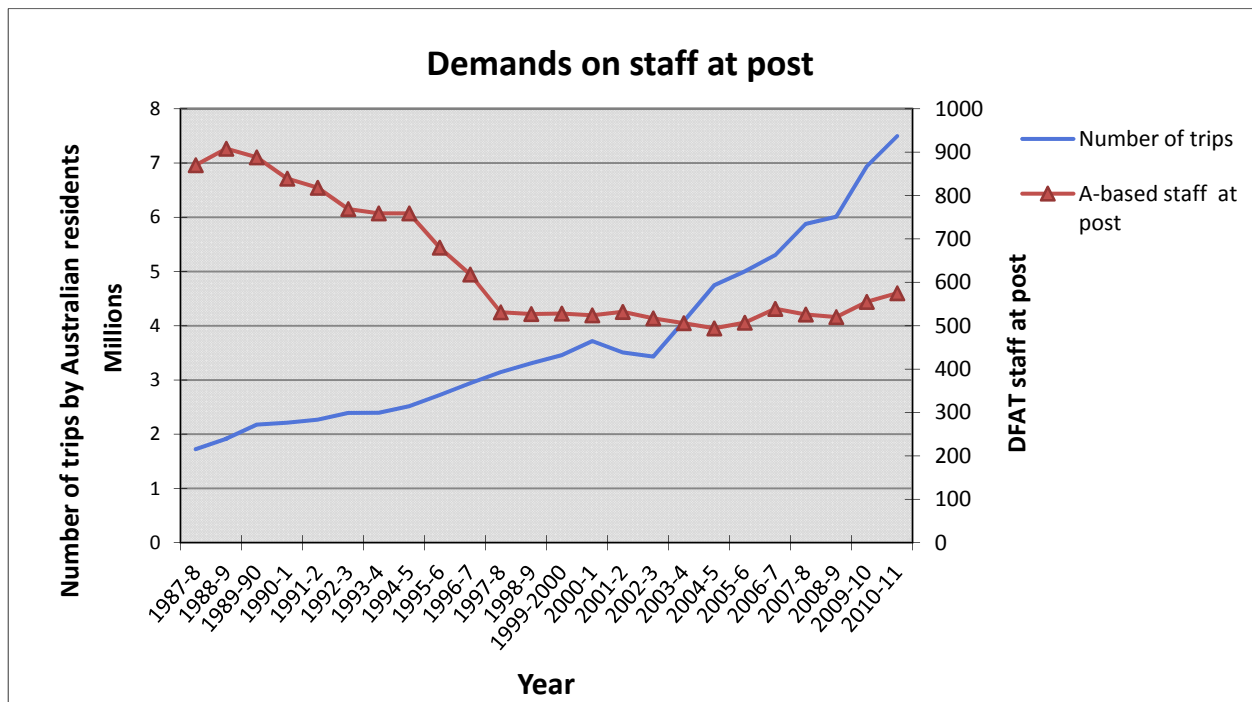
DFAT's persuasive powers weakened through lack of support and innovation

Though many of our diplomats' dealings are still with host governments and officials, more and more non-state foreign policy actors on the world stage are capable of affecting Australia's interests. Effective diplomacy calls for skills in influencing both foreign governments and foreign publics. Ediplomacy, foreign language proficiency and agile public diplomacy are all essential tools in a diplomatic effort fit for the 21st century.

DFAT's investment in language training has improved over the last two years, but only around 10 per cent[20] of DFAT's staff[21] have a working-level proficiency in an Asian language at a time when we need more than ever before to understand the massive changes transforming our region.

Little progress has been made to improve Australia's public diplomacy, the key instrument we need to engage and persuade these new audiences. Australia spends significantly less on public diplomacy both on an absolute and a per capita basis than comparable Western nations,

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[19] DFAT Annual Reports 2005-6 to 2009-10, and information provided by DFAT.
[20] Hansard, Senate Standing Committee on Foreign Affairs, Defence and Trade, Additional Estimates 24 February 2011, Answers to questions on notice from Department of Foreign Affairs and Trade, http://www.aph.gov.au/senate/committee/fadt_ctte/estimates/add_1011/dfat/dfat_210411.pdf, p 35.
[21] Australia-based.

including the UK, France, Germany, the Netherlands, Japan and the United States. The government continues to lack a clearly articulated and coherent public diplomacy strategy with only around one per cent of DFAT's A-based staff dedicated to public diplomacy.

Many nations see international broadcasting as a potent and cost-effective form of public diplomacy: China has reportedly invested a massive $6.6 billion on television and radio broadcasting over the last few years, including the China International Broadcasting Network (CIBN), which is available in 61 languages. Yet Australia will spend less in real terms this financial year on the government's international broadcasting service, the Australia Network, than at any time in the last decade.[22] The abandoned tender process for the Australia Network contract is emblematic of a muddled government approach, and has been an unnecessary distraction from the smooth running of the service, which forms almost the entirety of Australia's public diplomacy program today. It makes little sense for an agency other than DFAT to make such a pivotal public diplomacy decision.

Departmental guidelines for staff on engaging the media are unduly restrictive – albeit largely as a result of ministerial sensitivities. Rather than backing the judgments of its highly educated and professional staff, the department's approach seems to be risk avoidance rather than risk management. As a result it is constrained from deploying some of its most effective resources.

DFAT's small progress on e-diplomacy lags dramatically behind international best practice

As one of the four terms of reference of the Joint Standing Committee inquiry, the effect of ediplomacy and information and communications technology (ICT) on the activities of diplomatic posts warrants particular attention. The next part of this submission addresses these issues in detail (at page 17).

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[22] Expenditure, adjusted for CPI, based on DFAT annual reports 2001-2 to 2009-10, and Portfolio Budget Statements 2011-12.

SUMMARY AND RECOMMENDATIONS

The challenges facing Australia's international relations infrastructure are numerous, complex and of intimidating scale. Remedying these problems will first require recognition by Australia's major political parties that there is a problem, and a sustained bipartisan commitment to fixing it over the next decade and beyond. **DFAT requires a major, ongoing boost to its funding base**. If new funds cannot be found from within the Budget then the government should look at other creative options.

In a more multipolar world, there is no escaping the reality that Australia needs to be effectively represented in a broader range of countries and must be able to influence a growing number of international actors, including powerful new non-state actors. **Our traditional diplomatic footprint is simply outdated and inadequate.** The average number of posts for OECD nations' diplomatic networks is 133. With 95 posts, even with its recent additions Australia remains seriously underrepresented. Australia is over-represented with missions in Europe compared with higher priority regions.

New posts are needed in emerging centres of influence and economic opportunity, particularly inland China and Eastern Indonesia – both increasingly important to Australia. **The Gulf, Latin America and Central Asia are also priorities.** There may be scope for some post closures in Europe, but if possible Australia's 95 posts should be boosted to achieve a network far closer to the OECD average of 133 missions distributed across 193 nations. Steps should also continue to bolster Australia's very high number of small, functionally challenged posts. **Our 2009 recommendation in** *Diplomatic deficit* **that Australia should open 20 new missions over the next decade stands.**

Diplomatic Disrepair identified several other key areas where reform is crucial:

- **Staff numbers should be increased across all functions, and particularly in the consular and policy areas.**
- Staffing in Canberra and at posts should be rebalanced to **increase the proportion of our existing diplomats serving overseas** by reducing administrative demands and layers of management at headquarters.
- The further erosion of DFAT's policy and diplomatic capacity should be stemmed by **reviewing the way consular services are delivered and funded**; resourcing of the consular function needs to be tied to the caseload (as applies currently with the issuing of passports).[23]

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[23] Internal departmental and independent reviews of consular service delivery were conducted in 2009 and 2010, but the reports and any ensuing outcomes have not been made public.

- **DFAT's public diplomacy requires a comprehensive review and reorganisation**, to produce a coherent public diplomacy strategy with proper resources which supports the government's international policy objectives.
- e-diplomacy is rapidly transforming the way governments communicate with important new audiences. The department should develop and implement **a best-practice e-diplomacy program to support all aspects of DFAT's operations and led by a new e-diplomacy office** (see Part 2 of this submission)

Australia is entering a new and much less certain period than it has faced in decades. We are more integrated with the rest of the world than at any time in our history, which brings with it enormous benefits. But global economic volatility and profound strategic changes in our region pose unprecedented challenges for Australian statecraft. The risks are considerable. As a nation we are going to have to get used to the idea of spending more on defence and bolstering fragile countries in our neighbourhood.

But while this is necessary it will not be sufficient. In a more complex, multi-polar international environment, Australia needs to be able to anticipate, interpret and influence the course of events. Diplomacy is the most cost-effective policy instrument to promote and secure our interests in a fast-changing world. Our overseas network has been neglected and run down over decades. In an era of increased risk, time may be running out for government to reverse this trend and to take meaningful, sustained action to rebuild Australia's diplomatic infrastructure.

PART 2

Submission addressing the fourth term of reference:

The effect of e-diplomacy and information and communications technology on the activities of diplomatic posts.

Fergus Hanson

Research Fellow and Director of the Lowy Institute Poll

30 November 2011

"The Americans have need of the telephone, but we do not. We have plenty of messenger boys."
Sir William Preece, chief engineer of the British Post Office, 1876.

What is ediplomacy?

Ediplomacy is still being defined, but a working definition is the use of the web and ICT to help carry out diplomatic objectives. This definition escapes the tendency to confuse edipomacy with social media tools. These are certainly an element of ediplomacy but by no means the major aspect.

DFAT and ediplomacy?

In a broad sense DFAT has responded to the inevitable and began to embrace ediplomacy. Computers are used across the Department and from 1995 it has begun to make use of the Internet, through the creation of a Departmental website and subsequently post websites. It is not contested that the adoption of these tools has dramatically enhanced DFAT's ability to carry out its mission and conduct business more efficiently.

However, adoption of the next wave of more advanced tools is yet to properly occur. DFAT has made tentative steps towards using a handful of these tools (primarily social media platforms). A list of these platforms and their history was recently set out in a response to a parliamentary question.[24]

DFAT does not have an Office of eDiplomacy and no single area within the department is responsible for responding to DFAT's ediplomacy needs, knowledge transfer, knowledge management, best practice development, or education and training. This makes the successful adoption of the next wave of ediplomacy and ICT tools particularly difficult, as ediplomacy is a crosscutting issue. The utility of ediplomacy tools are not limited to a single area of DFAT and in many cases the same tools will serve multiple functions.

The effect of ediplomacy and ICT on the activities of diplomatic posts

In terms of modern ediplomacy and ICT tools, there are several ways these are affecting posts. As only a handful of DFAT posts have been allowed to sporadically experiment with a few,

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[24] Parliament of Australia, Foreign Affairs: Social Media (Question No. 544), 31 October 2011,
http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;adv=yes;db=CHAMBER;id=chamber
%2Fhansards%2F994b2ec0-e73d-494e-82c4-
fd9e7555a57f%2F0187;orderBy=_fragment_number,doc_date-
rev;page=0;query=Dataset%3Ahansards,hansards80%20Date%3A31%2F10%2F2011;rec=0;resCount=D
efault

mostly social media tools, most of the impact on DFAT posts has been one way: from external actors on DFAT rather than visa versa. These external influences have been extensive.

At a big picture level, the spread of these technologies have opened up new pressing and potentially ideological debates.

Perhaps the biggest among these is the debate over Internet freedom, with US Secretary of State, Hillary Clinton, perhaps the most vocal and forceful advocate on this issue. Her Senior Advisor for Innovation, Alec Ross, was recently reported as framing this debate in the following terms:

> *"If the great struggles of the 20th century were between left and right",* he said, *the conflict of the 21st century will be between open and closed… The president and the secretary of state have made it clear where they stand on this,"* he said. *"For openness, with an open Internet at its core."*

The British Foreign Secretary, William Hague, has also framed the debate in epic proportions writing after the London Conference on Cyberspace:

> *"Achieving agreement about the future of cyberspace will take time. But this is one of the great challenges of our time and we need to pursue it with the same intensity as efforts to eradicate global poverty or tackle climate change."* [25]

This debate has assumed a higher profile in the wake of the Arab Spring as governments across the world have come to appreciate the power of connective technologies in disrupting previous power structures and in dramatically accelerating social and political movements. This has led many states to seek to censor, control and monitor Internet traffic. Like-minded authoritarian states have also worked together internationally. For example the Collective Security Treaty Organization, made up of Russia and six other former Soviet republics, announced in September 2011 that it would begin monitoring social media. [26]

Initiatives have also been run through the United Nations. As Michael H. Posner, US Assistant Secretary for the Bureau of Democracy, Human Rights and Labor recently put it:

> …in New York the governments of China, Russia, Tajikistan and Uzbekistan came to the UN to suggest the need for an "International Code of Conduct for Information Security." This would shift cyberspace away from being a multi-stakeholder, people-

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[25] http://www.huffingtonpost.co.uk/william-hague/conference-on-cyberspace_b_1075026.html
[26] http://www.washingtonpost.com/world/europe/russia-hears-an-argument-for-web-freedom/2011/10/28/gIQAFybZPM_story.html

> driven model – to a system dominated by centralized government control. Not a good idea.[27]

The US is actively working across a wide number of fronts to promote its Internet freedom agenda, including the provision of some $US70 million since 2008 to support the development of subversive circumvention and other technologies for use by activists in authoritarian states, particularly China and Iran.

At present Australian policy is somewhat at odds with this US agenda, maintaining what OpenNet (a tripartite initiative between the Munk School, Harvard University and the SecDev Group) describes as "some of the most restrictive Internet policies of any Western country".[28] Regardless of Australia's current policy position, if the US and UK analysis is correct, then as a democratic, Western country and US ally it is likely Australia will increasingly be called upon to actively engage on the issue of Internet freedom at a diplomatic level as part of its human rights, democracy, free trade and rule of law interests.

Another overarching way ICT technologies are affecting Australian posts is through their empowerment of non-state actors and individuals. In November 2011, the State Department's Office of eDiplomacy conducted a Visioning Tech Diplomacy retreat with the American Academy of Diplomacy analysing how new technologies might have altered past major events like the Rwandan genocide and the overthrow of the Marcos regime in The Philippines. The conclusion of many participants was that these tools would have altered the way these events played out, in some cases substantially.

The consequences of the rapid roll out of connection technologies across the planet are still highly uncertain and rapidly evolving. There are currently around one billion web-enabled phones, with Google expecting another billion to be added to the network within the next few years. The Arab Spring clearly highlighted at least some of the implications of this new reality, particularly in developing countries: revolutions can now be dramatically accelerated (reducing diplomatic decision time frames) and largely leaderless. But it is likely there will be many more (often unforeseen) consequences stemming from the diffusion of these technologies. There are, for example, already many examples of citizen led governance efforts harnessing these tools to circumvent and also pressure governments to act.

These trends are particularly significant for Australia. As the Director General of AusAID, Peter Baxter, recently observed in a blog: Australia is 'situated in a region where 22 of our 24

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[27] Michael H. Posner, Assistant Secretary, Bureau of Democracy, Human Rights, and Labor, Silicon Valley Human Rights Conference, October 25, 2011, http://www.state.gov/g/drl/rls/rm/2011/176144.htm
[28] http://opennet.net/research/regions/australia-and-new-zealand

neighbouring countries are developing, and several of them are fragile states'[29]. Many of these countries have also embraced connection technologies. In this environment Australia should be devoting considerable effort to understanding these tools and having platforms and processes in place to respond.

In a networked world, DFAT posts are also vulnerable to being buffeted by nation brand damaging incidents to which they are presently largely helpless to respond. Events such as the Indian student crisis now have the potential to do far more damage to Australia's reputation and commercial interests, because damaging information can be spread so rapidly and so extensively online. Online forums are critical in many of these instances, but DFAT's knowledge of online influencers is limited, its presence in online forums is non-existent or minimal and it has no digital knowledge centre to draw upon in preparing a rapid response. The rules of the game have changed, but so far diplomatic processes are yet to adapt.

A related consequence of this new environment is that online influencers, in key areas of interest to Australia, have become legitimate and important diplomatic contacts, because of the role they play in shaping and influencing debates. Traditionally, identifying influencers has involved a degree of art and intuition, but the digital nature of the online space means diplomats should be using empirical data derived from analytic tools, not guesswork, to identify these influencers.

In the disaster response arena, ediplomacy and ICT tools are also affecting posts. This is not insignificant given Australia responded to some 30 disasters last financial year.[30] Ediplomacy and ICT tools played important roles in the Japan and New Zealand earthquakes. But the experience in Haiti where social media and SMS were used to raise funds for relief efforts, find missing persons, direct relief efforts and crowd source unmapped areas of the country perhaps offer the most important lessons for Australian posts in the Asia Pacific, but especially in Indonesia. These were pioneering (and not always successful) efforts, but there is clearly enormous potential to harness these tools in future disasters. Indonesia is particularly relevant given its overall significance to Australia, history of natural disasters, attraction to Australian tourists and high digital literacy and mobile penetration rates. To make use of these tools in future emergencies will require groundwork to be laid beforehand and disaster response plans worked through. It will also require negotiations with mobile providers (for example over short codes) and government officials (for example over emergency Twitter handles). The US Embassy in Jakarta is looking at laying some of these foundations, but it would be in Australia's interests to also be engaged in this work. For DFAT, new digital tools remain a completely unutilised tool in the disaster response toolkit (with the exception of its Twitter feed).

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[29] http://www.lowyinterpreter.org/post/2011/11/04/The-international-architecture-of-aid-needs-fixing.aspx
[30] http://www.lowyinterpreter.org/post/2011/11/04/The-international-architecture-of-aid-needs-fixing.aspx

The above are some of the direct ways ediplomacy and ICT tools are affecting Australian diplomatic posts. But because DFAT has been hesitant in adopting these tools many of the effects on posts are in the form of less obvious opportunity costs.

Consular service delivery is a good example. Less than 70,000 people subscribed to DFAT's travel advice in the year ending 30 June 2010, a tiny fraction of the seven million trips Australians take each year.[31] This is no doubt in part due to the (until recently) onerous process involved, but there are a range of digital solutions that could dramatically improve this situation. For example:

- a smart phone travel app designed for the largest smart phone platforms beamed to all Australians at points of departure;
- online competitions to derive crowd sourced promotional material for the apps; and
- arranging the option to register with DFAT on online travel booking sites.

The opportunity cost for DFAT in this situation is increased registrations and the smoother communications with Australian travellers they would facilitate in an emergency situation. This in turn comes at the cost of improving DFAT's image for being proactive, reducing the response burden, improving the quality of its consular service and presumably reducing costs.

Another opportunity cost is through knowledge loss. DFAT's most valuable asset is its knowledge, but ediplomacy tools to capitalise on and retain this have not been adopted. For example, at posts for sometime there have been no official handovers between departing and arriving officers and the transfer of experience between individual officers (eg of contacts) is ad hoc. Digital tools such as a modified Deskipedia (a US State Department tool) would allow every officer to detail all their contacts for specific issues on a centralised digital system, including relevant notes and help overcome this problem. When officers finish a tour or are reassigned another problem is retaining that more senior and experienced officer's knowledge. At present it is, for all practical intents and purposes, lost, even though many officers often have an enduring personal passion for specific countries and topics. Digital tools such as virtual communities help facilitate knowledge transfer (the State Department uses a range of tools in this regard, but Communities@State is the most prominent).

Another related opportunity cost for DFAT is efficiently identifying its resources and then marshalling them. If you are in the Jakarta embassy, for example, and need to find a translator for X language the only option now is to ask around. Or if a bomb goes off in Bali, it would be difficult for post or DFAT Headquarters to instantly map its global Indonesian language expertise and draw these experts into a virtual 24/7 workspace that would effectively harness

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[31] Diplomatic Disrepair, p 13.

the power of DFAT's global network. A simple professional networking site like the State Department's Corridor platform would allow this, as would a bespoke ediplomacy tool.

Other opportunity costs affect the national interest more directly. The public's main interface with the Department overseas - overseas embassy websites - remain among the worst websites hosted by any arm of the Federal government and do nothing to capitalise on the main reason people visit the websites (for visa and immigration purposes). There is no serious effort, for example, to promote major Australian exports like education and tourism or to attract quality skilled migrants.

Summary

Ediplomacy and ICT tools have substantially changed the rules of the game. DFAT posts are already being affected by this shift, but so far there has been a failure to appreciate the extent of the transformation underway and the diplomatic adaptation needed in response. The cultural shift required for the adoption of all new technologies is no doubt one explanation for this, but another may be the confusion of ediplomacy with having diplomats on Facebook and Twitter.

As connection technologies continue to spread DFAT will find itself increasingly embroiled in big picture debates like that over Internet freedom, but in-country crises, policy debates, and social movements will also increasingly be taking place online. In the short-term, DFAT may be able to get away with ignoring this shift but this approach is already coming at a cost to the national interest. Crises like the Indian student attacks will inflict deeper and more rapid damage. Disasters in important, close to home countries like Indonesia will be perceived as being better handled by others like the US. And DFAT's network of influencers will be less formidable without an empirical approach to identifying online opinion shapers. DFAT will also be less effective if it cannot develop ways to listen to and analyse important policy-relevant conversations taking place online.

Internally too, the failure to adopt ediplomacy and ICT tools is having a cost on posts. DFAT's most important and valuable asset, knowledge, is being needlessly lost and it is unable to efficiently harness its knowledge resources on a day-to-day basis or in a crisis situation. On the consular front it is making its most draining and publically important function more difficult and costly for itself as well as failing to win much needed public credit for its valuable and extensive efforts. Its post websites are an own goal that present Australia in the wrong light and undermine, albeit in a modest way, Australian commercial interests.

Recommendations

The following recommendations are drawn from a 2010 Lowy Institute Policy Brief, A Digital DFAT: Joining the 21st Century.

1) Provide additional funding and establish an ediplomacy branch within DFAT. This should be staffed by a mix of policy and technical experts and have a mandate to take a reasonable level of risk with the platforms it develops and with which it experiments. This will likely require recruiting people with specialist journalistic, social media and programming expertise. Other related areas should be brought under its leadership (communications, website and technical). This office should be tasked with:

- Developing and rolling out all e-diplomacy platforms.
- Mainstreaming ediplomacy across the department.
- Developing ediplomacy guidelines for staff that encourage innovation and provide significant latitude for experimentation.
- Educating the department on best-practice use of e-diplomacy tools and encouraging department-wide digital innovation.
- Training staff, especially Heads of Mission, in the use and utility of e-diplomacy tools.
- Monitoring and, if necessary, closing inactive or inane social media platforms.
- Progressively consolidating ediplomacy platforms as new ones are rolled out and old ones superseded.
- Taking the lead on ediplomacy campaigns – that is, promulgating priority departmental messages using ediplomacy tools – and assisting with e-diplomacy strategies for regular departmental communications.
- Taking the lead on ediplomacy consular initiatives.
- Providing Ministers and Parliamentary Secretaries with a Dashboard so they can see their online activity (used by the FCO).
- Train post web editors and encourage better use of websites by posts.
- Develop consistent labeling and branding across ediplomacy platforms.
- Establish digital coordination mechanisms across relevant government agencies and departments as well as with external stakeholders.

2) DFAT needs to increase its risk appetite and be ready to back its staff when controversies surrounding new media arise. To use ediplomacy effectively requires acceptance of higher risk, for example, a small controversy erupted over a British Ambassador's blog post commenting on Ayatollah Fadlallah. This needs to be put in context: the FCO has posted over 4,000 blogs over three years and estimates these have resulted in just three controversies.

3) Review restrictive DFAT media guidelines with a view to making it much easier for staff to engage online.