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The full podcast can be found here .

What are the biggest current issues in Australian foreign policy?

The government's foreign policy white paper laid out the key challenges: firstly, a peaceful, stable and prosperous Indo-Pacific and secondly, the work that we do in the Department of Foreign Affairs and Trade to try to create the right conditions for Australian companies to do well. This all links into our national prosperity but it relates directly to some of the headwinds we're encountering in terms of global protectionism and the international trading system.

We have a further objective of keeping Australia safe, secure and free, and DFAT does much of that work in collaboration with other departments. It relates in many areas to counterterrorism and a whole range of other issues. There are challenges to what we call the rules-based order or the rules-based system. There's a step up, if you like, in the South Pacific and that includes our relations with Timor-Leste.

How different are the challenges for Australian foreign policy compared with the 1980s?

Colleagues and former colleagues, including Allan Gyngell, have taken the view that the issues we face now are of an altogether different order of magnitude. If we look at the process of globalisation over the last 30 years, increasing use of technology, the shift of economic and strategic weight to this region, it's an interesting and challenging time. Much of what we do is

done with colleagues from a wide range of departments and I think ‘whole of government’ has taken on a new meaning, a deeper meaning than it had 30 years ago.

The fractious state of Australia–China relations is getting a good deal of attention. How severe do you think these tensions are and are they worse than at any time in the recent past?

There are always ups and downs in our relationship with China and at the Australia China Business Council’s networking day the prime minister talked about the continuing strengthening and deepening of that relationship.

But the Chinese ambassador was rather sharper.

I thought his speech was a rather balanced account of our relationship with some positives in there. He used a couple of adjectives which have naturally enough received attention, but from my point of view this is a relationship that matters greatly to both of us. We will encounter areas of difference but the relationship is fundamentally sound. It has a great deal of potential and it’s clear that both governments attach priority to ensuring that it’s able to move forward on a very sound footing.

What’s the current situation on visas for ministers?

Well, this has received a surprising amount of attention because there have been no problems with visas for ministers, at least certainly not that I’m aware of. And the issue with official visits to China by ministers and senior officials is not the visa. For example, I have a three-year multiple re-entry visa. It is more an agreement on what the Chinese considered a mutually convenient time. A time when they are ready to receive us and a time that is suitable for us to visit.

That’s sort of a visa by another name though?

Not really. There's considerable high-level interaction between both countries and of course not everything needs to happen in Australia or China. There are many multilateral meetings where ministers meet their Chinese counterparts in the normal course of business. I expect there'll be some visits from China in the coming months and that Australian ministers will visit China as well.

Do you think that if the Prime Minister wanted to visit in the next few months there would be a mutually convenient time?

I can certainly envisage a time when it will be convenient for the Prime Minister to visit, but as is always the case with the highest level visits, it will take some time because there is simply a lot of work to be done. We've started that process. I'm confident that the Prime Minister will visit China again. Of course the foreign minister will visit beforehand for the foreign and strategic dialogue.

But you would expect the Prime Minister to get there before the election?

I would certainly expect that the Prime Minister would get there before the election as long as the Chinese are willing to receive him and he's able to travel. Of course he can't travel during parliamentary sitting periods.

Now what about your own visits? I think you told a Senate hearing that mutually convenient times hadn't been found on a couple of occasions. Have you sorted out a visit?

Yes, I visited towards the end of May and it perhaps received more attention than it should have. They'd suggested initially that I visit in January. We tried February, but Chinese New Year and then other commitments on the Chinese side made that difficult. But when we met in late May my host said, 'Your visit is overdue.'

The Chinese ambassador reiterated in his speech that China never interferes in the internal affairs of another country. As a former ambassador to Beijing, what's your

response to that proposition?

Of course a country shouldn't interfere in other countries and China has a policy of non-interference in the affairs of other countries. Influence is the normal work of diplomats, and we seek to persuade others to our points of view wherever we are in the world. The difference between influence and interference is that interference is often corrupt, coercive or covert, and that's what distinguishes it.

So we certainly welcome any reiteration of the Chinese policy of non-interference. We need to some extent to take the Chinese at their word but also to deepen a conversation about what we each mean by interference because we work very willingly and actively with the Chinese as partners in many parts of the world beyond our bilateral relationship. These are matters for each country to sort out and it's one of the reasons the government is developing legislation to help us counter foreign interference wherever it may come from.

The Lowy Institute poll found that only a minority of Australians, 41%, saw foreign interference as a critical threat. It was well behind terrorism, climate change and the severe global downturn. Do you think that we've been too complacent for too long about the growth of this threat?

Before 9/11 and the Bali bombings, Australians were perhaps not aware of the impact of terrorism. Similarly, I think it's taken a while for people to understand what the impacts of climate change might be. Having reached this point it's obvious that the government has felt that it has an obligation to act (on foreign interference) and that's exactly what it's doing.

Do you feel that our universities are becoming too dependent on Chinese students? When we talk about interference, that is one forum where many people see pressure on students. The universities have become increasingly financially dependent on foreign students generally, but particularly Chinese students.

There's been a very substantial growth in the number of international students from across the board. They've come in significantly larger numbers from India and from China and we've encouraged that of course. I think campuses across Australia have been enriched by having foreign students studying alongside local students.

Whether any particular university is overly dependent on students from one country or another is really a matter for them to decide. It's not so much the numbers but the way our universities are aligned. Vice-chancellors have been very active in setting standards, in ensuring that there is transparency around arrangements. So I wouldn't think there's any particular level beyond which we should not go. These are matters essentially for vice-chancellors.

From DFAT's perspective, I see a deepening of our people-to-people relationships, not only through the contributions of in-bound students but through the now 30,000-plus Australian students who've travelled overseas in connection with the new Colombo plan.

Julie Bishop in a moment of great frankness the other day said 'absolutely' she needed a bigger foreign aid budget. We're giving aid to Solomon Islands to prevent that country using a Huawei communications cable. Should we be substantially expanding our spending on aid in the Pacific given the Chinese footprint?

I would certainly agree with that. We have an undersea cable taskforce working both with Solomon Islands and Papua New Guinea to give them very high-quality infrastructure which I think will be absolutely transformative for their people. Being connected with high-speed internet will enable them to develop their digital economies in a way that has been held back by having very slow 3G or no access to the internet at all. That's the purpose of our assistance.

Australia has allocated $1.3 billion of aid to the South Pacific this year. That's at an all-time high because there are very substantial challenges there and sustainable development goals have not been met in many countries. Many are very small island states with fragile economies, very dependent often on remittances from seasonal workers in Australia or workers in other countries including New Zealand. So there's a vulnerability there.

That's been there for a long time. What has changed though is that China has become more active.

A number of donors are more active in the Pacific and we welcome that, and the foreign minister has been very clear that we're very happy to encourage further Chinese assistance in the South Pacific. We need to be able to work alongside the Chinese and in some cases, as we are in Papua New Guinea on an anti-malarial project, we will actually work with the Chinese.

But the point we're keen to make—wherever the assistance comes from—is that we want it to be provided transparently.

We want the cost of that assistance, whether it's soft loans, to be apparent. We don't want it to create an unsustainable debt burden. Bear in mind that all of Australia's aid, wherever it goes, is in the form of grants which do not need to be repaid. We're concerned to ensure—and here we work very much with our South Pacific neighbours—that the aid that they receive is for projects that they regard as highly desirable and that it's provided on a basis that increases their productive capacity.

What's the state of our diplomatic dialogue with Russia given the downing of MH17 and Russia's lack of cooperation in its aftermath?

I'd describe our relationship with Russia at the moment as functional, and one needs to have functional relationships across the board no matter what differences there are. We have had a number of differences over important matters with Russia and, for the foreign minister in particular, but also for the Australian government, the responsibility for holding the perpetrators of the downing of MH17 to account is very high up on our list. We expelled two Russian diplomats and in response the Russians expelled two of our diplomats, so we are working with smaller embassies. We would always work with the Russians where we have common interests—but it's become harder to find areas of common interest.

The Liberal Party's federal council passed a resolution saying that our embassy in Israel should be moved from Tel Aviv to Jerusalem. The government's rejected that but, given the position of the Americans on this, is it likely to become Australian policy in the longer term?

I don't think so.

Not at any point?

I would expect the Australian government in future to maintain the position that Jerusalem is a

final status issue. Our embassy will remain in Tel Aviv.

And do you think the American move is counterproductive to the situation in the Middle East?

It's not been helpful.

What could be the ramifications?

None of these things should be seen in isolation and we need to see what effort the Americans will put into a Middle East peace process, but I think from all sides it made what was already a very, very difficult process even harder.

DFAT's been squeezed for resources over the years compared with, for example, Defence which has received massive extra funding. You're always being asked, it seems, to do more with less. Is the department struggling to do what it needs to do as the diplomatic face of a middle power?

We could always do with budget increases. I don't think any departmental secretary would tell you otherwise. We've received some additional funding from government, including in the most recent budget, and we've been able to expand our diplomatic footprint.

This government since 2013 has presided over the largest expansion of our diplomatic footprint ever, but there are pressures, of course there are. We've got a very big agenda and of course we have responsibility not only for foreign policy and trade policy and trade negotiations, but also for our development assistance program.

The white paper has given us a new frame and focus, not a dramatically different one, but we need to be absolutely clear about how we're going to deploy our resources in keeping with what the government has said are our highest priorities. That's what we are doing. I've restructured

the department. We've had staff reductions and budget reductions and it's true that they relate to the efficiency dividend, but can we do much more? I think we're just about at our limit.

It's a few years since AusAID came into the department. How well was that accomplished?

I was overseas at the time, but coming back to the department in 2016 I was hugely impressed at how well it had gone and hugely impressed with the diversity of our colleagues and the skills that they had.

But there was unhappiness at the time.

I think there was unhappiness on the part of some people very early on, but I'd like to think that this has been a very successful machinery of government change. That doesn't mean that there aren't issues that still arise and need to be dealt with. Of course that's the case, and in terms of our growing capability I am very much at pains in wanting to ensure that all of my colleagues within the department and indeed others outside it know that we have to attach—and I personally do as secretary—a really high priority to the maintenance of aid capability.

In Australia's national interest it was a very well-founded decision to bring aid, foreign policy and trade together. It gives us tools that not every government has and the way we're able to work those together I think gives us more impact and more influence in our part of the world.

The rise of protectionism is very threatening in the world today. What's your prognosis on this for the next few years? Do you think that we're really in for a bad time with trade wars?

This is probably the issue on which I think I'm personally most gloomy. I'm an economist by training and DFAT's work is around removal of trade barriers. A country like Australia absolutely has to have free and open trading arrangements and barriers reduced, not only in tariffs but new markets opening for services, non-tariff measures being removed. That's how you grow economies, and create jobs. That's how you create a prosperous Indo-Pacific.

But the winds of protectionism are indeed strengthening. We have always been very strong supporters of, and contributors to, the World Trade Organization. The WTO is under a deep threat at the moment and one of the big challenges for our diplomacy is to ensure that it's able to rise to the challenges and not, as some would rather have it, be cast to one side.

But is anyone listening to us?

Well, our job is to ensure that people do. There are plenty of like-minded people but there are challenges. And we've done some very innovative work on digital trade and e-commerce within the WTO. Particular issues that we want to work on include transparency and dispute settlement mechanisms. Some of this is quite technical, of course, but we've got, I think, some of the world's best trade negotiators in this department and if anyone can ensure that it has a happy ending they will be able to.

Australia talks a lot about the rules-based international order but increasingly we're really seeing international politics operating in quite another fashion. President Donald Trump and Chairman Kim Jong-un have different styles to other international leaders and they're putting aside the rules-based order and going at things in a different way. Do you think this notion has now been passed by history?

It's a good question to ask and I think it's too soon really to say. We identified this in the foreign policy white paper as a very significant challenge. As the world's 13th largest economy, we are best served by an international order where disputes are settled in accordance with international law and where there are rules governing trading arrangements and other things.

So it's overwhelmingly in our interest to seek to uphold it. There may be areas where change is a good thing, so we shouldn't regard this order, if you like, as set in concrete. But our interests are best served by continuing to ensure that it's able to strengthen in areas where perhaps it's been probed and been found to be weak.

But are we now in a more ad hoc era?

There are examples of what you might call ad hocery, but I also think that there's a deeper basis of rules about which we must not be remotely complacent and on which we will need to build. But in fact we are doing everything we can to ensure that orderly processes survive and prosper.

Experts have widely different interpretations of the outcome of the Singapore summit. What's your read-out?

It's really too soon to tell. Of course it was an historic moment when President Trump met, I think we now call him Chairman Kim, but it's not something that I would have predicted six months ago. I think what we're all focused on is the need for denuclearisation of North Korea and that means complete, verifiable and irreversible denuclearisation. Experts in this area have seen similar undertakings made in the past and very little lasting action was taken. The US secretary of state and officials are starting to work through the detail. It will take months and years before we really know whether this is as historic in its implementation as it was in the moment.

Are you optimistic or sceptical?

I'm very cautiously optimistic.

Do you think it's likely under President Trump that the US will substantially withdraw from the Asia–Pacific region and what would the consequences for Australia be?

I don't think that's likely. That may not be what you're expecting me to say, but I don't actually think that's likely and I heard Secretary of Defense Jim Mattis deliver a speech at the Shangri-La Dialogue in Singapore in which he reiterated a very strong US commitment to the Indo-Pacific, to enduring engagement in the Indo-Pacific.

Obviously he had a focus on the military dimension, but I think there's plenty of evidence that, while the US might be going about its business in some respects in ways that we haven't seen before, I think its interests are overwhelmingly engaged in the region—including economically.

And where those interests are engaged I would expect to see the US want to continue to defend those interests.

Julie Bishop said the other day, 'With the US fighting Canada and making friends with North Korea who can make sense of what's going on?' How difficult is it for Australian foreign policy makers, including departmental officials, to keep up with US foreign policy under President Trump, and can we assume that Australia is in a special category among America's allies, perhaps a different category to Canada?

We've had to make some adjustments obviously in our perceptions and in practical ways in our diplomacy over the last 18 months or so. We've got used to concepts of disruption wherever they come from, and I think that one of the things Malcolm Turnbull has done as Prime Minister from day one is to emphasise the importance of agility and the importance of innovative approaches and we've had to deploy a few of those.

We have a deep and long-lasting relationship with the US, and Joe Hockey's 'hundred years of mateship' has a lot of prominence. The centenary of the battle of Le Hamel is coming up and we've fought with them in every battle (since). That still counts for something.

Are we dealing with two deal-makers here? The President and the Prime Minister?

I won't comment on that, but I've seen that they are able to work very effectively with each other and we will need to continue to do that. Also, Australia is a very substantial investor in the US—about $100 billion worth. We put that at about 100,000 jobs. So we've got very substantial investments. We also have a trade deficit with the US. I won't be remotely complacent about our alliance partner, but I think we've shown over the last 18 months that we can both make it work.
_ **The Lowy Institute poll found there's no question that Trump's presidency has eroded Australians' trust and confidence in the US as a responsible global actor. The poll found support for the alliance but trust has fallen to its lowest point in the poll's history. Is this erosion of trust a serious problem or just a passing phenomenon?** _

The poll has demonstrated the ups and downs in our relationship over a number of years. But I think it keeps coming back to a central point of valuing the alliance. Other things can be a bit more volatile.

The US has just pulled out of the United Nations Human Rights Council, a body that Australia fought very hard to get on. The government has said it's disappointed by the American decision. What effect do you think that decision will have?

Well, I would expect it to be a source of disappointment around the world. Human rights matter greatly. While I heard and understood the rationale for the withdrawal, I think countries like ours would always say that it's much more important to be at the table and express one's views with all international institutions. They really only work as well as the level of members' belief that there's value in participating in them.

So I think we will now need to bear a heavier load. So will other members of the council. We are very disappointed in it. We have deep shared values with the US when it comes to human rights. We hope, as with some other forums from which they've withdrawn, that at some point they'll be back again. For now, we're not holding back in expressing our disappointment.

Were we consulted at all in that decision, or sounded out?

I don't know about sounded out. It had certainly been a matter of conversation. We'd expressed our views over a period of time, as we would in any international organisation in which the US is fulfilling a role.

So we tried to persuade them not to take this decision?

We expressed our view that the Human Rights Council would remain a stronger organisation with US participation.

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