



# PRIME MINISTER

**CHECK AGAINST DELIVERY**

**EMBARGOED UNTIL DELIVERY**

***Australia and the UK - Global Partners in  
shaping the future Global Order***

**7 April 2008**

**London School of Economics**

## **Acknowledgements**

Professor Sarah Worthington, Pro-Director of the London  
School of Economics,

Members of the diplomatic corps, distinguished guests,  
ladies and gentlemen.

It is an honour for an Australian Prime Minister to come to speak at the London School of Economics, an institution with such a remarkable history.

When the LSE was founded in 1895 by Sidney and Beatrice Webb, Graham Wallas and George Bernard Shaw, its goal was the bettering of society through research into poverty and inequality.

The Social-Democratic response to these great social challenges has rightly changed over time – but the relevance of these challenges in themselves has not.

It has surely exceeded even their lofty vision.

Through its doors have passed fifteen Nobel Prize winners, forty-two heads of government and heads of state (including John F. Kennedy, Clement Attlee and

Romano Prodi) as well as many leaders in business, academia and law.

One of the most famous Australian LSE graduates was Herbert Cole Coombs (affectionately known back home as “Nugget”) who took his PhD from the LSE in 1933.

Nugget Coombs is remembered as one of the greatest public servants in Australian history, serving as the first Governor of the Reserve Bank of Australia, helping to establish the Australian National University (my own university) and championing the interests of Australia’s indigenous people.

Many of Australia’s most talented students continue to come to LSE and this institution continues to strengthen the bonds between Australia and the United Kingdom into a new century.

Another part of the deep bonds between our nations is of course our shared roles in the conflicts of the 20th century.

On Friday when I arrived in London, the first official event on my program was to visit the Australian War Memorial at Hyde Park corner and lay a wreath.

That memorial commemorates the Australian servicemen and women who fought alongside Britons in two World Wars.

The memorial says a lot about who we are and where we have come from.

Australia and the United Kingdom have always been the closest of allies.

In two World Wars, Australians and Britons, fought side by side in theatres of battle right around the globe.

In Europe and the Atlantic.

In Asia and the Pacific.

And we did so in the name of the values that we still hold dear: values of freedom; values of fairness; values which cause us instinctively to seek wherever we can to defend the weak from the strong.

Our histories have been intertwined since the 18<sup>th</sup> century.

Australia's modern political and legal system is built on the foundation of British philosophical and institutional traditions that we have inherited.

And these are good traditions.

But today I do not want to talk about our shared history.

I want to talk instead about our shared future.

**I want to talk about how Australia and the United Kingdom can work creatively together to shape the future global order.**

**On security.**

**On global economic management.**

**On economic development for the poorest nation states.**

**And on climate change.**

### **Australia in a changing world**

The time has passed when countries – including those with close ties like ours – can talk about their bilateral relationships as though they take place in some sort of vacuum.

In today's world, we are all deeply connected to each other within an increasingly inter-connected global order.

This complexity is compounded by the fact that in this age of the globalisation of security, the economy and the environment, we are also witnessing the collapse of what the international relations scholars have described as “the great divide” – between what was once clinically described

as the “foreign” and the “domestic”; the “internal” and the “external”; the “national” and the “international”.

All governments are increasingly operating in a seamless policy space where better coordination and cooperation within and between states has become more important than ever.

The new Australian Government’s mission is to build a modern Australia that is capable of meeting the challenges of the 21<sup>st</sup> Century.

That means we have to be strong at home and fully engaged abroad.

We are committed to strong macro-economic management – critical in an increasingly fragile global economy.

We are committed to investing strongly in productivity – we need nothing less than an education revolution to make sure that our people have the skills and training to compete in the fiercely competitive global economy of tomorrow.

We are committed to building 21<sup>st</sup> century infrastructure – both transport infrastructure and the infrastructure of the future like high-speed broadband.

And we are committed to building an inclusive Australia – where the benefits of prosperity are open to the many, not the few.

Australia is already deeply integrated with the global economy.

It is now a quarter of a century since the election of the Hawke Labor Government that pioneered extensive economic reforms that internationalised the Australian economy.

Australia's economy is worth around USD\$1 trillion and we are a member of the G20 group of large economies.

Our international trade in goods and services is equal to around 40 per cent of GDP.

Our major export markets are in Asia.

Our major foreign investors are the United States, the United Kingdom and Japan.

Our major investment destinations are those same three countries and New Zealand.

In short, Australia is a full participant in globalisation and we recognise that as a beneficiary of globalisation, we also have to maintain, support and enhance the global economic order – and the political and security order that underpins it.

To do so, the new Australian Government will prosecute what I call “creative middle power diplomacy”.

That means we will use our assets, strengths and networks and work with our partners to find solutions to global and regional challenges.

We will approach our task based on the three pillars of the foreign policy of the new Australian Government:

- our alliance with the United States;

- our membership of the United Nations – where we work with partners from around the world, including our partners in Europe; and
- our comprehensive engagement with Asia and the Pacific.

**What sort of international order do we want for the 21<sup>st</sup> century?**

**Today I want to argue that, in a rapidly changing world, Australia and the United Kingdom have a lot to gain from working with each other to shape the emerging global order – particularly given Britain's strength in Europe and Australia's standing in Asia.**

**Both of us are long-standing allies of the United States.**

**And we are both deeply engaged in the other two major regions of the current global order – Europe and the Asia-Pacific region.**

**And in Australia's case we pride ourselves on being the most Asia-literate country in the collective West.**

**For the UK and Australia, this is not a bad set of strengths to bring to the table as countries seeking to contribute to the shaping of the global order.**

Furthermore, we actually get on with each other (at least outside the legitimate and visceral hostilities of cricket where, very simply, we are good, and you are not so good, and the loss of The Ashes is as unjust as the loss of the Elgin Marbles).

The open global architecture pioneered by the United States and its allies in the aftermath of World War II has led to remarkable economic growth.

But there are challenges aplenty ahead.

- Enhancing the global security order by acting decisively and pro-actively on terrorism;
- Reforming UN multilateralism;
- Restoring stability to global financial markets;
- Making progress on trade liberalisation;
- Delivering on the global undertaking to make poverty history by making sure that the benefits of

globalisation are spread more evenly around the world.

- Enhancing human rights and not ignoring them – even when it is politically difficult, as is currently the case with China over Tibet.
- And, in addition to all these great challenges to the global order, we must build a co-ordinated response to climate change – the great moral, economic and environmental challenge of our age.

### **Australia and the United Kingdom shaping the world order**

Australia and the United Kingdom can do a great deal to advance a shared vision for the future.

## Counter-terrorism

For instance on security.

We both have a stake in global security.

That gives us reason to work together on terrorism – not just closely, but with absolute intimacy.

Terrorism remains a threat to Australia, just as it does to the United Kingdom.

Part of our response must be domestic – police and intelligence agencies need the powers and resources to identify terrorist threats.

They must do so in a way that is consistent with our laws and values.

But terrorism is not local.

Terrorism is a global phenomenon that exploits the openness of the international system to build its organisations and to plan its attacks.

Cooperation across borders between our government agencies is a crucial element of our response.

We can achieve a lot by sharing expertise on counter-terrorism across borders.

For Australia, working closely with our colleagues and partners in South-East Asia is critical.

Institutions like the Jakarta Centre for Law Enforcement Cooperation build practical expertise – and Australia and the UK both support its work.

We also work together in Afghanistan.

We are both committed to supporting Afghanistan in the long-term.

Last week I attended the Bucharest Summit of NATO leaders to discuss Afghanistan.

Australia is the largest non-NATO contributor to troops in that country.

More than 1,000 Australian service men and women are there, largely in the dangerous south of the country, as is the United Kingdom.

They are putting their lives on the line.

We worked together in the run-up to the Bucharest conference to deliver a workable plan for Afghanistan's future.

A plan that integrates the civil and the military components of our strategy.

A plan capable of delivering a better future for the people of Afghanistan – and a better strategy to frustrate Al Qaeda's efforts to make Afghanistan a renewed base for terrorist activity that threatens us all.

And beyond these classical counter-terrorism measures, to work together on reducing the grounds that foment terrorism in the first place – investing in education in the

Islamic world as well as acting together on a comprehensive Middle East peace process.

### Climate Change

When I met with Gordon Brown this morning, we discussed the security implications of climate change.

Climate change will aggravate existing strains and create new tensions within and between states as the supply of natural resources, including food and water, becomes increasingly unpredictable.

Climate change is not just an environmental, economic and moral challenge.

It is also a security challenge.

Australia wants to be part of the global solution, not just the problem.

The first act of the new Australian Government was signing the papers to ratify the Kyoto Protocol.

We will continue to work constructively in the international arena.

And we see the United Kingdom as a key partner in this.

**That is why I was pleased to announce with Prime Minister Brown today a new enhanced partnership between our countries - with climate change at its heart.**

We share a vision for an ambitious, equitable, environmentally effective, economically responsible post-

2012 global agreement on climate change and will work together to this end – drawing on our complementary regional and global relationships.

We will also collaborate in specific areas aimed at building a global low carbon economy together with effective adaptation to climate change:

- Collaborating on clean energy technology research and the deployment of energy efficiency, renewable energy and carbon capture and storage technologies.
- Developing climate models that bring together the work of UK and Australian climate scientists.
- Sharing information and expertise on emissions trading – which is why I also announced today that Australia will join the International Climate Action Partnership.

If we are going to reach an effective global response we will need an ambitious long term global target, supported by carbon markets that help drive investment in clean technologies.

Technology must be a big part of the solution.

Australia is the world's largest exporter of coal. For us, finding a technological solution to carbon emissions from coal-fired power stations is crucially important.

Work on these technologies is moving ahead. Last week in Australia we opened our first carbon sequestration pilot plant.

Australia, the United Kingdom, the United States, China and other countries like Norway must work more closely

together on translating this technology into an effective commercial reality.

Technology is crucial to achieving cuts in emissions.

So too is action on energy efficiency.

As is action on deforestation, re-forestation and avoided deforestation in countries with major rainforest cover – as Britain is doing in partnership in the Congo and as Australia is now doing with Indonesia and Papua New Guinea.

The transition to a global low carbon economy will provide new jobs, new industries and new growth for the future – although structural adjustment will be necessary for all countries.

**Consistent with our international approach, we are also committed to tackling climate change in Australia.**

We have committed to a target of a 60 per cent reduction of emissions based on 2000 levels by 2050. And we will develop interim targets in the year or so ahead.

We are working to establish a mandatory cap and trade emissions trading scheme by 2010.

And by 2020, 20 per cent of Australia's power generation will be sourced from renewable energy sources such as solar and wind power.

Again, in the lead-up to Copenhagen, the United Kingdom and Australia will be working together towards a global consensus on climate change.

## Development

Australia and the United Kingdom can also work more closely together on the global development challenge.

Today I announced that Australia would be signing on to Prime Minister Brown's Millennium Development Goals (MDG) Call to Action.

We support its aim of working for accelerated progress towards the MDGs.

We want to work together on important issues like reducing maternal deaths.

It is deeply disturbing that still in 2008, every minute a woman dies in pregnancy or childbirth.

We are committed to cooperating to achieve demonstrable reductions in maternal mortality.

The Millennium Development Goals must be achieved by 2015.

Already, at the half-way mark, progress in some countries is mixed at best, and in some cases downright disappointing.

When I visited Papua New Guinea recently, I announced that Australia would place the Millennium Development Goals at the centre of its development assistance to the Pacific Island nations through our proposed Pacific Partnerships for Development.

Australia will also work closely with the United Kingdom in the lead up to the UN special conference on the Millennium Development Goals in September.

These two challenges – climate change and development – are closely linked.

Climate change is already making it more difficult to achieve the goals of poverty eradication and sustainable development.

The World Bank estimates that 20-40 per cent of all overseas development assistance is at risk from global warming.

Therefore the development challenge will require effective integration with the climate change challenge, both in

reducing emissions and adapting to the impacts of climate change.

It will also require greater effort - which is why Australia has now embarked on a program to lift its official development assistance (ODA) from 0.3 to 0.5 per cent of Gross National Income (GNI) by 2015.

Australia, Britain and the European Union should also work on better coordinating our development efforts among the Pacific Island countries.

Likewise, Australia intends to examine how we might modestly partner with Britain (and the Commonwealth) in defined development challenges in Africa.

Our efforts must be effective, long-term and global if we are serious about making poverty history.

## International Financial Institutions

I am a firm believer in the role of international institutions.

Australia played a significant role in the founding of the United Nation some 60 years ago through our then Foreign Minister Bert Evatt.

Evatt sometimes riled his colleagues from the great powers, but he was recognised as a champion for the rights of smaller countries, a critical factor in building effective institutions.

International institutions help to build rules and norms of international behaviour.

The United Nations – and other global institutions – need to evolve and reform if they are to meet the challenges of the 21<sup>st</sup> century.

The structure of international institutions must reflect the realities of the modern world.

The Security Council needs to better reflect the world of the 21<sup>st</sup> century.

Australia supports Japan's and India's bids to become permanent members of the Security Council.

As a demonstration of our commitment to the United Nations, I announced in New York last week that Australia will seek a non-permanent seat on the Security Council in 2013-2014.

I am committed to boosting cooperation between Australia and the United Kingdom in the UN, including on questions of reform.

Australia and the UK can also work together to push for a successful outcome to the Doha Round of World Trade Organisation negotiations.

We are at a critical stage in the negotiations.

Negotiating texts will be out soon and Australia supports the idea of calling for early ministerial attention to the texts to concentrate peoples' minds and get an outcome on Doha.

Freeing up trade is too important to the world's economic future to let this chance pass.

We can also work together on reform of the international financial institutions – the IFIs.

The IMF should adopt at the end of this month a package of measures aimed at better aligning its members' quotas (or shareholdings) with their weight in the global economy.

Quotas are the main determinant of voting power in the IMF.

Emerging market economies will be the main beneficiaries.

Korea will see its quota double.

China's quota will increase by 50 per cent, and India's and Brazil's each by 40 per cent.

The reform package will provide for further adjustments for emerging markets in future years.

Prior to the reforms, China's IMF voting share was less than the combined shares of Belgium and Switzerland!

The package also contains important measures to increase the voice of low-income IMF members.

Australia can take some credit for these outcomes.

Some years ago we were among a handful of countries urging the need for quota reform to enhance the IMF's legitimacy and relevance, particularly among emerging market economies in our region.

In 2006, under Australia's chairmanship, the Group of 20 (G20) played an important role in the development of the first stage of the current reform package.

Australia has recognised that this is not a zero-sum game — that all IMF members will benefit from a Fund that has greater legitimacy and relevance, and is therefore more effective in fulfilling its vital mandate for international financial stability.

### **Global Financial Markets**

Reforming the IMF is important for the long term.

Dealing effectively with the current global financial crisis is of immediate importance.

The current crisis is significant in the overall context of the economic globalisation process we have all experienced over the last two decades.

Economic globalisation has been driven by three principal forces:

- the liberalisation of global capital flows;
- the liberalisation of global trade flows; and
- the explosion of the new information communication technologies that have underpinned both.

These are the arteries of the globalisation process.

I've already spoken at length about the current challenges to the further liberalisation of global trade flows.

Progress is critical if we are to combat the forces of protectionism, and resolve trade disputes effectively.

The current global financial crisis goes to the imperative of sustaining the strong capital flows that have underpinned the global economy's strong growth in recent years.

We need to maintain a global regime that fosters open capital markets that allocates the world's saving to its most profitable uses, within frameworks of supervision and regulation that maintain confidence in the system.

Of course there are different views on the current financial crisis, and whether it represents a significant market failure or simply a market-based re-pricing of risk.

Either way, the crisis has highlighted the challenge of ensuring that regulatory frameworks keep up with the innovations in financial instruments.

In Australia we have found during the credit turmoil that our regulatory framework is doing its job.

I was pleased to see Sir Howard Davies in a recent Financial Times opinion piece rightly drew the connection between the Australian “twin peaks” regulatory model, and the proposed reform of the regulatory arrangements in the United States.

I don’t know whether I would go so far as to agree with Sir Howard’s view that the “US Treasury has come to rest near Sydney Harbour”, but I can say that our regulatory arrangements are working well.

This is not to say that our regulatory system can’t be improved.

The current turbulence has exposed a number of gaps gaps, which we have announced we will fill.

It has of course also exposed gaps in the international network of surveillance and regulation, which we want to see remedied.

There is a parallel between the oversight of global financial markets and global trade – in that effective globalisation in both cases requires effective regulatory regimes that can sustain and, in the event of crisis, restore confidence.

As I said at the Progressive Governance Conference here in London last Friday, modern social democrats believe in open markets; but they also believe in the effective regulation of those markets – we are very much the party of intelligent regulation.

The challenge we all face now (Australia and the UK included) is to ensure we get the balance right between market freedom and market regulation.

We should not over-react to recent events, but equally we need to address the problems that have been exposed.

Further, we must coordinate our response to the financial crisis.

Australia and the UK are both members of the Financial Stability Forum and we are contributing significantly to the development of new regulatory approaches to global financial markets through the FSF.

And will continue to do so at the upcoming meetings of the IMF this week in Washington.

Once again the UK and Australia will need to collaborate closely on this work, focussing on matters of valuation, transparency and liquidity.

A key lesson from all of the market trauma of the last six months is that when it comes to something as fundamental as the integrity of financial markets, good rules are essential.

In fact, it is government's responsibility to make the rules which will ensure that open economies and open markets are able to continue to support economic globalisation.

Governments have a role in protecting the integrity, trust and functionality of markets.

We make no apology for now insisting that the rules be reviewed to increase the disclosure and transparency so that a sensible assessment of financial risks is possible.

## **Conclusion**

I entitled my remarks tonight "Australia and the UK, global partners in shaping the future global order".

The challenges to that order are as broad as they are deep.

Security, global financial markets, global trade, the Millennium Development Goals and climate change.

But what is remarkable about all these challenge areas, Australia and the UK exhibit an extraordinary similarity (if not universality) of interests.

Modern Australia and modern Britain both see ourselves as committed global citizens.

We are both strongly committed to contributing to the future global order.

And above all, both Australia and Britain are forces for good in the world – a world in which the number of national actors willing to play a significant global role remains limited.

I look forward very much therefore to building a new partnership with Britain in this, the third century of our bilateral relationship – one not just based on the strength of our bilateral relationship, but one based also on our common commitment to building a global order that meets the challenges of the 21st century – and one that

helps all nations and all peoples, not just the few, to achieve their potential in the dynamic century that lies ahead.