



# Australia's Policy Priorities in a Global Era

Mark Beeson<sup>1</sup>

## EXECUTIVE SUMMARY

### RECOMMENDATIONS

- Australian policymakers should have a frank, open-ended discussion with the people they represent about the complex nature of policymaking in the 21st century – one that acknowledges the limits of national autonomy.
- Australians should consider taking a more independent strategic position, as this may make foreign relations with rival powers more manageable.
- Regional policymakers should consider avoiding relationships with overlapping and redundant institutions, and instead look to develop relations with fewer, more powerful and effective organisations.
- The G-20 should concentrate on fewer, more focused and achievable goals.

Australian policymakers face competing economic and strategic priorities. Increasingly, Australia's economic future is closely tied to relations with its East Asian neighbours. However, at a regional level it has simultaneously found it difficult to achieve the policy outcomes it would like – largely because of the growing competition among the regional forums, which are supported by rival powers, in particular the US and China. For middle powers, like Australia, the G-20 grouping may offer a platform to achieve greater influence in the global economy.

### AUSTRALIA'S ECONOMIC POLICIES IN CONTEXT

Although policymakers everywhere claim to be pursuing the national interest, identifying the national interest, let alone pursuing it, has become a growing challenge in an era characterised by high levels of economic interdependence among nations. In particular, economic integration has made it difficult for policymakers to support their national companies – even if they wanted to.

To understand the multiple, cross-cutting challenges that face policymakers everywhere, it is useful to think about the national, regional and global levels that all influence how national policy is formulated. For the leaders of a so-called middle power like Australia, policymaking difficulties are heightened by the fact that its principal strategic partner (the US) and its main economic partner (China) are economic rivals.

Therefore, domestic and foreign policies are often entwined and it is no longer possible to separate them easily. Nevertheless, policies of all sorts are a reflection and product of specific national circumstances and history, and Australia is no exception.

Australia's own historical experience has made its top policymakers perennially anxious about the country's strategic position.

The policies of economic protectionism that underpinned Australian living standards for much of the 20<sup>th</sup> century have been undermined by major

structural changes in the external economy and a policy of economic liberalisation. Ironically, the liberalisation policies were pushed through by the traditionally left-of-centre Australian Labor Party, rather than by its business-friendly political opponents in the Liberal-National coalition parties.<sup>2</sup>

Both sides of the political spectrum, however, have come to recognise that Australia's economic future is intimately bound up with, and increasingly reliant on, its dynamic East Asian neighbours. As a result, Australia's natural-resource sector has become more important economically and more influential politically.

Australia's economic policy has been increasingly shaped by a combination of powerful economic actors within the domestic economy – even if many of them are foreign companies – and an economic orthodoxy that has become the standard rhetoric across much of the Western world. Paradoxically, however, as global economic integration becomes more consolidated, it has become increasingly difficult for the country's policymakers to manage some of its consequences, like the strengthening Australian dollar and wrenching structural change.<sup>3</sup>

#### REGIONAL TRADING ORGANISATIONS: LIMITED TRACTION FOR AUSTRALIA

Although Australia has had a surprisingly high profile at the regional level, it has simultaneously not always found it easy for its ideas to be accepted by its regional partners or achieve the outcomes its policymakers might like. Part of the problem stems from the fact that there is a continuing, unresolved debate about what the extent of any region should be – and who should be a member of it. This has meant that Australia's biggest single initiative in the region, the Asia-Pacific Economic Cooperation forum, has suffered from doubts being cast on its purpose and effectiveness.

There are also unresolved differences about how the regional organisations should operate. Asian states generally prefer consensus and informality, whereas Western states, including

Australia and the US, take a more legalist approach when it comes to regional co-operation.

To ensure Asian co-operation, however, the so-called 'ASEAN way'<sup>4</sup> has prevailed, especially at the transnational level, limiting the impact and effectiveness of regional organisations. Consequently, regional institutions have proved unable to address issues such as tensions over territorial disputes, the status of Taiwan or reconciliation on the Korean Peninsula. Revealingly, only in more apolitical technical areas, such as monetary co-operation, has there been useful and broad-ranging regional co-operation – and this was driven by the so-called 'Asian' financial crisis of 1997/98.<sup>5</sup>

At present there is growing competition in the Asia-Pacific region among various regional institutions that are supported by rival powers. China, for example, favours the ASEAN Plus Three grouping, whereas the US prefers the East Asia Summit, which it sees as a way of containing China's rise. As a result, none of them are particularly effective.<sup>6</sup>

Consequently, a number of regional states, such as Indonesia, are beginning to look to global institutions as more appropriate forums for pursuing their goals and gaining wider influence. The G-20 is seen as a potentially strategic forum, especially by Australia, which held the presidency in 2014 and has been a long-time champion of the grouping.

For middle powers like Australia, the G-20 provides a forum in which to promote new ideas and influence international outcomes – opportunities that are not available outside such institutions. Thus far, however, other than in the immediate aftermath of the 2008/09 global financial crisis, the G-20 has also found it difficult to achieve consensus or to act effectively at the global level.<sup>7</sup>

#### CONCLUSION

Middle powers cannot easily get great powers to do things they would rather not. This might be a constraining factor at any time. In Australia's case, the constraints are made worse by its strategic alliance with the US, which limits the

range of policy options available to it and which complicates its relationship with China. The competing economic and strategic priorities confronting Australian policymakers illustrate just how elusive the national interest has become.

Nevertheless, at a theoretical level, at least, the concept of middle powers is an inherently attractive one. The potential for middle powers to be distinctive actors on the international stage with the capacity to offer fresh thinking about issues where the great powers have made little progress is potentially welcome. Whether or not middle powers, like Australia and South Africa, will be able to find sufficient common cause to form effective political coalitions to promote such ideas, however, is still unclear. Thus far, actions have not matched some of the lofty rhetoric and aspirations.

#### ENDNOTES

- 1 Mark Beeson is Professor of International Relations and Political Science at the University of Western Australia.
- 2 Kelly P, *The End of Certainty: Power, Politics and Business in Australia*, revised ed. St Leonards: Allen & Unwin, 1994.
- 3 Garnaut R, *Dog Days: Australia After the Boom*. Collingwood: Redback, 2013.
- 4 ASEAN is the Association of Southeast Asian Nations.
- 5 Grimes WW, 'East Asian financial regionalism in support of the global financial architecture? The political economy of regional nesting', *Journal of East Asian Studies*, 2006, pp. 6353–380.
- 6 Beeson M, *Regionalism and Globalization in East Asia: Politics, Security and Economic Development*, 2<sup>nd</sup> ed. Basingstoke: Palgrave, 2014.
- 7 Beeson M & S Bell, 'The G-20 and international economic governance: Hegemony, collectivism, or both?', *Global Governance*, 15, 1, 2009, pp. 67–86.

This Policy Briefing is funded by the UK's Department for International Development (DFID). SAIIA gratefully acknowledges this support.

© SAIIA 2015 All rights reserved. Opinions expressed are the responsibility of the individual authors and not of SAIIA.