

Michael Costello, AO

Secretary, Foreign Affairs and Trade, 1993–96

Background

Michael Costello was secretary in the last years of the Keating Labor Government, years characterised, above all, by an intensification of Australia's engagement with Asia. This ambition for more comprehensive relationships with Asia was occasioned partly by the end of the Cold War but was also generated by the need felt by Australia — along with most other countries — to define its role in the new global order. The debate about civilisation and values sparked by Samuel Huntington's 1993 'Clash of Civilizations' article was a foretaste of the challenges of terrorism and the 'rise' of Islam.¹

Internationally, this period marked some high points and low points for multilateralism. It not only featured the completion of the Uruguay Round of Multilateral Trade Negotiations, but also the emergence of unprecedented regionalism around the world: in Europe (the 1992 Maastricht Treaty); in North America (the 1993 NAFTA Agreement); and in the Asia Pacific (APEC's first summit was in 1993). Tragically, it was also the time of the break-up of Yugoslavia and the aftermath, including the United Nations mixed record in humanitarian intervention and nation-building.

Costello was secretary of the Department of Industrial Relations at the time of his appointment to head DFAT. He had previously been, for several years, deputy secretary of the department and had also served as Australian Ambassador to the United Nations in New York. He had played a prominent role in negotiating the Cambodia Peace Agreement on behalf of Foreign Minister, Gareth Evans, personally undertaking what was perhaps Australia's first example of 'shuttle diplomacy'.

During this period, the Department of Foreign Affairs and Trade and Costello himself, were directly involved in Australia's pro-active approach to Asia. Yet departmental management continued to be strained by expectations that 'DFAT would do more with less'.² Costello was comfortable with both his policy and managerial responsibilities. The Howard Government's summary dismissal of Costello, along with five other departmental secretaries, when it took office in March 1996 was much later described by journalist Paul Kelly as 'the greatest blood-letting upon any change of government since Federation'.³

Since leaving DFAT, Michael Costello has, amongst other things, been active as a commentator on national and international affairs for *The Australian* newspaper,

while also working as CEO of ACTEW, the Australian Capital Territory's electricity and water authority.

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I last spoke to the Institute of International Affairs on the 23 February 1995. I have nothing but fond memories of this Institute. Even so, I was reluctant to speak here today. First of all, I am quite concerned about these occasions. The trouble with former heads of this and bosses of that is we feel deep down that we were giants in our time and everything has 'gone to the dogs' since we left. We tell old 'war stories' and we regale ourselves about how the young chaps of the day cannot measure up and, of course, none of that is true. So I hope I avoid that in this presentation.

Another reason, which is a very practical one, is that I did not leave the department in the familiar way of most secretaries. That is, I did not retire with accolades all round. Along with five of my secretary colleagues at the time, I was sacked in 1996 by the incoming Government.

Fortunately, I did not have an individual contract, so that I could leave in some sort of order. Some of my colleagues were told on Thursday evening or Friday morning that their time was up and they had to hand in their car keys and leave by lunchtime. It was one of the truly ugly occasions of my working life. This did not happen to me only because I had not signed an individual contract. I had stayed with the more traditional way of doing things. This is a long lead-up to what is basically an excuse. I have a full-time job. After I left DFAT, I went to work as deputy managing director of the Australian Stock Exchange until 1999 when I joined Kim Beazley (then Leader of the Opposition) as his chief of staff.

After the election of 2001, I was — in those beautiful words — 'between engagements', 'resting' for about 18 months. Then I became managing director of ACTEW Corporation. Most of you will be familiar with seeing my ugly face on television at various times asking you to use less water. That has been a surprisingly stimulating and interesting job and certainly a full-time one when I add it to my other directorships and writing a weekly column for *The Australian*.

Again, this is a long way of saying that I have not had time to write a carefully worded speech, the kind of excellent and thoughtful review of my time as secretary that you have heard from Peter Henderson and Dick Woolcott, and I have not had the time to access the records. So today I am doing this from notes. I cannot claim to be like Sir Arthur Tange, who used to speak from four dot points and produce perfectly parsed sentences. And certainly not as well as Gareth Evans who could deliver not just perfect sentences off the cuff, but perfect paragraphs. But I will do my best.

I will talk about a few of the big Departmental issues from my time as secretary — issues, which I feel are still important and major today — to see where they have gone. I will also touch on a few of the big policy issues which were around at that time and reflect on where they stand today: to see what is different and to see if there are any general conclusions to be drawn.

What are the Departmental issues? Dick Woolcott was the secretary who had to implement the integration of the Departments of Foreign Affairs and Trade. He took that very hot potato and lobbed it in my direction, along with Michael Lightowler and Peter Field as my deputy secretaries.⁴ We embarked on a very intensive period when we put the two departments together.

The reason I raise this is because the newspaper I write for recently ran a vigorous campaign asking whether this had been such a good idea after all. It did so in the context of the Australian Wheat Board scandal. Their argument was that if you had kept the two departments separate, the old Department of Foreign Affairs, with its focus on concerns about rigorous enforcement of United Nations Security Council resolutions, would have made certain that this would not have happened. Because it was an amalgamated organisation, so went the argument, it gave priority to trade issues, or at least the same people who were responsible for the foreign policy issues also had to weigh the balance of our trade interests. So rather than having a tremendous contest that would have to be resolved in cabinet, it was resolved at a lower level, even perhaps subconsciously.

I profoundly disagree with that point of view. I always thought that the marriage between Foreign Affairs and Trade was one of the best things that has happened in the public service. It did, at the time, lead to greater application of resources and focus on what were and remain priorities for us — economic and trade issues. But it is a simple fact that, as the counsel assisting the Cole Inquiry into the Australian Wheat Board remarked at the time, in the period up to the middle of 1996 the department had vigorously implemented, overseen and insisted on the letter of the Iraq sanctions. Something changed after that and the investigation was, in part, into what happened.⁵

I think it is fair to say that in my day I never found the government saying to me that I should pull my punches on foreign policy because Australia had an important trade concern at stake. It may have been because of the particular personality of Gareth Evans, the minister at the time, who was such a dominant figure. But I do not think it is a systemic issue and that is the point that I really want to lead into now.

There is a great deal of talk in the press about the independence of the public service — has it been compromised? It was a big issue in my day and indeed there are some people who would say that my very appointment raised this issue. After all, it was no secret that I was a member and a strong supporter of the Labor Party. One is allowed to be such and I think that is still the case. But

there could have been a view that I got the job because of my involvement with the ALP.

All I know is that my first job as departmental secretary was as head of the Department of Industrial Relations. We brought in the first enterprise bargaining system in the Australian Public Service, negotiating the first ever federal enterprise bargaining agreement. It was an interesting situation — me and a note-taker on our side of the table and 34 trade unionists on the other.

Leaving aside my appointment, I am worried that somehow there is a view that there is a Platonic ideal of the national interest, which exists somewhere in the ether, that is really only understood by the public service, or indeed in some cases, by the military as, potentially, in Fiji. People who hold this view are saying that we, the public servant and the military, are the final repositories of what is the public interest. Prime Minister Thaksin Shinawatra of Thailand may have been democratically elected and was almost certain to be re-elected overwhelmingly in the next election, but he was seen by the military to be 'acting against the public interest', so he was replaced. You hear the same argument from the commander of the armed forces in Fiji. There seems to be a residual idea that there is a higher loyalty among public servants or the military than to the government of the day. In my view, this is absolutely and completely wrong.

We all have our views of what constitutes the national interest. We can all go to an election and contest it, by standing ourselves, or supporting particular political parties or simply by voting. In the end, the people who are elected in an election are the people who decide, for the period of their time in government, what is going to be the national interest. So, it is the duty of public servants to give the best, firmest and clearest, most uncompromising policy advice they possibly can and, indeed, to press it hard if they believe it. But, it is also their job to accept the answer or, if they cannot tolerate it, to ask to be shifted somewhere else or to leave. I say this because many people to whom I feel close and with whom I identify on policy issues, seem to me to have a view that somehow in accepting a minister's decision a public servant is compromising their independence. In my view, they are not; they are simply doing their job.

This is one of the things that makes me uncomfortable about 'freedom of information'. There has been a lot of argument about this, but it can make you uncomfortable about committing some things to paper as a public servant because, when you say things in very direct terms in writing to a minister, you worry that someone might get access to it and the minister might be politically damaged by quotes from contrary advice from the public service. If for some reason or other the minister gets advice and does not act on it, it is seen as an outrage and a disgrace, yet it is their job as minister to make the decision.

In a legitimate debate about what should be open and what should not, this is a problem which is not given enough credence, yet I do feel it is having a real impact on what public servants are prepared to put on record in notes and advice.

The absolute key, in my view, was the independence of the secretary and the senior officers. That is why I opposed the legislation of 1984, brought in by Labor, removing the permanency of secretaries. It is why I opposed the introduction of contracts in 1994 and refused to accept one. Secretaries and senior officers of the department are the bulwark, knowing that, while they may be removed from a particular job by a minister, they are not going to be thrown on the scrap heap of unemployment at the age of 45. It was suggested to me that a secretary was cowardly to put their livelihood ahead of the national interest and this may be true. But if you have kids at school and things like that to worry about, you might be tempted.

In the end, whether it is ministerial staff or ministers or whatever, what matters is the culture established by the government of the day. You can have all the systems, checks and balances that you like, but it is the culture established by the minister of that department and, indeed, by the cabinet of the day, that matters. I think the problems you see in the Immigration Department are not systemic, but are undoubtedly the result of the culture established there. I am not saying it is an illegitimate culture — I am not arguing that here, although I have my personal views — but it is a culture established by the government and it bears the responsibility for this.

I will now turn to some big policy issues of the day and focus on one of the issues that distresses me even today and this is trade. During my time as secretary, the Uruguay Round of trade negotiations came to fruition. It was a tremendous time for trade policy: huge advances were made in that round. One of the reasons was because Australia resisted the drive by the United States Secretary of State, James Baker, for what the Americans described as a 'hubs and spokes' policy. That is, the United States would be the hub and they would send out spokes and we would all be little points revolving around the United States. So the United States wanted preferential trade agreements. We resisted this as strongly as we could because we knew it would undermine the Uruguay Round negotiations and we were able to stop it.

One of the tragedies of trade policy today is that we have fallen for these so-called bilateral free trade agreements that are properly called Preferential Trade Agreements. Despite all the arguments to the contrary, I do not think there is any doubt that it has undermined dramatically and drastically the drive for a new round of multilateral trade liberalisation. I think it has substantially undermined support for free trade in the United States in particular, yet US support for a multilateral round is really the *sine qua non*. You will see after the November 2006 mid-term election in the United States a substantial period ahead

when the Congress will not support new multilateral free trade arrangements: you might as well put them on the back burner. I put this down primarily to this drive for preferential trade agreements.

I will now turn to Asia. This is a big subject. Many people associate Paul Keating with Australia's push into Asia, but in fact it goes back to the 1950s. It goes back to Dick Woolcott who invented APEC. But it is true to say that both Bob Hawke and especially Keating gave greater emphasis to our involvement in Asia. One of the things that is very unfortunate about the debate in this country is that it was portrayed as a policy of 'we are Asians'. The then Leader of the Opposition, John Howard, claimed that the policy of the Labor Party was to make us Asians and that it was a policy of downgrading the relationship with the United States, which was quite untrue.

Keating's drive at the time was, in significant part, due to his concern about a disengagement of the United States from the region. He believed it would be bad for our national interest if the United States was to lose interest in Asia and to focus only on narrow aspects of its relationship with the Eastern Rim of the Pacific. That was why he worked so hard to take what was originally a Hawke proposal, that is APEC, and to turn it into something much bigger. Dick Woolcott led the effort as the Government's Special Envoy and, later, I had a modest role as secretary.

The aim of APEC was to create an overarching structure that would commit the United States at presidential level to the region, along with China. It worked for a while but, unfortunately, there was a strong drive by Prime Minister Mahathir of Malaysia, strongly but privately supported by China, to enlarge APEC so much that it would lose a lot of its salience. They succeeded substantially in doing this.

The ASEAN Regional Forum, an Evans initiative, was also established at this time. I simply do not know enough to comment on how well it is working now. What we have really seen in the last 10 years is a Chinese effort to create structures that will exclude the United States, which is working pretty well. The East Asian Summit will, over time, challenge the APEC Summit — you will not get heads of countries coming to two leadership meetings on a regular basis — and of course the key thing about the East Asian Summit is that it does not include the United States. This is not just the fault of the Chinese and those who planned it this way. It is also the fault of the United States which in this presidential period has had far less interest in the structures of South East Asia, focusing instead on North Asia as it traditionally did: first, the threat from China and, now, from North Korea plus the relationship with Japan. It is much less interested in the broader sweep of events in the region. This represents a backward step.

On the subject of Australia's relations with Indonesia, we live with deep distrust between the two countries, not just from our side, but from their side towards us. Probably, in Australia it is a sentiment that is found in our population. In Indonesia, it is partly population, but their elites are more hostile and dislike us far more than our elites dislike and distrust Indonesia. This results from Australian governments doing things that were unavoidable, such as in East Timor and taking refugees from West Irian (West Papua, as it is called now). It is very hard to convince Indonesia, despite the new Australian security agreement with them, that Australians do not secretly support the separation of West Papua.

Why is that? Because we once had an absolutely adamant, uncompromising commitment to Indonesia's sovereignty in East Timor. Indeed, Prime Minister Howard's famous letter to then President B.J. Habibie proposing the great referendum said the whole purpose of this was to support the Government's absolute commitment to the continued incorporation of East Timor into Indonesia. Unfortunately, Habibie was one of the more erratic human beings and went down a path that was entirely unexpected.

But imagine your feelings about this if you were an Indonesian. You had seen Australian political parties on both sides (and Prime Minister Howard more vigorously than perhaps any other figure, if you go back and read his statements over 20 years) saying that East Timor is part of Indonesia and we will continue to support that when, in the end, we did not. What would you, as an Indonesian, think when we make similar protestations about Irian Jaya? So we have a really difficult time ahead of us that is not going to be solved by one prime minister or a particular government. It will take perhaps 50 years of sustained effort and I do not think we are putting the sustained effort into the human and cultural language links that we need.

As for 'the Great Powers', I remember it being said in the 1980s that Japan was going to take over the world and be the world's number one economy. Some said this meant the end of the American empire. Whoops! In the 1990s there was the collapse of the Soviet Union and the end of the East-West conflict — at least it seemed that way. The United States was the sole superpower: described by Bill Clinton's Secretary of State as the 'indispensable superpower', described today as the 'unavoidable superpower'. Now, of course, we are seeing the limits of that power.

We are seeing the rise of China and India, particularly economically. This is hardly surprising, even looking back to the evidence available then. If you pour in enough labour and enough capital then, as the Soviet Union found right up to the mid-1960s, your economy can grow faster than anyone else's. But there is a certain point where you hit technology barriers where you cannot pour in any more labour and capital: you need much higher levels of technology and

skills and training. China and India are nowhere near that point yet, but China is probably nearer to it than India.

In my view the Western Alliance — and this is a big statement — is fairly much dead. On Islam: we missed its rise; we missed the implications of the return of Khomeini and the hostage crisis in Iran; we missed the implications of Hezbollah; we missed the implications of what was happening with the various terrorist attacks of the time. We simply did not grasp its fundamental importance to the next 20 or 30 years. I think we still underestimate how important and how fundamental this is going to be for us.

The main problem for Australia remains much the same. We do not have the military power to impose our will on others. The Solomon Islands and Papua New Guinea — even East Timor — have shown us that. We do not have the economic power to bribe others to get our way. We need to persuade people. It is a very old fashioned idea and it is called diplomacy. We need to invest a huge amount of time, effort and resources into it.

One of the things I did when I was secretary was have a global plan approved by the cabinet for a substantial increase in the resources we devoted to the Department of Foreign Affairs and Trade on the political side, rather than just trade. I felt we really needed to up upgrade our political reporting on Indonesia, the region and the world. It was great plan, but there was a change of government and the department was cut by 25 per cent for budgetary reasons and it was not possible. I think this argument remains valid and I think it is particularly true in the case of Indonesia. Dick Woolcott coined a phrase: Australia is 'the odd man in of Asia'. That means 'yes', we are part of it; 'yes', we do our best; but always as the slightly odd figure at the table. We have got to learn to be comfortable with that and operate that way, rather than insisting we can be just like the other Asians. We are not like them and they do not think we are and, indeed, our own people do not think we are.

What about the 'realism' versus 'idealism' debate? What it comes down to is this: I always like to have in my mind the three 'Ps' — principle, pragmatism and patience. I believe if you do not have, at the forefront of your foreign policy and the way you conduct it, the right principles — that is ideals — you will fail in the medium to long term. I do not believe the idea that stability, above all, is the key idea. I think that has been disproved. But you need absolute pragmatism in pursuit of those principles and ideals and that is exactly what we have not seen in the case of the current war in Iraq. No pragmatism, no quality in execution, no ability to undertake this properly and think it through carefully and to accept that it might take 15 to 25 years to achieve your goals there and that you will then have to take steps sideways and backwards. You cannot achieve it in five minutes. It is not a 'McDonald's' world when it comes to foreign policy.

This brings me to the third point — patience. When I look back at our success with Cambodia, we did something that was well worthwhile.³ But you would not look at Cambodia now and say how wonderful it is, because it isn't and it won't be for maybe another 30 years. The Western world's own attainment of democracy, liberalism and economic success took us centuries and we should not expect that we can achieve these ideals quickly there. But what we must not do is take those issues off the agenda.

The task remains the same and the principles remain the same. The quality of the people working in the department is as high, if not higher than it ever was. They are outstanding individuals. I do not know the current secretary but, by all accounts, he is a fine person. You look at people like Nick Warner in Defence, which is a fine appointment. Ric Smith was a great leader, Dennis Richardson, Paul O'Sullivan, all first rate people.⁶

So in the end we can fall into the danger of focusing too much on 'it is not the way it was in our day'. No, it is not; it is a different game. But in the end, the whole culture, the whole approach, is set by the government of the day. That is, what we as public servants and diplomats have to accept. That is the key conclusion I have come to looking back on that time. The quality of the politicians and their ideology is what dictates how you proceed.

Question: The rise of China is a major challenge. How do we go about adjusting to it?

The reality of Chinese power is that it is not as great as many think it is. The Chinese economy is still quite a bit smaller than that of California and its military capability — its strategic reach — is extremely limited. However, in military and security terms, where it matters is dragging in our allies into a conflict over Taiwan. This is the only circumstance where I could see China using military power outside its borders, unless something truly unexpected happens in Korea.

My view of China is that they regard the last 400 to 500 years as an aberration. They see, along with parts of the Islamic world, that the time of the West is over and they will return to their rightful position as the leading power in the world sometime in the next 40 or 50 years. I think they are also very patient about it. They have that pragmatism and patience I was talking about and they are going to risk little in achieving their goals. They are certainly going to risk very little within their country. There is no particular sign of any liberalisation. Our problem is that we are dealing with a country that is a dictatorship and, quite often a particularly unpleasant one. Yet we have important economic and trade interests with it.

We have managed this before and I do not see that we should not continue to be able to do so. But what worries me is if we pursue fundamental human rights issues with China only in a purely pro forma way. I think you can do both

because, in the end, China is pragmatic. If it needs what we have to sell, it will buy it at the right price. So you can pursue human rights in a real way. But China is obsessed — and I can see why — with easing the United States out of this part of the world. I think the Americans have relatively little interest in South-east Asia and that is a factor in the present US government's total preoccupation with the Middle East and North Asia. We are going to be more on our own and whether or not Australia can be in lock-step with the United States in this part of the world is a big question.

I do not think that simply saying 'have whatever you want' is a basis for policy towards China any more than it should be a policy in relation to any other country. But I fear there is a strong lobby in Australia, particularly in the business community, which feels this should be the case.

Question: There seems to be a push to put some substance into our relations with India. This has happened at least four times. Have we left it too late?

I think we have tried. You can only court someone if they want to be courted. They simply were not interested in us, in part for a good long while because they saw us as simply lackeys of the Americans and their tilt was towards the Soviet Union. I remember trying to engage the Indians myself as part of one of those efforts you have recalled. It was one of my many failures — they just were not interested. They visited Australia; we had what we thought were some terrific days; we thought we had broken through the barriers. Then the word came back later to the effect that they had looked at all the ideas we discussed and on reflection decided 'perhaps not'.

I do not think we have missed the boat in economic or trade terms. Who knows? You have in China a disciplined government of a traditional authoritarian kind and it has the curious combination of authoritarian goal-setting but also semi-market forces, at least in the international exposure of its economy. But if you look carefully at what they are doing, you see that they have massive amounts of surplus labour available and they are able to get access to large amounts of capital through their own domestic savings and through foreign investment. If you put the two together and just keep pouring it in, your economy is going to grow and grow strongly.

It happened to the Soviet Union in the 1950s and early 1960s when they were growing more strongly than the United States. When Nikita Khrushchev banged his shoe on the table and said 'we will bury you', he was actually talking about burying the United States economically. And at the time it seemed as though they would. Then they ran out of surplus labour and ran out of capital and they had a technology issue with lack of access to the latest in thinking and ideas.

I do not think India will face that problem. They are hugely well educated and are involved with some of the world's great institutions. However, I think the Chinese have learnt that lesson too and they are investing hugely in education, which is a challenge to us. One of our most important industries in this country is our education industry. But if we do not invest more in it, through either the public or private sector, much more than we do at the moment, we are not going to be able to attract them and they are going to turn more and more to their own capabilities.

To sum up, we are far from too late with India. If the Indians see there is a dollar to be made from us, they will be in it. If we are not worth trading with, they won't. We just have to be competitive.

Question: Cambodia was a success, can you comment on the drivers that made it a success and their application to the problems of today?

The negotiations were a success. But everyone focuses on that extremely brief period from late 1989 to the middle of 1990. The deal was actually done in September 1990. But the process began in 1983. Bill Hayden worked very hard at it for three or four years, but it did not work then, the reason being the geo-strategic situation did not allow it. At the time the Soviet Union was still a dominant power, second only to the United States: China saw itself as being threatened by the Russians on its northern border and on its southern border it saw itself as being threatened by Vietnam, a Soviet ally as it was then. It saw Cambodia as a field for playing out that conflict, so it gave its support to the Khmer Rouge.

When that changed and the Soviet Union collapsed, Moscow could no longer afford to have Vietnam as a client and Vietnam said, 'we are sorry, we cannot be in Cambodia any more'. The Chinese saw that they did not have to worry about Vietnam being a threat. It also meant that the Thais no longer had the threat of the Vietnamese against their border. So the whole geo-strategic situation opened up and the reason Australia had credibility to pull this off was because of Hayden. By that time the Prime Minister of Cambodia was Hun Sen and he had been Foreign Minister beforehand. Hayden had met him in Ho Chi Minh City, but the Hayden initiative ended because the whole of ASEAN objected, regarding this as an act of total treachery. But Hun Sen remembered it and regarded it as an act of great courage. So did Vietnam.

So we dreamt up this idea of a United Nations role. It was the change in the Big Power relationships that made possible what was simply not possible before. You can only do things that geo-strategic reality will allow you to do. Just having good ideas and being energetic and vigorous will not make it happen. Yet, equally, if it had not been for that meeting between Hayden and Hun Sen in Ho

Chi Minh City we would have had no standing. We would have been seen as another lackey of the United States. That is how most of the region saw us and, to a certain extent, still do. It is a fact that whatever political party is in office in Australia we are going to be a close ally of the United States. That is how people think about us. Sometimes that is very useful.

Question: Do you think we underestimate American awareness of Asia?

Popular American awareness of South-east Asia is about zero, but then it is about zero for the rest of the world. There are people in the United States who are experts on this part of the world but the United States made no effort to be part of the East Asia Summit and said to us, 'go ahead and join'. In 1989 James Baker was outraged when Hawke first proposed APEC and the United States was not supposed to be in it. I was at the meeting between Gareth Evans and Jim Baker when this came up and it was a terrible meeting. But now — I do not think it is good or bad — the Americans have just got other focuses: the Middle East, North Asia and Japan. I just think other things are more to the forefront in their minds and it is a lot harder than it was to get their attention.

That should not alarm us. But I am concerned about this perception that Australia is a 'poodle' of the United States. (I always think these epithets are extremely unhelpful.) The Coalition parties and the Labor Party do have different approaches, but the sort of thing that Howard was saying about Labor trashing the relationship with the United States and giving it a low priority, is completely wrong. It is also completely wrong for people to say we are behaving like a poodle by deciding to be close to the United States. We are not.

The Howard Government, quite early in its life, made a calculated decision about our national interest that the right thing to do would be to be as close as we possibly could to the United States, the world's number one economic and military power, and that was the smart thing to do. Whether it was or it wasn't, I do not think they felt like poodles. You might remember that George Bush was not in office when that decision was made and Bill Clinton was never particularly nice to John Howard.

So I think these ways of characterising policy towards the United States do not help very much. People have different views, but there is one coherent view and that is no matter which political party you are in, with the possible exception of the Greens, there is a strong commitment to the United States relationship. The difference may be that there is a much greater willingness on the part of Labor to have disagreements with them.

The Labor Party is always going to feel more comfortable with a Democratic president and a Republican government in the United States will feel happier with a Coalition Government here. They have common political interests and

common domestic policies in many cases. I do not see why people should see this as a strange thing. Labor had a perfectly decent relationship with Reagan and Jim Baker, but there was a much closer relationship with Clinton. This [the Howard] Government had a perfectly respectable relationship with Clinton as far as I am aware, but has a very close relationship with its political soul-mate, the Republican Party.

Conclusion: Idealism and pragmatism

I went to a Lowy Institute seminar which, from left, right and centre, was basically a 'Bag Bush' fest over Iraq. The most common theme was how naïve, innocent and foolish the Americans were to have this ideal of supporting liberty around the world: that this could not be a basis for foreign policy; and that in this world you had to be realistic and promote stability as the key.

Of all people, Robert Manne⁷ gave a lecture on the importance of the Treaty of Westphalia which established the principle of national sovereignty. I recall that the Soviet Union used to quote the Treaty of Westphalia to me when we used to raise human rights issues with them. Every crummy dictator around the world used to give us lectures about the principles of mutual respect, sovereignty, independence and non-interference in internal affairs, the codeword being 'let us murder our people without you saying anything'. I was not particularly persuaded by that argument.

The other idea that was repeatedly referred to was 'containment'. Couldn't we have contained Iraq as we had done successfully with the Soviet Union, went the argument. Some success — sanctions in Iraq were supposed to contain Iraq, but became a complete shambles as the Chinese, Russians and especially the French, cheated on them as fast as they could go. What I had not realised is that an Australian company was a big cheater too.

People kept quoting the case of the Soviet Union, which they said had been successfully contained for more than 40 years after World War II, without the risks we were taking with Iraq. But part of the policy of containment of the Soviet Union were doctrines called 'mutually assured destruction' and 'extended deterrence'. Under the principles of containment, it was policy that if the Soviet Union attacked the United States or Western Europe, or us, or Japan, by conventional means, the United States would respond with a nuclear attack which would undoubtedly bring a nuclear attack on the United States and the rest of us.

It seems to me that this was far less realist, far less cautious or pragmatic and non-idealistic than anything Bush has ever proposed. Huge risks were taken in the name of containment, not only in the early 1960s, but in early 1983 when, during Exercise Archer in Western Europe, the Soviets misread all the signals and thought the Americans and Western Europeans were about to launch an

attack on them. So every time I hear that containment was such a moderate, cautious, sensible policy in pursuit of a great principle — we were not going to let Western Europe be taken over; we were not going to let the Soviet Union run large parts of the world — I am reminded that huge risks were taken which, fortunately, for us all never eventuated.

The pursuit of stability has been a highly sterile policy. It was stability that led us to support Iraq against Iran.

You have got to have clear ideals — and just because George Bush said it, does not mean it is not true. His second inaugural address was one of the great modern speeches you will read. But nobody took any notice of it because it was viewed through the prism of ‘pre-emption’, Iraq, aggressive cowboy-style language, language he has the good sense now to regret that he used. If you go back and read it now, it was fantastic — great ideals, full of humility, but by that time it was too late. Bush had lost that battle.

ENDNOTES

¹ Huntington’s article later appeared as a book *The Clash of Civilizations and the Remaking of World Order*, New York: Simon & Schuster, 1996.

² *Seeking Asian Engagement: Australia in World Affairs 1991-95*, edited by James Cotton and John Ravenhill, Oxford University Press, Australia, Melbourne, 1997.

³ Paul Kelly, ‘The Cunningham Lecture for the Australian Academy of Social Sciences’, Occasional Paper Series 4/2005.

⁴ Peter Field and Mike Lightowler were deputy secretaries in the Department of Trade at the time of the amalgamation of the Foreign Affairs and Trade in 1987. Deputy secretary from 1987–94, Peter Field was Australia’s Chief Negotiator for the Uruguay Round of Multilateral Trade Negotiations.

⁵ See Linda Botterill ‘Doing it for the Growers in Iraq?: The AWB, Oil-for-Food and the Cole Inquiry’, *Australian Journal of Public Administration*, Volume 66, Issue 1, pp. 4-12, March 2007.

⁶ Ric Smith was Secretary of Defence (2002-06), Dennis Richardson was Director-General of the Australian Security Intelligence Organisation (ASIO) (1996-2005), and Paul O’Sullivan succeeded him in 2005.

⁷ Robert Manne is Professor of Politics at La Trobe University in Melbourne and was for many years editor of *Quadrant*, the ‘independent’ journal of ‘ideas and literature’.