

**“GLOBAL IMPLICATIONS OF THE ASIA-PACIFIC CENTURY”**

**STOCKHOLM INTERNATIONAL PEACE RESEARCH INSTITUTE (SIPRI), THE  
INTERNATIONAL INSTITUTE FOR DEMOCRACY AND ELECTORAL  
ASSISTANCE (IDEA)**

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Thank you for the invitation to address this combined gathering of the Stockholm International Peace Research Institute and the International Institute for Democracy and Electoral Assistance.

These are both great global institutions dedicated, respectively, to the great global causes of security and the promotion of democracy.

It's also good to be here among so many Swedish friends.

Jag är glad över att vara tillbaka i Stockholm.

*I am delighted to be back in Stockholm.*

Ett land som jag länge beundrat, och där min karriär som diplomat började för nästan trettio år sedan.

*A country I have long admired, and one where I began my career as a diplomat almost 30 years ago.*

Australien och Sverige har en lång gemensam historia.

*Australia and Sweden share a long history.*

Faktum är att Australien kunde ha blivit svenskt.

*In fact, Australia could have become Swedish.*

Gustav den tredje gav order om en svensk bosättning i Västra Australien i November sjuttonhundraåttiosex, två år innan brittiska skepp anlände för första gången.

*King Gustaf III authorized the founding of a Swedish settlement in Western Australia in November 1786, two years before the arrival of the first fleet of British ships.*

Men kungens plan stoppades av krigsutbrottet med Ryssland nästkommande år.

*But the King's plan was stopped by the outbreak of war with Russia the following year.*

Så mitt modermål är inte svenska, utan engelska.

*And so my mother tongue is not Swedish, but English.*

Och efter trettio år är min svenska inget vidare.

*And after thirty years, my Swedish is now appalling.*

Det enda främmande språk jag kan tala är kinesiska.

*The only other foreign language I can speak is Chinese.*

And that brings me to the subject I want to discuss today – the global implications of the Asia Pacific Century.

And to do that I will not speak Swedish nor Chinese, but a third dialect entitled Australian English.

## **The Asian Ascendancy**

Strong and sustained growth in Asia is changing the world in which we live.

Asia is home to 3.8 billion people – over half the world's population.

As the productivity of this massive workforce continues to catch up with that of the developed world, economic and strategic weight is shifting towards Asia.

By 2030, wider East Asia may account for 40% of global GDP – compared with only 22% in 1990.

Of course the dominant chapter in this unfolding narrative is the People's Republic of China.

According to the IMF, the Chinese economy will have grown around 25-fold over the 25 years to 2015.

To put this into context, Australia and China had economies of comparable size back in 1990.

By 2016, China's economy is likely to be nearly seven times the size of Australia's.

The IMF predicts that in purchasing power parity terms, China's economy will surpass that of the United States by 2016, that is five years from now.

In nominal terms, China may become the world's largest economy by 2030.

It is not only China that is growing, of course.

India too is firmly on the rapid path to big economy status; Japan's economy remains the world's third-biggest; Korea and Australia are major economies, and Indonesia, Vietnam and others in East Asia are growing fast.

The Global Financial Crisis accelerated this shift in economic power: in the five years from 2005-2010, in purchasing power parity terms:

- the Eurozone grew by an accumulated 15%;
- the US economy by 16%;
- India by a massive 67%; and
- China by a staggering 69%.

Regional economic trends are beginning to be reflected in regional military expenditure.

Over the last 20 years, East Asian military expenditure grew by 129% to nearly \$222 billion.

Chinese military expenditure grew by 565% over the same period.

US military expenditure in 2010 was 37% above its 1990 expenditure<sup>1</sup>.

As the SIPRI figures show, the US still spends far more than any other nation – indeed five-to-six times as much as China.

And as SIPRI shows, while East Asia is not spending a huge proportion of its GDP on military expenditure, the nonetheless

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<sup>1</sup>A US\$687 billion 2010 vs 1990 expenditure \$503 billion: Stockholm International Peace Research Institute (SIPRI) Military Expenditure Database April 2011, figures are USD, constant 2009 prices.

rising military expenditure is a direct function of its rising economic growth.

But the relativities are beginning to change. US military expenditure in 1990 was nearly six times as much as that of East Asia; now it is just over three times as much.

These figures underline just how dynamic a factor Asia has become in relative economic and security terms.

Asia has become the main character in the broader story of the world's shifting power dynamics.

Global power is becoming more diffuse than at any time since WWII.

A time in which we've had a 45-year period of twin superpowers, and 20 years of a single superpower.

The United States is still by far the world's leading power, and will remain so for the foreseeable future.

Its presence in Asia is a vital stabiliser, underpinning growth and prosperity.

The world's future prosperity and ultimately the ideas that underpin the future global and regional orders affect the rest of the world, including Europe.

Europe is hugely influential and the combined economy of the European Union is still the world's largest.

Japan's economic and diplomatic weight sustains its role as a major global and regional player.

But other nations – like China, India, Indonesia, Vietnam and Thailand from Australia's region, and like Brazil and Turkey from others – are catching up.

The world of the 21<sup>st</sup> century will be increasingly multipolar.

And furthermore, this multipolarity will occur in a century when economic weight and, increasingly, strategic weight will not centre on the Atlantic axis.

It will centre increasingly on the Pacific axis.

This will be a good thing for the people of Asia – including greater prosperity and less poverty.

It is a good thing also for economies like Australia, which is deeply integrated with the economies of East Asia.

It will also be good for Europe economically, which also will benefit enormously from the increase in productivity and prosperity that greater economic integration with Asia has brought.

Yet emergence of new powers undeniably brings strategic complexity too, as the power relativities that obtained in the 20<sup>th</sup> century are transformed in the 21<sup>st</sup>.

Furthermore, the future strategic stability of Asia is not just relevant to the countries of Asia.

The future strategic stability of Asia now affects the rest of the world, including Europe.

If the strategic stability of East Asia is undermined, it will significantly impact global and economic growth, including Europe's.

It would also impact the democracies of Asia and the values for which they stand as part of the global family of democracies.

So how do democracies and economies like Australia and Sweden confront the new realities of this increasingly multipolar

world of the 21<sup>st</sup> century and furthermore, as noted previously, a multipolarity that is emerging in the context of an overall shift in the global centre of gravity from the trans-Atlantic to the trans-Pacific.

Second, what are the foreign and security policy settings we need to uphold our values, maintain our security and build a new stability based on a global and regional rules-based order?

And third, at the same time, productively participate in the new economic opportunities that the Asia Pacific Century offers us all.

These are among the great foreign policy challenges of our time.

We face these challenges as we pass through tectonic shifts in prevailing power relativities as significant as any over the last 150 years — when America surpassed Britain as the world's largest economy.

The political, cultural and economic transformation we are confronting now is arguably more profound than that.

## **A Regional Rules-based Order in Asia**

Europe has learned from bitter experience across the centuries that we need to develop rules, habits and mechanisms of cooperation to preserve our collective security.

The European Union, which Sweden joined in 1995, is one of the great success stories of the twentieth century despite the challenges recent financial stress has posed.

It has brought together former enemies in a peaceful community unlike any other.

The EU has also maintained a clarity of values: commitment to democracy, human rights and the rule of law.

The EU has helped Europe build rules-based cooperation across its region – political, economic and security.

Robust rules-based cooperation is needed in East Asia too.

As I have made clear, power dynamics are shifting there.

But at the same time there is a long list of unresolved territorial disputes and associated political frictions:

- North Korea's irresponsible and reckless behaviour
- Rising tensions over the East China Sea and the South China Sea
- Russia's territorial claim over Japan's Northern Territories
- The Taiwan Straits remain mercifully stable, although we should not be complacent on this score
- And in the wider region, there is the hardy perennial of India, Pakistan and Kashmir.

Across Asia, we see a very brittle set of security policy relations. And in Asia, we lack the sorts of mechanisms and institutions that Europe has developed to manage security challenges.

Our wider region has no such institution at present like the EU.

There is not even an OSCE.

There has never been the equivalent of a Helsinki process.

In South East Asia, the Association of South East Asian Nations (ASEAN) has led us some of the way.

In the 1970s this group of 10 countries was riven by strife.

35 years later, ASEAN has brought a significant degree of regional trust, peace and development that was unimaginable back then.

What we now need is to expand that sense of common security understanding across the broader region.

That is why, for instance, Australia has worked so hard to develop the concept of an Asia Pacific community.

Before we began on this process, none of the existing organisations brought the main players around one table to even begin to develop a common dialogue on security, let alone develop common security norms for the region.

APEC (the Asia Pacific Economic Cooperation) did not have a political/security mandate – nor did it include India.

The East Asian Summit, the other vehicle through which an Asia Pacific community could be developed, did not include the United States.

That is why Australia argued strongly in ASEAN, and in Washington, for US inclusion in the East Asia Summit.

This finally came to pass in October 2010 when the invitation was issued, although the first Summit meeting including President Obama will not be held until November 2011.

The expansion of the East Asia Summit to include the United States and Russia now means:

- We have an institution comprising all the key players of our region including the United States, Japan, China, the Republic of Korea, Russia, India, the ASEAN states and Australia.
- We have an institution with a mandate to cooperate on the full range of political, security and economic challenges confronting the region.

- And an institution at summit level that is capable of making strategic decisions for our region's future.

This was our core objective in proposing the concept of an Asia Pacific community – a regional institution with sufficient membership and mandate, and meeting at summit level, to begin to carve out a regional rules-based order for the future.

This work has barely begun.

## **The Continued Importance of Hard Power**

Agreeing the future rules of the road in East Asia and the west Pacific is vital.

But the stability and security of a region also requires the underpinning of hard power.

The truth is that the strategic stability and economic prosperity of East Asia has rested on the long standing strategic engagement of the United States.

US strategic presence is vital to long-term regional security.

It's also the foundation on which the elaboration of wider regional concepts of common security is based – including standard confidence building measures of the types seen in other less charged regions of the world.

It is a reminder that foreign policy cannot ultimately be detached from underlying security policy realities.

This also I believe applies to the strength of Europe's foreign policy voice in the world.

This is reflected in Europe's current military engagement in Afghanistan.

This is also reflected with Europe's current engagement in Libya.

And in the past the Balkans.

Some have argued that Europe has no need to increase its military expenditure.

That Europe's economic success makes defence spending a lower priority.

That Europe's relatively benign security environment means it can afford to direct funds and attention elsewhere.

As I said recently at the Munich Security Conference, I respectfully disagree.

The fluid power dynamics and the global challenges of the 21<sup>st</sup> century make this no time for security policy complacency.

The EU is a leader on development spending, but as SIPRI tells us, European defence spending continues to decline in real terms.

And over the last 20 years military expenditure in Western Europe has declined by 7 per cent.

Among many of NATO's EU members, it now stands below 1 per cent of GDP.

I believe that if you want ultimately to defend your democratic values in the world, there has to be a foreign and security policy reality underpinning it.

The intrinsic nobility of the democratic ideal only takes you so far.

The voice of Europe in foreign policy has its greatest credibility when it is backed by a strong security policy posture.

That enables it to operate effectively out of its own theatre when this is essential, as in the case of Afghanistan and Libya.

And Europe has a deep security and economic interest in the future strategic stability of Asia, the growth centre of this century, with which it is increasingly linked economically, and which faces the strategic uncertainty of which I've spoken.

Australia has recognised the need to maintain a strong security posture.

As it is, Australia's defence expenditure – nearly 2% of GDP – ranks with the top 15 in the world in terms of quantum.

In our most recent Defence White Paper, which sets out our investment plans for 'Force 2030', we have committed to increase our defence expenditure in real terms by 3 per cent on average per year for the next seven years, and after that by more than 2 per cent in real terms until 2030.

If Australia was a European state we would come in at number five in military power after France, the UK, Germany and Italy.

We are actively engaged in theatres far from home – like Afghanistan, where we have 1550 troops and 50 civilians engaged.

Sweden is also engaged with us in Afghanistan – and we value that engagement.

We both support humanitarian operations in Libya.

Sweden is providing humanitarian and valuable air support for military operations there.

Australia is the third largest humanitarian contributor to Libya after the US and EU.

But my argument points to this: When we have clarity of values, combined with a commitment to a rules-based order, reinforced with the necessary capabilities of hard power, we have the best combination of assets to maintain the peace – including in the Asia Pacific.

## **Nuclear Proliferation**

We must also deal with the overriding challenge of nuclear weapons – both in the trans-Atlantic and the trans-Pacific, including Europe and Asia.

East Asia is also seeing significant nuclear proliferation.

The DPRK nuclear program is deeply destabilising.

China's strategic rocket force modernisation program continues.

As does India's.

And Pakistan's nuclear weapons program (combined with the legacy of AQ Khan's proliferation activities abroad) also represent real strategic challenges for East Asia into the future.

Three years ago Australia and Japan launched the International Commission for Nuclear Non-proliferation and Disarmament.

This brought together a body of leaders in the field, drawn from a range of countries right across the nuclear divide, to look at ways of advancing a world free of nuclear weapons.

It produced a report that injected fresh thinking into what had become a stale debate.

That was a substantial contribution, but the need for further work and action continues.

So I am pleased that two initiatives are being launched today in Canberra that will take up the challenge from here.

The first is a new Asia Pacific Leadership Network for Nuclear Non-Proliferation and Disarmament.

The network - modeled on a similar European counterpart, convened by Des Browne, the former Defence Secretary of the United Kingdom - will comprise more than thirty former senior political, diplomatic and military leaders from 13 countries of the region.

Former Australian Foreign Minister Gareth Evans will convene the group which will seek to energise policy-makers and public opinion to pursue a world in which nuclear weapons are contained, diminished and ultimately eliminated.

The second initiative is the establishment of a permanent centre at the Australia National University in Canberra to support the work of the network and the outcomes of the Commission.

I am very pleased that much of the intellectual firepower behind this new centre will come from SIPRI here in Sweden, as well as from the Geneva Centre for Security Policy.

I expect that the influence, energy and determination of these good people from Stockholm, Geneva, Canberra and the broader Asia-Pacific will take forward the critically important global nuclear non-proliferation and disarmament agenda.

But governments also have an important role to play.

That is why, at the official level, the governments of Australia and Japan have launched the Nuclear Non-proliferation and Disarmament Initiative (NPDI).

Like the Asia Pacific Leadership Network, the NPDI is also acutely conscious of the problem of nuclear proliferation in Asia where long standing territorial disputes remain rife.

The NPDI comprises ten governments from across the globe.

It is co-chaired by Australia and Japan, but draws its membership from a disparate group of states.

Some that are in alliance relationships with the United States, others that are members of the Non-Aligned movement.

Some from the developed and others from the developing world.

Some with civil nuclear industries, others that rely on other sources of energy.

The group is new – its meeting in Berlin two weeks ago was only its second.

The fundamental mandate of the group is to take forward the recommendations of the 2010 NPT Review Conference.

It seeks practical outcomes - tangible progress, not rhetorical declarations.

In Berlin, the group agreed on some initial concrete steps.

First, to conclude work on a standard reporting form for the nuclear weapons states, to record their progress towards disarmament.

It is important that there be more transparency in this process if the world is to have confidence that real progress is being made in reducing and, eventually, eliminating nuclear weapons.

Second, we agreed to give the Fissile Material Cut-Off Treaty negotiations – which have been languishing in the Conference on Disarmament for fifteen years – one final push in the coming months.

If negotiations in Geneva do not progress this year, we have indicated that we are prepared to bring this important disarmament challenge to the UN General Assembly to determine how to move ahead.

Third, the group will also use its combined diplomatic effort to press those states which have not yet brought into force an Additional Protocol to do so.

Through these practical, tangible – if modest – steps, the NPDI aims to bring new life to the global disarmament agenda.

And, over time, to make progress towards the goal of a world without nuclear weapons, set out by President Obama in Prague.

## **Global Democratic Enlargement**

The future strategic stability of the Asia Pacific is critical not only for those of us from countries in the region – but also for the rest of the world beyond the region.

The stakes are very high for all of us.

We are living through an extraordinary shift in the global balance of power.

We therefore share a global and regional concern to maximise stability during this long period of uncertainty.

This means doubling our efforts in our region to build a rules-based security order from virtually nothing.

It means being clear sighted about the retention of military capabilities given the future strategic uncertainties in the region.

It means acting on nuclear non-proliferation, because the last thing the world would want is a nuclear arms race in Asia.

It also however, means entrenching the democratic project as widely as possible across the emerging economies of the region.

Democracy is not an exclusively western construct.

It is now an idea owned by the world at large.

That is the core operational principle of organisations like IDEA – based here in Stockholm and of which Australia will assume the Chairmanship later this year.

That is why working closely with the world's largest democracy – India - in our combined engagement with the other emerging democracies is so important.

That is why supporting major emerging democracies like Indonesia is so important.

That is why maintaining international pressure on regimes such as Burma and Fiji is so important.

Because we all have a combined interest in planting more seeds of democracy across a region experiencing such extraordinary economic growth.

And it is on this, and the other great transformational challenges unfolding in the Asia Pacific Region, that modern economies and old democracies like Australia and Sweden should work closely together in the future.

## **Conclusion**

Sweden and Australia have much in common.

Common values.

Sophisticated economies.

A history of global diplomatic engagement.

Active in the UN institutional framework from the beginning.

Committed to the principles of building and strengthening the global and regional rules-based order, because we understand that small and middle powers rely on that order for their future.

That's why Australia and Sweden and the other Nordics are all working increasingly together on the great global challenges we face in the future, including on the global impact of the radical changes unfolding for the world in this Asia Pacific century.