

SPEECH

Australian Second-Track Diplomacy

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Thank you for the invitation to speak at Breakfast by the Bay this morning.

The University of Western Australia continues to demonstrate its commitment to engagement with the wider community.

This event is an example of that commitment.

I commend the university on its outstanding record in fostering the exchange of ideas through fora such as this and the excellent and to be repeated “In the Zone” conference.

Today I would like to speak about the idea of increasing the contribution that Australia’s private sector makes to foreign policy.

What is foreign policy?

Foreign policy has been defined as all those dealings of the nation with the outside world that are subject to official interest and activity. Its purpose is to advance a nation’s interest and facilitate the security of its citizens.

My fundamental premise in my speech today is that the development and implementation of Australia’s foreign policy would benefit from greater involvement by the private sector.

Australia has a strong record when it comes to effectively formulating and executing foreign policy.

This was exemplified by the contribution Australia made, in cooperation with many others, towards the creation of the United Nations in 1945.

It included a significant role in drafting the UN Charter itself.

Australia’s capabilities were also at the fore with the creation of the Asia–Pacific Economic Cooperation forum or APEC in the late 1980s.

Again, the Australian Government played a leading role.

But importantly, government alone could not, and did not, put APEC in place.

Our governments have also been successful in building effective bilateral relationships with key strategic partners.

The Alliance between Australia and the United States has, and continues, to be the most important such relationship.

There are many other examples of effective engagement in multilateral, regional and bilateral diplomacy.

Notwithstanding this record, there is an opportunity to improve our effectiveness in dealings outside our borders and in shaping our international policies.

And in so doing, to strengthen our key relationships, advancing our national interests and facilitating the security of our citizens.

The participation of the non-government sector in foreign policy is sometimes referred to as second-track or track-two diplomacy.

Second-track diplomacy has been traditionally defined as the direct involvement of private organisations or individuals in conflict resolution.

But it is much more than that and certainly can be more than that.

It should include shaping foreign policy priorities and opportunities through dialogue and persuasion of those who influence foreign policy at home and abroad.

Australia's private sector has the capabilities to contribute to this task.

Second-track diplomacy, by this broader definition, involves two elements.

The first is the direct and indirect contribution of private sector organisations and individuals to meeting our current foreign policy objectives.

The second is the ability of the private sector to influence the future priorities and directions of Australia's policy.

Australia's current foreign policy objectives are outlined in the Annual Report of the Department of Foreign Affairs and Trade. They include (in this order and they are eightfold):

1. Deepening our relationship with the United States.
2. Improving our security through contributions to national, regional and international efforts to promote increased stability and security.
3. Improving engagement with the Asia-Pacific region through bilateral and regional efforts.

4. Pursuing national interests through partnerships with nations in Europe, the Americas, the Middle-East and Africa.
5. Contributing to Australia's economic prosperity by opening up access to markets for business through multilateral, regional and bilateral engagement.
6. Contributing to achieving beneficial outcomes from international deliberations on key environmental and energy-related issues.
7. Contributing to the development of a strong and effective international legal framework.
8. And, encouraging wider international application of universal human rights standards, democratic principles and good governance.

It is a long and ambitious list. Query: Are we capable of doing all this with the resources we have?

And are they the right objectives? Only one country is mentioned by name (America). China is only referred to obliquely under the rubric 'Asia Pacific'.

Some non-government organisations and individuals already make a significant contribution to pursuing these objectives.

But should we make greater use of the capabilities of the private sector to help meet and shape our foreign policy goals?

Last year Anne-Marie Slaughter, an American academic now serving as Director of Policy Planning at the US State Department released an important article.

It was published in the journal *Foreign Affairs* under the title 'America's Edge: Power in the Networked Century.'

Professor Slaughter argues that the United States should not be written off as the leading global power as easily as some commentators might suggest. In fact Professor Slaughter argues that the source of real power in the 21st century will come from connectedness. That is the ability to rapidly build and derive value from global connections and networks.

She emphasised the ability of Americans to establish and harness connections and I agree with her.

In fact, if this is the resource of power, it might make the 21st century an American century. It will be, I think a challenge other nations will take up.

Connections are the basis for exchanging ideas, innovation and new ways of collaborating to achieve objectives.

Private sector organisations are increasingly exchanging information and ideas from and with other organisations.

One of the driving changes behind this is the move to a more open and less hierarchical structure for many businesses and non-government organisations.

I would add to Professor Slaughter's conclusion the observation that Australians share the ability of Americans to utilise connections.

We are major participants in what has been described as the new networked world.

Australian businesses are engaged right across the globe.

We compare well with the take-up of new technology and particularly web-based open sourced technology.

Our workforce is well educated both here and internationally with a high proportion of people working in highly skilled occupations.

We have embraced immigration and foreign investment, attracting talented people and capital here from all over the world.

Our higher education institutions educate more than 270,000 international students at a time.

At the same time, there are more than one million Australians working overseas (one of the greatest global diasporas when measured on a per capita basis).

We have close links to the United States – which are especially valuable not only in a strategic sense, but when it comes to access to ideas and to new technology.

If you accept Professor Slaughter's thesis – the networks of the Australian private sector mean that it has the potential to lift its contribution to foreign policy formation and prioritisation to help leverage the power and authority of Australia in world affairs.

I believe strengthening our foreign policy capabilities must be a key national priority.

Last year, the Lowy Institute released a report, titled *Australia's Diplomatic Deficit*.

The report was prepared for the Lowy Institute by a specially convened Blue Ribbon Panel of business leaders and policy experts.

The report argues that Australia's diplomatic network is seriously overstretched.

In addition, there should be a greater priority given to developing the capabilities of Australia's diplomatic and foreign policy officials through recruitment and professional learning.

The Blue Ribbon Panel recommended a major commitment by the government to reinvest in our diplomatic network and its capabilities.

The panel concluded that this was necessary so that Australia will be in a position to effectively pursue its growing international interests.

However, it will be difficult for the government or any government to make such renewed investment given the government's competing goal of reducing the federal budget deficits that are forecast for the next four years.

I acknowledge that last year the federal government did take some important steps to increase investment in the capabilities of the Department of Foreign Affairs and Trade – although not to the extent recommended by the Lowy Institute.

I suspect that when it comes to the sort of investment proposed by the Lowy Institute, budget deficits will trump diplomatic deficits – at least for the time being.

But this does not mean we cannot take steps to tackle the diplomatic deficit in ways other than public investment in diplomatic officials and embassies.

One alternative way is to improve our ability to draw on the capabilities of the private sector to help meet our foreign policy objectives.

Effective foreign policy now depends on access to ‘up-to-date’ and relevant information and ideas, combined with a wide network of effective relationships.

These are capabilities that are widely available in the private sector.

And they could be utilised more than they are at the moment by the government, and our existing foreign and diplomatic network.

I should add though that I am not proposing that Australia move to lift its second-track diplomacy efforts simply because we have a diplomatic deficit.

Even if there were to be further reinvestment by the government, by building stronger collaboration with the private sector we could leverage up the renewed investment.

Second-track diplomacy is really about drawing more on our assets – in both the government and private sectors.

Drawing on our assets should be something we are aiming to do because it can make our diplomacy more effective.

Better using the capabilities of the private sector – where it makes sense and it is prudent to do so - will depend on the willingness of both government and private sector leaders to each take further steps.

It will also require that we are clear about the purposes for which second-track diplomacy is to be used.

But let’s be clear: second-track diplomacy is a long term endeavour and the benefits will not come in the short term.

This is one of the reasons why it is so difficult to implement.

Why second-track diplomacy is important

I have so far outlined what second-track diplomacy is and what it involves.

I would like to turn now to the question of why it should be a priority for Australia.

Effective foreign policy prevents conflict by finding ways to promote peaceful co-existence among nation states and facilitate the security of our citizens.

In promoting this outcome, Harvard University Professor Joseph Nye says that a country has two broad categories of power it can attempt to exert.

The first is hard power, which involves either the threat or the exercise of coercion.

Hard power typically involves military and strategic coercion.

Under Professor Nye's definition, hard power may also involve coercion by economic means.

He contrasts hard power with what he has described as 'soft power'.

Soft power incorporates a wide range of activities, from diplomatic persuasion to cultural and social links, as well as mutually beneficial economic relations.

Soft power is concerned with the ability of a nation and its partners to achieve the outcomes they want through attraction and persuasion, rather than through coercion.

Ultimately, as Australians appreciate, outcomes achieved through persuasion are more sustainable than those won by coercion.

In November 2007, American Secretary of Defence, Robert Gates, gave a speech at Kansas State University.

He gave that speech at the height of concerns over continuing violence in Iraq and the commitment of more troops by the American Government to quell the violence.

Yet Secretary Gates took many people by surprise when he said:

"I am here to make the case for strengthening our capacity to use 'soft' power and for better integrating it with 'hard' power."

He also spoke about the importance of "joining with organisations and people outside the government – untapped resources with tremendous potential."

The Administration of President Obama is giving a high priority to just this approach.

Secretary of State Hillary Clinton spoke at the Council on Foreign Relations on 15 July 2009.

She said that current global problems require a "different global architecture".

Secretary Clinton outlined what this will involve in the following words:

"We'll work through existing institutions and reform them. But we'll go further.

We'll use our power to convene, our ability to connect countries around the world, and sound foreign policy strategies to create partnerships aimed at solving problems.

We'll go beyond states to create opportunities for non-state actors and individuals to contribute to solutions.”

Secretaries Clinton and Gates are describing an approach to building soft power that is integrated within a coherent foreign and strategic policy. It is, as you will observe, also relevant to my fundamental premise.

Secretary Clinton and Professor Nye have described the ability to effectively develop, combine and have available both soft and hard power as “smart power”.

To achieve this, it is necessary, as Secretary Gates stated, to give a greater emphasis to building up our soft power capabilities.

It is within such a framework that I am proposing Australia move to extend second-track diplomacy.

The renewed emphasis being given by the United States to soft power, and as a component of this, to second-track diplomacy, is a welcome development.

I am not arguing that Australia should endeavour to build its capabilities in second-track diplomacy simply because America is renewing its commitment to such a path.

We should take this path because it is in our best interests to do so and because we've got the potential to do it well.

Through the effective harnessing and use of soft power, there is a greater likelihood that we can further build and sustain peaceful engagement with other nations.

At the same time, we would have a great opportunity to be effective when countries like the United States are pursuing a similar approach.

There is another aspect to soft power that the private sector can also support.

Before we can persuade others, we need to begin by building understanding.

If we can build greater understanding, we can build stronger relationships.

It is therefore the ability to establish new relationships and to deepen existing relationships that will be the key to extending second-track diplomacy.

There is very much a personal dimension to second-track diplomacy.

What we should be aiming to achieve is to broaden the number of people and organisations involved in dialogue.

And to utilise 21st-century approaches to promoting effective communication and understanding.

Professor Coral Bell of the Australian National University wrote in her 2005 paper, 'Living with Giants', that Joseph Nye's distinction between hard and soft power is now more vital than ever before.

Her insightful observation was that we must not only focus on our own sources of soft power.

We must apply soft power to analysing other societies in order to understand the sources of influence within those societies – and to use this to inform our efforts.

The relationships, knowledge and different approaches of the private sector would strengthen the nation's ability to both develop our own sources of soft power.

And they would help us to gain better insights into the soft power influences at work in other nations.

How do we improve Australia's capabilities in second-track diplomacy?

I have outlined what second-track diplomacy is, how we have the potential to contribute to it, and why it is important that we do.

Perhaps the hardest question is: how do we go about improving Australian second-track diplomacy.

The answer to this question will require some further work and dialogue.

I am overseeing through the Business Council of Australia further research in this area – in collaboration with others.

As a first step to addressing the question of how we extend Australian second-track, I will attempt to identify some key principles to guide this work.

It will be important that we are clear about what is needed and what can be achieved by second-track diplomacy.

This will require an agreed strategy with well defined priorities and objectives.

I would suggest that our first guiding principle should be to identify a small number of clearly articulated priorities.

Priorities at three levels

Agreement on a set of priorities will be a key part of the further work that the BCA and others will undertake.

I anticipate that the sorts of priorities we might agree to will be at three levels.

Firstly, there could be priorities established for foreign policy at the global level.

I mentioned at the outset Australia's contribution to establishing the United Nations.

The UN continues to be a key global institution – but it does need to be revitalised.

Australia's bid for one of the non-permanent seats on the UN Security Council may provide the basis for one of the priorities to which Australian second-track diplomacy is directed.

This could involve helping the campaign for the non-permanent seat, as well as to a contribution from Australia to renewing the UN.

More important, globally, there is also much work to be done in entrenching the G-20 process.

A second priority might be at the regional level.

The Prime Minister has proposed the concept of an Asia–Pacific Community.

There are important reasons for supporting this idea.

As the Prime Minister has pointed out, currently we do not have an institution of the Asia Pacific that has the United States, China, India and Japan as members, and which addresses both security and economic policy issues.

APEC continues to be an important institution, and its efforts to drive economic integration are strongly supported by the Australian business community.

But in a wider strategic sense we must anticipate where future tensions and pressures will be felt, and shape regional institutional arrangements to best accommodate these realities.

In doing this, we could build on the existing body of knowledge built up through second-track diplomacy.

A significant number of Australian academics and researchers have made, and continue to make, a vital contribution to foreign and diplomatic policy engagement, especially in the Asia Pacific.

This has included, for example, the facilitation of dialogue, the development of policy recommendations and the deepening of relationships through the Council for Security Cooperation in the Asia Pacific.

This has already been important in helping to shape the exploratory work undertaken on the Asia–Pacific Community concept.

Building on this will be important in taking the idea of an Asia–Pacific Community, or something equivalent to it, forward for further development.

We will also need to consider the role of second-track diplomacy in our key bilateral relationships.

One of the most successful examples of second-track diplomacy undertaken by Australians is the Australian American Leadership Dialogue, founded and led by Philip Scanlan.

The Leadership Dialogue is focused on strengthening bilateral ties between Australia and the United States – our most important bilateral relationship.

It has been very successful because it has been led by a private sector team.

I do not think that we could replicate the Australian American Leadership Dialogue.

And we should not try to do so.

But Philip Scanlan's initiative serves to demonstrate that second-track diplomacy can make a tremendous contribution at the bilateral level.

Strengthening Australia's bilateral relationships with nations such as China and India would, I expect, be a further priority for second-track diplomacy.

Last Friday evening at The Australian National University, the Prime Minister gave the 70th George E. Morrison lecture.

The Prime Minister gave a very important address titled Australia and China in the World.

He set out a vision for engagement with China, not only for Australia but for all nations with an interest in China.

The Prime Minister called for, and I quote:

“A New Sinology capable of opening up new ways of understanding this great and ancient civilisation, and what it might offer again in the future. The challenge for us all is how we move forward to promote a deeper, textured understanding of China in the 21st century.”

The Prime Minister linked the idea of new Sinology to the concept of a true friend “zhengyou”. He described this concept in these terms:

“A true friend is one who can be a partner who sees beyond immediate benefit to the broader and firm basis for continuing, profound and sincere friendship.”

In other words, a true friendship which “offers unflinching advice and counsels restraint’ to engage in principled dialogue about matters of contention. It is the kind of friendship that I know is treasured in China's political tradition.”

Through our wide business, education, academic and cultural links, the private sector will be instrumental in contributing to new Sinology and to engagement with China that lives out the Prime Minister's vision.

I see a very important role for second-track diplomacy in bringing greater depth and understanding to our most important bilateral relationships, especially our engagement with China.

One further level at which we should consider setting priorities involves the sources of foreign policy advice that are available to the Australian Government.

We should be looking to broaden the avenues of advice to government on the current and future shaping of foreign policy.

Traditionally, the government has relied most heavily on its key departments for foreign policy advice.

While the United States and the United Kingdom also rely heavily on the State Department and the Foreign Office respectively, they are more open to advice from think tanks and from the broader private sector.

In recent years we have seen important think tanks established in Australia.

The Lowy Institute, the Australian Strategic Policy Institute and the Gratten Institute are three examples.

Our universities continue to develop their capabilities and extend their networks.

Businesses and unions are linked to other businesses and to the private sector across the world. Not for profits are linked to not for profits across the globe and on and on we could go.

In taking forward the idea of second-track diplomacy, we should seek to broaden the sources of advice to the federal government through these organisations and individuals.

Collaboration

A further principle that should underpin Australian second-track is collaboration.

If it is to succeed in harnessing the networks to which Ann-Marie Slaughter referred, then it should not be an initiative that is seen to be owned by any one organisation.

It needs to be a broad based endeavour bringing together the different perspectives of the private sector.

It should draw widely on the capabilities that are available.

Network based, not institutionally based

I will also be suggesting that we pursue an approach to improving second-track diplomacy that does not involve the establishment of a new institution.

We should be aiming to emphasise and extend existing networks.

In this vein, the extension of second-track diplomacy should be an example of a network in practice, rather than a traditional institution.

Build on strengths wherever we can

We should also learn from experience and build on our strengths.

There are a number of organisations and individuals who have made a very effective contribution to Australian second-track diplomacy.

We should seek to learn from their knowledge and experience.

In addition, there is much to learn from overseas experience.

This is especially true through our links with the United States and throughout the region.

Private sector leadership, government encouragement

Finally, it will be important that in moving to develop second-track diplomacy, leadership is provided by the private sector.

This will be important in ensuring that the ideas that come forward are those of the non-government organisations and individuals.

At the same time, it will be essential that there is encouragement and support from the government.

In fact the government's encouragement and willingness to collaborate will be "essential" if the capabilities available are to be effectively used.

Although collaboration will be essential, developing second-track diplomacy in Australia should not require any new financial or other resourcing from government.

Rather, it requires a willingness to try new approaches and to use existing resources in new ways.

Conclusion

There are examples of highly effective second-track engagement involving Australian organisations.

Nonetheless, Australia does not yet have the same depth and diversity in this area of endeavour as other countries.

Furthermore, the notion of second-track diplomacy has not been an explicit priority for Australia.

We have an opportunity to increase the involvement of the non-government sector in second-track activities.

Australia's private sector is connected to global networks of business, education and other non-government organisations.

These connections could be utilised to establish deeper relationships with the people of other nations.

And they can be directed to supporting Australia's foreign and diplomatic policy objectives.

Second-track diplomacy offers no quick fixes; it brings results only through patient commitment over the longer term.

As we all well know, effective relationships are the basis for cooperative approaches to tackling problems, and identifying and taking up new opportunities.

In this way, more effective relationships can provide the basis for lifting the capabilities of Australian soft power.

As Joseph Nye and others have shown, it is through building and using our soft power capabilities that we will have the best prospects for peaceful and mutually beneficial relations with other nations.

If we can accomplish this, the reward will be to strengthen global relationships and secure our place in the world for the benefit of all Australians.

Thank you.
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