

## **2015 Sir Edward 'Weary' Dunlop Lecture: Australia's responsibilities and opportunities in 'new' Asia**

**By Andrew Mackenzie**

(3 December, 2015) Thank you, Professor Elliot for your introduction. I am very pleased to be here with you this evening.

I too would like to acknowledge the traditional owners of the land we are gathered on, the Wurundjeri people of the Kulin nation, and pay my respects to their Elders past and present and extend that respect to other Aboriginal persons present.

Tonight, I will speak about Australia's opportunities and responsibilities in 'new' Asia. But first, I would like to comment on the tragic events that took place four weeks ago at Samarco's iron ore operations in Brazil. Our thoughts and prayers are with Samarco's workforce, their families and friends and the communities affected by this terrible event. The courage and resilience of Samarco's workforce, the local communities and the responders have been inspirational.

We are determined to do everything we can to support Samarco and help rebuild the lives of the employees, contractors and communities affected. This will take time, it will take perseverance, and we will not falter. Australia has got behind BHP Billiton and I would like to thank everyone in Australia who has done so during this difficult time.

Tonight's dinner is in honour of Weary Dunlop, an Australian icon who stood up for his mates. Like me, he was proud of his Scottish heritage and he knew the Scottish character all too well.

For instance, during World War II, when the Allies were pulling out of Athens, Weary found a lone Scottish soldier who stood to attention outside the abandoned British headquarters. Germans were coming and Weary had been told he had five minutes to evacuate. Weary asked the soldier what he was doing there. The Scot didn't know. He'd just been given orders to stay and hand over the HQ to the Germans. Weary implored the soldier to join him. The Scot wasn't budging. He refused to obey Weary's order to abandon his post and just gave him a letter to pass on to his wife. Now there was a man of duty.

Weary Dunlop understood this sense of duty, too. But his legacy goes beyond duty. What set Weary apart, what made him great, was his profound compassion and his deep understanding of how the world, especially Asia, affected Australia.

Weary Dunlop was an important advocate of international cooperation in the decades that followed the Second World War. He saw the potential of Asia and its people and we now live in the sort of world he envisaged.

The growth of Japan and the Four Tigers, Hong Kong, Singapore, South Korea and Taiwan, prompted talk back in the 80s of an Asian century and for two decades these lectures, which

bear his name, have been dedicated to Asia's rise and Australia's relationship with its neighbours.

In 1993, Paul Keating used this forum to discuss Australia's distinctive role in a growing region. In 1995, John Howard spoke of the economic revolution that had transformed the Asia Pacific and the need for greater cooperation between its nations. Thanks to this far sighted leadership, Australia has prospered as Asia has risen.

We have recorded economic growth every year for over 20 years, a unique achievement among advanced economies over this period. While questions about Asia's direction and Australia's place are not new, the context continues to evolve.

China is now the world's top exporter, manufacturer and holder of foreign reserves and while its economy may grow more slowly, it does so off a much larger base. The change created by Asia's developing nations in the decades to come will outstrip everything we've seen so far.

The fundamentals that propel this growth, demographic change, innovation and the desire of billions of people to live better lives, will withstand short-term business cycles.

Ultimately, this will have an enormous influence on the way we all live and work.

Weary Dunlop once said it's only when people are put at full stretch that they can realise their full potential. This is something I often say to BHP Billiton's people. As a country, we share a duty to operate at full stretch so that Australia fulfils its potential as the world evolves.

Australia has a stable liberal democracy with strong institutions. We are uniquely located on the doorstep of Asia, home to over half of the world's population, and Australia's relationship with our Asian neighbours is strong, with deep respect and understanding of Asia's many cultures.

This nation should be at the heart of Asian affairs and use its unique position to be a catalyst for growth and stability in the region. We are well placed. Succeed, and Australia stands to benefit economically, culturally and geopolitically, with an opportunity for another two decades of growth and more. Fail, and other nations will take our place with massive consequences for every Australian.

In order to reach our full potential, we have to analyse and understand how the world is changing. The 'great convergence' of developing Asia in general, and China in particular, is well known. As these countries urbanise and industrialise, their economies are narrowing the gap with developed nations.

This convergence will change the world. Today [China](#), [India](#) and [Indonesia](#) make up 40 per cent of the world's population. By 2050, these three countries will, in GDP terms, be three of the world's four largest economies. [The Philippines](#), [Thailand](#), [Vietnam](#), [Pakistan](#) and [Bangladesh](#) will all have economies more than

double the size of Australia's today. Change on this scale, across this many countries in the region, will have major implications.

Many still assume that OECD countries will remain at the forefront of commerce, science, finance and culture by virtue of their history. This is impractically naïve and underestimates the speed at which Asia will catch up.

Like entrepreneurs everywhere, developing nations look at what's out there and look to do better. They learn from the successes and failures of the West. I see this every time I visit China with scant evidence of the West and Australia looking to learn from the innovations of the East. So Asia's emerging economies aren't just catching up, they have already begun to lead.

Between them, Asia's developing economies have strong positions in basic manufacturing, textiles and soft commodities. Over time, more companies from these countries will work their way up the value chain to design and develop products and services that set standards globally. They will become the multinationals of the future. That's the nature of disruptive innovation. The disruptor starts at the bottom of the value chain and ends up near the top. Political and business leaders of both China and India expect their industries to do this and the companies that emerge from those two giant economies will have the ability and ambition to meet those expectations because if they don't, they won't survive the intense domestic competition.

We already see signs of how Asia's emerging economies will follow Japan, South Korea, Taiwan and Singapore down this path. In mobile commerce, Chinese companies like Alibaba and Tencent now rival Google and Apple. WeChat constantly innovates to compete with WhatsApp and China dominates solar and wind technology. In India, Tata has shown it can manufacture luxury western marques, like Jaguar, as well as the world's cheapest car, the Nano.

As more high-value companies rise from developing Asia, they will transform global commerce, change existing industries and create new ones. And this is just the start. In science, the Pacific will rival the Atlantic in research. Earlier this year, Tu Youyou was the first Chinese citizen to win a Nobel prize for science. She won't be the last.

China's investment in R&D has already outstripped the EU and will match US levels within four years. More Indians than Americans will go to university by the end of the decade. So, great leaps forward in innovation will be as likely to come from Mumbai or Shanghai, as Silicon Valley.

The world's centre of gravity, for everything from R&D to finance, is steadily shifting east to Australia's near north. For instance, during the global financial crisis, US and European banks turned to their Asian counterparts for capital. Asian institutions stepped into trade finance as Europe withdrew. And this year, we saw the formation of the new Asian Infrastructure Investment Bank, an illustration of how new institutions will help fund the region's growth.

The global economy could triple in size by 2050 as Asia's developing economies create new financial centres and greater financial innovation, secure more foreign capital for investment at home, send more domestic capital overseas and move billions of people into the middle class.

This will bring more competition plus increased volatility. China and India are set to become economic superpowers even while they're still developing nations. So the usual stresses and strains that countries experience, as they develop will be greater and further amplified by the ever-faster global markets. As Asia rises and the number of globally significant countries increases, the world's economy is becoming ever more complex. A wider range of interests now have to be taken into account to reflect the world today, not as it was in the 1940s and 50s.

To promote regional cooperation, reinvigorate global governance, and reform global institutions, like the International Monetary Fund (IMF) and the International Energy Agency (IEA), Asia also has to have its own multilateral bodies.

It is also vital we understand the environmental impact of Asia's convergence. Sustainable development requires the continued growth of emerging economies and a significant reduction in global greenhouse gas emissions.

The good news for Australia is it's within our power to contribute to these world challenges and benefit from doing so.

Domestic policy must underpin our drive for more productivity and increase the country's resilience to economic volatility and heightened competition from developing Asian businesses. Australia must become more accessible to Asian innovation and ideas to boost our own production and exports.

Under all circumstances, productivity at home is critical. Australia's businesses must operate at full stretch and reach their full potential to thrive in a changing world. Australia is already an important supplier of commodities to Asia, from iron ore, coking coal and natural gas to beef, wheat and sugar. Our challenge is to remain competitive in these markets and become competitive in new markets.

Australian companies can export more to Asia, use Asia as a hub to export to the world and a place to join global supply chains. If we continue to build on our advantages, Australia is well positioned to attract more investment than many of our competitors.

We shine as a stable democracy that benefits from the rule of law, healthy and open civil society and debate, strong protection for intellectual property and a skilled work force. Melbourne and Sydney are regularly named among the most liveable cities in the world. And if we make a sustained, long-term commitment to science, technology, engineering and maths, Australia could become the destination of choice for the next generation of Asian scientists or Asian investors ready to back advanced industries like biotech, an industry in which we're already fourth globally.

Australia's foreign policy will also grow ever more important in a more complex, volatile world. Beyond these shores, Australia can help create the conditions for its economic success and promote growth, pluralism and stability throughout the region. Australia must continue to use its unique network of relationships to promote reform, encourage multi-lateral action and improve governance.

I believe there are three areas where we can act.

First, Australia should continue to champion free trade. Open markets promote efficiency and reduce the risk of economic imbalances and volatility. The Trans Pacific Partnership, for instance, promotes transparency, sets common standards, stimulates innovation and reduces commercial tensions between nations. So it's in the region's interest, and Australia's, to bring China, India and Indonesia into the agreement as their economies and industries mature.

Second, Australia should continue to lobby for the constructive reform of the IMF and IEA. IMF reform has been stalled but we should persevere, a sentiment shared by September's G20 meeting in Ankara. China and India will dominate global energy demand growth over the next two decades. Neither is a member of the IEA and this is in no-one's interest. In Brisbane last year, the G20 leaders agreed that energy institutions had to be more inclusive.

This should be a priority for the 2016 summit in China.

Third, Australia should push for a coordinated approach to manage climate change in the region. Many countries have made commitments to cut emissions ahead of the Paris summit currently underway. These have been made on a standalone basis. The more we work together as a region, the more likely we are to meet these commitments. Australia must continue to play an important role by accelerating the development and deployment of low-emissions technologies to identify and invest in opportunities both here and abroad and bring commercially viable solutions to market quickly. The Australia – China Joint Coordination Group on Clean Coal Technology is one example of the required strong regional collaboration.

None of these tasks are easy. They demand a full stretch from both government and industry and commitment to the duty we all share to achieve our potential.

Australia has the opportunity and indeed, the responsibility to take a position of collegial leadership and work with both emerging powers in Asia and established powers in Europe and North America. To reinforce that, the best way to make the world more stable is through trade and cooperation, exchange and understanding.

We must resist the belief that Australia has to choose between a partnership with the United States and a relationship with China. As Dr Michael Fullilove recently said in his Boyer lectures, to reinforce our relationship with America does not mean we should run down our relationship with China. On the contrary, we should raise up our relationship with Beijing.

Australia has a privileged place in global politics. We have strong links with the United States and the European Union, our close partners for generations. And we enjoy strong bi-lateral relationships with Asia's major economies both developed and developing due, in part, to the influence offered by our status as a low-cost supplier of critical resources based on world-leading orebodies and operations.

Not many countries are even able to consider free trade agreements with China, India, South Korea and Japan, as well as the US and EU. This is a tribute to the Foreign Minister, Julie Bishop and the Trade Minister, Andrew Robb, as well as to generations of politicians, diplomats and business people that stretch back to the Hawke and Keating era.

Leadership is not always easy, but it is necessary. Australia can and must play a pivotal role in the world at this time of great convergence as Asia tries to achieve a new balance with the US and Europe.

This is Australia's opportunity. We are qualified like no other country. This is a nation of nations, able to speak the languages and understand the cultures of the world.

These are all qualities that Weary Dunlop well understood. From the sense of duty displayed by the Scottish soldier back in Athens, to his own endeavours to further the relationship with Asia. The women and men of this nation are best placed to seize the opportunities the Asian Century will bring.

The world is changing. Asia is rising and the future is Australia's to make.

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